

SENATE SUBCOMMITTEE REPORTS

H.B. 2395

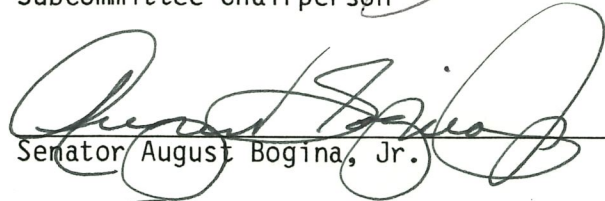
Sec. 25 - Kansas Public Employees Retirement System

H.B. 2221

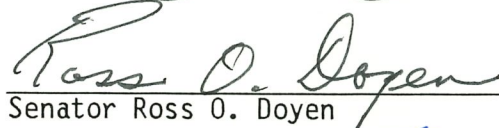
Sec. 2 - Kansas Public Employees Retirement System



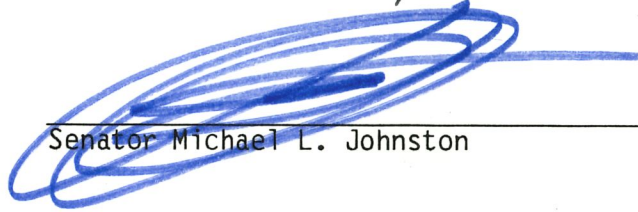
Senator Robert V. Talkington
Subcommittee Chairperson



Senator August Bogina, Jr.



Senator Ross O. Doyen



Senator Michael L. Johnston

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SUBCOMMITTEE REPORT

Agency: Kansas Public Employees
Retirement System (KPERs)

Bill No. --

Bill Sec. --

Analyst: Conroy

Analysis Pg. No. 69

Budget Pg. No. 1-141
3-31

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 3,726,968	\$ 3,517,740	\$ (160,000)
Aid to Local Units	44,157,336	32,957,336	11,615,220
Other Assistance	115,143,183	115,143,183	--
TOTAL	<u>\$163,027,487</u>	<u>\$151,618,259</u>	<u>\$11,455,220</u>
State General Fund:			
Aid to Local Units	\$ 44,157,336	\$ 32,957,336	\$11,615,220
FTE Positions	60.0	60.0	--

Agency Request/Governor's Recommendation

The agency's FY 1987 revised estimate totals \$163,027,587. A State General Fund supplemental appropriation of \$586,336 is requested for employers' retirement contributions for public school employees. The revised FY 1987 estimate for operating expenses is a net decrease of \$228,925 from the approved amount of \$3,267,731. The largest portion of the reduction is in data processing fees.

The Governor's recommendation for FY 1987 is \$151,618,259, which includes a reduction of \$209,328 for state operations below the agency's estimate. The Governor has also decreased the amount of funds for public school employers' contributions from the agency estimated amount of \$44,157,336 to \$32,957,336 or a reduction of \$11,200,000. The Governor recommends delaying one quarterly payment from FY 1987 to FY 1988.

House Subcommittee Recommendation

FY 1987. The House Subcommittee concurs with the Governor's recommendations with the following adjustments:

1. Delete \$150,000 for total contractual services based on current and estimated expenditure patterns.
2. Delete \$10,000 for commodities based on current and estimated expenditure patterns.

3. Add \$11,615,220 (all from the State General Fund) to fully fund the statutorily required public school employers' contributions. The amount includes \$10,849,673 for the April 1, 1987 quarterly transfer and \$765,547 in supplemental funds based on higher than estimated school payrolls. The Subcommittee notes that delaying the April 1, 1987 quarterly public school employers' contributions requires a change in existing law which has not passed the 1987 Legislature. S.B. 163 which would delay the transfer is currently in this Committee. The Subcommittee also points out that delaying the required employers' contributions would set a dangerous precedent and mark a major shift in public policy in terms of funding our public employees retirement system in the most responsible and actuarially sound manner. The Subcommittee is concerned that once the precedent is set and the state begins to shift and delay employers' retirement contributions that the financial soundness of the retirement system will suffer. Finally, the Subcommittee notes that under existing federal law a private pension plan would not be allowed to make such sweeping changes as contained in S.B. 163. Kansas has always taken the lead in responsible funding for our public employees retirement system and the Subcommittee urges that this policy not change.

House Committee Recommendations

The House Committee concurs with the Subcommittee's recommendations.

House Committee of the Whole
Recommendation

The House concurs with the Committee's recommendations.

Senate Subcommittee Recommendation

<u>Expenditure Summary</u>	<u>House Adj. FY 87</u>	<u>House Rec. FY 87</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ (160,000)	\$ 3,357,740	\$ --
Aid to Local Units	11,615,220	44,572,556	--
Other Assistance	--	115,143,183	--
TOTAL	<u>\$11,455,220</u>	<u>\$163,073,479</u>	<u>\$ --</u>
State General Fund:			
Aid to Local Units	\$ 11,615,220	\$ 44,572,556	\$ --
FTE Positions	--	60.0	--

The Senate Subcommittee concurs with the House recommendations with the following comment:

1. Pending complete legislative action on S.B. 163, which deals with the proposed change in the State General Fund transfer for KPERS public school employer's contributions, the Subcommittee makes no adjustment to the House recommendations. However, should S.B. 163 pass both chambers, the Subcommittee would recommend consideration be given concerning the appropriate amount of funds for public school employer's contributions.

365.87

SUBCOMMITTEE REPORT

**Agency: Kansas Public Employees
Retirement System (KPERS)**

Bill No. 2221

Bill Sec. 2

Analyst: Conroy

Analysis Pg. No. 69

**Budget Pg. No. 1-141
3-31**

<u>Expenditure Summary</u>	<u>Agency Req. FY 88</u>	<u>Governor's Rec. FY 88</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 3,304,701	\$ 3,219,035	\$ (60,000)
Aid to Local Units	46,365,647	57,898,061	(11,700,000)
Other Assistance	122,585,077	122,585,077	--
TOTAL	<u>\$ 172,255,425</u>	<u>\$183,702,173</u>	<u>\$(11,760,000)</u>
State General Fund:			
Aid to Local Units	\$ 46,365,647	\$ 57,898,061	\$(11,700,000)
FTE Positions	60.0	60.0	--

Agency Request/Governor's Recommendation

The KPERS operating budget request for FY 1988 totals \$172,255,425. In state operations the agency is proposing continued development of the agency's data processing system and implementation of a toll-free number to serve members of the retirement system. The increase requested for local aid for the public school employers' contributions for retirement is based on school budget limitations of 2 percent and 3.5 percent and a certified employer contribution rate of 4.1 percent. Public employees retirement and disability benefits are estimated to increase by \$7,441,894 or 6.5 percent from the FY 1987 revised estimate.

For FY 1988 the Governor recommends a total budget of \$183,702,173, or \$11,446,748 above the agency request. The Governor's recommendation for state operations is \$3,219,035 or \$85,666 less than the agency requested. The Governor recommends \$57,898,061 or \$11,532,414 above the agency request for public school employers' contributions. The recommendation is based on delaying one quarterly payment from FY 1987 to FY 1988 and also changing the FY 1988 payments from quarterly to semi-annually. The FY 1988 recommendation is based on school budget limitations of 2 percent and 3.5 percent, an employer contribution rate of 4.1 percent, and \$500,000 in interest for the delay in the FY 1987 payment.

House Subcommittee Recommendation

FY 1988. The House Subcommittee concurs with the Governor's recommendations with the following adjustments:

1. Delete \$50,000 for total contractual services based on lower than anticipated expenditures. The Committee notes in particular the 41.5 percent increase in utilities in FY 1988 from the FY 1986 actual.
2. Delete \$10,000 for commodities based on lower than anticipated expenditures.
3. Delete \$11,700,000 for public school employers' contributions. (See discussion in the agency's FY 1987 Subcommittee report.) The amount includes \$11,200,000 in the delayed FY 1987 quarterly transfer and \$500,000 in interest the Governor has recommended as payment to KPERS for the delayed transfer.

House Committee Recommendations

The House Committee concurs with the Subcommittee's recommendations.

House Committee of the Whole
Recommendation

The House Committee concurs with the Committee's recommendations.

Senate Subcommittee Recommendation

<u>Expenditure Summary</u>	<u>House Adj. FY 88</u>	<u>House Rec. FY 88</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ (60,000)	\$ 3,159,035	\$ --
Aid to Local Units	(11,700,000)	46,198,061	--
Other Assistance	--	122,585,077	--
TOTAL	<u>\$(11,760,000)</u>	<u>\$171,942,173</u>	<u>\$ --</u>
State General Fund:			
Aid to Local Units	\$(11,700,000)	\$ 46,198,061	\$ --
FTE Positions	--	60.0	--

The Senate Subcommittee concurs with the House recommendations with the following comment:

1. Pending complete legislative action on S.B. 163 which deals with the proposed change in the State General Fund transfer for KPERS public school employer's contributions, the Subcommittee makes no adjustment to the House recommendations. However, should S.B. 163

pass both chambers, the Subcommittee would recommend consideration be given concerning the appropriate amount of funds for public school employer's contributions.

365.88