

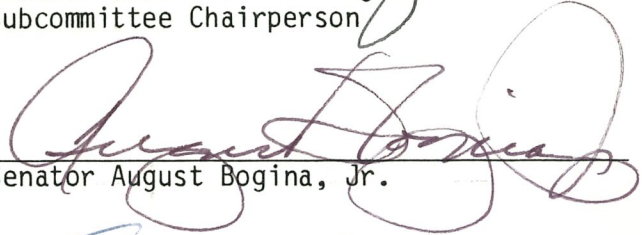
SENATE SUBCOMMITTEE REPORT

H.B. 2354

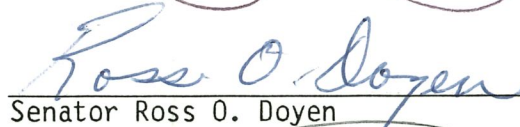
RETIREMENT BILLS AND ISSUES



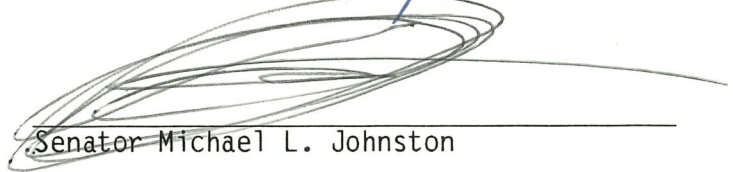
Senator Robert V. Talkington
Subcommittee Chairperson



Senator August Bogina, Jr.



Senator Ross O. Doyen



Senator Michael L. Johnston

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SUBCOMMITTEE REPORT

Agency: Retirement Issues

Bill No. 2354

Bill Sec. --

Analyst: Ryan/Conroy

Analysis Pg. No. --

Budget Pg. No. --

The Subcommittee held several meetings reviewing the (KPERS) budget, specific retirement bills, and general retirement policy issues. During the course of the deliberations Mr. Marshall Crowther, Executive Secretary of KPERS, informed the Subcommittee that the most recent actuarial studies relating to the retirement systems indicated that reductions to the future employer contribution rates was possible. The reductions are a result of actuarially favorable experience for the retirement systems.

The actuarial studies indicate the KPERS nonschool rate would drop from the currently certified rate for fiscal year 1988 of 3.9 percent of covered payroll to 1.5 percent of covered payroll. The KPERS school rate would drop from the currently certified for FY 1988 of 4.1 percent of covered payroll to 3.7 percent of covered payroll. Unless accelerated by the 1987 Legislature, the changes would first be reflected in FY 1989.

The Subcommittee was informed that the approximate value of .1 percent of covered payroll for employer contribution rates is \$1.1 million for school and \$514,000 for nonschool state. The Subcommittee was also advised that the nonschool state rate was apportioned approximately at 55 percent State General Fund and 45 percent agency special revenue funds, while the school rate is all charged to the State General Fund.

FY 1988 Recommended Rate

The Subcommittee concurs with the Governor's Budget Amendment No. 3 which would provide for acceleration of the FY 1989 certified employer contribution rates to FY 1988 and that a combined uniform employer contribution rate be certified for FY 1988 for both KPERS school and nonschool. The recommended FY 1988 employers contribution rate would be 2.9 percent of covered payroll. The Subcommittee also recommends enhancements to the existing retirement system benefits that will require a total employer contribution of 3.0 percent. The following table summarizes the Subcommittee's recommended employer contribution rates for FY 1988.

	<u>Certified Rates FY 1988</u>	<u>Certified Rates FY 1989</u>	<u>Subcommittee Recommended Rates FY 1988</u>
KPERS Nonschool	3.9%	1.5%	3.0%
KPERS School	4.1	3.7	3.0

Since Governor's Budget Amendment No. 3 accelerated and combined the FY 1988 employer contribution rates for KPERS school and nonschool at 2.9 percent,

the Subcommittee's recommendation of 3.0 percent (to fund benefit enhancements) will require additional State General Fund employer contributions of \$1,420,000. The Subcommittee recommends that this funding issue be addressed in the omnibus appropriation bill.

Benefit Enhancements

The Subcommittee also recommends numerous enhancements, many of which have no actuarial cost, for retirants and active members of KPERS, Kansas Police and Fire (KP&F), and the Judge's Retirement System. The Subcommittee requested that all of the following enhancements be combined into H.B. 2354 to form an omnibus retirement bill:

KPERS

1. Increase the allowable insured disability benefit from 60 percent to 65 percent of the employees annual rate of compensation. The increased level of payment would continue to be at the discretion of the KPERS Board of Trustees if funds are available.
2. Provide a basic retirement benefit of 1.4 percent of final average salary for all participating service credited on or after August 1, 1987 for those individuals retiring with ten or more years of service. Current law provides 1.4 percent of final average salary for all years of participating service for members who retire on or after July 1, 1988 with at least ten years of such service.
3. Make the KPERS military service definition applicable to the old Kansas School Retirement System. The current military service definition of the old Kansas School Retirement System is basically only for service during an active conflict while the KPERS military service definition is any active service.
4. Provide the KPERS optional group life insurance for KPERS school and nonschool local members, for those local units of government that elect to participate in such a program.
5. Provide group life insurance and service-connected disability coverage during the first year waiting period for KPERS nonschool local members, for those local units of government that elect to participate in such a program. Currently, only state members of KPERS are covered for death and disability benefits during the member's first year waiting period. KPERS school members have first day membership and do not have the first year waiting period.
6. Extend the one year special disability coverage for KPERS-Correctional until June 30, 1988. The current special KPERS-Correctional benefits are scheduled to expire on June 30, 1987.

7. Permit selection of any annuitant option any time prior to retirement without proof of good health. Currently, a member must furnish proof of good health to select an option or change an option within one year of retirement.
8. Allow a surviving spouse of a KPERS member with 35 years of service who was eligible for retirement but had not, at the time of death, to elect benefits under Option A or an option selected by the member prior to death. There are four different options that KPERS members may elect to receive retirement benefits. Currently, if a KPERS member who is eligible to retire but dies without having actually retired, the member's spouse may elect to receive benefits only under Option A, in lieu of receiving the member's accumulated contributions.
9. Provide that member contributions of USD 500 (Kansas City, Kansas School Retirement System) would be "picked up" by the participating employer (i.e., treated, but not actually paid, as employer contributions) so as to exclude such contributions from adjusted gross income for federal income tax purposes and thus defer taxation of that portion of an employee's salary until the member withdraws his or her contributions or begins receiving benefits. Currently, members of KPERS have their employee contributions "picked up" by the employer for federal tax purposes.
10. Commencing with FY 1988, county extension agents employed by Kansas State University will no longer be eligible for TIAA-CREF assistance. Recent Board of Regents action provided that effective in FY 1987 all newly hired extension agents would participate in TIAA-CREF.
11. Allow the use of out-of-state teaching service to qualify for benefits under the old Kansas School Retirement System.
12. Allows KPERS service credit for vested members who serve as acting cabinet secretaries without pay between January 1, 1987 and July 1, 1987.
13. Increase the retirant death benefit from \$2,000 to \$2,500.
14. Increase the retirement benefits by 2 percent for all individuals who retired prior to January 1, 1986.

Judges Retirement System

1. Permit selection of any annuitant option any time prior to retirement without proof of good health. Currently, a member must furnish proof of good health to select an option or change an option within one year of retirement.

2. Provide a minimum of 25 percent disability benefit, regardless of years of service. Currently, a judge's disability benefit is calculated in part on years of credited service with no minimum benefit.
3. Increase the retirant death benefit from \$2,000 to \$2,500.
4. Increase the retirement benefits by 2 percent for all individuals who retired prior to January 1, 1986.

Kansas Police and Fire (KP&F)

1. Provide ^{optional} group life insurance and ~~service connected disability coverage during the first year waiting period~~ for KP&F local members, for those local units of government that elect to participate in such a program.
2. Permit selection of any annuitant option any time prior to retirement without proof of good health. Currently, a member must furnish proof of good health to select an option or change an option within one year of retirement.
3. Permit retirants to be re-employed by the same employer if the individual gives up retirement benefits. Currently, KP&F retirants may only be employed with the agency from which they retired a maximum of 30 days per year.
4. Increase the retirant death benefit from \$2,000 to \$2,500.
5. Increase the retirement benefits by 2 percent for all individuals who retired prior to January 1, 1986.

Interim Study

The Subcommittee requests that an interim study be conducted on providing health care insurance for all retirants of KPERS. The major concern of retirants is having adequate health insurance coverage. The Subcommittee urges that a comprehensive study be conducted to review all areas of providing health insurance coverage for retirants.

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