

Approved February 13, 1989
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at
Chairperson

11:10 a.m. on FEBRUARY 6, 1989 in room 123-S of the Capitol.

All members were present except:

Senators Allen and Gaines who were excused

Committee staff present:

Research Department: Kathy Porter, Richard Ryan

Revisor: Norman Furse

Committee Staff: Judy Bromich, Pam Parker

Conferees appearing before the committee:

Marshall Crowther, Executive Secretary, Kansas Public Employees Retirement System (KPERs), provided an overview of KPERs. Mr. Crowther distributed and referred to the 1988 Comprehensive Annual Financial Report for the fiscal year ending June 30, 1988.

Mr. Crowther pointed out that KPERs is governed by statute and is an umbrella organization with some 1200 different employers. With only a few exceptions, if a public employee in Kansas has some retirement coverage other than Social Security it is probably through KPERs or one of the other two systems administered by KPERs, Kansas Police and Firemen (KP&F) retirement system or the judges retirement system. The KPERs Board of Trustees is a seven member board appointed by the Governor for four-year overlapping terms and confirmed by the Legislature with two areas of responsibility. One is the administration of the system. They appoint the executive secretary who has the responsibility of the organization of staff, which currently numbers 65. The second area of responsibility lies with the investment of the KPERs fund. He noted that he had been with KPERs in one capacity or another since 1967 and for the most part their Boards have worked well together and have been "big picture" oriented with regard to investments.

Mr. Crowther stated that the Board employs investment consultants who advise and assist the Board in setting the overall investment policies. There are only two restrictions as far as investments are concerned. One is a provision in the Kansas Constitution which provides that the State will not be a stockholder in any bank or banking institution. Secondly, within the KPERs statute there is a provision that not more than 50 percent of the book value of the KPERs Fund may be invested in common stock.

Mr. Crowther pointed out the Distinguished Budget Presentation Award presented to KPERs by the Government Finance Officers Association (page five). Mr. Crowther reviewed Rates of Return for the last ten fiscal years on page 63 of the report. He explained how the accounting rate is computed and noted it is important due to the fact that it impacts the employer contribution rates. He stated they were not pleased with the 1988 total fund figure but pointed out that this year did include "Black Monday." They feel the diversification of the fund was helpful, they are staying with the diversification scenario and they feel they will be very pleased with those results. Several new members were appointed to the Board at one time and the Board has have worked very hard to familiarize themselves with the total picture of the KPERs system. This has not resulted with dramatic changes of philosophy or outlook of policies of the Board.

Mr. Crowther briefly reviewed Highlights outlined on pages 12 and 13. He pointed out that if the philosophy of the employees contribution being a constant amount remains in effect and the legislature considers improvements there are only two ways those can be financed. One is if there has been very favorable experience and the contribution rate would go down, rather than having the contribution decreased, benefits can be added. The second is,

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,
room 123-S, Statehouse, at 11:10 a.m./~~PM~~ on FEBRUARY 6, 1989

there is a price for everything, whatever the cost of new benefits is added to the employers share and that leads to the fact that every piece of legislation that is introduced there is a fiscal note that goes with it. Mr. Crowther pointed out that the KPERS Board does not have a legislative program regarding benefit levels, enhancement, coverage etc. They believe very strongly that is a matter of public policy. He stated that when there is a fiscal note regarding retirement legislation, in all probability it will be expressed as a percent of covered payroll. One tenth of covered payroll does not sound like much until it is realized that the total covered KPERS payroll is \$2.2 billion. This increase does not mean for one year, it is from this point forward. Following questions and answers, the meeting was adjourned.

