Approved 6/16/89
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by SENATOR JOSEPH HARDER ~~Chairperson~~ at

12:45 XXm./p.m. on APRIL 3, 1989 in room 123-S of the Capitol.

All members were present except:
Senators Bogina and Winter who were excused

Committee staff present:

Research Department: Diane Duffy, Kathy Porter, Alan Conroy
Revisor: Norman Furse
Committee Staff: Judy Bromich, Pam Parker

Conferees appearing before the committee:

INTRODUCTION OF BILLS

Senator Johnston moved, Senator Gaines seconded, the introduction of bill draft 9 RS 1372, an act providing for the financing of the state water plan; increasing the rate of the state retailers sales and compensating use taxes for such purpose; creating certain funds and providing for expenditures therefrom. The motion carried.

Senator Johnston moved, Senator Gaines seconded, the introduction of bill draft 9 RS 1377, an act authorizing the exchange of real estate in Topeka, Kansas, between the secretary of administration on behalf of the state of Kansas and the first Presbyterian church of Topeka. The motion carried.

RETIREMENT BILLS AND ISSUES -- SB 216

Senator Gaines reviewed the Senate Ways and Means Subcommittee Report on Retirement Bills and Issues. (Attachment 1) Mr. Crowther stated that elected officials who chose the special class have three options at the end of their term: 1) elect not to participate in retirement through Legislative service, 2) continue special provision but at additional employee contribution rate and add to their years of service by another term, or 3) go back to the regular KPERS provisions for future service.

In answer to a question regarding KPERS (Section 5 of the Subcommittee Report), Mr. Crowther stated that librarians would not be exempt. He stated that there is no fiscal impact regardless of the restrictions. Regarding Kansas Judges' Retirement System (Section 5 of the Subcommittee Report), Mr. Crowther stated that this provision is already law for legislators and that it only allows judges to have the same provisions as legislators. Currently, if a KPERS elected official serves two years and then is defeated, he can buy into the system.

Mr. Crowther was asked if the Subcommittee had addressed the issue of employees who want to buy back time, sign up for the lowest possible benefit, change their ideas of what they want to retire on and jump to the highest level. He stated that issue had not been addressed, but stated that the Subcommittee's concern was with individuals who were reducing their rate after they'd locked in a higher rate in order to take advantage of service purchases at a much lower rate.

Senator Johnston moved, Senator Gaines seconded, to amend the Subcommittee Report by including public librarians in the exclusion from all provisions of post-retirement work restrictions. The motion carried.

Senator Gaines moved, Senator Hayden seconded, the adoption of the Subcommittee Report on Retirement Bills and Issues as amended. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,

room 123-S, Statehouse, at 12:45 a.XX/p.m. on APRIL 3, 1989

Senator Gaines moved, Senator Kerr seconded, to amend the Subcommittee Report on Retirement Bills and Issues into SB 216. The motion carried.

Senator Gaines moved, Senator Feleciano seconded, to report SB 216 favorably as amended. The motion carried on a roll call vote.

The meeting was adjourned.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS DATE: 4-3-89

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Tom Becker	Topeka	TAG
Joy D. Moser	Topeka	The Adj. Gen. Dept.
Chuck Dodson	TOPEKA	KAPE

SENATE WAYS AND MEANS
SUBCOMMITTEE REPORT

ON

RETIREMENT BILLS AND ISSUES

Senator August Bogina, Jr.
Subcommittee Chairperson

Frank D Gaines

Senator Frank D. Gaines

Senator Wint Winter, Jr.

ATTACHMENT 1
SWAM 4-3-89

SUBCOMMITTEE REPORT

Agency: Retirement Issues | Bill No. 216 | Bill Sec. --

Analyst: Conroy/Ryan | Analysis Pg. No. -- | Budget Pg. No. --

Based on the available information, the Committee recommends the following changes to the state retirement systems and that all of these changes be combined in Senate Bill No. 216 to form an omnibus retirement bill.

KPERS EMPLOYER CONTRIBUTION RATES

The Subcommittee recommends several enhancements for the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Fire Retirement System (KP&F), and the Kansas Judges' Retirement System. The employer contribution rates certified for FY 1991 for KPERS-State are 3.2 percent, KPERS-Local, 2.6 percent, and for Judges' is 5.4 percent. The following table reflects the additional employer contributions, which will first be reflected in FY 1992, which will be required to finance the recommended improvements.

	Additional Employer Contributions	Additional State Employer Contribution		Additional Local Employer Contributions
		SGF	All Funds	
KPERS -- State	0.35%	$ 3,793,248	$ 6,896,816	$ --
KPERS -- Local	0.35	--	--	1,203,192
KP&F -- State	2.50	1,076,243*	1,076,243	--
KP&F -- Local	0.40	--	--	341,500
Judges	0.20	21,000	21,000	--
Grand Total		$ 4,890,491	$ 7,994,059	$ 1,544,692

* Estimate reflects maximum cost.

BENEFIT ENHANCEMENTS

The Committee 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.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

1. Amend the provisions of the state special elected official class that was enacted by the 1988 Legislature. All elected state officials who have exercised their

election for special provisions (special members) will have their election continue in effect until the end of their current term. At the end of the their current term, their retirement status will revert to that prior to the election. Any rights and benefits accruing prior to the end of the term under the special provisions would remain in effect. At the commencement of a new term, elected state officials may elect to be subject to the special provisions (special members). Those so electing will make employee contributions in the amount certified by KPERS on the advice of the actuary needed to pay the additional cost of benefits to be earned under the special provision, and the employer contribution rate will be the same as for all other KPERS employees.

Such elections must be made within 30 days of taking the oath of office and will remain in effect until written cancellation or the end of service as an elected official. All new elected officials who first take office after the effective date may elect the special provisions, but will pay all additional costs. Any present special members electing the special provisions who are purchasing service credit by double or triple deductions would pay only the additional amount required under current law. Persons who elected to be special members and who are no longer elected officials will not be affected by the changes within this section. Actuarial cost would reflect a savings to the state in reduced employer contributions, however the exact amount is not able to be calculated at this time. (Contained in H.B. 2416.)*

2. Increase the retirement benefits by 4 percent for all individuals who retired prior to July 1, 1988. The fiscal impact of this enhancement is 0.1 percent in additional employers' contributions, which would first be reflected in FY 1992, or a total of $2,298,519 ($1,970,519 to the State for both School and State Nonschool, of which $1,083,785 would be from the State General Fund, and $328,000 to local units of government -- calendar year 1992). The Subcommittee notes that this is the sixth consecutive annual post-retirement increase for KPERS retirants which have a combined percentage increase of 31.2 percent. (Contained in H.B. 2408).*

3. Increase the maximum amount of optional group life insurance an individual may purchase from $100,000 to $200,000. No actuarial cost. (Contained in H.B. 2405).*

4. Waive the statute of limitations for filing of amended Kansas Income Tax returns by TIAA/CREF retirants for annuities received after January 1, 1975. The amended returns must be filed prior to July 1, 1990. In 1988, the Department of Revenue issued a ruling stipulating that benefits received under TIAA/CREF are exempt from state income tax. Although this had been the position of the Department for several years, there were a number of taxpayers that were not aware of the provision. Upon the issuance of the ruling, many taxpayers filed amended returns for prior years to receive refunds. The current statute of limitations only allows for refunds up to four years. No actuarial cost to KPERS; unknown amount of revenue loss to the State. (S.B. 216).*

5. Remove all provisions relating to post-retirement work restrictions for those who retired after July 1, 1988 unless the retirant is employed by the same employer for whom they worked during the last two years of KPERS participation. In such cases, retirants could receive benefits until earnings equal $6,000 in a calendar year. At that point, retirants may elect to terminate employment and continue to receive benefits; continue employment and have benefits suspended; or revoke their retirement and again become a participating KPERS member. Substitute teaching and services as an elected official, including officers, employees, and appointees of the Legislature, are excluded from all provisions of post-retirement work restrictions. No actuarial cost. (Contained in H.B. 2403).*

Currently, a KPERS participating employer must reimburse KPERS for the amount of retirement benefits paid to a retirant employed more than 30 days in calendar year. This applies only to people who retire after June 30, 1988, but substitute teachers and officers, employees, appointees, and members of the Legislature are exempt.

<u>6. Provide for full retirement benefits after 40 years of service or the completion of 35 years and attainment of age 60</u>. This enhancement would make permanent the current early retirement "window". The reduction factor for early retirement between age 60 and 65 would remain at 0.3 per month rather than going to 0.2 per month on August 1, 1989. Currently, during the period July 1, 1986 through July 1, 1989, individuals who retire at age 60 with 35 years of service or who have 40 years of service regardless of age may receive full benefits. The fiscal impact of this enhancement is 0.15 percent in additional state employer's contributions and 0.1 percent in additional local employers' contributions, which would first be reflected in FY 1992, or a total of $3,393,374 ($2,955,778 to the State for both School and State Nonschool, of which $1,625,678 is from the State General Fund, and $437,596 to local units of government -- calendar year 1992).

<u>7. Beginning in calendar year 1991 the definition of compensation would include all amounts tax sheltered under sections 457, 403, 125, and other sections in the Internal Revenue Code</u>. Under current law, members can exclude or defer compensation under the aforementioned IRS provisions until the four years immediately preceding retirement at which time these exclusions or deferrals may be taken in cash, thus included in compensation for retirement purposes. No actuarial cost. (Contained in H.B. 2410).*

<u>8. Designate the Kansas Advocacy Board as an eligible KPERS employer</u>. The Kansas Advocacy Board is a public corporation which assists in the appointment of guardians for individuals. The allowance for this organization (18 staff members) to affiliate with KPERS would be similar to the KPERS affiliation for the Kansas High School Activities Association. No actuarial cost.

<u>9. Permit double or triple deductions for the purchase of military service credit any time up to five years prior to retirement</u>. Present law requires that the decision to purchase military service credit through double or triple deductions must be made within four years of joining KPERS. No actuarial cost.

<u>10. Amend the definition of children or child of a KPERS member from under 18 to include those who are under 23 who are full-time students</u>. This provision would be similar to benefit provisions of the federal retirement system and other state retirement systems. No actuarial cost.

<u>11. Permit Board of Regents faculty members to remain covered for group insurance while on leave of absence if they elect at start of the leave and reimburse the employer for the cost</u>. Currently, faculty members who are on a leave of absence cannot continue to participate in the KPERS group death and disability benefit program. No actuarial cost. (Contained in S.B. 391.)*

<u>12. Increase the participating service rate to 1.5 percent for future service performed by individuals with 20 or more years of credited service</u>. The increased participating service rate would apply only to those years of service beyond 20 earned after the effective date of the act. The existing rate is 1.25 percent for each year of participating service; 1.4 percent for service credited after June 30, 1982; 1.4 percent for all years of participating service for members who retire on or after August 1, 1987 with at least 10 years of such service; and 1.5 percent for all years of participating service for

those who retire on or after August 1, 1987 with 35 years of credited service. The fiscal impact of this enhancement is 0.1 percent in additional employers' contributions, which would first be reflected in FY 1992, or a total of $2,408,000 ($1,970,519 to the State for both School and State Nonschool, of which $1,083,785 would be from the State General Fund, and $437,596 to local units of government -- calendar year 1992).

13. Provide a full year of KPERS prior service for each nine month teaching appointment for prospective TIAA KPERS retirants. No actuarial cost. (Contained in S.B. 391).*

14. Permits the Board of Regents to make technical changes relating to TIAA KPERS members. No actuarial cost. (Contained in S.B. 391.)*

KANSAS POLICE AND FIRE RETIREMENT SYSTEM

1. Increase the retirement benefits by four percent for all individuals who retired prior to July 1, 1988. The fiscal impact of this enhancement is 0.1 percent for the State and 0.75 percent for local units of government in additional employer's contributions, which would first be reflected in FY 1992, is a total of $86,750. The state share of increased costs would be $18,250 and the local units of government share would be $68,500. (Contained in H.B. 2408.)*

2. Provide for normal retirement at age 50 with the completion of 25 years of service or age 60 with the completion of 15 years of service. The existing requirements of age 55 with 20 years of service for retiring with full benefits would continue in place. Currently, KP&F members may retire early at age 50 after 20 years of service. The fiscal impact of this enhancement is 0.1 percent in additional employers' contributions, which would first be reflected in FY 1992, or a total of $109,000. The state share of increased costs would be $18,000 and the local units of government share would be $91,000.

3. Reduce the vesting requirement from 20 to 15 years of credited service. No actuarial cost.

4. Remove the distinction between service-connected and nondisability duty benefits. Disability benefits to be 50 percent of a member's final average salary. Service credit granted during a period of disability. Disability benefits convert to a retirement benefit at the earliest date that the member is eligible for an unreduced retirement. For all disabilities occurring after January 1, 1990, an offset of $1.00 for each $2.00 earned after the first $10,000 of earnings. The fiscal impact of this enhancement is 0.2 in additional employers' contributions, which would first be reflected in FY 1992, or a total of $218,500. The state share of increased costs would be $36,500 and the local units of government share would be $182,000. (Contained in H.B. 2400.)*

5. Effective July 1, 1990 all correction officers may elect to either retain the current special provisions or become members of the Kansas Police and Fire Retirement System for future service only. Correction officers hired after that date would be members of the Kansas Police and Fire Retirement System. Currently, selected state correctional employees are special members of KPERS and have a normal retirement age of 55 and an early retirement option of age 50 (unit team personnel, correctional officers and supervisors) or a normal retirement age of 60 and an early retirement option of age 60 (power plant operators, correctional industries personnel, food service employees and

maintenance supervisors, who have regular contact with inmates). The maximum fiscal impact of this enhancement to the state is $1,003,493, all from the State General Fund. The exact amount is not able to be calculated due to the permissiveness of the provisions. (Contained in H.B. 2402.)*

6. Amend the definition of children or child of the member from under 18 to include those who are under 23 who are full-time students. This provision would be similar to benefit provisions of the federal retirement system and other state retirement systems. No actuarial cost.

7. Permit crediting of all service as a police officer or fire fighter with police and fire employers for members with 20 or more years of credited service. No actuarial cost.

KANSAS JUDGES' RETIREMENT SYSTEM

1. Increase the retirement benefits by four percent for all individuals who retired prior to July 1, 1988. The fiscal impact of this enhancement to the state is 0.1 percent in additional employer's contributions, which would first be reflected in FY 1992, or $10,500. (Contained in H.B. 2408).*

2. Increase the maximum amount of optional group life insurance an individual may purchase from $100,000 to $200,000. No actuarial cost. (Contained in H.B. 2405).*

3. Reduce the early retirement eligibility from age 62 with 10 years of service to age 60 with 10 years of service. The fiscal impact of this enhancement is 0.1 percent in additional employer's contributions, which would first be reflected in FY 1992, or $10,500. (Contained in H.B. 2407).*

4. Permit early retirement at age 55 with 10 years of service with a full actuarial reduction (0.6 percent per month) between age 55 and 60. This benefit would be similar to the early retirement provisions of KPERS. No actuarial cost. (Contained in H.B. 2407).

5. Permit judges who are defeated in an election to continue participation, at their cost, in the Judges' System until they have 10 years credit under the Judges' System. Currently, once a judge is defeated in an election he or she can no longer participate in the Judges' Retirement System. No actuarial cost. (Contained in S.B. 208).

6. Amend the definition of children or child of the member from under 18 to include those who are under 23 who are full-time students. This provision would be similar to benefit provisions of the federal retirement system and other state retirement systems. No actuarial cost.

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* References to Senate Bills and House Bills indicate only that the subject is contained in the bill. Subjects above may or may not reflect the actual provisions of the bills.