

Approved March 7, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

The meeting was called to order by Don Rezac at _____
Chairperson

7:37 a.m./~~p.m.~~ on March 6, 1991 in room 521-S of the Capitol.

All members were present except: Representative Bill Wisdom (excused)
Representative Ken Grotewiel (excused)

Committee staff present: Richard Ryan - Legislative Research
Gordon Self - Revisor's Office
Juanita Blasdel - Committee Secretary

Conferees appearing before the committee:

John L. Foster - Lenexa Chief of Police
Captain Terry Scott - Kansas Highway Patrol
Trooper Jim Pauly - Kansas Highway Patrol
Ernie Mosher - League of Kansas Municipalities

Chairman Rezac called the meeting to order at 7:37 a.m. and asked Richard Ryan of staff to present the three bills for hearings, HB 2386, HB 2387 and HB 2516.

Hearings were opened on HB 2386.

HB 2386 - KP&F retirement system, final average salary and determination of benefits

The first proponent of HB 2386 was John Foster, Lenexa Chief of Police. He felt this bill was needed because it would encourage officers to exit with 25 years of service and would provide no accrued benefits after 30 years of service. Police and fire services are physically taxing and something should be put in place to permit this group to exit the profession with a reasonable retirement. A young and vigorous public safety work force benefits all the citizens of the State of Kansas.

The next proponent for this bill was Captain Terry Scott, Kansas Highway Patrol. He testified from material previously handed out (Attachment #1). He brought out that retirement benefits have remained virtually unchanged since the start in 1968 for patrol members who would accept normal retirement. Compensation is calculated in the same manner, using the same figures (2% x F.A.S. x # of years credited service).

An opponent of this bill, Ernie Mosher of League of Kansas Municipalities, testified from material handed out (Attachment #2). He is against increasing benefits of any group until the basic issue of fairness in the general KPERS system is resolved. He remarked that these are the kind of bills that instigated League support for some kind of a continuing study commission on retirement matters, focusing on our long-term policy objectives and on the fair and equitable treatment of all public employees.

Questions were then asked of Mr. Mosher by the Committee members.

Marshall Crowther answered the question regarding differences in amounts paid by employers in various regions. Some of the larger amounts included liability for service that was performed before they came to the system.

There being no further questions, hearings were closed on HB 2386.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,
room 521-S, Statehouse, at 7:37 a.m./~~p.m.~~ on March 6, 1991

HB 2387 - KP&F retirement system, final average salary

Testifying in favor of this bill was Trooper Jim Pauly of Kansas Highway Patrol. He felt this bill would be in line with all the other retirement groups by putting a higher percentage reduction on members who retire early and a lesser reduction on members who are close to a normal retirement (Attachment #3).

Ernie Mosher had testified earlier against all three bills.

The Chairman concluded the hearings on HB 2387.

HB 2516 - KP&F retirement system regarding disability benefits.

The first proponent of this bill was John Foster, Lenexa Chief of Police. He felt this would help ease the burden of the members with children, since this bill would add 10% for each child up to the age of 23 as an annual benefit of the member's final average salary (not to exceed 75%).

The next proponent was Trooper Jim Pauly of Kansas Highway Patrol who testified from material handed out (Attachment #4). He brought out that being a policeman or fireman requires members to be in contact with more hazardous situations than any other group of employees and that is why they are asking for support of this bill.

Questions were then asked by the Committee members.

Marshall Crowther then made some comments on this bill and some of the questions that had been asked.

Hearings were then closed on HB 2516.

The Chairman announced that in tomorrow's meeting, there would be action taken on bills.

Chairman Rezac asked for a motion on the minutes of the meeting held the day before on March 5. Representative Cornfield made a motion that they be approved, seconded by Representative Watson, motion carried.

Meeting adjourned at 8:30 a.m.

Before the Committee on
Pensions, Investments and Benefits

On Behalf of the Kansas Highway Patrol
Colonel Bert Cantwell, Superintendent
By Captain Terry J. Scott

The Patrol asks your support for House Bill 2386 which would increase the retirees benefit by 10%.

Troopers and supervisors of the Kansas Highway Patrol are members of the Kansas Police and Fireman's retirement system commonly referred to as K.P.& F. While K.P.& F. is administered by the Kansas Public Employees Retirement System (K.P.E.R.S.), it is in itself, a separate, distinct retirement fund with benefits and requisites very different from K.P.E.R.S.

These differences include normal retirement at 60 years of age regardless of years of service, at 55 years of age with 20 years of service and at 50 years of age with 25 years of service. K.P.& F. members are not participants in F.I.C.A. (social security). K.P.& F. members contribute 7% of their salary to the retirement system. K.P.& F. members may not "buy back" military time. Retirement benefits are calculated by multiplying the F.A.S. by 2%, the result is multiplied by the total number of years of credited service, not to exceed 70%. K.P.& F. retirees may be employed by the same employer from which they retired for not more than 30 days in a calendar year.

Since July 1, 1968 when the Patrol initially became a part of K.P.& F., retirement benefits have remained virtually unchanged for Patrol members who would accept normal retirement. Compensation is calculated in the same manner, using the same figures "as it was in the beginning" ($2\% \times \text{F.A.S.} \times \# \text{ of years credited service}$). An exception to this was from 1980 to 1987. Members who retired, were provided an additional 8.33% benefit in the form of a "13th check", paid on October 1 of each year. (Referred to as a Retirant Dividend Payment and made permanent in 1985). On July 1, 1987, this benefit ceased. At that time, the employer's contribution was 16.9%, having decreased to 11.4% for FY92.

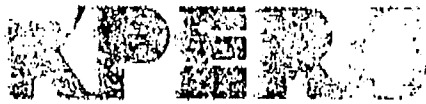
Other classes of K.P.E.R.S. members also received the "13th check" benefit and for them, it also ceased on July 1, 1987. However, a significant disparity occurred concerning enhancements to the retirement systems or more pointedly, a lack of enhancements in the K.P.& F. system.

While it is clear that the legislature intended for the "13th check" to sunset in 1987, it is equally clear that K.P.E.R.S. members enjoyed offsetting advantages which more than compensated for the loss of the "13th check". It would appear in retrospect that these benefits total from 10% to 14% for affected K.P.E.R.S. members of various classes. An example of those enhancements

include: raising from 1.4% to 1.5% of F.A.S. and reducing the F.A.S. to become the average of the highest four years of participating service from the previous five years required.

The KPERS Papers, a publication by the Kansas Public Employees Retirement System, in June of 1986, referred to the, "passage of House Bill 2736" as alleviating a GAP which was created by legislation which was previously scheduled to go into effect in 1988 being made effective on July 2, 1987. It refers to the difference between the 13th check being halted and the time these enhancements became effective as the time when a K.P.E.R.S. retiree would benefit from neither and it was in fact changed by the passage of HB 2736, so that no loss of benefit occurred for K.P.E.R.S. members. No reference to a "GAP" in benefits appeared in discussion of K.P.& F. changes and no enhancements were approved.

On July 1, 1987, the "13th check" benefit to both K.P.E.R.S. and K.P.& F. retirants ceased. On July 2, 1987, K.P.E.R.S. members realized "make up" rights offsetting that loss. We would suggest that House Bill 2386 would provide similar enhancements for K.P.& F. members and respectfully request your support.



Kansas Public Employees Retirement System
MARSHALL CROWTHER, Executive Secretary

January 6, 1989

Pat Hurley
McGill & Associates
400 W. 8th
Capitol Tower
Topeka, Kansas 66603

Dear Pat:

In a letter dated November 23, 1988, you requested cost estimates for enhancing benefits under the Kansas Police & Firemen's Retirement System (KP&F). The following is the information provided by our actuary.

1) For full retirement benefits at age 50 with 25 years of service would increase the employer contribution rate by .1%. When translated to dollars, this would require an additional \$18,000 for the state and \$91,000 for local units of government. This would be an on-going cost.

2) To increase the retirement benefit formula from 2% to 2.4% would increase the employer contribution rate by 5% and would require additional employer contributions of \$910,000 for state employers and \$4.6 million annually for local units of government.

This was how all yrs of service

3) To decrease the vesting requirement from 20 to 10 years would increase the employer contribution rate by .3% and require additional employer contributions on an annual basis of \$55,000 for state employers and \$273,000 for local units of government.

x 25 yrs
2.4%
10
50
60% at 2.4%

25 yrs

20 yrs 5 yrs
2 1/2% 2%
50% ↓ 10%
60% at 2.5% 12%

Page 2
 Pat Hurley
 January 6, 1988

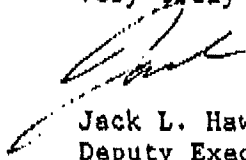
- 4) You requested a history of the employer contribution rate for the highway patrol.

Fiscal Year 1991	10.9%
1990	11.0%
1989	11.3%
1988	16.6%
1987	15.9%
1986	16.1%
1985	20.1%
1984	18.3%
1983	18.1%
1982	18.0%
1981	21.1%
1980	20.9%
1979	20.2%
1978	20.8%

- 5) As we previously discussed, the retirement system does not have anything to do with the state group health insurance.
- 6) Our actuary is unable to determine a cost of having cancer being included as being presumptive for service-connected death and disability benefits. They indicated that any cost would appear later, depending upon the number of cases that might occur. I would point out, that while the cost may be negligible at this time, this would be a significant policy change.

I am sorry for the delay in getting you this information; however, I trust the above will be helpful. If you have any questions, or if I can be of further assistance in any way, please let me know.

Very truly yours,



Jack L. Hawn
 Deputy Executive Secretary

JLH/pl



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 W. 7TH TOPEKA, KS 66603 (913) 354-9565 FAX (913) 354-4186

TO: House Committee on Pensions, Investments and Benefits
FROM: E.A. Mosher, Executive Director, League of Kansas Municipalities
RE: HB 2386, HB 2387 and HB 2516--KP&F Benefit Increase
DATE: March 5, 1991

By action of the Governing Body of the League, I appear in opposition to HB 2386, HB 2387 and HB 2516. We have not yet seen the fiscal note on HB 2516, but we believe the employer contribution increase would be substantial.

I should advise the Committee that the League, by action of its various policy committees, is generally opposed to bills which would increase the benefits of KP&F at the expense of the employer, or which increase the post-retirement benefits under KPERS or KP&F, until the basic issue of fairness in KPERS is resolved. This issue, in our judgment, is the tremendous disparity between the employer contribution and the employee contribution, as previously reported to this Committee.

We are advised that the estimated local employer cost for enactment of HB 2386 is 6% of payroll, or \$8.2 million, annually. That figure is 6.0%, not .6%. Perhaps \$8.2 million does not sound like much money to this Committee. However, I would call to your attention that it is the price to be paid by a limited number of local public employers, as noted on the sheet attached to this testimony.

The attached sheet also shows the employer contribution by local governments under KP&F for calendar year 1991. Not shown is the employer contribution for general local government employees under KPERS, which has been certified at 1.8% for 1992. This 1.8%, by the way, includes the 0.6% employer contribution for the group life and long-term disability insurance program, as well as the prior service cost. Next year, local governments will contribute 0.115% for the future benefit of current participating KPERS employees, compared to their 4.0% contribution. The 6.0% increase for HB 2386--the increase alone--will be 52 times the amount local governments will contribute for the participating benefits of non-KP&F employees in 1992.

HB 2387 has a much lower cost--an estimated .06% or \$817,000. This additional .6%, however, is equal to about one-third the total local contribution for other employees, and substantially in excess of the employer contribution for participating service benefits.

PENSIONS, INVESTMENTS & BENEFITS
Attachment #2
3-6-91

President: Frances J. Garcia, Commissioner, Hutchinson * **Vice President: Robert G. Knight**, Mayor, Wichita * **Past President: Irene B. French**, Mayor, Merriam * **Directors: Michael A. Conduff**, City Manager, Manhattan * **Ed Ellert**, Mayor, Overland Park * **Harry L. Felker**, Mayor, Topeka * **Greg Ferris**, Councilmember, Wichita * **Idella Frickey**, Mayor, Oberlin * **William J. Goering**, City Clerk/Administrator, McPherson * **Judith C. Holinsworth**, Mayor, Humboldt * **Jesse Jackson**, Commissioner, Chanute * **Stan Martin**, City Attorney, Abilene * **Mark Mingenback**, Councilmember, Great Bend * **Joseph E. Steineger, Jr.**, Mayor, Kansas City * **Bonnie Talley**, Commissioner, Garden City * **Executive Director: E. A. Mosher**

As noted previously, we do not yet know the employer cost of HB 2516, although we believe it would be substantial, even with the 75% cap. As you know, a general employee under KPERS would have to work 50 years in order to accumulate benefits equal to 75% of their final average salary.

Finally, we would observe that these are the kind of bills that instigated League support for some kind of a continuing study commission on retirement matters, focusing on our long-term policy objectives and on the fair and equitable treatment of all public employees.

**KFAF Employer Contribution Rate for Fiscal Year
Commencing In Calendar Year 1991**

<u>Employer</u>	<u>Total Rate for Fiscal Year Commencing in 1991</u>
Douglas County Law Enforcement	16.8%
Gray County Sheriff's Dept.	7.8
Harvey County Sheriff's Dept.	11.7
Johnson County Fire Dept.	5.7
Johnson County Sheriff's Dept.	9.0
Reno County Fire No. 2	7.8
Reno County Sheriff's Dept.	7.8
Riley County Law Enforcement	7.8
Sedgwick County Fire No. 1	8.6
Sedgwick County Sheriff's Dept.	8.8
Sedgwick County EMTs	9.2
Shawnee County Sheriff's Dept.	14.7
Sumner County Sheriff's Dept.	13.4
Arkansas City	12.9
Atchison	9.7
Bonner Springs	7.8
Chanute	9.4
Cimarron	7.8
Coffeyville	20.3
Concordia	17.0
Derby	10.0
Emporia	12.7
Eudora	7.8
Fairway	8.9
Fort Scott	19.5
Herington	9.6
Hutchinson	21.2
Junction City	10.1
Kansas City	17.3
Lawrence	9.6
Leavenworth	9.0
Leawood	10.2
Lenexa	8.2
Manhattan	15.9
Merriam	9.0
McPherson	8.5
Mission	7.8
Newton EMTs	10.0
Newton	10.6
Olathe	8.1
Parsons	16.9
Pittsburg	15.6
Salina	15.2
Shawnee	8.7
Topeka	19.4
Wellington	16.4
Westwood	7.8
Winfield	16.4
Board of Regents Campus Police	7.8
Kansas Bureau of Investigation	9.9
Kansas Highway Patrol	11.4

TESTIMONY
OF
TROOPER JIM PAULY
VICE PRESIDENT
KANSAS STATE TROOPERS ASSOCIATION

BEFORE THE
HOUSE
PENSIONS, INVESTMENTS AND BENEFITS
COMMITTEE

MARCH 6, 1991

RE: HOUSE BILL 2387

HOUSE BILL NO. 2387

- . Refers to a reduction of 0.4% to 0.2% for each month a member takes an early retirement after twenty (20) years of service. (Would stay at 0.4% up to twenty (20) years of service, then 0.2% for all years thereafter.)
- . Present retirement covers all years of service at 0.4% per month reduction for early retirement.
- . The changes we are requesting start on Page 1, Line 32, Paragraph (3), and Page 3, Line 20, Paragraph (3).
- . Comparisons of KPERS, Judges and Correctional Officers retirement reductions:

KPERS Early Retirement Reduction:

Age fifty-five (55) and ten (10) years of service;
reduced 0.2% per month under age sixty-five (65) to age sixty (60); plus 0.6% per month under age sixty (60) to age fifty-five (55).

Correctional Officers Reduction: Three (3) Groups

Group A - No minimum service requirement; must hold the position three (3) years before retirement.

Group B - Early Retirement - Age fifty-five (55) and ten (10) years service 0.2% reduction for each month under the age of sixty (60)

Group C - Early Retirement - Age fifty-five (55) and ten (10) years service 0.2% reduction from ages sixty-five (65) to sixty (60) and 0.6% between ages sixty (60) and fifty-five (55).

Judges Retirement Reduction:

Normal benefit reduced 0.2% per month under age sixty-five (65) and ten (10) years service; 0.6% per month under age sixty (60) to age fifty-five (55) with ten (10) years service.

KP&F: Three (3) Tiers - Age fifty (50) and twenty-five (25) years of service.
Age fifty-five (55) and twenty (20) years of service.
Age sixty (60) and fifteen (15) years of service.

Early retirement reduction of 0.4% per month under age fifty-five (55).

All of the above Early Retirement Reductions start at the highest age at 0.2%, except KP&F, and we start at 0.4%.

All the above retirement categories must have ten (10) years service for a normal retirement. KP&F members must have twenty (20) years service before reaching normal retirement.

All the above retirement groups have had age reductions in their early retirement benefits in the last three (3) years.

KP&F members have never received a reduction for early retirement since KP&F was started in 1968.

House Bill No. 2387 would leave the 0.4% reduction for the first twenty (20) years service, then be reduced to a 0.2% reduction for all years thereafter for an early retirement. This Bill would also be in line with all the other retirement groups by putting a higher percentage reduction on members who retire early and a lesser reduction on members who are close to a normal retirement.

Actuary Impact: 0.6% increase or \$132,730 for the State, and \$816,932 for local units of government.

We, the members of KP&F would ask the Committee to consider and pass House Bill No. 2387.

Thank You.

Trp. Jim Pauly
Vice President - Kansas State Troopers Assn.

TESTIMONY
OF
TROOPER JIM PAULY
VICE PRESIDENT
KANSAS STATE TROOPERS ASSOCIATION

BEFORE THE
HOUSE
PENSIONS, INVESTMENTS AND BENEFITS
COMMITTEE

MARCH 6, 1991

RE: HOUSE BILL 2516

HOUSE BILL NO. 2516

1. Refers to members who become disabled. This Bill would add ten percent (10%) for each child up to the age of twenty-three (23) as an annual benefit of the member's final average salary (not to exceed seventy-five percent (75%)).
2. Present retirement has a benefit only equal to fifty percent (50%) of the member's final average salary.

Example: A member makes \$2400 per month. Fifty percent (50%) of \$2400 equals \$1200 per month.

3. The changes we are requesting start on Page 1, Lines 24-35, and again on Page 1, Line 42, and on Page 2, Line 1.
4. In 1989, House Bill No. 2403 was passed eliminating the ten percent (10%) per child for all members who elected to be covered by this retirement plan and all future members who were hired after July 1, 1989.
5. House Bill No. 2403 also gave us a Non-Service-Connected Disability Clause and an age fifty (50) with twenty-five (25) years of service retirement plan. (Cost to State \$52,000)
6. House Bill No. 2403 also has a Clause that if a disabled member earns over \$10,000 per year, he will give back \$1.00 for every \$2.00 he earns. Also, State members of KP&F have no Social Security withheld, although some members of local units of government do have Social Security.
7. Comparisons of other KPERS Disability Plans:

KPERS: Receives sixty-five percent (65%) of monthly salary, reduced by Social Security and/or Workers Compensation.

Judges: Receive sixty-five percent (65%) of monthly salary. (Has a disability benefit if Judge has already terminated after having ten (10) years of service.) Has Social Security income.

Correctional Officers:

Service-Connected Disability: Receive fifty percent (50%) of monthly salary and ten percent (10%) per child up to seventy-five percent (75%) of monthly salary, reduced by Social Security and/or Workers Compensation.

Non-Service-Connected Disability: Receive fifty percent (50%) of monthly salary reduced by Social Security and/or Workers Compensation.

8. KP&F Disability Retirement has a benefit of fifty percent (50%) of our monthly salary.

Example: A member earns \$2400 per month.
Fifty percent (50%) of \$2400 equals \$1200 per month.

We feel it would be difficult for a member to raise a family of four (4) on \$1200 per month. (Cost of health insurance, house payments, etc.) This would be without Social Security income.

Example: A member earns \$2400 per month plus ten percent (10%) per child up to seventy-five percent (75%).
Seventy-five percent (75%) of \$2400 equals \$1800;
a \$600 increase.

9. Being a policeman or fireman requires our members to be in contact with more hazardous situations than any other group of employees and this is why we are here today to ask that House Bill No. 2516 be passed.

Actuary Impact:

Thank You.

Trp. Jim Pauly
Vice-President, Kansas State Troopers Assn.