

Approved: 3-30-92  
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson George Teagarden at 1:40 p.m. on March 5, 1992 in room 514-S of the Capitol.

All members were present except: Representative Solbach (excused).

Committee staff present: Ellen Piekalkiewicz, Legislative Research Department  
Debra Duncan, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Sue Krische, Administrative Aide  
Rose Baker, Committee Secretary

Conferees appearing before the committee:

Walter Cobler, Chairman KPERS Board of Trustees  
Jarold W. Boettcher, Vice Chairman KPERS Board of Trustees  
Meredith Williams, KPERS  
Gary Reser, Governor's Liaison  
Representative Don Rezac  
Senator Wint Winter  
Craig Grant, Director of Political Action, KS National Education Association  
Basil Covey, KS Retired Teachers Association  
Jim Snyder, Executive Director, KS Funeral Directors & Embalmers Association  
Representative Richard Reinhardt  
Yo Bestgen, Executive Director, KS Association of Rehabilitation Facilities  
Delores Peters, SE KS Area Agency on Aging  
Bob Clark, Class, Ltd, Columbus KS Rehab Facility  
Beatrice Shisler, East Central KS Area Agency on Aging  
Gina McDonald, KS Association of Centers for Independent Living  
Larry Erne, SE KS Community Action Program  
Dan Kline, Community Mental Retardation Facilities

Others attending: See attached list

SB 526 - Prescribing certain investment practices and standards for KPERS investments. Walter Cobler, Chairman, KPERS Board of Trustees, presented testimony in favor of SB 526 (Attachment 1). Mr. Cobler focused on Section 1 of the bill and recommended a seven member board.

Jarold W. Boettcher, Vice Chairman, KPERS Board of Trustees, presented testimony in favor of SB 526 (Attachment 2). Mr. Boettcher recommended that the investment management experience requirement for six Trustee positions should be reduced to two positions and the provision for an Investment Advisory Committee should be eliminated.

Meredith Williams, Executive Secretary, KPERS, presented testimony in favor of SB 526 (Attachment 3). Secretary Williams estimated that a trustees' election would cost \$73,600. The level of mandated errors and omissions coverage should have no fiscal impact on the Retirement System.

Gary Reser, Governor's Liaison, presented testimony in favor of SB 526 although he advised the committee of the Governor's strong objections to Section 1 (Attachment 4). Mr. Reser expressed the Governor's concern regarding legislative appointees. She feels that these appointees will not guarantee expert individuals who will take their responsibilities seriously.

Representative Rezac presented testimony in favor of SB 526 (Attachment 5). Representative Rezac explained the direct placement and money managers that were used previously and also the losses that took place because of the misdealings. Representative Rezac believes that there is a need to broaden the appointments and have checks and balances. The advisory committee would be there to ask questions.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, room 514-S Statehouse, at 1:40 p.m. on March 5, 1992.

Senator Wint Winter presented comments in favor of SB 526. The Senator stated that there is a need of reforming the entire system. A check and balance system is needed. He believes that a nine member board is sufficient. Senator Winter explained that the Advisory committee is a group of experts who can help with policies and provide a great deal of expertise to the board. Also, insurance requirements are intended to have some bonding requirement within reason. In response to a question from Representative Heinemann regarding the waiting period of one and one-half years, Senator Winter explained that the Joint Committee considered having two bills, but decided on a single package.

Craig Grant, Director of Political Action, KS National Education Association, presented testimony in favor of SB 526 (Attachment 6). In response to questions, Mr. Grant stated that KNEA believes that SB 526 places reasonable restrictions on investments and also changes the structure of operation. KNEA believes that the present members of the Board are qualified in their positions.

Basil Covey, Kansas Retired Teachers Association, presented testimony in support of SB 526 (Attachment 7). Mr. Covey expressed to the committee that this bill is technical in nature providing safe and sound methods of reporting and of investments.

HB 2752 - KPERS, assignment of lump-sum death benefit.

Meredith Williams, Secretary, KPERS, explained HB 2752. Secretary Williams indicated that some of the administrative difficulties presented in this bill have now been taken care of. There needed to be a clarification of who was permitted to make the assignment to funeral directors and the time frame. There is no fiscal impact with this bill.

Jim Snyder, Executive Director, Kansas Funeral Directors and Embalmers Association, presented testimony in favor of HB 2752 (Attachment 8). In answer to a question from Representative Patrick, Mr. Snyder stated that benefits are used solely for the final deposition of the body. This bill is only for retirees.

HB 2773 - Certain agencies on aging, mental health centers and mental retardation and disability facilities as eligible employees of KPERS.

Meredith Williams, Secretary, KPERS, explained HB 2773. In response to a question, Secretary Williams stated that KPERS was unable to estimate the fiscal impact with respect to prior service and retirement benefit to employees of the Legislative Branch. Staff reported that the total estimated covered payroll for local mental health and retardation facilities was \$91.6 million. The employer contribution is based on total covered payroll and KPERS contribution is 3.3%.

Representative Dick Reinhardt appeared in support and presented testimony on HB 2773 (Attachment 9). He stated this legislation would allow employers of some quasi-governmental agencies to participate in the KPERS retirement program.

Yo Bestgen, Executive Director, Kansas Association of Rehabilitation Facilities, presented testimony in favor of HB 2773 (Attachment 10).

Delores Peters, SE Kansas Area Agency on Aging, provided comments in support of HB 2773 (Attachment 11).

Robert L. Clark, President, CLASS LTD, presented testimony in support of HB 2773 (Attachment 12). Mr. Clark stated that his organization is in complete support of Section 1, subsection 13 of the bill.

Beatrice L. Shisler, Executive Director, EC Kansas Area Agency on Aging, presented testimony in support of HB 2773 (Attachment 13), which in part stated the importance of an adequate retirement to meet the higher costs of living.

Gina McDonald, Executive Director, Kansas Association of Centers for Independent Living, appeared in support of HB 2773 (Attachment 14). Director McDonald stated that this bill will eliminate the barrier of discrimination for persons with disabilities and offer equitable retirement benefits.

Larry E. Erne, SE Kansas Community Action Agency, presented testimony in support of HB 2773 (Attachment 15).

Dan R. Kline, Executive Director, Tri-Valley Developmental Center, appeared in support of HB 2773 (Attachment 16). Mr. Kline stated that participation in the KPERS system would enhance his ability to attract and hold qualified staff and expand community based support services.

Meeting adjourned at 3:15 p.m. The next scheduled meeting will be March 6, 1992 at 8:00 in room 514-S.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: 3-5-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Don Rezac	Emmett	Leg
Jack Hawn	Topeka	KPER
Liz Miller	Topeka	KPER
BARB HINTON	Topeka	Post Audit
Meredith Williams	Topeka	KPER
George W. Boettcher	Bebit	KPER
Gene McDonald	Topeka	KACIC
BEATRICE L. SHISLER	OTTAWA	EAST CENTRAL KS AREA AGENCY on AGING
Marvella Markley	Chanute	SEK-AAA Inc
Ruthella McBride	Cotteyville	SEK-AAA Inc
Dolores Peters	Chanute	SEK-AAA Inc
HAROLD PITT	Topeka	AAKPCOTF
Robert L. Clark	Columbus	CLASS LTD
Donis Meyer	Kansas City	KC STARZ
Janelle Amon	Topeka	St. Treas. Ofc.
Lynda Drew	Topeka	KDOT
Gary Reser	Topeka	Governor
Larry Knox	Girard	Southeast KS Community Action
Jim Snyder	TOPEKA	KEDA
DAN KLINE	CHANUTE	TRI-JALLEY Developmental CTR
ML Manning	Topeka	DOB
JA Zedel	Wichita	KS 77A
Joe Thibodeau	Lawrence	Ks St. firefighters
Susan Hunt		Andrew Rep. Bunker
Marita Lutz	Leg. Sec.	
Rasil Covey	Topeka	KRTA

Jody Boeding	KCK	KPERS
Richard Reinhardt	Erie	Leq
Craig Grant	<del>topeka</del>	KNEA
Nea Entukem	Lawrence	KPERS
Yo Bestgen	KARF	Topeka

**STATEMENT OF WALTER L. COBLER  
CHAIRMAN, BOARD OF TRUSTEES  
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM  
TO THE HOUSE APPROPRIATIONS COMMITTEE  
MARCH 5, 1992**

Mr. Chairman and members of the Committee, my name is Walter Cobler and I am the Chair of the Retirement System's Board of Trustees. I appreciate the opportunity to appear before you today to comment on the provisions of Senate Bill No. 526, as amended by House Committee.

My comments today will focus on Section 1 of the bill. More specifically, I wish to share my thoughts with you on the proposed size and composition of the Board of Trustees. Jarold Boettcher, the Vice Chair of the Board of Trustees, is also commenting on the bill's first section. Retirement System staff will provide comments on the remaining sections of the bill.

I am a certified public accountant. My firm, headquartered in Topeka, has clients around the country. Additionally, I have participated in a number of other business and development efforts over the years. I have also served on a variety of business and public boards. I was appointed to the KPERS Board of Trustee in February of last year. My term is scheduled to run through April of next year.

Senate Bill No. 526, as amended, calls for a nine member KPERS Board of Trustees. Two of the Trustees are to be members of the Retirement System elected by members of the System. The State Treasurer is designated as a Trustee. The remaining six trustees are to be appointed by the Governor, the President of the Senate, or the Speaker of the House. These six Trustees must also meet an experience requirement; namely that they "...shall have had at least five years' experience in the field of investment management or analysis, actuarial analysis, or administration of an employee benefit plan." Additionally, Section 2 of the proposed legislation calls for the Board of Trustees to establish an Investment Advisory Committee with at least five members, all of whom are required to meet the same experience requirement.

I favor the implementation of some experience requirements. However, I believe the proposed requirements are far too narrow and restrictive and will lead to a Board of Trustees dominated by special interests and would not serve the best interests of the Retirement System's diverse membership of employees, retired public servants, and participating governments.

I am very proud of the current Board of Trustees that I am privileged to chair. We are a diverse group of Kansans, each of us a seasoned veteran in our own respective fields. You will hear shortly from Jerry Boettcher, the Board's Vice Chair. Jerry is our window to the institutional investment world, having distinguished himself in a Wall Street career and as a Kansas City-based investment manager of over \$1.5 billion before returning to run the family business in Beloit.

Neva Entrikin is a classified employee in the Art History Department at the University of Kansas. Those who believe an investment background is essential before one can effectively serve on the Board need only see Neva in action as she repeatedly holds managers accountable for their performance. More importantly, Neva brings the perspective of the career, classified public servant to the Board. Most recently, her insights were invaluable as the Board conducted an indepth review of the actuarial salary increase assumptions.

Jack Brier, Kansas' former Secretary of State, is today involved in commercial real estate development. As you might expect, Jack's input has been particularly appreciated in the real estate arena. However, I believe his impact has been equally impressive in assisting the Board in selecting new investment advisors and in redefining the Board's contractual relationship with those advisors.

Steven Hirsch joined the Board of Trustees last Spring. Steve, who resides in Oberlin, is the Decatur County Attorney and also maintains a private law practice. He oversees the Retirement System investment in the Capitol Tower building for the Board and has been particularly instrumental in dealing with the complex litigation involving the troubled direct placement portfolio.

Jody Boeding is an Assistant City Attorney for Kansas City and serves as the legal advisor to the Board of Pension Trustees for the Kansas City Board of Public Utilities. In addition to contributing her legal expertise, Jody's experience has been particularly helpful as the Board has developed and refined its relationships with its new consultants.

K. Pat Marso is the Board's newest member. Pat is the President and CEO of the Condon National Bank of Coffeyville. Since joining the Board, Pat has assisted the Board in expanding its oversight of the ongoing management of the direct placement portfolio. In his role as Chair of the Board's Direct Placement Subcommittee, Pat meets on a monthly basis with the two direct placement managers and staff.



The current Board of Trustees is doing an excellent job as it works to develop and implement the appropriate procedures and controls. We have accomplished a great deal in the past year. Getting the right people in place is key and we are most proud in having hired Meredith Williams as Executive Secretary and Liz Miller as the System's first Investment Officer.

Senate Bill No. 526 calls for six of nine members to be experienced in the interrelated investment, actuarial, and pension fields. If such members are still engaged in their respective professions, the Board would be overrun with real and perceived conflicts of interest. It would be business as usual with an over reliance on long term relationships and mutual trust. Unfortunately, this is exactly what led to the abuses suffered by the System in the 80's. With such a Board there would be no emphasis on oversight and control. There would be no initiative to institute new, innovative policies and practices for the benefit of System members. The almost 200,000 members, 1,200 participating employers, and the taxpayers of Kansas would not be well-served by a KPERS Board of Trustees dominated and one that could be controlled by some of the very special interests that have abused them in the past.

As an alternative, I would urge members to build on the strength of the current system. Legislation could be crafted that would require a diverse, independent, and experienced Board of Trustees. Specifically, I would suggest that no more than two sitting members of the Board share the same background or profession. Additionally, trustees should be prohibited from any relationship with an entity that does business with the Retirement System. Finally, appointed trustees would be required to be seasoned veterans in their fields of endeavor, perhaps with ten or more years of mandated experience and further recognized for their accomplishments by their Kansas peers.

I would also like to comment briefly on the size of the Board of Trustees. I personally believe that a nine-member Board is too large for the effective oversight of the Retirement System. The current Board has seven members and functions very efficiently. It has been my experience in serving on boards over the years that boards with fewer than seven members lead to coalitions. However, as the number of members increases beyond seven, individual commitment and assumption of responsibility suffers. I respectfully recommend a seven-member board.

I appreciate the opportunity to appear before the Committee today. After hearing from the Vice Chair, Jerry Boettcher, we would be happy to address any questions that members might have. Thank you.

**STATEMENT OF JAROLD BOETTCHER  
VICE CHAIR, BOARD OF TRUSTEES  
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM  
TO  
HOUSE APPROPRIATIONS COMMITTEE  
REPRESENTATIVE GEORGE TEAGARDEN, CHAIR  
MARCH 5, 1992  
REGARDING SENATE BILL NO. 526**

Mr. Chairman and members of the Committee, I am Jarold Boettcher. I am the Vice Chairman of the Board of Trustees of the Kansas Public Employees Retirement System. I was appointed to the Board of Trustees by Governor Finney on May 1, 1991.

I have previously testified on this bill before the House Pensions, Investments and Benefits Committee and expressed several concerns regarding the qualification requirements, the ill-advised creation of an Investments Advisory Committee, compensation of investment managers, and insurance requirements. The last issue has been resolved, I believe, to the satisfaction of both the Legislature and the Retirement System. I will focus my remarks today on the experience requirement for Trustees and make some brief remarks on the redundancy of the Investments Advisory Committee. I will not comment on the appointment process for Trustees. First, I think it is inappropriate for a sitting Trustee to address this issue, and second, I believe that kind of decision is better left to the political process.

The bill requires that the six appointed Trustees have at least five years of experience in investment management, actuarial analysis or administration of an employee benefit plan. I believe I understand the intent of the Legislature in having this requirement -- generally that Trustees in the past have not been adequately qualified to deal with the sort of problems that have surfaced in the past year. However, the way this provision is worded, it manages to be both too broad and too narrow. The Trustees should have, as their major responsibility, the setting of goals, establishing policy, and monitoring performance -- evaluating and



taking action to insure such goals and objectives are being met. The Legislature and Board of Trustees should take care so as not to micromanage. I can think of no worse group to try to deal with on an on-going basis than six investment people -- other than maybe six lawyers, or six accountants.

My major message here is that the Board of Trustees needs and must have diversity of input and judgment, with those perspectives provided by qualified people of different backgrounds. As stated, the experience requirement will exclude many, while giving the appearance of a kind of security that such losses as have been experienced, won't recur. Moreover, there are many actuaries who have no investment knowledge and administrative people whose background and skills do not encompass investment matters.

If this experience requirement stays in the bill, I believe both the Governor and Legislative Leadership will have considerable difficulty finding such people, particularly as regards potential conflicts of interest. Kansas is not a large State with a large reservoir of people with the required qualifications who in the past, currently, or prospectively, may not find themselves in situations where it will be very difficult to be free of the sorts of conflicts which could affect their judgment, aside from the possibility of personal, employer, or professional interest. Such is the pattern of the past where in the effort to invest large sums of money in a specific geographic area in a short period of time, we find the same people involved, the same lawyers, the same developers, and the same financiers. The lack of independent judgment, exercised by Trustees, by Staff and by others, is an important cause of what happened in the private placement area. A narrow focus of the Board of Trustees, dominated by investment people, together with a false sense of security provided by others with an actuarial or administrative background, is laying the groundwork for a future set of problems, the dimensions and magnitude of which we can only speculate.

This experience provision should be changed or reduced. For an option to consider, I suggest one of the four appointments by the Governor, and one of the two Legislative appointments have investment experience. If otherwise qualified, it would be desirable for these two to be

designated as Chartered Financial Analysts. The C.F.A. Charter has experience requirements and reflects dedication and assumption of responsibility in investment matters.

As regards the Investment Advisory Committee -- in my view, this requirement in the bill duplicates the experience requirement for the Trustees. This Committee or the investment oversight exercised by the Trustees -- as described in the bill -- will be redundant or perfunctory. The Trustees and the Advisory Committee will study the same material, look at the same performance figures, and hear presentations by the investment managers. Solutions to the problems of the past will not be provided by another Committee. In fact, the opposite may be more likely to occur -- as uncertainty develops over the recognition that one or the other function of the Trustees or the Advisory Committee is repetitive. Gradually, the situation could develop, and will develop, in my judgment, where each group believes the other is watching and will act in a responsible manner. Uncertainty over who was responsible for what runs to the root cause of KPERS past problems -- as the Board of Trustees and the Legislature have discovered.

In summary, (1) the experience requirement for Trustees should be reduced from six to two positions, (2) the provision for an Investment Advisory Committee should be eliminated, and (3) I agree with the Chair's comments on the size of the Board.

Thank you for the opportunity to make these remarks.



## Kansas Public Employees Retirement System

March 5, 1992

Representative George Teagarden, Chairman  
House Appropriations Committee  
Room 514-S, Statehouse  
Topeka, Kansas 66612

Dear Representative Teagarden :

I appreciate the opportunity to comment on the provisions of Senate Bill No. 526 as amended by the House Pension, Investments and Benefits Committee. Outlined below are my comments on the proposed legislation.

### Section 1

**Subsection (a)** calls for the expansion of the Board of Trustees from its current seven members to nine. This enlarged Board would have a fiscal impact, although not significant. The election of two Trustees by active and retired members of the Retirement System would also entail some new expenditures. Based on the membership of the Kansas Retirement System and the experience of other public pension systems that elect trustees, we estimate that a trustees' election would cost \$73,600. The majority of these costs involve postage.

**Subsections (f) and (g)** have been amended to appropriately place investment and employment restrictions on Trustees. These proposed restrictions will act to ensure that no conflicts of interest are allowed to develop with respect to the System's non-publicly traded investments.

### Section 2

**Subsection (6)** calls for the creation of a five-member investment advisory committee. The \$35/day compensation and expense provision should result in a minimal fiscal impact on the Retirement System.

### Section 3

**Subsection (3)** establishes a new, higher level of compensation for Trustees. The Retirement System estimates that the new, higher level of compensation and the addition of two Trustees would result in additional annual expenditures of \$13,139.

### Section 4

**Subsection (2)** contains new language calling for the Retirement System to prepare its *Annual Report* in accordance with generally accepted accounting principles. This commendable addition should provide great assurance to System members and Kansas citizens that the annual results of the System's operations are

fairly and consistently presented.

The House Pensions, Investments and Benefits Committee added language to this same subsection to ensure that the value of certain alternative investments would not be jeopardized by the inappropriate public disclosure of proprietary information.

### **Section 5**

**Subsection (3)(a)** contains new language stating that employer contribution rates will be based only on the needs of the System. Similar language is contained in following sections of the proposed legislation. This language is most welcome as it serves to preserve and strengthen the actuarial funding basis of the Retirement System.

### **Section 6**

**Subsection (11)** calls for the Board of Trustees to develop a plan to manage a portion of the System's assets using Retirement System staff. Such a move will have a fiscal impact and that impact may well be a positive one. As you know, the Board of Trustees has already initiated actions in this arena, beginning with the recent hiring of the System's first Investment Officer. The State Finance Council has provided additional resources to facilitate the same goals. Most recently, the Retirement System, with the endorsement of the Board of Trustees, has submitted a proposal for consideration during the appropriations process.

### **Section 7**

**Subsection (1)** contains new language stating that employer contribution rates will be based only on the needs of the System. Similar language is contained in following sections of the proposed legislation. This language is most welcome as it serves to preserve and strengthen the actuarial funding basis of the Retirement System.

### **Section 8**

**Subsections (2) and (3)** discuss the investment purposes of the Board of Trustees. Subsection (3) in particular specifies that "economic development" and "social purposes or objectives" are not sufficient stand-alone investment objectives. This language is in accord with Board of Trustee's current procedures and practices.

**Subsection (4)** adds new language containing the prudent expert standard. The Board has already initiated actions to incorporate the prudent expert standard in its contractual relationships with managers and consultants.

**Subsection (5)(a)** increases the common stock limitation to 60 percent of the value of the fund. This additional discretionary authority will serve the Retirement System well in future years.

**Subsection (5)(b)(1)** caps the System's total "alternative" investments at ten percent of the total. The System's current size would place this cap at approximately \$440 million. Language is provided to cover the contingency that such investments exceed the cap at the effective date of the cap or if subsequent market forces cause the cap to be exceeded.

**Subsection (5)(b)(2)** would require at least two other "sophisticated investors" involvement in any "alternative" investment. The requirement for institutional coinvestors provides additional safeguards against the abuses that have taken place in the past by ensuring that each potential investment is subjected to a minimum of three independent due diligence reviews.

**Subsection (5)(b)(3)** places a 20 percent limit on the System's interest in any one investment. This restriction should ensure that the Retirement System would not have a majority interest in a particular "alternative" investment.

**Subsections (5)(b)(4), (5), (7) and (8)** require that "alternative" investments be preceded by several determinations, all in keeping with the prudent expert standard of care.

**Subsection (5)(b)(6)** restricts the Retirement System from investing more than 2.5 percent of its "alternative" investments in any one "alternative" investment.

**Subsection (5)(b)(8)** also contains language defining "alternative" investments. This is a most important definition given the many confusing definitions in this area.

**Subsection (6)** requires the Board of Trustees to develop specified policies and objectives to govern the System's investment practices. Generally, these requirements seem quite reasonable.

**Subsection (7)** requires the Retirement System to compensate its investment managers and others subject to legislative appropriations. The same subsection calls for the System's managers and others to obtain errors and omissions coverage in an amount equal to one percent of the funds entrusted to the manager with a minimum coverage of \$500,000 and a cap of \$10 million. This level of mandated coverage is realistic and should have no fiscal impact on the Retirement System.

The Retirement System supports the addition of language specifying the principal-agent relationship that has always existed between the Retirement System and its managers and others.

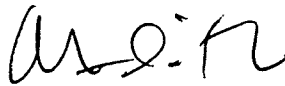
**Subsection (12)** specifies annual audit coverage for the Retirement System. I would only comment on the provision calling for the Retirement System to

Representative George Teagarden  
March 5, 1992  
Page 4

reimburse the Legislative Division of Post Audit for the expenses associated with the annual financial-compliance audit. Traditionally, that expense, estimated at \$26,000 per year, has been borne by the State General Fund. This legislation would shift the expense to the Retirement System, increasing the System's administrative costs and reducing the investment earnings available to cover current and future benefit payments.

I appreciate the opportunity to comment on Senate Bill No. 526. In the event I have overlooked some element of this legislation, please let me know. All of us on the Retirement System staff are available at your convenience.

Sincerely,



Meredith Williams  
Executive Secretary

enclosures  
cc: Members, Board of Trustees



STATE OF KANSAS



OFFICE OF THE GOVERNOR

JOAN FINNEY, Governor  
State Capitol, 2<sup>nd</sup> Floor  
Topeka, KS 66612-1590

913-296-3232  
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TESTIMONY OF  
GARY RESER, LEGISLATIVE LIAISON  
GOVERNOR JOAN FINNEY  
TO THE HOUSE APPROPRIATIONS COMMITTEE  
SENATE BILL 526  
MARCH 5, 1992

Thank you for the opportunity to convey Governor Finney's concerns regarding Senate Bill 526.

I am here, on behalf of the Governor, to advise you of her very strong objections to Section 1 of Senate Bill 526 which restructures the Board of Trustees governing the Kansas Public Employees Retirement System.

Governor Finney does not concur that the best interests of public employees are served by changing the structure of this Board and calling it a remedy for what we have experienced.

What will more effectively insure the integrity of the future management of public retirement monies is the resolve of both the executive branch and the legislative branch to do the jobs set out for them.

Under current law, the Governor appoints, sets policy and administers -- holding appointees directly accountable and standing, in turn, directly accountable to the electorate of this state.

The Governor and the people rely on the Legislature for appointment review and confirmation, for oversight and to exercise post audit functions.

Preserving a vigorous separated, checks and balances system is the best assurance we can give public employees that we will not again experience what has occurred in the past in KPERs management and investment. Mixing responsibilities and appointees diminishes public confidence in the checks and balances system.

HA  
3-5-92  
Attachment 4

Governor Finney raised concerns regarding the operation and investments of the KPERS fund during her campaign. Immediately upon taking office, she set about to appoint exceptional, highly qualified trustees to serve on the board -- expertise the state couldn't afford to hire.

These trustees have now brought credentials and experience, including certified public accounting, investment expertise and legal expertise to the Board of Trustees. Not two, but three trustees are active KPERS system members. She has set the highest standards of accountability and the trustees are turning the results of past neglect around.

Simply adding Legislative appointees will not guarantee expert individuals who take their fiduciary responsibilities seriously, and this change has the potential of diminishing public confidence in the objectivity of the review and confirmation process, legislative oversight, audit and checks and balances responsibilities.

Governor Finney asks that you remove Section 1 from this bill and that we, together, focus our energies and efforts on restoring the integrity of the fund, improving the investment practices and delivering the message that the KPERS fund is one of the most sound in the nation today.

Thank you.

13991

DON M. REZAC  
REPRESENTATIVE, SIXTY-FIRST DISTRICT  
PARTS OF POTTAWATOMIE,  
WABAUNSEE, MARSHALL & LYON COUNTIES  
(913) 535-2961



TOPEKA

COMMITTEE ASSIGNMENTS  
CHAIRMAN: PENSIONS, INVESTMENTS AND BENEFITS  
CHAIRMAN: KANSAS PUBLIC EMPLOYEE  
RETIREMENT STUDY COMMISSION  
VICE CHAIRMAN: AGRICULTURE  
MEMBER: ENERGY AND NATURAL RESOURCES  
TRANSPORTATION

HOUSE OF  
REPRESENTATIVES  
TESTIMONY ON SB 526  
APPROPRIATIONS COMMITTEE  
March 5, 1992

Thank you, Mr. Chairman and members of the Committee. My name is Don Rezac; I am Vice Chairman of the Special Committee on KPERS Investments. I am here today in support of SB 526.

We learned a lot about KPERS. We've heard, 89 people, over 3850 pages of transcript.

Direct Placement - This was done by money managers. The money managers invested in a lot of buyout. They made loans for the business then made operating loans.

We learned some managers capitalize interest and expenses. Some managers let the company issue new stock for interest. It appeared to me that some managers were more worried about loaning the money for the fees than the return of the money.

The money managers were recommended by Callan and Associates of San Francisco. Ron Payton had to recommend you as a money manager or you didn't get hired.

Direct placement losses so far are \$225 million or 57% of the fund. Peter Gamm, West, returned an overcharge of \$74,000 plus due to the committee investments. No one at KPERS was looking at the bills and invoices. They were just paying them. It looked to me like a lot of real estate investments were put together just to make work.

HA  
3-5-92  
Attachment 5

What goes around comes around - that is why the state needs Senate Bill 526.

Carlin started KPERS Direct Placement; Hayden didn't do anything about it; and we are in this mess today.

I want to thank Legislative Leadership and the Legislators for the support you have given the Special Committee on KPERS Investments.

A special thanks to Lawyers, David Elkouri and Terry Moore. Without their investigating team, we would not have the misdealing documented.

DON REZAC



KANSAS NATIONAL EDUCATION ASSOCIATION / 715 W. 10TH STREET / TOPEKA, KANSAS 66612-1686

Craig Grant Testimony Before  
House Appropriations Committee  
Thursday, March 5, 1992

Thank you, Mr. Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate this opportunity to visit with the committee about SB 526.

I probably followed the proceedings of the Joint Committee on KPERS Investment Practices as closely as any other organization lobbyist. For those of you who did not serve, I can assure you that these legislators worked extremely hard this past year. The hours were long, the topic was sensitive, yet it was obvious that the legislators were willing to do the job they were assigned--to get as much as possible to the root cause of the KPERS investment problem. I might go so far as to say that if an equal amount of "due diligence" had been exercised by the people charged with the responsibility of handling our retirement moneys as the joint committee exercised, there probably would have been no problem.

But there was a problem. Members of KPERS lost over \$200 million of moneys which could have helped us improve what is some of the lowest benefits in the nation. I know from my calls all last year that my members--and we represent about 24,000 members of the fund plus a number of retired members--were worried and angry about what had happened to "their" retirement money.

Our members wanted something done to guarantee that this situation did not happen again. SB 526 places some logical and reasonable restrictions on investments and also changes the structure of operation. We support these changes.

We don't support the change in the KPERS Board because we are unhappy with the present trustees. On the contrary, we believe there are very good

members on the Board presently who are doing good things. But we must remember that the close scrutiny will eventually fade. We must not relax our guard once again and not keep the proper oversight on the board. Participating members on the board will help insure that the oversight continues.

Kansas-NEA supports the changes proposed in SB 526. We want the safeguards and the structural changes in statute. Those changes will, hopefully, guarantee that even a slight hint of a warning will not be ignored in the future.

We thank those of you who served on the joint committee for your hard work and would ask that the committee pass SB 526 favorably. Thank you for listening to our concerns.





# Kansas Retired Teachers Association

"All Things Excellent"

1991 - 1992



## ELECTIVE OFFICERS

### President

Ralph Ruhlén  
P.O. Box 269  
Baldwin City, KS 66006  
Phone 913-594-3413

### President Elect

Floyd Pope  
1133 N. Ridgewood  
Wichita, KS 67208  
Phone 316-686-6991

### Vice President

Dorothy Pounds  
511 S. Chestnut  
McPherson, KS 67460  
Phone 316-241-3336

### Secretary

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Phone 913-823-8239

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Phone 913-263-1533

### Assistant Treasurer

Doris Setterquist  
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Manhattan, KS 66502  
Phone: 913-539-4968

### Past President

Mary Douglas  
2121 Meadowlark Road, Apt. 302  
Manhattan, KS 66502  
Phone 913-776-0773

## DISTRICT DIRECTORS

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Phone 913-476-2843

### District 2

Charles Setterquist  
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### District 3

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## APPOINTEE OFFICERS

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Committee Chairman  
Elsie Klemp  
608 E. Price  
Garden City, KS 67846  
Phone 316-275-5322

March 5, 1992

Members of the House Appropriations Committee:

My name is Basil Covey and I am chairman of the Kansas Retired Teachers legislative committee.

We support SB 526 which is designed to improve the working business of KPERS in preventing future losses from the Pension Fund.

SB 526 grew out of information learned by the Joint Committee Investigating KPERS practices during the summer of 1991.

Citizens attending the summer long meetings soon picked up the need for new guidelines to protect the Pension Fund.

The Joint Committee made twelve recommendations for improvement in KPERS to be embodied in legislation. The 12th recommendation was removed before SB 526 was introduced.

The bill creates a new board of trustees starting July 1, 1993. There is some controversy over this section between the governor and legislature. We have no opinion on how the members are selected, only that trustees must be qualified, competent, and free from financial conflict of interest.

Many sections of the bill are technical in nature expressing safe and sound methods of reporting and of investments.

The bill sets up the KPERS fund in the state treasury. A strength in the bill states the fund is a trust fund and shall be used solely for the exclusive purpose of providing benefits to members and member beneficiaries and defraying reasonable expenses of administering the fund. Investments are to preserve the fund to provide benefits to members and member beneficiaries.

The bill prevents the KPERS funds from being invested and reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.

## APPOINTEE OFFICERS

(Continued)

### Legislative Chairman

Dist. Basil Covey 2  
3119 W. 31st St. Ct.  
Topeka, KS 66614  
Phone 913-272-5914

### Community Service Chairman:

Robert D. Carey  
P.O. Box 187  
Moline, KS 67353  
Phone 316-647-3619

### Informative &

### Protective Services Chairman

Frank E. Wilson, Ed. D  
2888 SW Knollwood Court  
Topeka, KS 66611  
Phone 913-267-1422

### Retirement Planning Chairman:

Dale Relihan  
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Chapman, KS 67431  
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### Membership Chairman

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Phone 316-331-2464

### Historian Chairman

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### Necrology Chairman

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## LEGISLATIVE COMMITTEE

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1206 Roach  
Salina, KS 67401

### District 3

Ralph E. Chalender  
7227 Hemlock  
Overland Park, KS 66204

### District 4

Russel Lupton  
2008 Hart  
Dodge City, KS 67801

### District 5

A. W. Dirks  
11403 Douglas  
Wichita, KS 67209

### District 6

Ruth M. Lyon  
1040 No. 11th  
Independence, KS 67301

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3-5-92  
Attachment 7

SB 526 creates a Joint Committee on Pensions, Investments, and Benefits on January 1, 1993. The committee will be composed of five senators and eight members of the House. The bill spells out what committee chairpersons will be on the Joint committee. In the original bill the House Pensions Committee chairperson was on the committee, but the Senate amended the Pensions chairperson out.

We feel that the House Pensions chairperson should be a member of the Joint Committee.

SB 526 sets the tone for confidence-building in the future of KPERS. The word must go out to the public that the reins of good government is now in control by qualified, capable people.

We are confident that SB 526 will prevent KPERS losses from never, ever happening again.

We urge Committee approval of SB 526.

Thank you,

*Basil Covey*  
Basil Covey

**REMARKS**  
**HOUSE BILL 2752**  
**JIM SNYDER - BEFORE THE**  
**HOUSE APPROPRIATIONS COMMITTEE -- MARCH 5, 1992**

Mr. Chairman, members of the Committee. I am Jim Snyder, Executive Director of the Kansas Funeral Directors Association--an organization consisting of approximately 95% of the 320 funeral homes in Kansas. I am here to testify favorably on House Bill 2752.

All this bill does is provide that the death benefits available to KPERS retirants may be assigned by the beneficiary to the funeral home providing the funeral of the retirant. This is a very simple procedure and presently is done quite often with insurance policies.

I have included a copy of the present Kansas insurance law which provides for the assignment of those funds, and a copy of the assignment form used for this purpose. As you can see, the form is very simple and with a slight modification could be used for the purpose of this bill. In fact, my organization would be happy to provide these, or any other form approved by KPERS, to all the funeral homes in the State.

I don't wish to go into a lot of detail here, but this bill has become necessary because of experiences across the state. In a couple of instances of which I am aware, the beneficiary was not involved in the funeral arrangements. In one case, the beneficiary did use the money to help offset the funeral expenses, but in another situation, the money was spent elsewhere--even though the statute specifically states it is a death benefit of the retirant.

In both instances, the KPERS people did make an effort to help the funeral home, but because the present law did not allow assignments, were unable to assist. House Bill 2752 would correct this and make the KPERS statute consistent with the present practice regarding other insurance and death benefits.

*HA*  
*3-5-92*  
*Attachment 8*

**Snyder - Page 2**

As KPERS retirants are provided funerals, this bill not only insures the payment to the funeral home, but makes the process much easier for those making the funeral arrangements.

The amendments made by the House Pensions Committee were recommended by KPERS personnel, in which we concur. They merely provide for this action within 30 days and state it is permissible by the beneficiary of the retirant.

There is no cost to the State or KPERS because of this legislation.

I shall be happy to answer any questions.

# 1

# INSURANCE PROCEEDS ASSIGNMENT

For value received and for the funeral services and burial or other disposition of the body of ..... (the insured), I hereby assign and transfer to....., the sum  
(Name of Funeral Home or Mortuary)  
of..... dollars (\$.....) or so much thereof as is available from the proceeds of Policy Number ..... of the..... Insurance Co., which may be or is due me as beneficiary, or by reason of some other qualification.

I hereby instruct and authorize the..... Insurance Co. to pay over to..... the sum  
(Name of Funeral Home or Mortuary)  
of.....dollars (\$.....) which payment shall constitute a release and certificate by me for such assigned and paid proceeds.

.....  
Signed (Beneficiary)

STATE OF ....., COUNTY, SS:

Personally appeared before me, a Notary Public in and for said..... County, ....., the above mentioned..... who, first being duly sworn, says that the above facts are true to the best of..... knowledge and belief, and says that the execution of the above assignment is..... voluntary act and deed, being under no restraint whatever.

Dated.....

.....  
Notary Public

KSA 40-439 & 440

#2

ny domestic life insurance com-  
nich establishes one or more sepa-  
unts pursuant to this section, may  
ts charter or bylaws to provide for  
oting rights and procedures for the  
of contracts under such separate  
lating to investment policy, invest-  
visory services and selection of in-  
public accountants, in relation to  
administration of the assets in any such  
account and such other matters as  
pany deems necessary in the man-  
t of the assets in any such separate

This provision shall not in any way  
isting laws pertaining to the voting  
f the company's policyholders.

he commissioner shall have the sole  
lusive jurisdiction and authority to  
e the issuance and sale of such con-  
nd to promulgate such reasonable  
nd regulations as may be necessary to  
ut the purposes and provisions of this  
nd such contracts, the companies  
issue them, and the agents or other  
s who sell them, shall not be subject  
provisions of article 12 of chapter 17  
Kansas Statutes Annotated nor to the  
ction of the securities commissioner  
t state.

History: L. 1967, ch. 259, § 1; L. 1968,  
2, § 1; L. 1972, ch. 182, § 1; July 1.

-437. Establishment of separate ac-  
ts; application of other laws; variable  
ontracts, provisions required; reserve  
ity requirements. Except for subsec-  
(1), (4), (5), (6), (7), (8), (9) and (11) of  
A. 40-420; subsections (1), (2) and (3) of  
A. 40-421; K.S.A. 40-427, 40-428, 40-  
40-429 and subsection (1) of K.S.A.  
34, and except as otherwise provided in  
act, all pertinent provisions of the in-  
ate laws of this state shall apply to  
rate accounts and contracts relating  
to Any individual variable life insur-  
or annuity contract, delivered or is-  
for delivery in this state shall contain  
e, reinstatement and nonforfeiture pro-  
s appropriate to such a contract. Any  
s variable life insurance contract, de-  
l or issued for delivery in this state,  
ll contain a grace provision appropriate  
h a contract. The reserve liability for  
ble contracts shall be established in  
ance with actuarial procedures that  
e the variable nature of the benefits  
ed and any mortality guarantees.

History: L. 1967, ch. 259, § 2; L. 1968,  
ch. 382, § 2; L. 1972, ch. 182, § 2; L. 1978,  
ch. 175, § 3; July 1.

**40-438.** Same; severability. If any pro-  
vision of this act or application thereof to  
any person or circumstance is held invalid,  
such invalidity shall not affect other provi-  
sions or applications of the act which can be  
given effect without the invalid provision or  
application, and to this end the provisions of  
this act are declared to be severable.

History: L. 1967, ch. 259, § 3; July 1.

**40-439.** Assignment of rights and priv-  
ileges under life and accident and health  
insurance policies. No provision in K.S.A.  
40-434 and 40-435 or any other law shall be  
construed as prohibiting a person whose life  
is insured under a policy of group life or  
accident and health insurance or the poli-  
cyowner of an individual life or accident  
and health policy from making an assign-  
ment of all or any part of his rights and  
privileges under such policy including spec-  
ifically, but not by way of limitation, any  
right to designate a beneficiary or benefi-  
ciaries thereunder and any right to have an  
individual policy issued to him in accord-  
ance with subsections (8), (9) or (10) of  
K.S.A. 40-434 and 40-435. Subject to the  
terms of the policy relating to assignment of  
such rights and privileges thereunder, such  
an assignment by an insured or the poli-  
cyowner, made either before or after the  
effective date of this section, is valid for the  
purpose of vesting in the assignee, in ac-  
cordance with any provisions included  
therein as to the time at which it is to be  
effective, all of such rights and privileges so  
assigned, but without prejudice to the in-  
surer on account of any payment it may  
make or individual policy it may issue in  
accordance with subsections (8), (9) or (10)  
of K.S.A. 40-434 and 40-435 prior to receipt  
of notice of the assignment.

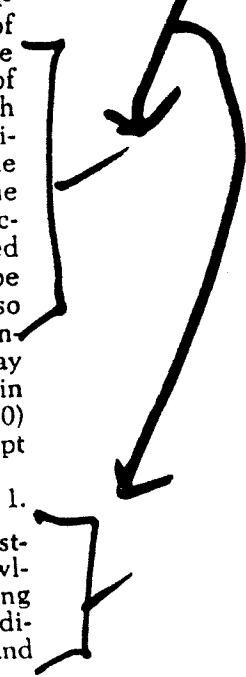
History: L. 1969, ch. 239, § 1; July 1.

**40-440.** Same; act acknowledges exist-  
ing right of assignment. This act acknowl-  
edges, declares and codifies the existing  
right of assignment of interests under indi-  
vidual and group life and accident and  
health insurance policies.

History: L. 1969, ch. 239, § 2; July 1.

**40-441.** Designation of trustee under  
will as beneficiary of life insurance policy.

PROVIDER'S  
USUAL  
ASSIGN-  
MENT





RICHARD R. REINHARDT  
 REPRESENTATIVE, 8TH DISTRICT  
 NEOSHO COUNTY AND PART OF  
 LABETTE COUNTY  
 R. R. #1, BOX 118  
 ERIE, KANSAS 66733



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 MEMBER: AGRICULTURE  
 EDUCATION  
 TRANSPORTATION

March 5, 1992

HB 2773

Mr. Chairman and members of the Appropriations Committee:

I want to thank you for addressing House Bill 2773.

I was contacted this past summer by some quasi-governmental agencies for aging, mental health, and developmental disabilities, to ask for legislation to allow their employers to participate in the KPERS retirement program.

The result is HB 2773, which amends KSA 1991 Supplement 74-4902. On page 3 (13) "Eligible employer" is redefined as amended by the Pension Committee, to include area agencies on aging, community mental health centers and nonprofit community facilities for the mentally retarded and nonprofit independent living agencies as defined by statutes.

House Bill 2198 was amended into HB 2773 in committee to include community action agencies. County-wide economic development organizations were also added by the Pension Committee.

In researching this issue, some such agencies are county operated and can presently participate in KPERS. Other area agencies such as the ones I represent, consist of several counties. They are nonprofit organizations but perform similar functions.

The decision to participate or not remains with the employer and the employer contribution is paid by the agency. I see no fiscal note directly to the state.

I would encourage your support of HB 2773 and would be happy to reply to any questions.

Richard R. Reinhardt  
 State Representative  
 District #8

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 3-5-92  
 Attachment 9



# Kansas Association of Rehabilitation Facilities

Jayhawk Tower • 700 Jackson • Suite 212 • Topeka, Kansas 66603-3731

(913) 235-5103 • Fax (913) 235-0020

**TO:** Representative George Teagarden  
Chairperson  
Appropriations Committee

**FROM:** Kansas Association of Rehabilitation Facilities  
Yo Bestgen, Ex. Director

**RE:** HB 2773; An act concerning the Kansas public employees retirement system; relating to eligible employers.

**DATE:** March 5, 1992

My name is Yo Bestgen and I am the Executive Director of the Kansas Association of Rehabilitation Facilities (KARF). I am here today to speak in support of HB 2773.

The KARF represents community facilities that serve individuals with mental retardation, developmental disabilities and physical disabilities. The programs and services which these private, community facilities offer include vocational and day activity programs, community living alternatives, and children's programs.

The membership of the KARF, although diverse in the programs and services offered, are recipients of state or local funds or grants which allow them to provide the services listed above.

The thirty-eight nonprofit private providers represented by the KARF have become an integral part of this States initiative to reduce the size of the populations in the State Institutions for the mentally retarded. One of the key challenges as we expand community services for people with more severe disabilities is to attract and to maintain quality staff.

House Bill 2773 would provide the option for nonprofit community facilities to be an eligible employer and to participate in the KPERS plan. This option to participate would increase the ability of community facilities to develop a more attractive benefits plan for their staff.

This Fall the Legislative Task Force on SRS developed a five year proposal that would significantly expand the array of community services while reducing the size of state institutions. One of the recommendations from the sub-committee working on Mental Health and Retardation Services was "that community programs give special consideration to hiring those hospital workers who are displaced by

HA  
3-5-92  
Attachment 10

hospital consolidation or staff reductions, provided the workers are qualified for the particular community job".

If a community facility had the option for KPERS participation, workers that would move from a position at the state hospital to a participating community facility, that worker would not lose their KPERS benefits.

I have attached a list of potential eligible employers from the KARF membership. In a recent survey I found that seventeen of those facilities have expressed interest in the KPERS option. In addition, Mental Health and Retardation Services indicated that there are approximately ten additional facilities that may also desire participation.

I would like to emphasize that we are only requesting this as an optional participation so that those facilities with viable retirement plans will not be effected.

We would request your support of HB 2773 allowing nonprofit community facilities the option of KPERS participation.

Thank you for your attention to this issue.



# Kansas Association of Rehabilitation Facilities

## COMMUNITY FACILITY MEMBERS

Facility	Vocational Services	Residential Services	Childrens Services	Location
Achievement Services of NE Kansas, Inc.	X	X	X	Atchison
Arrowhead West, Inc.	X	X	X	Dodge City
Big Lakes Developmental Center, Inc.	X	X	X	Manhattan
Brown County Developmental Services, Inc.	X			Hiawatha
The Capper Foundation	X	X	X	Topeka
Cerebral Palsy Research Foundation, Inc.		X	X	Wichita
CLASS, Ltd.	X	X	X	Columbus
COF Training Services, Inc.	X	X		Ottawa
Community Living Opportunities, Inc.		X		Overland Park
Cottonwood, Inc.	X	X	X	Lawrence
Cowley County Developmental Services, Inc.	X	X		Arkansas City
Cranford Living-Learning Center, Inc.		X		Wichita
Developmental Services of NW Kansas	X	X	X	Hays
Futures Unlimited, Inc.	X	X	X	Wellington
HELP, Inc.	X	X		Leavenworth
Hutchinson Heights, Inc.		X		Hutchinson
Johnson County MR Center (County)	X	X	X	Lenexa
Kansas Elks Training Center	X	X		Wichita
Lakemary Center, Inc.	X	X	X	Paoia
McPherson County Diversified Services	X	X		McPherson
Meadowlark Homestead, Inc.	X	X		Newton
Nemaha County Training Center, Inc.	X	X		Seneca
Northview Developmental Services, Inc.	X	X	X	Newton
Occupational Center of Central Kansas, Inc.	X	X	X	Salina
Pennington's Residential Homes, Inc.		X		Wichita
Rainbows United, Inc.			X	Wichita
Sheltered Living, Inc.		X		Topeka
Southwest Developmental Services, Inc.	X	X		Garden City
Starkey Developmental Center, Inc.	X	X		Wichita
Sunflower Diversified Services, Inc.	X	X	X	Great Bent
TECH, Inc.	X	X	X	Hutchinson
Terrimara, Inc.	X	X		El Dorado
Topeka ARC	X		X	Topeka
Tri-Ko, Inc.	X	X		Osawatomie
Tri-Valley Developmental Center, Inc.	X	X		Chanute
Twin Valley Developmental Services	X	X		Greenleaf
Wyandotte Dev. Disabilities Services (County)	X	X	X	Kansas City

My name is Dolores Peters and I work for the Southeast Kansas Area Agency on Aging (SEK-AAA) as an Information and Assistance Specialist.

Thank you for the opportunity to appear before the House Appropriations Committee to speak in favor of H.B. 2773.

In 1971, at the age of 43, I was divorced with four children ages 4 to 16 to raise alone. As a middle aged housewife with no college degree, I found it necessary to support my family decorating cakes and babysitting.

When my youngest child was in Junior High, I entered the workforce through the CETA Program for displaced housewives at minimum wage. After my training period I was hired by SEK-AAA.

In November of 1992, I should be able to retire with full Social Security benefits. Unfortunately, due to the number of years my salary was low, my retirement income will be below poverty level. With four children to raise and send to college, I was not able to have a savings. Unlike many divorced persons, I will not be able to draw from my ex-husband's retirement due to his employment as a teacher.

In my work I find many women with the same problems. Due to the fact they have no pension or retirement plan, they have to rely solely on Social Security or welfare programs for their living. With this low income, they have a very inadequate standard of living and many can not afford medical care they need and fall between the cracks of welfare programs. Many can not afford to stay in their homes and there is not enough housing available for them.

I feel that if a person works they should be able to retire with a decent standard of living. I am asking this committee to please approve H.B. 2773 to allow Area Agencies on Aging to become members of Kansas Professional Employees Retirement System.

---

Dolores Peters  
Information and Assistance Specialist  
SEK-AAA, Chanute, KS 66720

HA  
3-5-92  
Attachment II

CLASS LTD



P.O. Box 266, Columbus, Kansas 66725, 316-429-1212

HB-2773

Testimony Before the House Appropriations Committee

March 5, 1992

By

Robert L. Clark, President

CLASS LTD

OUTLINE OF REMARKS:

1. CLASS LTD is a State-licensed, nationally accredited, comprehensive Community-based Mental Retardation/Developmental Disabilities Center serving Cherokee, Crawford, Labette and Montgomery Counties in Southeast Kansas.
2. I am appearing today in support of HB-2773, particularly the amendment proposed to Section 1, Subsection 13, which would allow "—any nonprofit area agency on aging, any nonprofit community mental health center, as provided in K.S.A. 19-4001 et seq. and admendments thereto, any nonprofit community facility for the mentally retarded, as provided in K.S.A. 19-4001 et seq. and admendments thereto, any nonprofit independent living agency, as defined in K.S.A. 65-5101 and admentments thereto, and any nonprofit county-wide economic development corporation or organization, which receives state or local funds or grants to provide the services offered by such organization;—" to be deemed an eligible employer for purposes of joining the KPERS Program for all employees for whom Social Security is paid by such non-profit organization.

(over)

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3-5-92  
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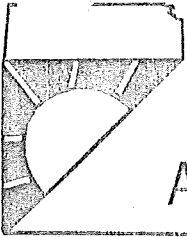


3. As a state-recognized Community Mental Retardation Center, operating under K.S.A. 19-4001 et seq., and receiving funds and grants from the SRS Division of Mental Health and Retardation Services and Kansas Rehabilitation Services, as well as county mental retardation mill levy funds, CLASS LTD would qualify under this language for optional inclusion in the KPERS system.

4. Given the move to decentralize mental retardation and developmental disabilities services in the State of Kansas, by State policy, there is a greater emphasis upon expanding community services, such as those provided by CLASS LTD. There is the distinct possibility that state personnel, currently employed in institutional settings such as the Parsons State Hospital and Training Center, might wish to transfer to community programs such as CLASS LTD as the institutional population declines in the future. Certainly, our opportunity to participate in the KPERS program could be a significant recruiting tool with people who are currently employed by entities involved in the KPERS System.

5. We respectfully ask that the Committee take favorable action on HB-2773 and give us the opportunity, to secure passage of this permissive legislation in 1992.

Mr. Chairman, I thank you for your consideration. If you have questions, I would be pleased to respond.



# East Central Kansas Area Agency on Aging

Anderson - Coffey - Franklin - Linn - Miami - Osage

## TESTIMONY

BEATRICE L. SHISLER

EXECUTIVE DIRECTOR

HOUSE BILL NO. 2773

*afternoon*  
Good morning Mr. Chairman and members of the Committee.

The East Central Kansas Area Agency on Aging supports House Bill No. 2773. We have struggled over the past three years to find an employee benefits program that would be attractive to potential employees as well as serve to retain qualified, trained employees. While we have been able to find some attractive plans we could not afford them. To purchase even one of these plans would have meant that the agency would have had to reduce to funds to provide services. Since we are extremely adamant about placing as many dollars as possible to provide services to communities and individuals throughout our six county rural area this has meant that we have not formalized a retirement plan.

1-800-633-5621

913-242-7200

132 SOUTH MAIN • OTTAWA, KANSAS 66067

HA  
3-5-92  
Attachment 13

As an area agency on aging we work with many individuals who "saved" over the years for their retirement. Unfortunately, what they anticipated as being adequate to meet their retirement needs is being consumed by higher prices and prescription drug bills. With the salaries that we are able to offer our staff, they too will be placed in much of the same dilemma when they retire.

We support this bill because we as an agency would be able to offer an attractive benefits program that would cost the state almost nothing and the agency would save approximately \$ 8,416 this fiscal year if this was available today.

# KANSAS ASSOCIATION OF CENTERS FOR INDEPENDENT LIVING

3258 South Topeka Blvd. ~ Topeka, Kansas 66611 ~ (913) 267-7100 (Voice/TT)

---

## TESTIMONY TO

### HOUSE COMMITTEE ON APPROPRIATIONS

Gina McDonald  
Executive Director

#### Member agencies:

ILC of Southcentral Kansas  
Wichita, Kansas  
(316) 838-3500 V/TT

Independence, Inc.  
Lawrence, Kansas  
(913) 841-0333 V/TT

Independent Connection  
Salina, Kansas  
(913) 827-9383 V/TT

LINK, Inc.  
Hays, Kansas  
(913) 625-6942 V/TT  
(913) 625-2521 V

Resource Center for  
Independent Living  
Osage City, Kansas  
(913) 528-3105 V/TT

ILC of Northeast Kansas  
Atchison, Kansas  
(913) 367-1830 V/TT

The WHOLE PERSON, Inc.  
Kansas City, Missouri  
(816) 361-0304 V  
(816) 361-7749 TT

Three Rivers Independent  
Living Resource Center  
Wamego, Kansas  
(913) 456-9915 V/TT

Topeka Independent  
Living Resource Center  
Topeka, Kansas  
(913) 267-7100 V/TT

My name is Gina McDonald and I am here representing the Kansas Association of Centers for Independent Living (KACIL). The association is made up of nine centers for independent living. There are approximately 100 employees who would fit the definition in H.B.2773 working in all nine centers. The average annual salary of an employee is approximately \$15000 to \$20,000.

KACIL wishes to offer our strong support to H.B. 2773. The agencies that I represent are small, not for profit businesses, who have been unable, in most instances to offer any type of retirement program to their employees. This bill would offer them the opportunity to offer benefits that are more in line with benefits offered to state employees.

The majority of the staff of the agencies I work for are people who experience disabilities. It has not been the norm to think of people who experience disabilities as being employable, let alone having the need for retirement benefits. This bill does make that consideration and will allow our member agencies to begin to offer similar benefits to employees.

Our congratulations and appreciation go to the author of this bill, Representative Reinhardt for his consideration of our agencies needs. People with disabilities all too often experience discrimination when attempting to obtain life insurance or retirement benefits. This bill will eliminate that barrier and offer equitable retirement benefits.

Thank you for the opportunity to speak to this committee today. I will stand for any questions.

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H.B. 2773  
March 5, 1992

Testimony in support of H.B. 2773 before the Appropriations Committee given by Larry E. Erne of Southeast Kansas Community Action Agency.

Chairman Teagarden and Honorable Members of the Committee:

The Kansas Association of Community Action Agencies asked for a bill to be introduced last year to include their approximately 560 employees into the state retirement system. That Bill, H.B. 2198, has now been amended into H.B. 2773 which is before you today.

Let me first explain, as I can, what a Community Action Agency is and how we relate to programs and activities within state government.

We exist as a result of the Economic Opportunity Act of 1964 as amended and, as such, have operated programs within the state of Kansas since that time. Our programs serve low and moderate income people in alleviating, if not eliminating, poverty within our state. We have always had a direct relationship with State government as required by the federal act, and by regulation promulgated thereto. Most, if not all, of our funds are channeled through various State Agencies and Departments, resulting in direct interaction with State Employment practices and requirements.

Because of our unique and innovative approaches to the application of public monies, we have never been included in the Kansas Public Employees Retirement system.

Both as an association and as individual agencies, our programs are largely locally devised and designed to serve the

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needs of the areas we serve. While we may all operate similar programs, Community Action Agencies aren't all exactly the same. Some are urban, some are rural, some serve large ethnic populations and, some large numbers of elderly. Some of the programs include:

1. Low income housing
2. Weatherization of older and energy inefficient homes
3. Head Start Programs for pre-school children
4. Total Family self-sufficiency programs
5. Low income farm programs
6. Rent subsidy for low income families
7. Rural and Urban Transportation
8. Small Community and Neighborhood Community Centers
9. Food and meals distribution for the Needy
10. Job Training and Adult Education

These are only ten and there are many more.

We do not ask to tap already burdened resources, but rather pay our own way in becoming a part of the "family of State employees". No comprehensive retirement plans have been available and utilized by these approximately five hundred sixty dedicated employees.

The precedence has been established by the inclusion of the Public Television and Radio employees' and is becoming a more common place in other states.

Thank you for your consideration and support of H.B. 2773.  
Serving the People,

Larry E. Erne  
SEK-CAP, Inc.

HB - 2773  
Testimony Before the House Appropriations Committee  
March 5, 1992

By  
Dan R. Kline, Executive Director  
Tri-Valley Developmental Center, Inc.  
P.O. Box 517  
Chanute, KS 66720  
(316) 431-7401

Tri-Valley Developmental Center, Inc. is a non-profit, state designated, community mental retardation center serving Allen, Bourbon, Neosho and Woodson counties. State Licensing and major funding are provided through the SRS Division of Mental Health and Mental Retardation Services. Tri-Valley provides services to support persons with developmental disabilities within their communities.

I am in support of HB-2773 which amends the Kansas Public Employees Retirement System definition of eligible employer to include any nonprofit area agency on aging, any nonprofit community mental health center, as provided in K.S.A. 19-4001 et seq. and amendments thereto, any nonprofit community facility for the mentally retarded, as provided in K.S.A. 19-4001 et seq. and amendments thereto, any nonprofit independent living agency, as defined in K.S.A. 65-5101 and amendments thereto and any nonprofit countywide economic development corporation or organization, which receives state or local funds or grants to provide the services offered by such organization; or any community action agency established by the economic opportunity act of 1964 and the omnibus budget reconciliation act of 1981.

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Tri-Valley Developmental Center would qualify under this amendment for optional inclusion in the KPERS system. We currently compete in the employment market with school districts and state programs which offer KPERS. I feel that participation in the Kapers system could enhance our ability to attract and hold qualified staff as we grow in response to state initiatives expanding community-based support services.

I respectfully ask that you take positive action on HB-2773. Thank you for the opportunity to testify today. If you have any questions I would be glad to respond.