

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS

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

12:30 a.m./p.m. on March 5, 1992 in room 521-S of the Capital

All members were present except: Representative Gene Amos (excused)
Representative Elaine Wells (excused)
Representative Barbara Allen (excused)
Representative Carol Sader (excused)
Committee staff present: Representative Tom Love (excused)

Richard Ryan - Legislative Research
Alan Conroy - Legislative Research
Gordon Self - Revisor's Office
Juanita Blasdel - Committee Secretary

Conferees appearing before the committee:
Charles Dodson - KAPE
Craig Grant - KNEA
Susan Seltsam - Acting Secretary of Administration
Terry Scott - Kansas Police and Firemen

Others attending: see attached sheet

The meeting was called to order by Chairman Rezac at 12:30 p.m. for continuation of hearings on HB 3162.

HB 3162 - KPERS, relating to benefits thereunder; retirement; participating service

Charles Dodson of KAPE was the first proponent to speak on this bill today. He spoke from a handout (Attachment #1). KAPE is convinced that retirement incentives provide a realistic method to be used in reducing the number of state employees. He felt there were some changes that need to be made in the bill, namely the 2% of final average salary should be part of the window and not permanent. KP&F should have corresponding changes made to their system for the window period as well.

Questions were then asked of Mr. Dodson.

Craig Grant of KNEA then spoke from material handed out (Attachment #2). He felt that the state is considered the school employees' employer for retirement purposes, that they might come under the regular provision of the changes rather than as an employee of a participating employer. He handed out a book comparing retirement benefits (see minutes of January 22, 1992, Attachment #6), which show that Kansas is at the bottom in multiplier factor and early retirement provisions.

Susan Seltsam, Acting Secretary of Administration, then spoke on this bill. She told of a study that had been done regarding state government. They found that there were many employees with enough service but couldn't afford to retire due to cost of health care. Her committee wanted to help provide long term state employees some help in moving from employment into retirement. They also looked at ways to downsize state government. The governor's office wants the opportunity to be involved in this bill.

Questions were then asked of Ms. Seltsam.

The chairman called on Terry Scott of KP&F who said they would like to have KP&F to be included in the bill but didn't think it could be amended to include them. He asked that the committee not forget KP&F.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS

room 521-S Statehouse, at 12:30 a/m./p.m. on March 5, 1992

Chairman Rezac asked Alan Conroy of Legislative Research this question and he said it could be amended into the bill for the KP&F to be included.

Hearings were then closed on HB 3162.

Representative Wisdom made a motion to pass HB 2598 favorably for passage, seconded by Representative Hensley. Discussion followed. This bill dealt with including cancer in service connected death and disability for KP&F. It would cost the state \$44,000 per year. Motion carried.

The chairman then asked for action on HB 2961 which deals with benefits for spouse of deceased member. Representative Wisdom moved to pass HB 2961 favorably for passage, seconded by Representative Watson. Discussion followed concerning the start date of this benefit. Meredith Williams suggested that they pick up anyone who had given up their retirement benefit, that they be re-entitled to it effective with the date of the bill, but not go back and pay them the amounts that they had foregone. Representative Wisdom said to include this in his motion. Motion carried.

HB 2970 dealing with disability benefits of KPERS was then brought up for action. Representative Grotewiel moved to pass HB 2970 favorably for passage, seconded by Representative Macy. Discussion followed. Motion carried.

Hearings were then reopened in order for Meredith Williams of KPERS to speak on HB 3162. He presented the committee with a sheet of figures (Attachment #3) to give them an estimate of costs of the various concepts. This was given for information only. It was brought out that 2,000 people could take advantage of this. The figures would vary according to the age of the individuals taking advantage of the bill.

Representative Wisdom made a conceptual motion to amend HB 3162 to include KP&F and the schools, seconded by Representative Macy. Discussion followed. Motion carried.

Representative Hensley moved to pass HB 3162 as amended, seconded by Representative Grotewiel, motion carried. (Representatives Ensminger and Cornfield voted "no").

Representative Macy made a motion to approve the minutes of the previous meeting, seconded by Representative Watson, motion carried.

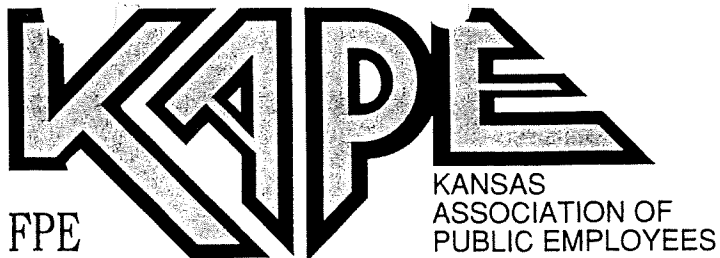
Meeting adjourned at 1:22 p.m. There will be no meeting at 5:00.



GUEST LIST

COMMITTEE: Pensions, Investments & Benefits Date: 3-5-92

Name (Please Print)	COMPANY ORGANIZATION	ADDRESS
Patti Frey	DPS / Dept. of Admin.	Landon / State
Dan Plante	KDOT	Topeka
Robert Kibby	Bd. of Agri. Div. Water Res	Topeka
Jack Fluke	KDOT	Topeka
W.H. WEBER	KDOT	TOPEKA
TERRY J. SCOTT	KHP	Topeka
Joe Thiobodeau	Ks. F. Fire fighters'	Lawrence
L.A. Jack	KS 77A	Wichita
Craig Grant	KNEA	Topeka
Charles Dodson	KAPE	TOPEKA
HAROLD PITTS	AARP-CCTF	TOPEKA
Jack Hawn	KPEXS	"
JOYCE HANSCHU	DISC	TOPEKA
PAT O'Buako	KSTA	TOPEKA



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March 4, 1992

Presentation to
House Committee on Pensions, Investments and Benefits
by
Charles Dodson
Kansas Association of Public Employees

Mr. Chairman, members of the Committee, thank you for this opportunity to speak in strong support of HB3162.

This bill has several distinct features which I believe would be good for state government, and good for state government employees.

- (1) It sets an early retirement window for two years - January 1, 1993 through December 31, 1994.
- (2) For this period it establishes the following:
 - a. Eligibility set at age 55 with 20 years of service.
 - b. Any age with 30 years of service.
 - c. If employees meet the requirements of "a" and "b" above there shall be no reduction in their benefits.
 - d. Adds five years to employees' participating service.
 - e. Adds \$100 to retirement pay until retirant reaches age 62 and becomes eligible for social security benefits.
 - f. Provides \$50 credit for the employees' state health care benefits program until age 65 when employee becomes eligible to receive medicare benefits.
 - g. Allows employers, other than the state, to elect to provide this early retirement incentive for their employees if they desire and pay all costs associated with the program.

(This feature may require some clarification to assure that the school employee's employer is clearly identified.)

3. This bill further provides for a permanent change in the retirement formula to 2% of Final Average Salary x years of service.

It is my understanding that this change may create a problem or actually become a disincentive to early retirement. It appears that if this 2% is permanent then there is actually an incentive not to retire during the window but to remain until age 65. When I requested that you consider this bill, that was not our intent and is still not our intent.

Consequently, if this is to be considered an early retirement incentive program, the 2% provision will need to be made a part of the window.

Additionally, in the rush to get all the bills drafted, there was a miscommunication with the revisor's office. The bill as drafted applies only to KPERS. Many state employees are covered under KP&F retirement system. Corresponding changes would need to be made to that system for the window period as well. The initial intent was to increase the formula for KP&F from 2% to 2.5% of final average salary and to increase the maximum percentage of final average salary allowable under KP&F accordingly.

This bill makes no mention of the corresponding reduction-in-force necessary to pay for these provisions. After cost estimates are finally established, then some ratio of retirements to position abolishments could be amended to HB3162 to assure that the intent of the bill is clear.

We are convinced that retirement incentives provide a realistic method to be used in reducing the number of state employees. The alternative is to wait until reduction is mandatory, then begin layoffs and furloughs that disrupt lives and destroy family finances. Proper planning and placement of early exit incentives can avoid these disruptions.

We urge you to report this bill favorably for passage.



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

Craig Grant Testimony Before
House Pensions, Investments, & Benefits Committee
Wednesday, March 4, 1992

Thank you, Mr. Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate this opportunity to support HB 3162.

Kansas-NEA supports improvements in the multiplier factor and opportunities for early retirement for those with longer service in this state.

Since the state is considered the school employees' employer for retirement purposes, we think that we might come under the regular provision of the changes rather than as an employee of a participating employer. Even if that is not the case, we would welcome the chance to convince local boards to help us improve our retirement benefits.

Earlier in the session I passed out a book comparing retirement benefits. I have attached a second copy. As you can see, Kansas is at the bottom in multiplier factor (48th) and early retirement provisions. We can and should do better for our dedicated career employees who deserve a liveable retirement.

Kansas-NEA supports HB 3162 and hopes the committee acts favorably on the measure. Thank you for listening to our concerns.

Estimated Cost of HB 3162

(Shown as Increase in Actuarial Present Value of Benefits)

Coverage Group	Retire at 55/20 or Any Age with 30	Add 5 Years Participating Service	\$50 Medical Premium Credits	\$100 Social Security Supplement	2% Formula for Participating Service
State Empl.	\$69,800,000	\$43,925,000	\$5,900,000	\$7,525,000	\$30,000,000
School Empl.*	176,594,000	111,130,250	14,927,000	19,038,250	75,900,000
Local Empl.*	46,766,000	29,429,750	3,953,000	5,041,750	20,100,000

*Estimates for School and Local employees assume they have the same characteristics as state employees which is not the case.