

Approved: 3/29/95
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Robin Jennison at 12:10 p. m. on March 27, 1995 in Room 514-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Julian Efird, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:
Eugene Kalwarski, F.S.A, Milliman & Robertson, Inc., Washington, D.C.

Others attending: See attached list

Chairperson Jennison announced that this meeting would be devoted to the review of KPERS unfunded liability issues.

Eugene Kalwarski, Milliman & Robertson, Inc., covered three topics on unfunded liability issues:

- 1) A review of the actuarial evaluation his company performed for KPERS in the past year; (Attachment 1)
- 2) Information on how KPERS compares with other states with respect to funding, the financial issues (Attachment 2);
- 3) Information on the statutory rate cap which limits the funding.

The meeting adjourned at 2:00 p.m.

The next meeting is scheduled for March 28, 1995.

January 11, 1995

Milliman & Robertson, Inc.

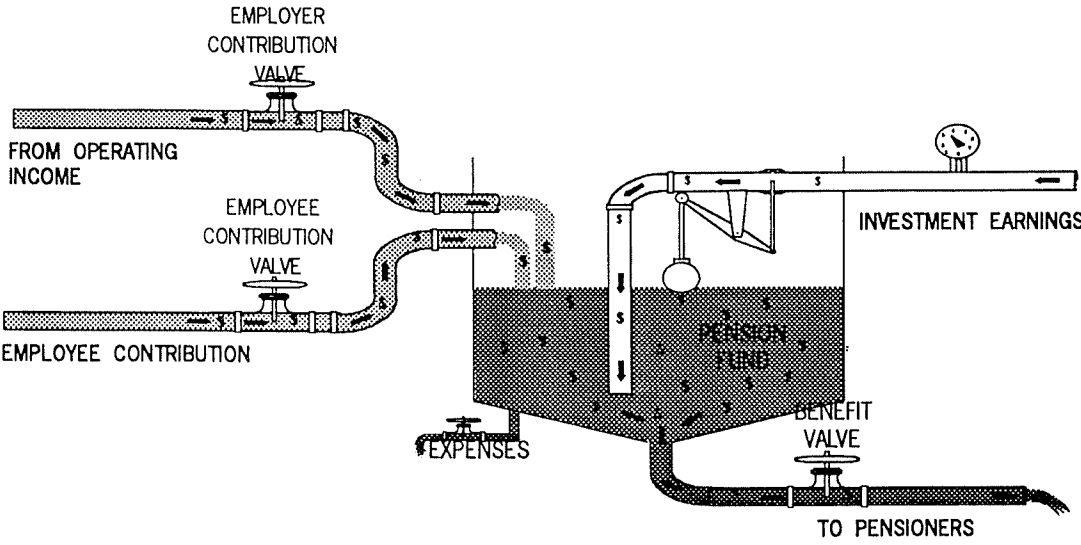
**Kansas Public Employees
Retirement System**



MILLIMAN & ROBERTSON, INC.

*3/27/95
Appropriations Cntr
Attachment 1*

Kansas Public Employees Retirement System

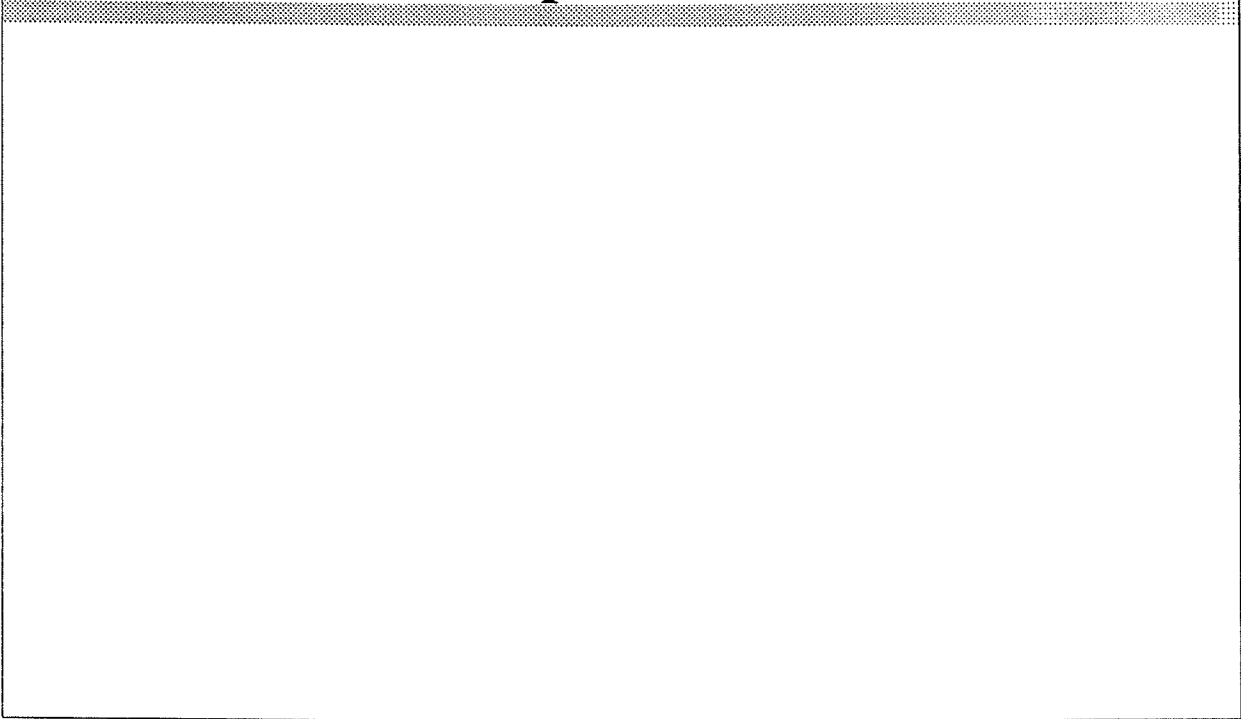


Adapted from Harvard Business Review Mar-Apr 1966

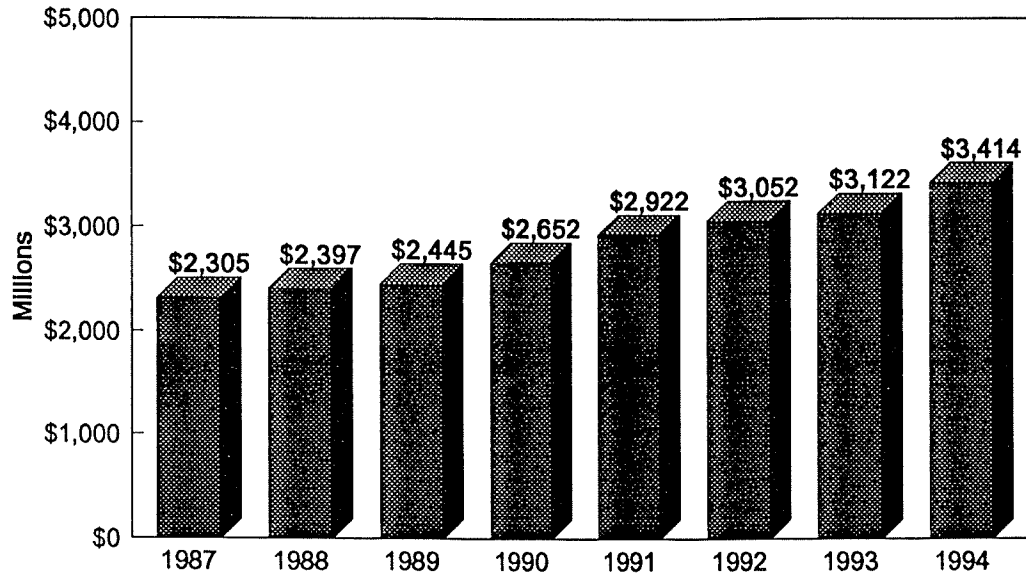
Topics

- ▶ **Historical Perspective**
- ▶ **1994 Valuation Results**
- ▶ **A Look Ahead**

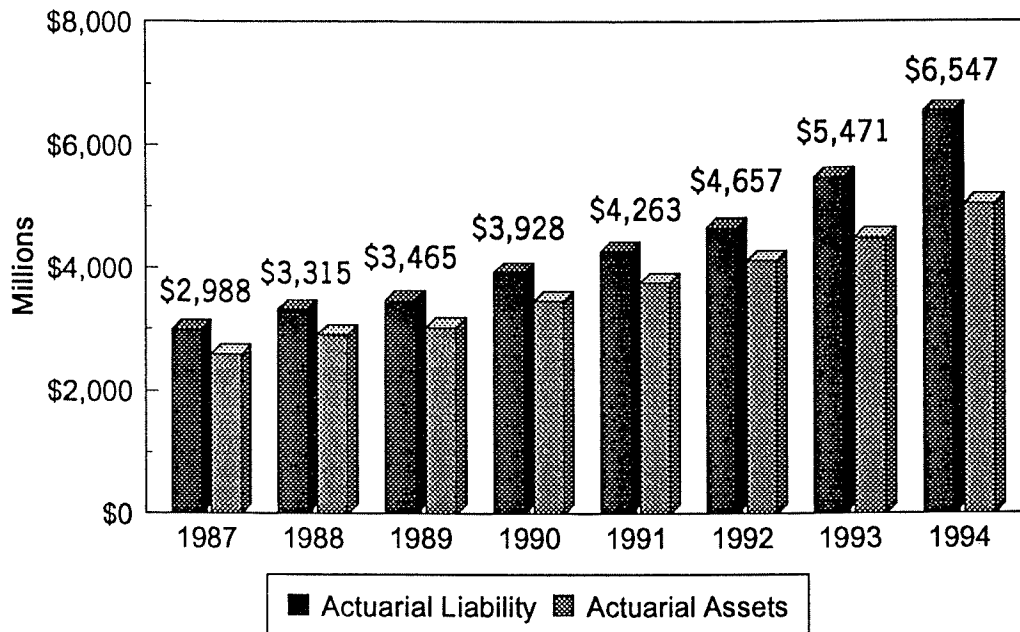
Historical Perspective



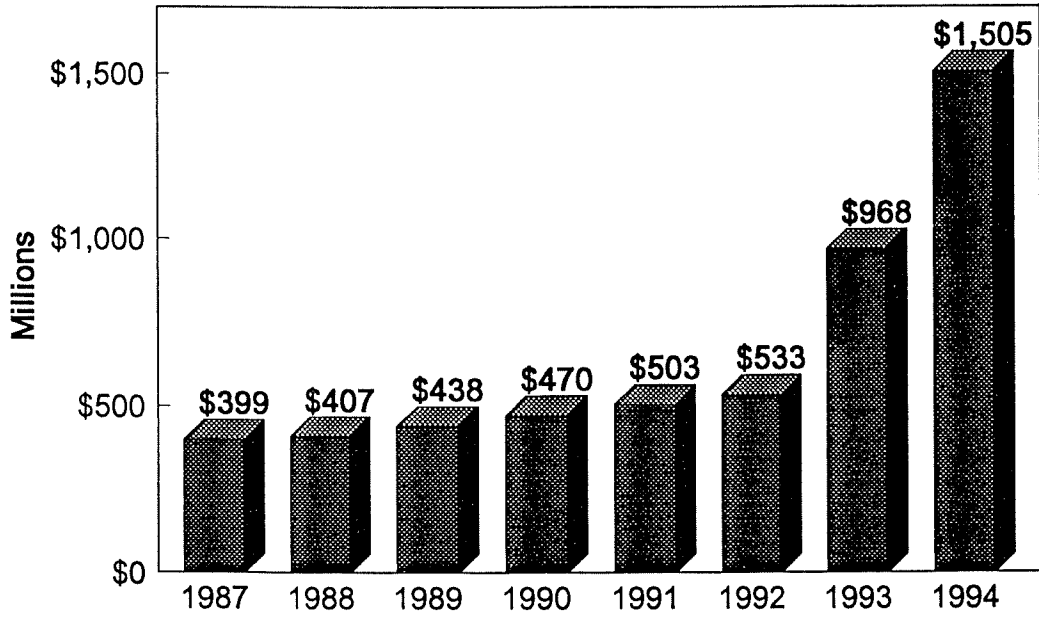
KPERS Payroll



KPERS Assets/Liabilities



KPERS Unfunded Liability



1994 Valuation Results

Actuarial Employer Contribution Rates

VALUATION DATE	June 30, 1994	June 30, 1993
FISCAL YEAR	1997	1996
State/School	5.17%	4.11%
Local	3.72%	3.05%
Correctional Employees - NRA 60	5.47%	4.41%
Correctional Employees - NRA 55	6.27%	5.21%
TIAA	1.89%	1.75%
Police & Fire - Uniform Rate	9.65%	6.95%
Judges	16.00%	10.35%
Weighted Average	5.15%	4.11%

Recommended Employer Contribution Rates

VALUATION DATE	June 30, 1994	June 30, 1993
FISCAL YEAR	1997	1996
State/School	3.49%	3.30%
Local	2.48%	2.30%
Correctional Employees - NRA 60	3.79%	3.60%
Correctional Employees - NRA 55	4.59%	4.40%
TIAA	1.89%	1.75%
Police & Fire - Uniform Rate	9.65%	6.95%
Judges	16.00%	10.35%
Weighted Average	3.57%	3.21%

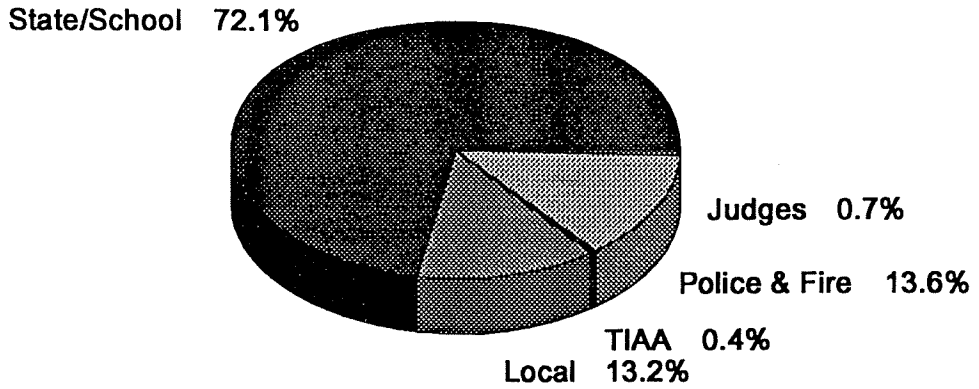
Effect of Cap on 1994 Contribution Rates

System	1994 Valuation		Diff
	Actuarial	Recom- mended	
State/School	5.17%	3.49%	1.68%
Local	3.72%	2.48%	1.24%
Correctional Employees - NRA 60	5.47%	3.79%	1.68%
Correctional Employees - NRA 55	6.27%	4.59%	1.68%
TIAA	1.89%	1.89%	0.00%
Police & Fire - Uniform Rate	9.65%	9.65%	0.00%
Judges	16.00%	16.00%	0.00%
Weighted Average	5.15%	3.57%	1.58%

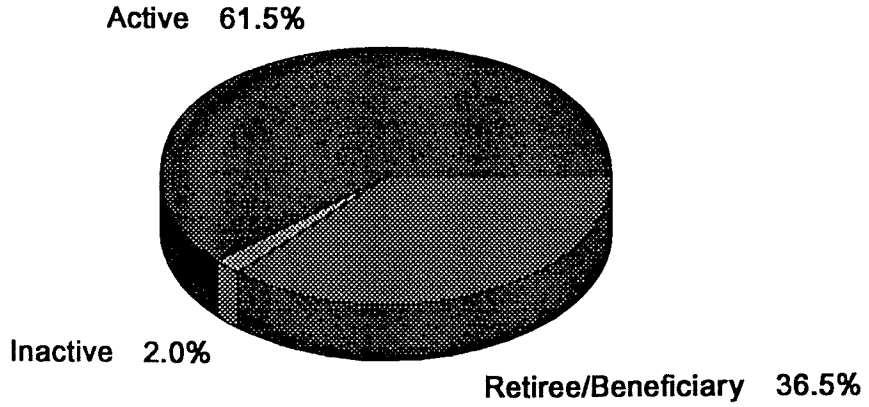
Estimated Change in Unfunded Actuarial Liability

Unfunded Actuarial Liability, June 30, 1993	\$968
· investment gain at book value	(102)
· change in asset valuation method	(134)
· revised liabilities for 1993 COLA, return of employee contributions, deferred vested employees, and pre-retirement spouse benefits	228
· data and salary adjustments	150
· actual mortality, disability, retirement, turnover and salary experience	320
· actual 1994 COLA	75
Unfunded Actuarial Liability, June 30, 1994	\$1,505

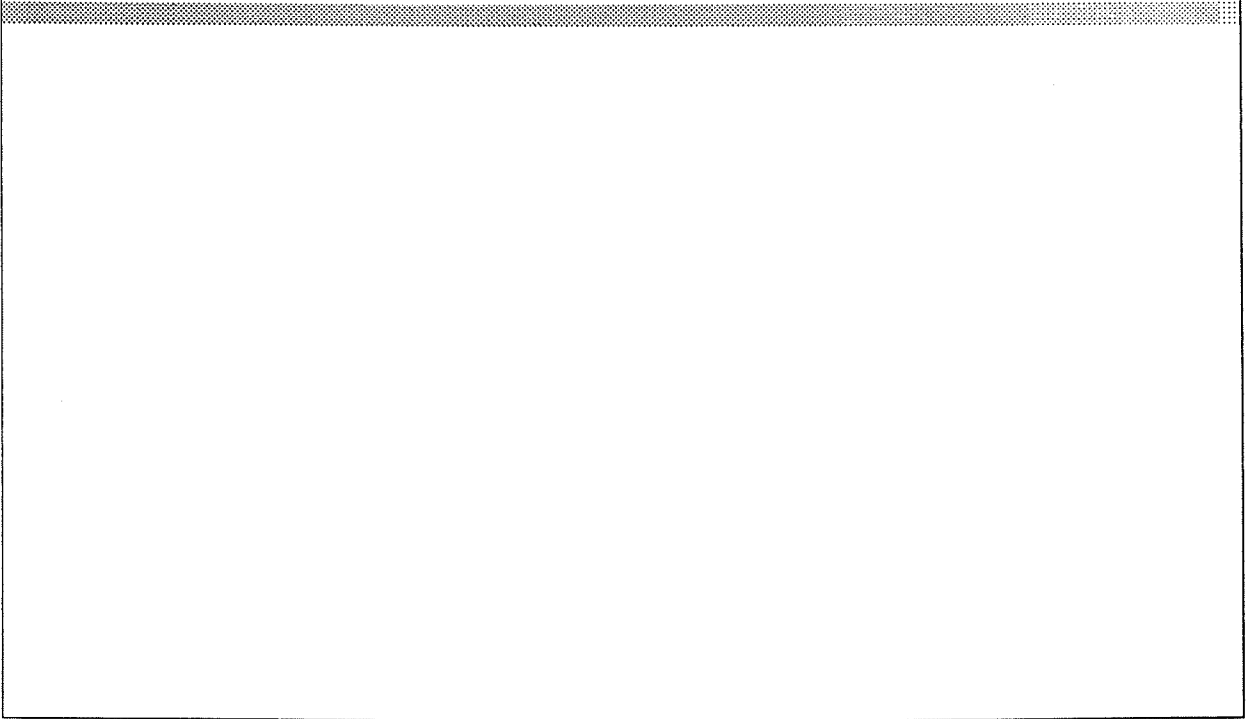
System Obligations - by Retirement Plan



System Obligations - by Source of Liability



A Look Ahead



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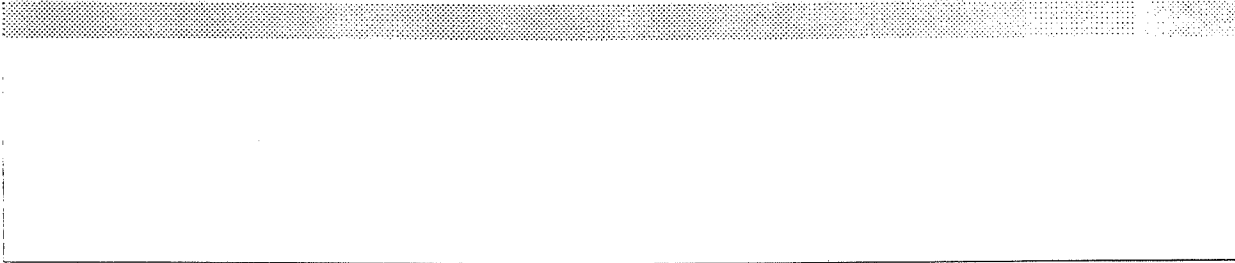
**Comparison of Funding & Benefits
to Other State Systems**

**Kansas Public Employees
Retirement System**

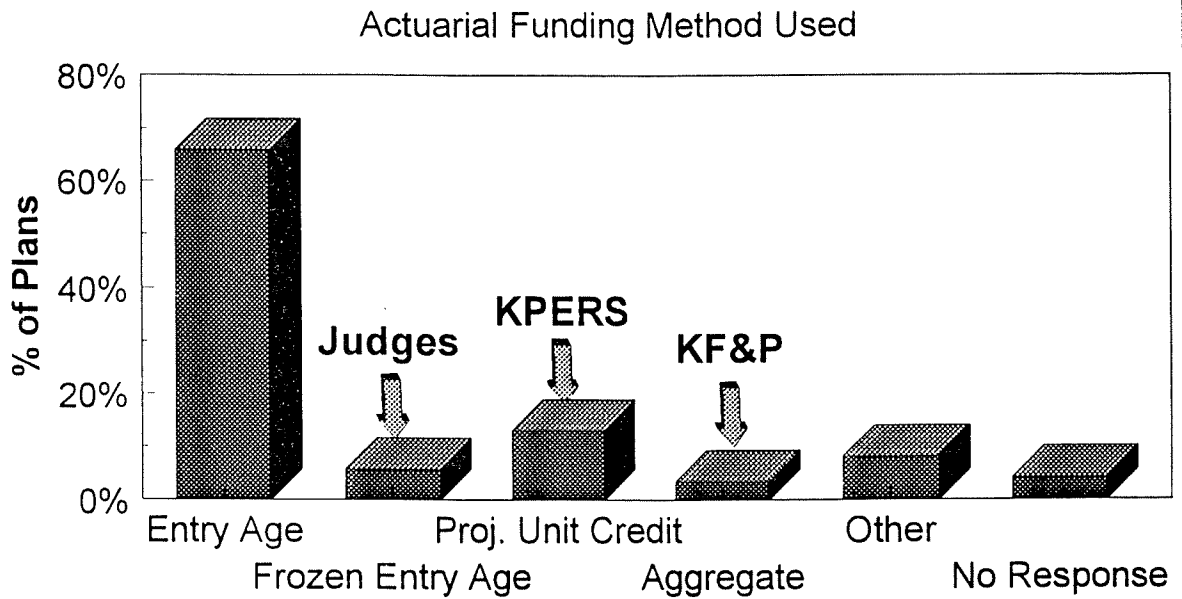


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Funding

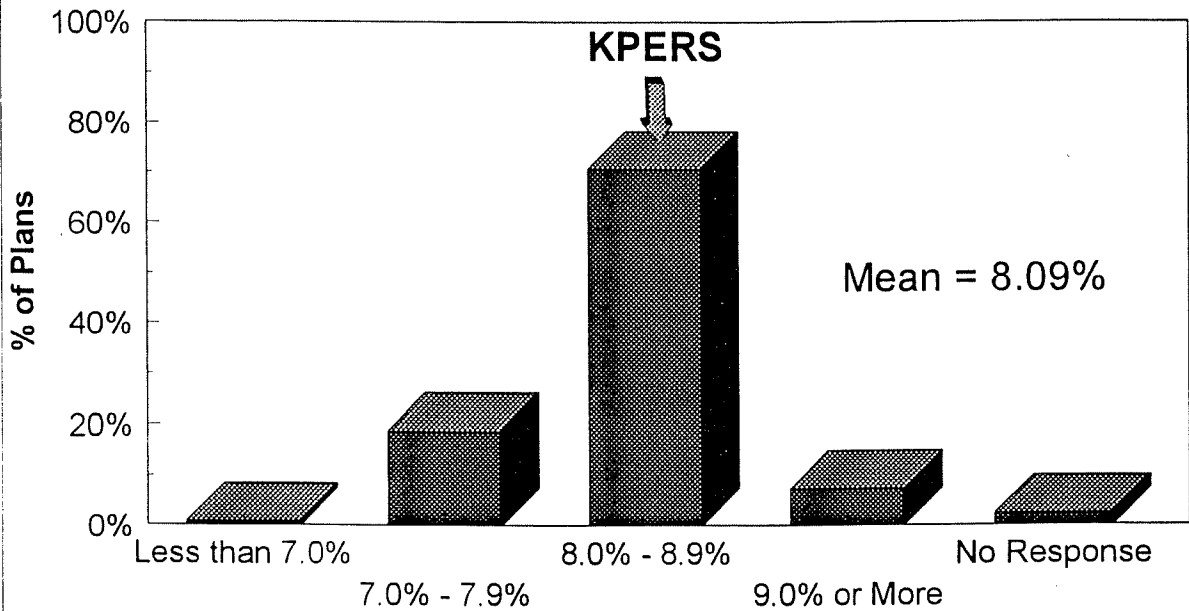


Distribution of Funding Methods



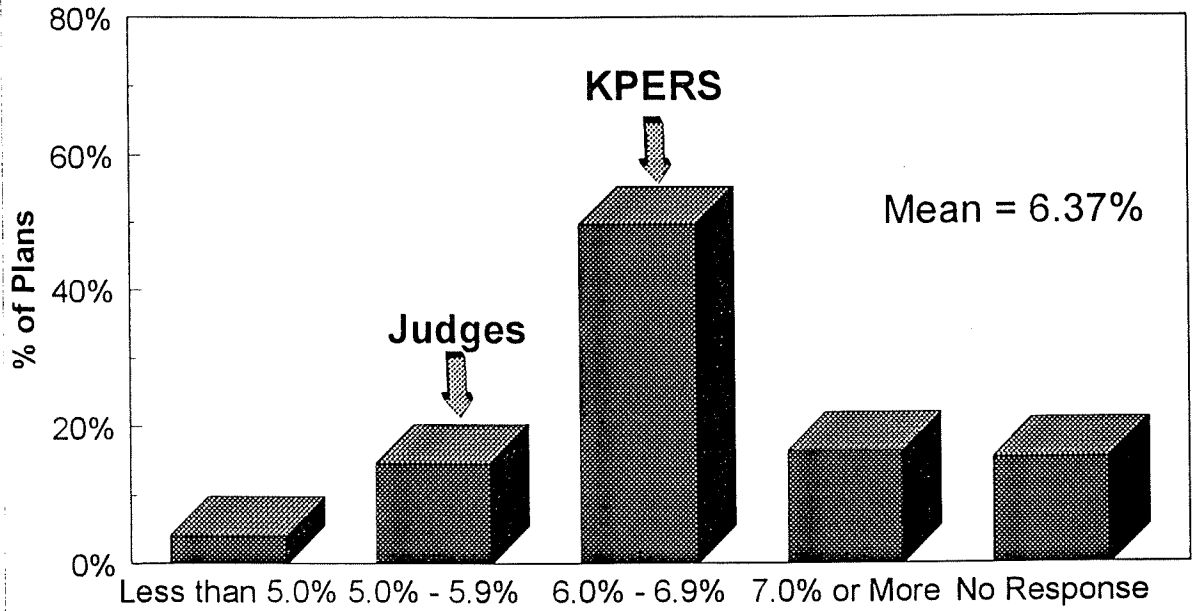
Source: GFOA & NASRA 1994 Survey of State Retirement Systems

Distribution of Investment Return Assumptions



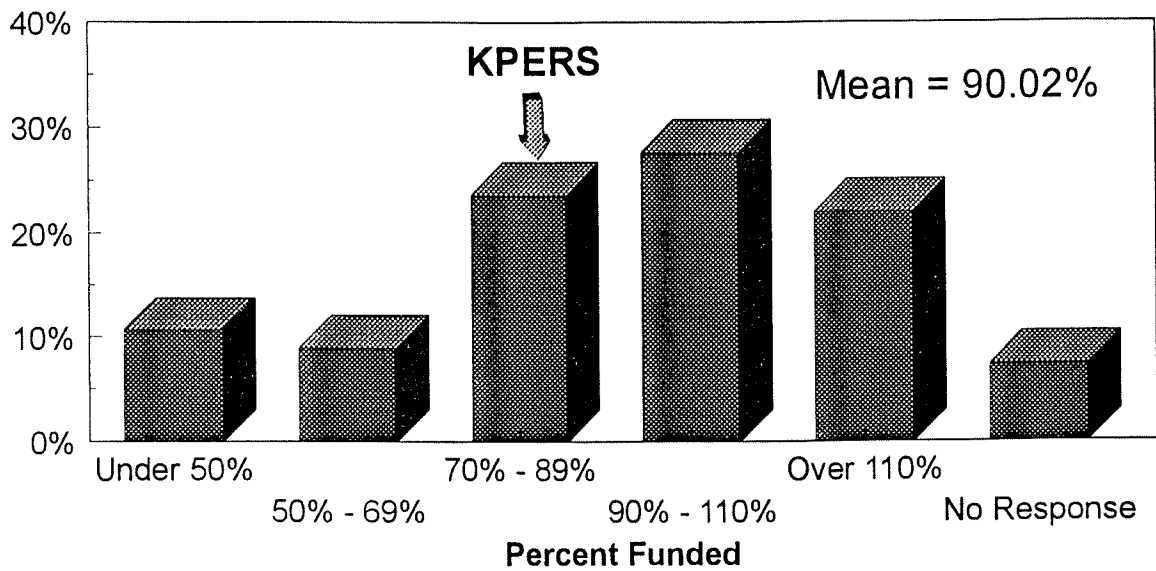
Source: GFOA & NASRA 1994 Survey of State Retirement Systems

Distribution of Salary Growth Assumptions



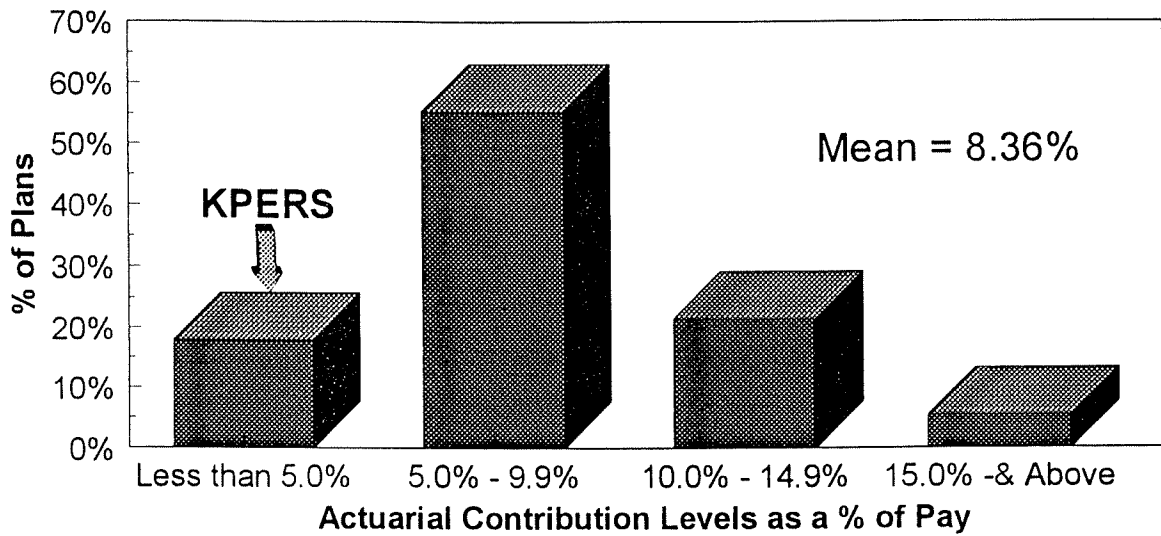
Source: GFOA & NASRA 1994 Survey of State Retirement Systems

Distribution of Funded Status as Measured by PBO



Source: GFOA & NASRA 1994 Survey of State Retirement Systems

Distribution of Employer Contribution Requirements



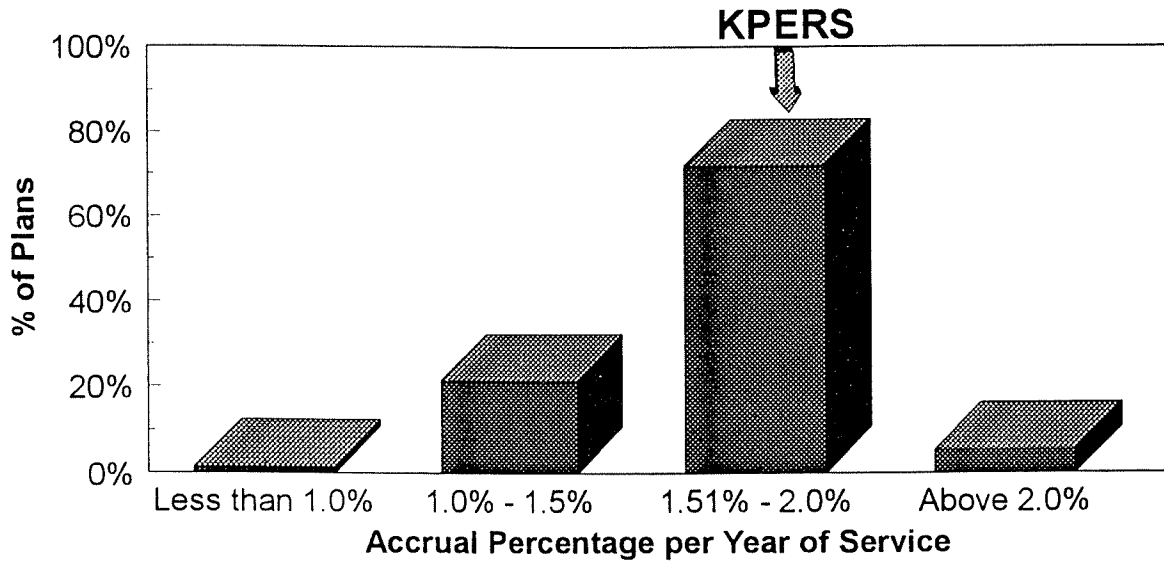
Source: Wisconsin 1994 Survey of State Retirement Systems
Includes only those covered by Social Security

Benefit Levels



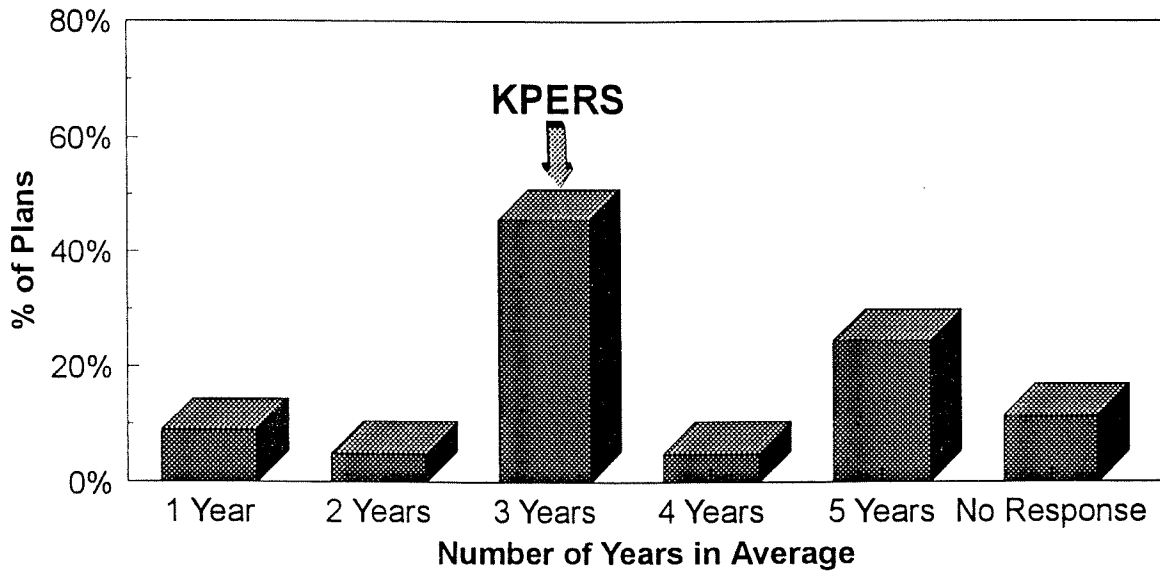
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Comparison of Benefit Accrual Rates



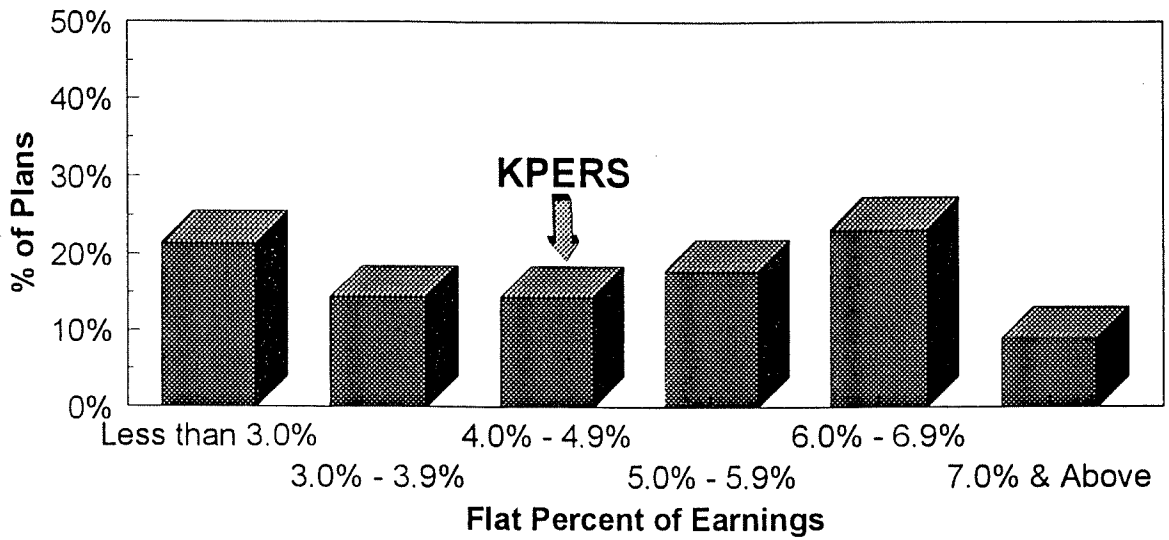
Source: Wisconsin 1994 Survey of State Government Plans
Includes only those covered by Social Security

Number of Years in Final Average Earnings Determination



Source: GFOA & NASRA 1994 Survey of State Retirement Systems

Comparison of Employee Contribution Rates



Source: Wisconsin 1994 Survey of State Government Plans
Includes only those covered by Social Security