

Approved: 3-25-97  
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 1:40 p.m. on March 18, 1997 in Room 514-S of the Capitol.

All members were present except: Representative McKechnie - Excused  
Representative Packer - Excused

Committee staff present: Alan Conroy, Russell Mills, Julian Efird, Legislative Research Department;  
Gordon Self, Mike Corrigan, Revisor of Statutes Office;  
Marcia Ayres, Appropriations Secretary; Helen Abramson, Administrative Aide

Conferees appearing before the committee:

Others attending: See attached list

A memo from the Director of Accounts and Reports answering questions of the committee regarding **SB 103** was distributed to the members.

A subcommittee report for some of the KPERS issues was distributed. (Attachment 1)

Representative Pottorff reviewed the subcommittee report which recommends that **SCR 1604** be passed, that **HB 2238** be amended, and that **HB 2240** be amended. It also recommended the introduction of two bills and that several studies be undertaken during the interim by the Joint Committee on Pensions, Investments, and Benefits.

Representative Pottorff announced a correction on page 1, Item Nos. 9 and 10, the 1.0 percent prior service credits should read 1.75%. Questions and discussion followed.

A motion was made by Representative Edmonds, seconded by Representative Landwehr, to amend the subcommittee report on KPERS issues regarding **HB 2238** by reverting back to 1.0% on Item Nos. 9 and 10 (maintaining current law) until the Joint Committee can study the issue. Discussion and clarification followed. The motion carried.

Discussion continued.

A motion was made by Representative Shriver, seconded by Representative Pottorff, to adopt the subcommittee report on KPERS issues as amended (which would recommend passage of **SCR 1604** and that **HB 2238** and **HB 2240** be passed as amended). No discussion. The motion carried.

The meeting adjourned at 2:25 P.M.

The next meeting is scheduled for March 19, 1997.

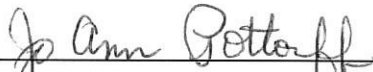
APPROPRIATIONS COMMITTEE GUEST LIST

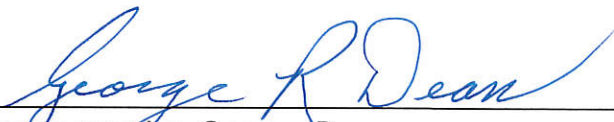
DATE: March 18, 1997

NAME	REPRESENTING
Craig Grant	ITWFA
Aneke White	Rep Pottorf
Jerry Sloan	UJA
Helen Stephens	KPOA   KSA

HOUSE SUBCOMMITTEE REPORT

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

  
\_\_\_\_\_  
Representative Jo Ann Pottorff  
Subcommittee Chair

  
\_\_\_\_\_  
Representative George Dean

  
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Representative Phil Kline

  
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Representative Rocky Nichols

Appropriations  
3-18-97  
Attachment 1

## SUBCOMMITTEE REPORT ON RETIREMENT AND DISABILITY ISSUES

### Subcommittee on KPERS Issues House Committee on Appropriations

March 17, 1997

The following items include the different subjects recommended by the House Subcommittee, including items originally included in proposed legislation and other items added by the House Subcommittee to certain bills, as noted below. Subjects not addressed in this first report may be subjects of subsequent reports by the Subcommittee.

#### ***I. The House Subcommittee recommends S.C.R. 1604 be passed.***

*S.C.R. 1604:* Introduced by the Joint Committee on Pensions, Investments, and Benefits, the concurrent resolution is a proposed constitutional amendment to the *Kansas Constitution* that would permit KPERS and other local public retirement or pension plans to own stock in banks, subject to any statutory provisions authorizing or restricting such ownership. The amendment would modify Article 13 which pertains to banks and specifically section 2 which contains a prohibition against the state owning stock in banks. The proposed amendment is limited to public retirement plans and would not affect the prohibition against the state owning banks.

#### ***II. The House Subcommittee recommends H.B. 2238 be amended, to include all of the following provisions:***

*H.B. 2238:* As introduced by the Joint Committee on Pensions, Investments, and Benefits, the bill's provisions would address many general employer and employee benefit items.

1. **Separate Employer Contribution Rates for New KPERS Employers.** Require new participating employers to pay their own prior service liability instead of having it spread across the System as a whole.
2. **Member Arrearage to Be Paid by Employers.** Since employers have an obligation to continually monitor the eligibility status of their employees, shift responsibility from employee to employer for payment of arrearage when an eligible employee is not enrolled when eligible. Current law places burden on employee for employer failure to comply. This change would not be applicable to first year of service.
3. **Post-Retirement Earnings Limits Raised.** H.B. 2430 as introduced would raise the post-retirement earnings limitation from \$11,280 to \$13,500 per

year for retired KPERS members who return to work for the participating employer from which they retired. The Subcommittee recommends incorporating the subject matter in H.B. 2238, and that both KPERS and KP&F members be covered by these provisions. In addition, a multiyear schedule to conform with federal Social Security graduated limits in P.L. 104-121 be included for the state fiscal years as follows: 1997 \$13,500; 1998 \$14,500; 1999 \$15,500; 2000 \$17,000; 2001 \$25,000; and 2002 \$30,000. In addition, the original provision in H.B. 2238 should be retained to **Require Employer Reporting on Retirants Earning More than the Statutory Limit**. Employers are not currently required to report those retired members they have reemployed who earn in excess of the statutory earnings limitation. Current law allows retired members who return to work for the participating employer from whom they retired to earn a maximum of \$11,280 in a calendar year from that employer. If the maximum is exceeded, the retired member's benefits are suspended for the remainder of that calendar year.

4. **Suspend Retirement Benefits for Retired Judges Elected or Appointed to a Judgeship.** Current law permits a retired judge to be reelected or reappointed and to continue to draw full benefits and a full salary while accruing additional benefits.
5. **Reduce Eligibility for KSRS Retirement Benefits to Ten Years.** Current law provides that a school employee must have worked 12 years prior to 1938 to receive a benefit under the old Kansas School Retirement System. There would be a negligible actuarial impact as most of these individuals would be in their nineties.
6. **Purchase of Withdrawn Service by Elected Officials at The Actuarial Rate.** This change would bring these purchases in line with all other service credit purchases authorized for KPERS members.
7. **Board May Appoint Benefit Appeal Hearing Officers.** Authorize KPERS Board to appoint and compensate someone other than a Board member or a KPERS employee as a hearing officer.
8. **Abuse of Excessive Termination Pay.** Require KPERS participating employers to pay any actuarial liability incurred when reporting termination pay that increases the member's final average salary by 15.0 percent or more.
9. **Purchase In-State Public Nonparticipating Employer Service.** Permit purchases of 1.0 percent prior service credits and include another bill (H.B. 2407) that address specific employees. The Subcommittee recommendation would apply to all in-state prior service with public, nonparticipating employers, such as the Leavenworth City-County Health Department prior to December 31, 1984. The recommendation would allow current public employees to buy this service credit at their expense and at actuarial cost in order that KPERS does not absorb any liability of these purchases. See interim study recommendations.

10. **Increased Value of Service Purchases (Incorporate H.B. 2517).** This provision would allow current school and other KPERS employees to purchase out-of-state service at the rate of 1.75 percent. At the present time, purchases at 1.0 percent for prior service are permitted under current law. Also included is a provision to allow active members who previously purchased 1.0 percent service credit the opportunity to purchase 0.75 percent additional value for that service. See interim study recommendations.
11. **Increase Certain Judge's Multiplier (Incorporate H.B. 2339)** . District Magistrate Judges serving prior to June 30, 1987, who elected to purchase that prior service under the Kansas Retirement System for Judges, upon retirement would have the first ten years of service credited at 5.0 percent of final average salary. In keeping with the legislative philosophy that members (rather than employers, the state, or KPERS) should pay or absorb any liability, the Subcommittee recommends that any actuarial cost shall be paid by the employee.
12. **Technical Amendments (Incorporate S.B. 154).** Introduced by the Joint Committee on Pensions, Investments, and Benefits, these provisions are considered technical clean up amendments to current law and were requested by the KPERS Board of Trustees. The provisions would:
  - a. **Provide survivor benefits upon the death of disabled correctional officers.** Disabled correctional employees were intended to have the same survivor provisions as disabled Tier I KP&F members. The appropriate language was never included in prior legislation.
  - b. **Clarify prior service.** Allow a member to receive credit for broken periods of prior service if employed on March 15 of the year preceding the employer's entry date.
  - c. **Clarify definition of a member.** Expand definition to include inactive, nonvested members in the five-year protection period.
  - d. **Separate definitions for "beneficiary" and "payments to a beneficiary."** Current definition commingles how benefits are to be paid with the definition of who is to be paid.
  - e. **Members may name different beneficiary for life insurance.** Under current law the named beneficiary is the beneficiary for all benefits. This change would allow members to name different beneficiaries for life insurance benefits than for other benefits.
  - f. Allow "year of service" purchase at 4.0 percent. Allow employees who had to wait a year to become

a member to purchase this year within 12 months at 4.0 percent of compensation.

- g. **Compensation definition as related to the IRS code.** This would allow the Retirement System to more specifically define KPERS' compensation as the IRS code evolves.
  - h. **Certain benefits can be paid under the Uniform Transfer to Minors Act.** There are currently no provisions to pay benefits for minors to anyone other than a conservator.
  - i. **U.S. public health service, as included in the definition of military service, only includes the commissioned corps.** This change would correct 1994 legislation intended to cover only the commissioned corps.
  - j. **Remove age 70 requirement from purchase of forfeited service.** Remove outdated language relating to members age 70.
13. **Clarify Judges' Retirement Benefit Calculation.** Current law needs to be corrected in order for the correct calculation to be in statute. KPERS has been making the correct calculation.
14. **Unclassify KPERS Deputy Secretary.** The Executive Secretary indicates that other key positions at KPERS have been unclassified in recent years and that the Deputy Secretary position, which is currently in the classified service, should be placed in the same category as other policymaking KPERS staff.

***III. The House Subcommittee recommends H.B. 2240 be amended, to include all of the following provisions:***

*H.B. 2240:* Introduced by the Joint Committee on Pensions, Investments, and Benefits, a separate bill was recommended by the Committee for these items requested by the KPERS Board of Trustees to:

- 1. **Provide authority to offset estimated Social Security disability payments during pendency of application and appeal process.** Under current law, KPERS' disability benefits are offset by Social Security disability payments. Current practice implements an estimated offset during the pendency of the Social Security application and appeal process, except that the offset is not implemented if the member signs a commitment to honor the required offset upon receipt of Social Security benefits. This change provides statutory authority for current practice. The change also requires application for Social Security benefits. The provisions also were applied to KP&F members.

2. **Provide total offset for workers compensation.** Current law provides for a 50 percent offset for workers compensation. When coupled with the 66.67 percent benefit paid under KPERS, this provides a significantly greater benefit than is paid under other statewide disability benefit programs.

***Other KPERS Board Items:***

1. **Change the Salary Assumption for Disabled Members.** Currently, the annual rate is statutorily set at 5.0 percent for disabled members until they reach retirement age. This change would index the rate to the Consumer Price Index (CPI), with a cap of 4.0 percent.

***IV. The House Subcommittee recommends the following bills be introduced in order to consider the following subjects:***

1. Increase in Judges' Disability Benefits from 25 to 50 percent.
2. Modification of KPERS Real Estate Restrictions.

***V. The House Subcommittee recommends the following studies be undertaken during the interim by the Joint Committee on Pensions, Investments, S and Benefits:***

1. Advisory Committee to KPERS Board of Trustees.
2. Preexisting conditions and physical examinations for KP&F Disabilities.
3. Purchase of prior service credit and the issue of a 1.0 percent multiplier increased to 1.75 percent for both ins-state and out-of-state purchases.
4. H.B. 2395 regarding early payouts of the \$4,000 KPERS death benefit.
5. S.B. 382 regarding KPERS plan compliance with federal requirements and a detailed review of this bill plus KPERS law in general prior to consideration of this bill by the 1998 Session.