Approved: 4-25-97
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 24, 1997 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Mark Burenheide, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Janet Henning, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

It was moved by Senator Salmans, seconded by Senator Jordan, to approve the minutes for March 12 and 13. The motion carried on a voice vote.

Senator Kerr reviewed the Subcommittee report for the Kansas Public Employees Retirement System (KPERS) budget (Attachment 1). Committee members expressed concern regarding the number of complaints from agencies, including KPERS, regarding the SHaRP system since its implementation. Senator Kerr advised Committee members that the software by the company PeopleSoft had not been utilized for public industry prior to Kansas' use, therefore, many changes and programming have been made to accommodate the state's personnel and payroll system.

Senator Lawrence moved, seconded by Senator Downey, to approve the Subcommittee report for the Kansas Public Employees Retirement System. The motion carried on a voice vote.

Senator Kerr reviewed the Subcommittee report on KPERS Issues, (Attachment 2).The following items include the different subjects recommended by the Senate Subcommittee, including items originally included in **SB 154** as introduced, items originally included in other bills, or items suggested by various conferees.

SB 154: **KPERS, benefits; definitions, purchase of participating service credit, life insurance, survivor provisions.**

SB 154 was introduced by the Joint Committee on Pensions, Investments, and Benefits and considered technical clean up amendments to current law. This bill was requested by the KPERS Board of Trustees (Attachment 2-1).

HB 2238: **KPERS, employer-related benefit changes.**

HB 2238 was requested by the Joint Committee on Pensions, Investments, and Benefits and addresses the many general employer and employee benefit items (Attachment 2-2).

HB 2240: **KPERS, offset against disability benefits for workers compensation payments and social security disability benefits.**

HB 2240 was introduced by the Joint Committee on Pensions, Investments, and Benefits, a separate bill was recommended to include two disability benefit items requested by the KPERS Board of Trustees.

HB 2339: **Retirement annuity calculation for certain district magistrate judges;membership date.**

HB 2339 permits District Magistrate Judges serving prior to June 30, 1987 who elected to purchase that service under the KPERS for Judges, upon retirement would have the first ten years of service credited at 5.0 percent of final average salary. The Subcommittee recommends clarifying language that purchases of the additional 1.5 percent of service credits be made by the individuals at actuarial rates.

In response to questions from Committee members, Meredith Williams, Executive Secretary, KPERS, and Jack Hahn, Deputy Executive Secretary, KPERS provided information regarding KPERS issues.

Senator Downey moved, Senator Feleciano seconded, to amend the Subcommittee report to increase the initial disability for Judges from 25 percent to 50 percent. The motion carried on a show of hands.

Senator Feleciano moved, Senator Morris seconded, that the Subcommittee report be approved as amended. The motion carried on a voice vote.

Senator Morris moved, Senator Salisbury seconded, that the Subcommittee report be amended into **SB 154**. The motion carried on a voice vote.

Senator Feleciano moved, Senator Lawrence seconded, to recommend **SB 154** favorable for passage. The motion carried on a roll call vote.

The meeting was adjourned by Chairman Kerr.

The next meeting is scheduled for March 25, 1997.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3-24-97

NAME	REPRESENTING
Jack Hawn	KPERS
Meredith Williams	"
Ken Bahr	Ks. Governmental Consulting
Meggan Griggs	Ks District Judges Assoc.
SCOTT STONE	KAPE
Don Rezac	S.E.A.K
Paul Shelby	OJA
Kathie Sparks	DOB
[illegible]	KPERS
Robt Wood	KPERS

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees Retirement System | **Bill No.** 2272 | **Bill Sec.** 18

Analyst: Efird | **Analysis Pg. No.** 1256 | **Budget Page No.** 323

Expenditure Summary	Agency Estimate FY 97	Gov. Rec. FY 97	House Subcommittee Adjustments
All Funds:			
State Operations	$ 23,941,858	$ 23,906,079	$ 0
Other Assistance	390,098,503	390,098,503	0
TOTAL–Operating	$ 414,040,361	$ 414,004,582	$ 0
State General Fund:			
State Operations	$ 0	$ 0	$ 0
Other Assistance	0	0	0
TOTAL–Operating	$ 0	$ 0	$ 0
FTE Positions	77.0	77.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	77.0	77.0	0.0

Agency Estimate/Governor's Recommendation

In FY 1997, estimated expenditures are almost $6.0 million greater than approved by the 1996 Legislature. The KPERS Board is requesting an increase for additional benefit payments and higher fees for its financial managers. A reduction from $4,643,380 to $4,602,458 is estimated for agency operations. An increase from $19,231,252 to $19,339,400 is requested for financial manager fees and an increase from $384.2 million to $390.1 million is requested for benefit payments.

The Governor concurs with the KPERS revised estimates for paying retirement benefits and financial managers in FY 1997 and makes a minor adjustment in agency operations. For salaries and benefits, a reduction of $979 is recommended. For other operating expenses, a reduction of $34,800 is recommended to reflect treating a fee paid to the Legislative Division of Post Audit as a revenue transfer rather than expenditure by this agency. The Governor's recommended expenditure of $4,566,679 in FY 1997 for agency operations is $77,701 less than the approved expenditure limitation of $4,643,380. In addition, the increase in fees for financial managers will require an adjustment in the current expenditure limitation from $19,231,252 to $19,339,400, for an increase of $108,148 in that account.

Senate Ways and Means Committee
Date 3-24-97
Attachment # 1

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1997 recommendations for the current fiscal year and makes the following additional recommendations:

1. Note that the KPERS approved expenditure limitation in FY 1997 for Agency Operations is $4,643,380 and that the Governor's recommended reduction to $4,566,679 is not reflected in H.B. 2272. The Subcommittee believes that this issue should be considered after the full Committee learns about the proposed Kansas Savings Incentive Program that the Governor recommends to begin in FY 1998 using FY 1997 savings, such as half of the $76,701 identified in this item. The new program would allow savings from the Investment Related Expenses account also to carry over into FY 1998 and half of the savings could be used for the programmatic expenses authorized by the proposed new law which is included in the FY 1998 appropriations bill. No adjustment in the Agency Operations account limitation is recommended until this issue is decided by the full Committee. An increase in the Investment account is included in H.B. 2272.

Line Item Limitations	Approved FY 97	Gov. Rec. FY 97	Subcommittee Adjustments
Expenditures:			
Agency Operations	$ 4,643,380	$ 4,566,679	$ 0
Investment Related Expenses	19,231,252	19,339,400	0
Subtotal–State Operations	$ 23,874,632	$ 23,906,079	$ 0
FTE Positions	77.0	77.0	0.0

2. In FY 1997, the Governor recommends a reduction of $34,800 in Agency Operations to reflect a fee paid to Post Audit as a revenue transfer rather than an expenditure. No reduction of the expenditure limitation is included in the Supplemental Appropriation bill (H.B. 2272) and neither is a corresponding transfer provision for the Legislative Division of Post Audit included in the bill. The Subcommittee recommends language be added to the Supplemental Appropriations bill to allow expenditures for audits to be in addition to any expenditure limitation, if subsequent full Committee decision is to reduce the current approved limit to reflect the Governor's recommended savings.

House Committee Recommendation

The Committee concurs in FY 1997.

House Recommendation

The House has not taken final action on this budget.

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees Retirement System **Bill No.** 228 **Bill Sec.** 18

Expenditure Summary	Agency Request FY 97	Gov. Rec. FY 97	Senate Subcommittee Adjustments
All Funds:			
State Operations	$ 23,941,858	$ 23,906,079	$ 0
Other Assistance	390,098,503	390,098,503	0
TOTAL–Operating	$ 414,040,361	$ 414,004,582	$ 0
State General Fund:			
State Operations	$ 0	$ 0	$ 0
Other Assistance	0	0	0
TOTAL–Operating	$ 0	$ 0	$ 0
FTE Positions	77.0	77.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	77.0	77.0	0.0

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1997 recommendation.

Dave Kerr

Senator Dave Kerr, Chairperson

Barbara Lawrence

Senator Barbara Lawrence

Christine Downey

Senator Christine Downey

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SUBCOMMITTEE REPORT

Agency: Kansas Public Employees Retirement System | **Bill No.** 2160 | **Bill Sec.** 40

Analyst: Efird | **Analysis Pg. No.** 1256 | **Budget Page No.** 323

Expenditure Summary	Agency Request FY 98	Gov. Rec. FY 98	House Subcommittee Adjustments
All Funds:			
State Operations	$ 25,031,012	$ 24,701,746	$ 55,000
Other Assistance	419,397,960	419,397,960	0
TOTAL–Operating	$ 444,428,972	$ 444,099,706	$ 55,000
State General Fund:			
State Operations	$ 0	$ 0	$ 0
Other Assistance	0	0	0
TOTAL–Operating	$ 0	$ 0	$ 0
FTE Positions	79.0	77.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	79.0	77.0	0.0

Agency Request/Governor's Recommendation

In FY 1998, the KPERS Board estimates additional expenditures of almost $30.4 million over the revised amount for this fiscal year. Most of the increase will fund higher benefit payments which comprise $29.3 million of the increased expenditures next fiscal year. Also requested are increases in agency operations for enhancements costing $276,797 and in investment related expenses for $812,357. Two new staff positions also are requested in FY 1998 in order for the KPERS Board to hire two office assistants to maintain addresses on more than 155,000 active and inactive members..

The Governor concurs with increased payments of $29.3 million for retired and disabled KPERS members and beneficiaries in FY 1998. Increases in expenditures of $812,357 are recommended by the Governor for contractual services to pay higher fees of the financial managers who guide the System's investments. A slight decrease of $16,690 in agency operations is recommended by the Governor in FY 1998, mainly due to reductions in contractual services for agency operations. No change in staffing of 77.0 FTE positions is recommended.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1998 recommendations for expenditure and FTE limitations reflected in H.B. 2160, with the following adjustments:

1. Increase the expenditure limitation for Agency Operations by $55,000 in order to authorize program enhancement funding requested originally for next fiscal year, but not recommended by the Governor. The Subcommittee reviewed a proposal for electronic reporting and remitting plan that was requested in FY 1998 as part of the enhanced budget. For an expenditure of approximately $55,000, KPERS estimates that interest earnings on accelerated deposits resulting from the new method of collecting KPERS contributions from participating employers would be $373,210 in CY 1998. Unfortunately, the new system must be implemented on January 1, 1998, at the start of a calendar year. The Subcommittee even considered adding the new funding in FY 1997, but learned that implementation must wait until the new calendar year begins.

Line Item Limitations	Agency Est. FY 98	Gov. Rec. FY 98	Subcommittee Adjustments
Expenditures:			
Agency Operations	$ 4,879,327	$ 4,549,989	$ 55,000
Investment Related	20,151,757	20,151,757	0
Subtotal–St. Ops.	$ 25,031,012	$ 24,701,746	$ 55,000
Benefit Payments	No Limit	No Limit	--
FTE Positions	79.0	77.0	0.0

2. In FY 1998, the Governor's recommendations reflect a reduction of $34,800 in Agency Operations to reflect a fee paid to Post Audit as a revenue transfer rather than an expenditure. A corresponding transfer provision for the Legislative Division of Post Audit is included in section 28(d) of H.B. 2160. The Subcommittee recommends language be added to the bill to allow expenditures for audits to be in addition to any expenditure limitation for Agency Operations and that transfer language be deleted from the bill.

3. Consideration of how to deal with the new Kansas Savings Incentive Program is recommended to be postponed until after the full Committee addresses this issue.

4. It was brought to the attention of the Subcommittee that KPERS is a major user of SHARP data and KPERS has experienced a number of the problems since the new personnel and payroll system was implemented. The most recent problems involve reconciling CY 1996 state personnel information for the System's actuary to use in preparing the contributions report for KPERS annual reporting and the annual actuarial valuation. Personnel information from the Regents institutions that rely on SHARP for the contributions report has not been sent to KPERS yet because of problems. It is unclear how the proposed changes in SHARP that the full Committee recently learned about from the Secretary of Administration will effect KPERS. The transition from Windows 3.1 to Windows 95, for instance, will require more than upgrades of pc hardware since KPERS bought the minimum recommended configurations of 486 processors and 16 megs of memory. The agency's network

and server will need to be upgraded to handle a different operating system, and staff will need retraining as new versions of software are implemented as a result of SHARP.

House Committee Recommendation

The Committee concurs in FY 1997.

House Recommendation

The House has not taken final action on this budget.

Agency: Kansas Public Employees Retirement System **Bill No.** 178 **Bill Sec.** 40

Expenditure Summary	Agency Request FY 98	Gov. Rec. FY 98	Senate Subcommittee Adjustments
All Funds:			
State Operations	$ 25,031,012	$ 24,701,746	$ (69,523)
Other Assistance	419,397,960	419,397,960	0
TOTAL–Operating	$ 444,428,972	$ 444,099,706	$ (69,523)
State General Fund:			
State Operations	$ 0	$ 0	$ 0
Other Assistance	0	0	0
TOTAL–Operating	$ 0	$ 0	$ 0
FTE Positions	79.0	77.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	79.0	77.0	0.0

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1998 recommendations for expenditure and FTE limitations, with the following adjustments:

1. Remove the Governor's recommended salary enhancements and reduce the agency operations account limitation by $124,523.

2. Increase the expenditure limitation for agency operations by $55,000 in order to authorize program enhancement funding requested originally for next fiscal year, but not recommended by the Governor. The Subcommittee reviewed a proposal for electronic reporting and remitting plan that was requested in FY 1998 as part of the enhanced budget. For an expenditure of approximately $55,000, KPERS estimates that interest earnings on accelerated deposits resulting from the new method of collecting KPERS contributions from participating employers would be $373,210 in CY 1998. Unfortunately, the new system must be implemented on January 1, 1998, at the start of a calendar year. The Subcommittee even considered adding the new funding in FY 1997, but learned that implementation must wait until the new calendar year begins.

Line Item Limitations	Agency Est. FY 98	Gov. Rec. FY 98	Subcommittee Adjustments
Expenditures:			
Agency Operations	$ 4,879,327	$ 4,549,989	$ (69,523)
Investment Related	20,151,757	20,151,757	0
Subtotal--St. Ops.	$ 25,031,012	$ 24,701,746	$ (69,523)
Benefit Payments	No Limit	No Limit	--
FTE Positions	79.0	77.0	0.0

3. In FY 1998, the Governor's recommendations reflect a reduction of $34,800 in agency operations to reflect a fee paid to Post Audit as a revenue transfer rather than an expenditure. A corresponding transfer provision for the Legislative Division of Post Audit is included in section 28(d) of S.B. 178. The Subcommittee recommends language be added to the bill to allow expenditures for audits to be in addition to any expenditure limitation for agency operations and that transfer language be deleted from the bill.

4. It was brought to the attention of the Subcommittee that KPERS is a major user of SHARP data and KPERS has experienced a number of the problems since the new personnel and payroll system was implemented. The most recent problems involve reconciling CY 1996 state personnel information for the System's actuary to use in preparing the contributions report for KPERS annual reporting and the annual actuarial valuation. Personnel information from the Regents institutions that rely on SHARP for the contributions report has not been sent to KPERS yet because of problems. It is unclear how the proposed changes in SHARP that the full Committee recently learned about from the Secretary of Administration will effect KPERS. The transition from Windows 3.1 to Windows 95, for instance, will require more than upgrades of pc hardware since KPERS bought the minimum recommended configurations of 486 processors and 16 megs of memory. The agency's network

and server will need to be upgraded to handle a different operating system, and staff will need retraining as new versions of software are implemented as a result of SHARP.

Dave Kerr
Senator Dave Kerr, Chairperson

Barbara Lawrence
Senator Barbara Lawrence

Christine Downey
Senator Christine Downey

KPERS		Gov. Rec. FY 1998		House Cmt. Rec. FY 1998		Senate Sub. Rec. FY 1998		Senate Change from House
EXPENDITURES:								
Agency Operations	$	4,549,989	$	4,604,989	$	4,480,466	$	(124,523)
Investment Related		20,151,757		20,151,757		20,151,757		0
Other Assistance		419,397,960		419,897,960		419,397,960		0
Total	$	444,099,706	$	444,654,706	$	444,030,183	$	(124,523)
FINANCING:								
State General Fund	$	0	$	0	$	0	$	0
All Other Funds		444,099,706		440,898,452		441,648,706		(124,523)
Total	$	444,099,706	$	440,898,452	$	441,648,706	$	(124,523)
Transfers:								
To Post Audit	$	34,800	$	0	$	0	$	0
FTE POSITIONS		77.0		77.0		77.0		0.0
Unclass. Temp. Positions		0.0		0.0		0.0		0.0
Total		77.0		77.0		77.0		0.0

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FY 1997-FY 1998

SUBCOMMITTEE REPORT ON RETIREMENT AND DISABILITY ISSUES

Subcommittee on KPERS Budget and Issues
Senate Committee on Ways and Means

March 24, 1997

Dave Kerr
Senator Dave Kerr, Subcommittee Chair

Barbara Lawrence
Senator Barbara Lawrence

Christine Downey
Senator Christine Downey

Senate Ways and Means Committee

Date 3-24-97

Attachment # 2

SUBCOMMITTEE REPORT ON RETIREMENT AND DISABILITY ISSUES

Subcommittee on KPERS Budget and Issues
Senate Committee on Ways and Means

March 24, 1997

The following items include the different subjects recommended by the Senate Subcommittee, including items originally included in S.B. 154 as introduced, items originally included in other bills, or items suggested by various conferees, as noted below. The Senate Subcommittee recommends that S.B. 154 be amended by adopting the following report and for the Committee to recommend that S.B. 154 be passed as amended.

1. Include Items Originally in S.B. 154

S.B. 154: Introduced by the Joint Committee on Pensions, Investments, and Benefits, the provisions are considered technical clean up amendments to current law and were requested by the KPERS Board of Trustees. The individual items would:

- **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 dating back to the 1980s. A correction is needed even though the program was reconstituted in the 1990s in order to assure the proper benefits will be provided.

- **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.

- **Clarify definition of a member.** Expand definition to include inactive, non-vested members in the five-year protection period.

- **Add 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.

- ***Delete provision to*** **allow members to 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. *The Subcommittee rejects this proposed change and recommends striking it from the bill as introduced.*

- **Allow first "year of service" purchase at 4.0 percent.** Permit employees who had to wait a year to become a member to purchase this year within twelve months at 4.0 percent of compensation after completing the first year.

- **Define compensation as related to the IRS code.** This change would allow the Retirement System to more specifically define KPERS' compensation as the IRS code evolves.

- **Allow certain benefits to be paid under the Uniform Transfer to Minors Act.** There are currently no provisions to pay KPERS benefits to anyone other than a conservator for minors.

- **Provide that U.S. Public Health Service, as included in the definition of military service, only includes the commissioned corps.** This change would amend 1994 legislation that permits former members of the U.S. Public Health Service to purchase KPERS credit valued at 1.75 percent. The proposed change would permit only former members of the commissioned corps to have this option available in the future.

- **Remove outdated age 70 requirement from statutes.** Remove outdated language relating to purchases of forfeited service by members age 70 or older.

2. Add Provisions from H.B. 2238

H.B. 2238: Introduced by the Joint Committee on Pensions, Investments, and Benefits, the bill addresses many general employer and employee benefit items. The first five items were requested by the KPERS Board of Trustees and the last two items were added by the Joint Committee on Pensions, Investments and Benefits. The provisions would:

- **Require 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.

- **Make employers pay member arrearages.** Since employers have an obligation to continually monitor the eligibility status of their employees, shift responsibility from employee to employer for payment of arrearages when an eligible employee is not enrolled when first eligible. Current law places burden on employees if the employer fails to comply. This change would not be applicable to the first year of service for those employees who do not receive first-day membership.

- **Require employer reporting on retirants earning more than $14,000.** 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. Employers would be required to report on those retired members they have reemployed who earn in excess of the statutory earnings limitation. The bill as introduced retained the $11,280 limit. The Subcommittee recommends that the limitation be increased to $14,000 and not correspond to federal Social Security limits.

- **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. This provision corrects current law.

- **Reduce eligibility for KSRS retirement benefits to ten years.** Current law provides that a school employee must have worked 12 years (24 full semesters) prior to 1938 to receive a benefit under the old Kansas School Retirement System. The change would reduce the vesting period to correspond with requirements for current school employees who become vested after 10 years (20 semesters). There would be a negligible actuarial impact as most of these individuals would be in their nineties.

- **Change purchase of withdrawn service by elected officials to the actuarial rate.** This change would bring these purchases in line with all other service credit purchases authorized for other KPERS members to be paid at actuarial rates.

- **Allow KPERS Board to 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. Fiscal note of $15,000 in FY 1998 for administrative costs.

- **Address abuse of inflating final average salary.** Require KPERS participating employers to pay any actuarial liability incurred when reporting excessive termination pay that increases a member's final average salary by 15.0 percent or more when computing retirement benefits.

- **Permit purchases of in-state public, nonfederal service.** Allow members to purchase 1.0 percent service credit at the actuarial rate, the same rate as for out-of-state purchases. Previously, the Legislature made the policy decision to allow KPERS members to purchase this type of service credit performed out-of-state but not in-state, for nonfederal public employers. This change would allow KPERS members who worked for nonparticipating public employers in Kansas to purchase service credit.

3. Add Provisions from H.B. 2240

H.B. 2240: Introduced by the Joint Committee on Pensions, Investments, and Benefits, a separate bill was recommended to include two disability benefit items requested by the KPERS Board of Trustees that would:

- **Provide authority to require application for and offset of estimated Social Security disability payments.** 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 and provides for an estimated offset in KPERS benefits to be made during pendency of application and appeal process for Social Security benefits. The Subcommittee recommends adding these new provisions to KP&F as well as KPERS statutes.

- **Provide total offset for workers compensation.** Under current law, KPERS disability benefits are offset by workers compensation payments. Current law provides for a 50 percent offset for workers compensation. When coupled with the 66.67 percent benefit paid under KPERS, there is a potential for significantly greater benefits than are paid under other statewide disability benefit programs. This change would authorize a 100 percent offset for KPERS and Judges Retirement System members receiving workers compensation and disability benefits.

4. Add Provisions from H.B. 2339

H.B. 2339: Permits District Magistrate Judges serving prior to June 30, 1987, who elected to purchase that 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. The Subcommittee recommends clarifying language that purchases of the additional 1.5 percent of service credits be made by the individuals at actuarial rates.

5. Add provisions requested by the KPERS Board and not in bills

The Subcommittee recommends the following items be included in the bill. The provisions would:

- **Amend KPERS real estate statutes to lessen restrictions.** The KPERS Board of Trustees requested that certain statutory restrictions pertaining to formulas be deleted and that co-ownership restrictions be maintained in statute. The current statutory restrictions date from the early 1990s when a number of reforms were passed by the Legislature in order to restrict investment activities in certain areas, including real estate, that previously had been associated with significant losses which adversely affected the System. The Board believes that improved systems and procedures adopted since the early 1990s provide sufficient safeguards, and that current restrictions may limit the ability of the System to make prudent investments in real estate in order to maximize earnings.

- **Require preemployment physicals for KP&F membership.** KPERS requests authorization for preemployment physicals in order to screen for preexisting conditions that might be the basis of a disability claim later in a KP&F career.

- **Adjust the statutory salary increase assumption for KPERS 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.

- **Modify qualifications for serving on the Board.** The Legislature changed the statutory requirements to make clear that only active and retired members would be eligible to be elected as a Trustee. However, clarify needs to be added that if an elected Board of Trustee members becomes inactive due to a change in employment status while serving on the Board, that member would no longer be eligible to serve. Under current law, the Board would select a replacement member for that elected position.

- **Correct statutory language about calculation of judges retirement benefits.** Current law needs to be corrected in order for the correct calculation to be in statute. KPERS has been making the correct calculation

- **Unclassify the KPERS Deputy Executive Secretary position.** 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 senior KPERS staff.