Approved: 1-29-98
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 1:30 p.m. on January 22, 1998 in Room 514-S of the Capitol.

All members were present except: Representative Mike Farmer - Excused
Representative Joe Kejr - Excused
Representative Melvin Neufeld - Excused
Representative Kay O'Connor - Excused
Representative JoAnn Pottorff - Excused
Representative Greg Packer - Excused
Representative Shari Weber - Excused

Committee staff present: Alan Conroy, Shannon Nichols, Julian Efird, Legislative Research Department;
Jim Wilson, Mike Corrigan, Revisor of Statutes Office;
Helen Abramson, Administrative Aide; Linda Swain, Appropriations Secretary

Conferees appearing before the committee:
Meredith Williams, Executive Secretary, KPERS

Others attending: See attached list

Representative John Edmonds, Chair for the Joint Committee on Pensions, Investments and Benefits, made a presentation. (Attachment 1) The report included status on investment and benefit policy with details on cost-of-living adjustments, unfunded liabilities, purchase of service credits, litigation and IRS compliance.

A discussion followed the presentation. It was noted State employees who retire under KPERS but return to work, are not allowed (by State law) to return to KPERS.

Representative Edmonds distributed a copy of a letter dated 1/21/98 from KPERS Deputy Executive Secretary, Jack L. Hawn. (Attachment 2) Discussion followed concerning the state's fluctuating contributions to KPERS between 1962 and through FY 1997. It was noted in Mr. Hawn's letter and in subsequent discussions by committee members, if the state had participated and funded KPERS at the same rate as employees, the KPERS fund would have a $1.5 billion surplus, instead of the current $1.33 billion unfunded liability.

Pat Beckham, KPERS Consulting Actuary from Milliman & Robertson, Omaha had no formal presentation but was available for questions.

Meredith Williams, KPERS Executive Secretary, distributed notebooks to the members which gave an overview of KPERS. (copies available in Legislative Research) The report included plan summaries, monthly reports, historical performance, actuarial projections, and benefit proposals. Questions and discussion followed the presentation. The chart "Automatic COLA Estimates - Employee" was reviewed. The figure listed under "Additional Fifth Year Employee Contribution" for State/School of $113,540,000 appears to be incorrect. Secretary Williams will be researching the correct number and advise Representative Edmonds of the correct figure.

Representative Jeff Peterson had a request for a new bill proposed by Kansas State University. The University requests authority to sell property in Scott County.

A motion was made by Representative Peterson and seconded by Representative Nichols to introduce the bill. The motion carried.

An interim report prepared by the Joint Committee on Computers and Telecommunication was distributed to the committee members. Representative George Dean suggested an overview of the report be arranged for the committee with Julian Efird as a possible presenter.

A motion was made by Representative Feuerborn, seconded by Representative Holmes, to approve the minutes of January 14 and 15. Motion carried.

The meeting was adjourned at 3:30 p.m.

The next meeting is scheduled for January 26, 1998.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 1/22/98

NAME	REPRESENTING
Craig Grant	KNEA
Keith Haxton	SEAK
Cathleen Hull	Intern w/ Rep. Ballard
Gary Deeter	staff - Rep. Morrison
Michael Byington	Envision
[illegible]	KS Leg.
Don Ryan	S.E.A.K.
[illegible]	KARL
David Oliphant	KARL
Jack Hawn	KPERS
Patrice Beckham	M+R
Meredith Williams	KPERS
Ros Woodard	"
Leland Breedlove	"
Roger Franzke	KGC
Stacey Farmer	KASB
Brad [illegible]	Intern J. Peterson
Detlef Leikam	KARL
Jo Anna Roth	KARL

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 1/22

NAME	REPRESENTING
Nick Gregory	Intern Rep. Edmonds.
Megan Rachow	Intern Rep. Jo Ann Pottorff

Final Report

of the

Joint Committee on Pensions, Investments and Benefits

to the

1998 Kansas Legislature

December, 1997

Appropriations
1-22-98
Attachment 1

JOINT COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

MEMBERSHIP

Representative John Edmonds, Chairperson

Senator Dave Kerr, Vice-Chairperson

Senator Jim Barone	Representative Ray L. Cox
Senator Marge Petty	Representative Geraldine Flaharty
Senator Don C. Steffes	Representative Vaughn L. Flora
Senator Robert Tyson	Representative Al Lane
	Representative Jim Long
	Representative Clark Shultz
	Representative Shari Weber

JOINT COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

STUDY TOPICS: Reviewing pension benefits; developing recommendations to implement a permanent policy for adjustments in post-retirement benefits; and monitoring investments of the Kansas Public Employees Retirement System (KPERS).

SUMMARY: The Committee recommends legislation based on various proposals, including ones to establish an automatic cost-of-living adjustment (COLA) linked to the Consumer Price Index; to create a shared earnings dividend plan for paying retirees an ad hoc bonus based on the KPERS annual rate of return; to increase payments by $100 per month to retirees of the Kansas School Retirement System (KSRS) who worked at least 25 years and retired prior to January 1, 1971; to allow all KPERS service credit purchases currently based on a 1.0 percent multiplier to be acquired at the actuarial cost for either the present 1.0 percent or an enhanced 1.75 percent multiplier; to waive the requirement that certain active KPERS members who were inactive in another KPERS plan on June 30, 1995, must retire at the same time under both plans; and to enact three policy changes and ten technical changes requested by the KPERS Board of Trustees.

Background

The Committee is charged by statute to monitor, review, and make recommendations relative to investment policies and objectives formulated by the KPERS Board of Trustees; to review and make recommendations related to benefits for members under KPERS; and to consider and make recommendations on the confirmation of members nominated by the Governor to serve on the KPERS Board of Trustees. In addition, Sections 2 and 3 of Chapter 266, *1996 Session Laws of Kansas*, direct school districts and community colleges to submit actuarial reports on early retirement incentive plans to the Committee by June 30, 1997.

In reviewing the interim study topics, the Joint Committee held regular meetings in Topeka on July 22-23, September 17, November 11-12, and December 12, 1997. The minutes and attachments for all meetings are available in the Division of Legislative Administrative Services. In addition, the Committee conducted public hearings around the state as authorized by the Legislative Coordinating Council to hold up to six days of meetings outside of Topeka. These sessions included hearings on November 11 in Topeka; on November 12 in Overland Park; on December 4 in Pittsburg and Emporia; on December 9 in Hutchinson and Wichita; on December 10 in Salina and Hays; and on December 11 in Garden City and Great Bend. The following topics were studied by the Joint Committee during the 1997 interim.

Post-Retirement Benefit Adjustments. The 1997 Legislature considered several cost-of-living adjustments (COLA), but did not enact any legislation providing a post-retirement benefit adjustment. In fact, no legislation was passed last session for any measure concerning KPERS. This was the first time in many years that no bill was enacted to address KPERS matters. The last COLA for retired public employees was passed by the 1994 Legislature.

KPERS Investments. News from the KPERS administrators for the plan year that ended June 30, 1997, has been good. Earnings reported in FY 1997 indicate that investments had an overall annual rate of return equal to 14.4 percent. The investment portfolio grew in value to $7.7 billion on June 30, 1997, compared with a year earlier when the fund's investments were valued at $6.9 billion. Investment performance for the last three fiscal years has averaged 16.9 percent, and for the last five years has averaged 13.4 percent.

Unfunded Liability. There has been anticipation that continued good investment performance would reduce significantly the unfunded liability and accelerate the "equilibrium" point when the statutorily defined KPERS rate of employer contributions will equal the actuarially required rate. Currently, the full actuarial contribution rate is not made by all employers. Statutes provide that the employer rates of contribution for KPERS state/school and local units may not increase over the prior year by more than 0.20 percent for state/school and 0.15 percent for local employers. The actual contribution rates have been less than the actuarially required rates for the past several years. This shortfall has the effect of increasing the unfunded liability and thus is one factor in that calculation. Until "equilibrium" is reached, this condition will continue to have a negative impact on the unfunded liability.

The KPERS actuary presented the results of the FY 1997 actuarial valuation to the KPERS Board of Trustees at its meeting of September 19, 1997. The report reflected favorable experience over the past plan year that ended June 30, 1997. The unfunded actuarial liability decreased by $68 million, primarily due to an investment return on the actuarial value of assets in excess of the assumed 8.0 percent earnings rate during FY 1997. The following table shows a summary of the actuarial calculations that result in a reduction of the unfunded actuarial liabilities for the fund.

		(In Millions)
Unfunded actuarial liability as of June 30, 1996	$	1,444
Investment gain		(323)
Change in actuarial assumptions		0
Liability loss from actual experience		157
Effect of contribution/time lag		63
Expected increase due to amortization method		35
Unfunded actuarial liability as of June 30, 1997	$	1,376

According to the actuarial valuation of June 30, 1997, the KPERS Fund had total assets of $7.770 billion when measured on a market value basis. This represents an increase of $828 million from the June 30, 1996, market value of $6.942 billion. The market value of assets is used in the calculation of the actuarial value of assets, but the full impact of the change in market value is not recognized immediately in the methodology approved by the KPERS Board of Trustees and used by the KPERS actuary. Consequently, the FY 1997 decrease in the unfunded actuarial liability does not reflect the full magnitude of the fund's growth in market value.

An asset valuation method, approved by the KPERS Board, is used by the KPERS actuary to smooth the effect of market fluctuations in order to lessen the year-to-year changes in employer contribution rates. The actuarial value of assets is equal to the expected asset value based on an assumed earnings rate of 8.0 percent, plus one-third of the difference between the actual market value and the expected asset value. Unrecognized gains or losses from prior years also are considered. The other two-thirds of the current difference are taken into account in subsequent years when future valuations are performed. For the June 30, 1997, actuarial valuation, for instance, the 8.0 percent expected investment income was $550 million. A portion (one-third) of the $420 million amount in excess of the expected return was used in the actuarial computations. In addition, a portion (one-third) of the unrecognized gains from FY 1995 and FY 1996 also was factored into the actuarial calculations. The net effect on the unfunded liability of investment gain in excess of the assumed 8.0 percent earnings, as calculated by the KPERS actuary for FY 1997, was a $323 million reduction in the Fund's liability.

Also in FY 1997, there was an estimated liability loss due to actual experience which was calculated by the KPERS actuary. The actuarial loss was $157 million and had a negative effect on the fund's liability. This cost is the result of a variance due to actual experience that differs from the actuary's estimate of anticipated experience in several areas. There were no changes in actuarial assumptions, which are approved by the Board of Trustees, and thus no impact on the unfunded liability is attributed to these variables in the calculations for FY 1997. The final factor cited by the KPERS actuary as a factor impacting the unfunded liability was the expected increase due to the amortization method. This cost was calculated at $35 million.

Purchasing Service Credit. There are three options typically found in the public sector that are used to recognize service credit which is integral to computing retirement benefits. The primary option is based on earning credit through eligible employment and paying a contribution to help finance the cost of a future benefit. The process typically involves an employee working for a KPERS participating employer and making periodic contributions after gaining membership in KPERS. The second option is based on granting of credit for prior eligible service and financing the cost without prior employee contributions. This process typically occurs when new participating employers join, or affiliate, with KPERS and the newly covered employees gain credit for prior service for time worked with those participating employers, without having made KPERS contributions.

These two types of service credit (participating and prior) are based on two different multipliers. Service earned before affiliation (prior service) is assigned a lesser value in the form of a multiplier that does not provide as much benefit as does the multiplier used for service performed after affiliation with KPERS (participating service).

A third option used to acquire service credit has been made available to individual employees. Federal law refers to this type as permissive service credit, and Kansas law defines a number of circumstances in which employees are allowed to acquire additional retirement benefits by purchasing service credit. One of the issues recommended for interim study involves this permissive service credit, and what the value of the multiplier should be. A brief history of multipliers and their role in computing retirement benefits is presented next, followed by a review of permissive service credit.

KPERS was established by the 1961 Legislature and eligible employers, including the state of Kansas, were authorized to join KPERS on January 1, 1962. Participating service is defined as the period of employment after the entry date for which credit is granted a member and prior service is defined as the period of employment of a member prior to the individual's entry date for which credit is granted a member under the KPERS Act. A retirement benefit is computed by multiplying the years of prior service and years of participating service by the appropriate multipliers, then summing the results and multiplying that sum by the final average salary.

The original provisions in the 1961 law authorized retirement benefits based on two multipliers: 1.0 percent for participating service and 0.5 percent for prior service. The 1965 Legislature increased the multiplier for prior service from 0.5 to 0.75 percent. In 1968, the Legislature increased both of the multipliers: participating service from 1.0 to 1.25 percent and prior service from 0.75 to 1.0 percent. Intervening legislatures made a number of incremental changes to participating service credit. The 1993 Legislature established a multiplier of 1.75 percent for participating service of members retiring on or after July 1, 1993. Current law maintains the multiplier for participating service at 1.75 percent (last adjusted in 1993) and for prior service at 1.0 percent (last adjusted in 1968) for most employees and 0.75 percent for some employees. Final average salary and years of credited service are the other components, along with the multiplier, found in the formula for computing retirement benefits.

In addition to service credit earned from periods of employment in which participating and prior service credit are awarded, KPERS employees often have the opportunity to purchase additional benefits under a variety of options authorized in state law. The advantages of such purchases are to enhance the individual's retirement benefit and to gain certain tax savings while making the contributions to purchase additional credits. Because KPERS is a contributory system, purchases of additional credit involve making payments to finance the cost of the benefit. This process differs from the situation in which prior service credit is assigned without contributions having been made by employees, or if some contributions were made, they were insufficient to pay the cost of the benefit. This method of purchasing permissive service credit is designed to comply with federal law. Federal law authorizes the purchase of permissive service credit under governmental pension plans (Section 415 of the Internal Revenue Code, as amended by Section 1526 of 1997 H.R. 2014—the Taxpayer Relief Act of 1997).

A number of different permissive service credit purchases are authorized by the KPERS law. Some, but not all, of the KPERS purchases are granted a multiplier of 1.75 percent for each year of eligible service. The exceptions are granted 1.0 percent credit and are noted in the table below. Kansas Police and Fire (KP&F) and the Judges Retirement plans also have permissive service credit purchase provisions. Members of the KP&F plan are authorized to make purchases of participating service credit for military or U.S. Public Health Service employment. Members of the Judges Retirement System also are authorized to make purchases of additional benefits for service credit. Magistrate judges may elect to transfer any service credit under regular KPERS to the Judges Retirement System, and to pay for the cost of such service. Any judge, if age 60 or older at the time of becoming a member of the Judges Retirement System, may purchase additional benefits for service credit, provided the total years of credited service and additional purchased service do not exceed 15 years.

Summary of Authorized KPERS Service Credit Purchases

Category	Multiplier
First Year of Employment	1.75
Out-of-State Teaching	1.0
Military—Public Health Service	1.75
Barred Membership	1.0
Elected Official	1.75
Previous TIAA-CREF Member	1.75
Nonfederal Governmental Employment	1.0
Local Police and Fire Employment	1.75
Peace Corps Employment	1.0
ESU Memorial Union Employment	1.0

Purchases of permissive service credit are not uniform for KPERS members in regard to multipliers associated with the different options. Two different multipliers are used to recognize permissive service credit purchases: 1.75 percent and 1.0 percent. In one case, barred membership, the salary base used in calculating a benefit is annual compensation at the time of purchase. All other permissive service credit purchases are based on final average salary.

Early Retirement Incentive Programs. K.S.A. 72-5395 is a 1980 enactment that authorizes school district boards of education to establish early retirement incentive programs for the benefit of school employees. The purpose of such programs is to reduce in whole or part the penalty under Social

Se / or KPERS school retirement, or both, for opting to take retirement before reaching age 6_. K.S.A. 71-212 contains a similar provision, enacted in 1981, that is applicable to community colleges.

A survey in 1985 conducted jointly by the State Department of Education and Legislative Research Department found that 22 school districts had established some type of early retirement incentive program. Three districts had discontinued programs and no community college had adopted a program. The 1993 Legislature enacted a KPERS enhancement package which provided, among other things, a retirement option based on retiring whenever age and years of service total 85, with no reduction in retirement benefits. The 1994 Legislature amended K.S.A. 72-5395 and 71-212 to provide that a school district employee first must retire under KPERS in order to receive any payment under an early retirement incentive program. This change was intended to prevent such early retirement payments from inflating the final average salary for KPERS calculation of retirement benefits.

A 1994 interim review by the Joint Committee on Pensions, Investments and Benefits heard a report from the Kansas Association of School Boards that 123 school districts had established some type of early retirement incentive program and that current beneficiaries were receiving payments in excess of $9.7 million, annually. During the 1995 Legislature, an Attorney General's opinion was requested regarding the requirements of the Kansas cash basis law on the early retirement incentive programs. In addition, a Legislative Post Audit study of early retirement incentive programs in Kansas schools was requested. Attorney General Opinion No. 95-49 (May 9, 1995) concluded that the Kansas cash basis law does not prohibit a unified school district from establishing an early retirement incentive program which outlines payment of pension benefits over a period of time exceeding one fiscal year, provided the obligation to pay the pension benefits is subject to the occurrence of a contingency.

A performance audit report, *Reviewing Early Retirement Incentive Programs in Kansas Schools* (September 1995), presented survey information that indicated 152 school districts had programs and that the FY 1995 cost was almost $12.0 million annually for current retirees receiving benefits. The audit also indicated that 59 school districts initiated programs after the 1993 Legislature enacted the 85-point KPERS retirement option. The 1996 Legislature amended K.S.A. 72-5395 and 71-212 to require an actuarial valuation of all early retirement incentive programs to be submitted by June 30, 1997, to the Joint Committee.

Actuarial reports from the school districts and community colleges were received by the Joint Committee as required by law. The results of tabulating the reports indicate statewide that 154 school districts, five interlocals, and 13 community colleges have early retirement incentive programs. The total actuarially estimated liability is in excess of $300 million.

Committee Activities

In addition to regular Committee meetings in Topeka, hearings were held throughout the state in order to hear public testimony about KPERS matters. The following topics were considered by the Committee during the 1997 interim.

New KPERS Board Members. No vacancies occurred on the KPERS Board of Trustees and no gubernatorial appointments were submitted for review during the 1997 interim.

Litigation Reports. The Committee heard periodic reports about the KPERS litigation. As of June 30, 1997, KPERS had received settlements of $20,515,000 and after expenses, the net recoveries totaled $8,921,529 for the fund. At the September meeting, Robert F. Coleman, KPERS Special Counsel, Kansas Litigation Group, presented a brief history of the litigation for new members. He also provided information about the grand total of damages calculated for lawsuits involving direct placements handled by Reimer and Koger, Peters Gamm, and O'Connor Realty. The amount of those losses totaled $523.9 million. Mr. Coleman described events at the state level where an alternative dispute resolution procedure has been ordered by the district court judge. An additional new case has been filed in state district court by an insurance company involved in KPERS litigation.

Federal Compliance Legislation. The KPERS General Counsel explained why KPERS staff had initiated a review resulting in introduction of federal compliance legislation in the form of 1997 S.B. 382. Assisting in that review were Mary Beth Braitman and Terry Mumford, Ice Miller Donadio and Ryan, Indianapolis, Indiana, who also helped draft the amendments to current law. The Committee heard an extensive presentation at its July meeting and updated information was presented at its December meeting on this topic.

KPERS Investment Performance. The Committee monitored developments at each of its interim meetings. The KPERS Chief Investment Officer presented updates, including information about FY 1997 investment performance; the Board of Trustee's asset allocation policy; procedures for rebalancing the portfolio; and detailed information about real estate and alternative investments. It was noted that the portfolio exceeded the $8.0 billion in valuation by the end of July 1997. During the first quarter, KPERS investments earned an overall rate of return equal to 5.7 percent. The portfolio grew in value to $8.115 billion on September 30, 1997. Investment performance for the past 12 months has averaged 18.1 percent.

Retiring from Two Systems. Carla J. Stovall, Attorney General, asked for the Committee to consider amending a KPERS statute in order to correct the unintended result of the 1995 Legislature's amendment. A recent Attorney General Opinion No. 96-29 on this subject was noted. The Attorney General indicated that the Committee should grandfather those members who, prior to 1995, would have been eligible to retire under only one system while still maintaining employment and participating in another KPERS retirement plan. Adversely affected members also testified in favor of fixing the problem.

Staff provided background information on K.S.A. 74-4988 that allows for portability of service credit between different plans under KPERS. An amendment by the 1995 Legislature provides that retirement benefits can be paid only after a member retires from both KPERS plans if covered by two different ones, and if credit from the second plan is needed under the first plan to retire. Prior to July 1, 1995, a member could retire from one plan while covered by a second plan, continue working under the second plan, and accrue additional retirement credit prior to retiring under the second plan. The provision only affects those covered employees who have not retired from the first plan and who have taken a job covered by a second plan. When they reach retirement eligibility under the first plan, and they want continued coverage under the second plan without retiring from the second job. Most covered members first retire under one plan, then go to work under a second plan. This sequence is permitted under present KPERS law without restriction on earning retirement benefits from a second job as long as it is with a different participating employer and under a different plan.

The KPERS Executive Secretary told the Committee that KPERS would not oppose legislation to cure this problem. He estimated that 540 members were inactive in one system and maintained inactive membership in another plan on July 1, 1995.

Actuarial Valuation Results. The KPERS Actuary, Milliman and Robertson, Inc., presented at the November meeting the actuarial valuation results for the period ending June 30, 1997. The unfunded liability decreased by $69 million, dropping from $1.444 billion to $1.376 billion, due to an investment return on assets in excess of the assumed 8.0 percent earnings rate. There was an increase in the normal cost rate for the state and school group, and the local group. However, there was a decrease in overall actuarially-required employer contribution rates due to favorable experience. It was indicated that the un[illegible]d liability based on market value (and not the current market smoothing method used in the actuarial valuation) would be $730 million less.

A projection of future contribution rates was presented. A November 1997 estimate, based on the 1997 actuarial valuation, shows that the state's employer contribution rate will peak in 2002 at 4.71 percent. The Committee had many questions about the presentation: whether the 0.2 percent cap on increases would need to be legislatively removed when the actuarially required contribution rate is achieved by the statutory rate in 2002; about the amount of funding not contributed during the under-contribution period of 1994 to 1997 since the state failed to pay the actuarially required rate; and why the model did not project the point earlier than 2002, especially given the excellent performance of the fund, when last year's estimate had been 2003 at 4.81 percent.

It was indicated that if the old or previous projection model had been used, then the estimated point of equilibrium would have been 2001. Last year's advance from 2009 to 2003 of equilibrium, or a six-year acceleration, had not been duplicated this year largely because of the short time span from 1998 to 2002 and the lack of sufficient time for the multiplier effect to produce a dramatic drop in either the contribution rate or year of equilibrium. Also, given the increase in normal cost, a partially offsetting effect was involved in this year's projection.

Proposals for Enhancements and KPERS Amendments. The Committee Chairperson presented a post-retirement benefit adjustment proposal with three different components. The first item was an automatic COLA, the second was an ad hoc dividend payment plan, and the third was a $100 per month increase for all KSRS members who retired before 1971 and had at least 25 years of service.

A large number of members (particularly at hearings outside of Topeka) and representatives from the Kansas-National Education Association, Kansas Retired Teachers Association, and American Association of Retired Persons testified in support of some type of COLA or other post-retirement benefit payment for retired members.

Several retired KPERS members urged the Committee to correct a problem resulting from 1993 legislation when a $200 cap was placed on the COLA.

Several KPERS members and a representative of the Kansas-National Education Association proposed increasing the service credit multiplier from 1.75 to 2.0 percent for active KPERS members.

Several KPERS members suggested increasing the out-of-state teaching and prior service multiplier from 1.0 to 1.5 percent, and the Kansas-National Education Association representative asked the Committee to consider a 1.75 multiplier for out-of-state teaching experience.

A district court judge requested the Committee extend to members of the Judges Retirement System the ability to purchase military service credit. Currently, members of KPERS and KP&F have that service credit purchase authorized in law.

Representative Sloan and two constituents asked the Committee to establish a KPERS advisory committee to give active and retired members more involvement in the operation of KPERS.

During public hearings throughout the state, members of the audience were provided an open forum period in which questions could be posed to Committee members or KPERS representatives. The questions raised and comments made during the open forums addressed the following topics:

- **Post-Retirement Benefit Increases**
  - requesting some type of post-retirement benefit increase;
  - recommending an automatic COLA in retirement benefits;
  - willingness to make additional employee contributions to finance enhanced benefits;
  - financing increased benefits such as a COLA by raising employee contributions; and
  - complaints about the $200 cap on 1993 benefit adjustments.

- **Increasing Benefit Formula and Service Credit Multipliers**
  - raising the 1.0 percent prior service credit being to a higher multiplier;
  - determining the number of retirees receiving benefits based on a 0.75 or 1.0 percent multiplier;
  - increasing the present 1.75 percent KPERS multiplier to 2.0 percent;
  - changing out-of-state teaching service purchases from 1.0 percent to a higher multiplier;
  - lowering the 85-point plan to allow earlier retirements without penalty;
  - creating a 75-point plan for fire and police who are covered by regular KPERS, not KP&F; and
  - providing KP&F coverage for school district security personnel.

- **KPERS Unfunded Liability**
  - determining how much the state would have contributed if the employer contribution rate had been held at 4.0 percent to match the employee's rate; and
  - solving the problem of employer underpayment.

- **Other Areas**
  - working after retirement and raising the current salary cap imposed after retirement;
  - making loans to members from KPERS funds;
  - paying for health insurance after retirement;

- increasing the $4,000 death benefit to a higher amount;
- paying the death benefit only to the spouse;
- settling litigation; and
- using interactive television for future Committee open forums.

Early Retirement Incentive Programs. During the July meeting, staff presented information about school district early retirement plans authorized by state law. A summary of the results from valuations of school districts and community colleges which have plans was distributed. The results were scheduled to be submitted to the Joint Committee on Pensions, Investments and Benefits by June 30, 1997. David P. Hayes, Milliman and Robertson, provided actuarial background information about the work his firm performed and the findings that statewide liability is estimated at slightly less than $304 million for plans currently in place.

Conclusions and Recommendations

The following actions were adopted by the Committee.

Post-Retirement Benefit Adjustments. After hearing several complaints about retirement benefit increases approved by the 1993 Legislature, the Committee recommends that those who retired prior to July 1, 1993, be given first consideration by the Legislature when considering any new COLA.

In addition, the Committee recommends that KPERS staff, assisted by legislative staff, acquire information from the Department of Revenue about the tax revenues generated by payments made by public employees on retirement contributions paid into KPERS, and about potential tax revenues that might be generated by taxing benefits of public employees instead of taxing contributions.

Finally, the Committee recommends each component of a three-part proposal that was presented by Representative Edmonds. The Committee recommends that each component of the post-retirement adjustments be introduced in separate bills. The three bills would include the following provisions:

- *Automatic Cost of Living Adjustment.* All current and future retirees would be granted an annual adjustment, beginning the fifth year after retirement and attainment of at least age 70. The adjustment would be based on a percentage equal to two-thirds of the Consumer Price Index and limited to a maximum increase of 2.0 percent in any year. In order to pay for this proposal, the following points should be incorporated:
  - Employer and employee contribution rates for regular KPERS State, School, and Local must remain equal in future years. If required, employer contribution rates may exceed the employee rate. Employer rates for regular KPERS must never be allowed to drop below the employee rate in future years.
  - Employee contribution rates for regular KPERS will need to increase from 4.0 to 5.0 percent over a period of four years. Annual increases of 0.25 percent should be applied to all employee contribution rates. Employer

contribution rates for regular KPERS should increase in annual increments concurrent with employee rate increases to maintain a linkage between the employee and employer contribution rates.

- For state agencies, 50.0 percent of the cost of financing employer contribution increases would be derived from reallocating budgeted resources. The other 50.0 percent would be considered as new appropriations.

- The employer contributions for KPERS School will be assumed by school districts and other educational employers. Currently, the state pays the employer contributions for local educational providers. An adjustment in the school finance formula to hold school districts harmless may be necessary.

- *Shared Earnings Dividend Payment.* In years when the KPERS annual rate of return equals or exceeds 12.0 percent, a portion of the earnings would be returned to retirees. The proposal would establish a "Shared Earnings Dividend" plan, which would be authorized as a continuing program beginning in FY 1999. Implementation of the "Shared Earnings" concept would make 20 percent of funds available for benefit payments, based on paying a bonus amount on October 1 of each year to retired members, their beneficiaries, and disabled members who are eligible in years when funds are available. The plan would provide a bonus payment, rather than a permanent COLA, when the KPERS Fund earns more than a certain amount (12 percent) on its investments and funds are available for distribution. The payment would not be a guaranteed, permanent amount built into monthly payments as a regular COLA would be. The plan has the following components:

  - Create a new "Shared Earnings Reserve" account in the KPERS Fund.

  - When KPERS investment earnings exceed 12.0 percent in any fiscal year as of June 30, transfer from dividends and interest an amount equal to 25.0 percent of the earnings in excess of 12.0 percent, up to a maximum of 2.0 percent, into the "Shared Earnings Reserve" account.

  - Authorize a "Shared Earnings Payment" to be distributed as a separate check on October 1 to all eligible retired members, beneficiaries, and disabled members as a one-time bonus payment in addition to their regular monthly benefit.

  - Provide that 20 percent of available funds in the "Shared Earnings Reserve" account would be paid out each fiscal year and the remaining funds would be carried over to the subsequent year.

  - Restrict the "Shared Earnings Payment" to only those who retired or became disabled prior to July 1 of the year preceding the payment date.

- *Minimum Pension Benefit.* The proposal would authorize an increase of $100 per month in the monthly retirement benefit payments for each school employee who retired prior to January 1, 1971, under the KSRS and who had at least 25 years or more of service credit.

Fiscal Note. All three components of the proposed legislation have a fiscal impact. The actuarial basis for funding an annual 2.0 percent COLA would include increases in both employer and employee contributions. The KPERS actuary indicates that total actuarial cost of an annual 2.0 percent COLA would be $522.5 million, of which $405 million would be for the KPERS State and School components. The annual incremental cost for employers to fund an annual 2.0 percent COLA is shown in the table below and is based on data that KPERS staff developed. The summary table shows a net employer cost increase of a 2.0 percent COLA compared to the projected employer cost of the current statutory requirements, which presently for KPERS State and School require a 0.2 percent increase each year to address the unfunded actuarial liability. The five-year cost estimate for employers to fund a 2.0 percent COLA is $232.3 million more than the present statutory plan. For the state over the first five years, the increase is estimated at $125.1 million. Financing from the State General Fund is estimated to require $108.0 million over the first five years to pay for the state's portion of an annual 2.0 percent COLA.

Employer Contributions For All KPERS Plans
In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$133.5	–	–	–	–
1998	145.4	$11.9	$179.4	$45.8	$34.0
1999	158.1	12.7	198.0	52.6	39.8
2000	171.9	13.8	217.8	59.6	45.8
2001	186.6	14.6	239.5	67.5	52.9
2002	199.6	13.0	259.3	72.7	59.8
Total—All Funds		$66.0		$297.3	$232.3
Total—State		51.3		176.4	125.1
Total—SGF		43.9		151.9	108.0

Note: Totals based on separate KPERS tables found in Supplement 1; may not add due to rounding.

Under the 2.0 percent COLA proposal, employees also would pay a portion of the increased cost in order to fund a share of the annual 2.0 percent COLA. All groups (except TIAA members who are inactive in KPERS) would pay a total of 1.0 percent additional employee contributions, increasing 0.25 percent per year over four years. Total revenue of $151.9 million would be generated from employees contributions during the first five years under this methodology. Total new revenue of $384.2 million would fund the 2.0 percent COLA during the first five years, based on annually increasing both employee and employer contributions.

Regarding the shared earnings plan, no fiscal projections were offered. What was provided to the Committee by KPERS staff in lieu of a traditional fiscal note portrays the period from 1976 to 1997. Calculations based on that time period show the impact of the proposed shared earnings concept on KPERS finances. A total of $252.5 million would have been paid as shared earnings and a reserve of $176.4 million would have been created. The highest bonus amount was $931 and the lowest was $175 that would have been paid between 1982 and 1997 if the program had been active.

Finally, KPERS staff estimates the cost of the KSRS proposal to be less than $500,000 annually and to affect fewer than 400 KSRS retirees.

Service Credit Purchases. The Committee recommends introduction of legislation that would allow all KPERS service credit purchases currently based on a 1.0 percent multiplier to be acquired at the actuarial cost for either the present 1.0 percent multiplier or an enhanced 1.75 percent multiplier. Implementation should be delayed until 1999 in order for the KPERS staff to prepare for the changes that would result in a more complicated situation.

Retiring Under Two Systems. The Committee recommends introduction of legislation that would waive the requirement that certain active KPERS members who were inactive in another KPERS plan on June 30, 1995, must retire at the same time under both plans. (**Fiscal Note:** KPERS staff estimates that 546 individuals would be affected by legislation addressing the issue of retiring under two systems, but that most active employees (80 percent) would not be involved in the fiscal consequences. It was noted that 126 of those presently working under one plan (regular KPERS) and inactive under another plan (KP&F) would cost KPERS approximately $14 million if all individuals continued working until age 65. However, if all active members of this group would retire as soon as eligible under regular KPERS, then the cost estimate is approximately $3.5 million. KPERS staff suggested that most likely the cost would be in the $10-$12 million range. The fiscal note is due to a higher final average salary from the KPERS covered position being used to compute benefits under each of the two different plans.)

IRS Compliance. The Committee recommends introduction of legislation that would update 1997 S.B. 382 with 1998 amendments and changes requested by KPERS.

KPERS Policy and Technical Issues. The Committee recommends introduction of legislation addressing three policy issues:

- the definition of policeman and fireman;
- KPERS offices; and
- penalty for false statements.

The Committee also recommends introduction of legislation addressing ten technical issues:

- regulatory authority for the Judges Retirement System;
- definition of a KPERS employee;
- elected officials membership date;
- returning from military service;
- rebuttable presumption;

- one for two KP&F service credit;
- disabled and active KP&F member;
- KP&F workers compensation report;
- reference to KPERS act; and
- definition of KPERS act.

SUPPLEMENT 1

The following tables were prepared with data supplied by the KPERS staff in order to show the projected employer funding to finance an annual 2.0 percent COLA.

Table 1: Employer Contributions for All KPERS Plans
In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$133.5	–	–	–	–
1998	145.4	$11.9	$179.4	$45.8	$34.0
1999	158.1	12.7	198.0	52.6	39.8
2000	171.9	13.8	217.8	59.6	45.8
2001	186.6	14.6	239.5	67.5	52.9
2002	199.6	13.0	259.3	72.7	59.8
Total—All Funds		$66.0		$297.3	$232.3
Total—State		51.3		176.4	125.1
Total—SGF		43.9		151.9	108.0

Note: Based on totaling Tables 1-7; may not add due to rounding.

Table 2: Employer Contributions for KPERS State Plan
In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$23.3	–	–	–	–
1998	25.8	$2.5	$30.4	$7.1	$4.6
1999	28.4	2.6	33.6	7.8	5.2
2000	31.2	2.8	37.0	8.6	5.8
2001	34.1	3.0	40.6	9.5	6.5
2002	36.7	2.5	44.5	10.4	7.8
Total—All Funds		$13.3		$43.4	$30.0
Total—SGF		7.3		31.6	24.3

Note: May not add due to rounding.

Table 3: Employer Contributions for KPERS School Plan In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$64.4	–	–	–	–
1998	71.1	$6.8	$83.9	$19.6	$12.8
1999	78.3	7.2	92.7	21.6	14.4
2000	86.0	7.7	102.1	23.8	16.1
2001	94.2	8.2	112.7	26.7	18.6
2002	100.9	6.7	122.7	28.6	21.8
Total—All Funds		$36.5		$120.2	$83.7
Total—SGF		36.5		120.2	83.7

Note: May not add due to rounding.

Table 4: Employer Contributions for KPERS Local Plan In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$15.5	–	–	–	–
1998	17.3	$1.8	$31.7	$16.2	$14.4
1999	19.2	1.9	35.0	17.8	15.5
2000	21.3	2.1	38.6	19.4	17.3
2001	23.5	2.2	42.4	21.1	18.9
2002	25.8	2.5	46.4	22.9	20.6
Total—All Funds		$10.3		$97.4	$87.1

Note: May not add due to rounding.

Table 5: Employer Contributions for KP&F State Plan
In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$3.0	–	–	–	–
1998	3.2	$0.1	$3.3	$0.3	$0.2
1999	3.2	0.1	3.6	0.5	0.4
2000	3.3	0.1	3.9	0.6	0.6
2001	3.4	0.1	4.3	0.8	0.8
2002	3.6	0.1	4.5	0.9	0.9
Total—All Funds		$0.6		$3.6	$2.9
Total—SGF		0.6		3.6	2.9

Note: May not add due to rounding.

Table 6: Employer Contributions for KP&F Local Plan
In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$20.2	–	–	–	–
1998	21.1	$0.8	$22.4	$2.1	$1.3
1999	21.9	0.8	24.6	3.5	2.7
2000	22.8	0.9	27.0	5.1	4.2
2001	23.7	0.9	29.5	6.8	5.8
2002	24.6	0.9	30.7	7.0	6.1
Total—All Funds		$4.4		$24.5	$20.1

Note: May not add due to rounding.

Table 7: Employer Contributions for Judges Plan
In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$2.7	–	–	–	–
1998	2.8	$0.1	$2.8	$0.1	$0.0
1999	2.6	(0.1)	3.1	0.3	0.4
2000	2.8	0.1	3.4	0.7	0.6
2001	2.9	0.1	3.7	0.9	0.8
2002	3.0	0.1	3.8	1.0	0.8
Total—All Funds		$0.3		$3.0	$2.7
Total—SGF		0.3		3.0	2.7

Note: May not add due to rounding.

Table 8: Employer Contributions for TIAA Plan
In Millions

	Present Law		2 Percent Automatic COLA		
	Current Projection	Projected Increase	Proposed Estimate	Estimated Increase	Net Cost Increase
1997	$4.5	–	–	–	–
1998	4.3	($0.2)	$4.9	$0.4	$0.6
1999	4.4	0.2	5.3	1.0	0.9
2000	4.6	0.2	5.8	1.3	1.1
2001	4.8	0.2	6.2	1.6	1.4
2002	5.0	0.2	6.7	1.9	1.7
Total—All Funds		$0.5		$6.2	$5.7
Total—SGF		0.5		6.2	5.7

Note: May not add due to rounding.

#22490.01(1/6/98{11:28AM})

2% Automatic COLA to all current and future retirants commencing five years after retirement, but not before age 70

1-21

AUTOMATIC COLA ESTIMATES
EMPLOYER

	Increase in Actuarial Liability	Increase in Contribution Rate Year 1	Additional First Year Employer Contribution	Increase in Contribution Rate Year 5	Additional Fifth Year Employer Contribution	Total Additional Employer Contributions Through 2014
KPERS						
State/School	405,000,000	0.61%	17,440,000	0.89%	29,760,000	726,860,000
Local	73,000,000	1.82%	14,430,000	2.22%	20,590,000	420,860,000
TIAA	2,500,000	0.03%	150,000	0.13%	660,000	1,580,000
Judges						
Judges	5,000,000	0.00%	-	2.79%	590,000	10,440,000
KP&F						
KP&F-State	4,750,000	0.00%	-	1.39%	510,000	9,510,000
KP&F-Local	32,250,000	0.00%	-	1.39%	3,520,000	65,320,000
Totals	522,500,000		32,020,000		55,630,000	1,234,570,000

2% Automatic COLA to all current and future retirants commencing five years after retirement, but not before age 70

12-9

AUTOMATIC COLA ESTIMATES
EMPLOYEE

	Increase in Actuarial Liability	Increase in Contribution Rate Year 1	Additional First Year Employee Contribution	Increase in Contribution Rate Year 5	Additional Fifth Year Employee Contribution	Total Additional Employee Contributions Through 2014
KPERS						
State/School	405,000,000	0.25%	7,150,000	1.00%	113,540,000	633,420,000
Local	73,000,000	0.25%	1,980,000	1.00%	9,280,000	175,680,000
TIAA	2,500,000	0.00%	-	0.00%	-	-
Judges						
Judges	5,000,000	0.38%	70,000	1.50%	320,000	6,050,000
KP&F						
KP&F-State	4,750,000	0.44%	140,000	1.75%	650,000	12,220,000
KP&F-Local	32,250,000	0.44%	950,000	1.75%	4,430,000	83,920,000
Totals	522,500,000		10,290,000		128,220,000	911,290,000

KPERS

Kansas Public Employees Retirement System

January 21, 1998

Mr. Julian Efird
Legislative Research Department
Capitol Building, Room 545 N
Topeka, Kansas 66612-1504

Dear Julian:

You had requested that I provide you with a history of the employer and employee contribution rates and whether they had remained fairly equal since the inception of KPERS in 1962.

This became an issue with the Legislature in the seventies when the employer contribution rate was exceeding the employee statutory rate of four percent by a significant percentage. In 1976, as part of Proposal 40 (attached), the Legislature requested the KPERS actuary to review the rates to see if employees were paying their fair share of the costs of the system.

Please note that the actuary indicated that "...when the system was first established in 1961, the basic concept of funding was that the prior service liability of the system would be paid by the employer and the normal cost (ongoing cost for participating service) would, in general, be equally shared by the employee and the employer. ..." Further in the report it states "...the Committee wishes to reaffirm the basic funding philosophy upon which the retirement system was developed whereby the cost of participating service credit was to be shared equally between the employee and the employer to the maximum practicable extent possible. ...To insure that this policy continues, the Committee recommends that favorable consideration be given to legislation establishing a formal mechanism for the legislative review of participating service costs and their distribution between the employee and the employer " This legislation was, in fact, enacted in 1977 (attached).

Ironically, the State's contribution rate peaked at a total of 7.4 percent in the same year the Legislature reviewed this matter, then fell continually thereafter until reaching a low of 3.04 percent in FY 1988 and 1989. I have included an analysis of the employee/employer normal cost from the inception of KPERS in 1962 through FY 1997. You will note that in only seven years (FY 1974 through 1980) did the State contribute more for normal cost than the employee. On only one occasion (FY 1977) have they paid more than school employees.

Had the State exactly matched the employees' four percent contribution, it would have contributed $910,716,537 more than it actually did. Further, when you take into account the lost earnings on these contributions, the fund would be $2.89 billion better off than it actually was at the end of FY 1997. Please keep in mind this analysis was just for State/School. The same analysis would also reveal a shortage for local units of government and probably KP&F and Judges as well.

Appropriations
1-22-98
Attachment 2

Apparently the Legislature felt there was no longer a need to study the equalization of the employee/ employer normal cost issue as the study was deleted in 1993.

Please let me know if you have any questions.

Sincerely,

Jack L. Hawn
Deputy Executive Secretary

Assumptions:

Deposits earned interest for one-half of the year at the specified rate.
Interest for a full year was earned by the Beginning Balance.
The products of the two aforementioned assumptions were summed together to get the ending balance.
Negative numbers in the Deposit/Withdrawl column were overcontributions by the State and was already in the Fund earning a return.

7-8

EMPLOYER NORMAL COST COMPARISON TO EMPLOYEE
FY 1962-FY 1997

	STATE			SCHOOL		
FISCAL YEAR	COVERED PAYROLL	NORMAL COST	DIFFERENCE	COVERED PAYROLL	NORMAL COST	DIFFERENCE
1962	$29,503,583*	0.03768**	$68,448			
1963	59,181,832	0.03768**	137,302			
1964	63,107,015	0.03768**	146,408			
1965	69,949,915	0.02418	1,106,608			
1966	74,523,747	0.02346	1,232,623			
1967	81,109,469	0.02468	1,242,597			
1968	91,162,316	0.01825	1,982,780			
1969	104,008,534	0.01951	2,131,135			
1970	117,079,740	0.03363	745,798			
1971	135,203,091	0.03508	665,199	$185,251,407*	0.00660**	$6,187,397
1972	149,886,147	0.03613	580,059	320,279,794	0.00660**	10,697,345
1973	152,650,126	0.03732	409,102	322,600,815	0.00010	12,871,773
1974	168,069,575	0.04233	(391,602)	343,078,672	0.00570	11,767,598
1975	187,205,709	0.04982	(1,838,360)	399,506,243	0.01470	10,107,508
1976	231,910,895	0.05299	(3,012,523)	422,025,655	0.01670	9,833,198
1977	217,668,289	0.05548	(3,369,505)	471,951,589	0.04060	(283,171)
1978	236,663,466	0.04959	(2,269,603)	507,784,522	0.03675	1,650,300
1979	260,131,289	0.04521	(1,355,284)	553,218,019	0.02745	6,942,886
1980	290,938,722	0.04625	(1,818,367)	594,297,032	0.03335	3,952,075
1981	339,626,680	0.03988	40,755	706,791,684	0.02325	11,838,761
1982	367,614,450	0.03820	661,706	732,445,900	0.02450	11,352,911
1983	393,483,525	0.03522**	1,880,851	803,770,275	0.01960**	16,396,914
1984	400,643,175	0.03247**	3,016,843	866,338,650	0.01568**	21,069,356
1985	429,661,725	0.02925	4,618,864	929,019,300	0.01200	26,012,540
1986	440,142,725	0.02737**	5,559,003	1,071,721,800	0.01380**	28,079,111
1987	524,973,350	0.02540	7,664,611	1,120,800,050	0.01500	28,020,001
1988	521,805,025	0.00700	17,219,566	1,218,515,875	0.00700	40,211,024
1989	566,122,125	0.00700	18,682,030	1,267,532,575	0.00700	41,828,575
1990	631,662,225	0.00791	20,270,041	1,382,776,400	0.00791	44,373,295
1991	688,975,675	0.00864	21,606,277	1,535,224,950	0.00864	48,144,654
1992	696,976,475	0.00823	22,142,943	1,535,843,250	0.00823	48,793,740
1993	744,558,325	0.00823	23,654,618	1,675,648,175	0.00823	53,235,343
1994	817,465,675	0.00724	26,780,176	1,806,158,150	0.00724	59,169,741
1995	887,067,125	0.00724	29,060,319	1,916,687,325	0.00724	62,790,677
1996	1,006,679,475	0.02300	17,113,551	2,056,878,075	0.02300	34,966,927
1997	878,124,200	0.02480	13,347,488	2,039,052,700	0.02480	30,993,601
			229,712,457			**681,004,080**
					GRAND TOTAL	**$910,716,537**

* SIX MONTHS
** ESTIMATED

4

2-5

Year	Rate	Beginning Balance	Full Yr. Int.	Deposit/Withdrawl	Half Yr. Int. on Dep.	New Balance
1962	4.50%	0	0	68,448	69,988	69,988
1963	5.60%	69.988	73.907	137,302	141,146	215,054
1964	3.90%	215.054	223,441	146,408	149,263	372,704
1965	3.80%	372,704	386,867	1,106,608	1,127,634	1,514,500
1966	-4.50%	1,514,500	1,446,348	1,232,623	1,204,889	2,651,237
1967	-0.20%	2,651,237	2,645,934	1,242,597	1,241,354	3,887,289
1968	-1.40%	3,887,289	3,832,867	1,982,780	1,968,901	5,801,767
1969	-1.50%	5,801,767	5,714,741	2,131,135	2,115,151	7,829,892
1970	-10.20%	7,829,892	7,031,243	745,798	707,762	7,739,005
1971	4.60%	7,739,005	8,095,000	665,199	680,499	8,775,498
1972	4.70%	8,775,498	9,187,947	580,059	593,690	9,781,637
1973	3.70%	9,781.637	10,143,558	409,102	416,670	10,560,228
1974	1.80%	10,560,228	10,750,312	(391,602)	0	10,750,312
1975	2.10%	10,750,312	10,976,069	(1,838,360)	0	10,976,069
1976	9.29%	10,976,069	11,995,745	(3,012,523)	0	11,995,745
1977	7.29%	11,995,745	12,870,235	(3,369,505)	0	12,870,235
1978	2.15%	12,870,235	13,146,945	(2,269,603)	0	13,146,945
1979	9.35%	13,146,945	14,376,185	(1,355,284)	0	14,376,185
1980	10.42%	14,376,185	15,874,183	(1,818,367)	0	15,874,183
1981	10.55%	15,874,183	15,874,183	40,755	42,905	15,917,088
1982	6.70%	15,917.088	15,917,088	661,706	683,873	16,600,961
1983	38.30%	16,600,961	16,600,961	1,880,851	2,241,034	18,841,995
1984	3.42%	18,841,995	19,486,391	3,016,843	3,068,431	22,554,822
1985	22.91%	22,554,822	27,722,132	4,618,864	5,147,955	32,870,087
1986	26.89%	32,870,087	41,708,853	5,559,003	6,306,411	48,015,264
1987	11.30%	48,015,264	53,440,989	7,664,611	8,097,662	61,538,651
1988	-0.60%	61,538,651	61,169,419	17,219,566	17,167,907	78,337,326
1989	12.00%	78,337,326	87,737,805	18,682,030	19,802,952	107,540,757
1990	12.10%	107,540,757	120,553,189	20,270,041	21,496,378	142,049,567
1991	0.30%	142,049,567	142,475,716	21,606,277	21,638,686	164,114,402
1992	12.90%	164,114,402	185,285,160	22,142,943	23,571,163	208,856,323
1993	14.70%	208,856,323	239,558,203	23,654,618	25,393,232	264,951,435
1994	2.30%	264,951,435	271,045,318	26,780,176	27,088,148	298,133,466
1995	17.60%	298,133,466	350,604,956	29,060,319	31,617,627	382,222,583
1996	18.80%	382,222,583	454,080,429	17,113,551	18,722,225	472,802,654
1997	14.40%	472,802,654	540,886,236	13,347,488	14,308,507	555,194,743

5

Year	Beginning Balance	Full Year on Beg. Bal.	Deposit/Withdrawl	Half Year on Deposit	New Balance	Cummulative Balance
1962						69,988
1963						215,054
1964						372,704
1965						1,514,500
1966						2,651,237
1967						3,887,289
1968						5,801,767
1969						7,829,892
1970						7,739,005
1971	0	0	6,187,397	6,329,707	6,329,707	15,105,205
1972	6,329,707	6,627,203	10,697,345	10,948,733	17,575,936	27,357,573
1973	17,575,936	18,226,246	12,871,773	13,109,901	31,336,146	41,896,374
1974	31,336,146	31,900,197	11,767,598	11,873,506	43,773,703	54,524,016
1975	43,773,703	44,692,951	10,107,508	10,213,637	54,906,588	65,882,657
1976	54,906.588	60,007,410	9,833,198	10,289,950	70,297,360	82,293,106
1977	70,297,360	75,422,038	(283,171)	0	75,422,038	88,292,273
1978	75,422,038	77,043,611	1,650,300	1,668,041	78,711,652	91,858,598
1979	78,711,652	86,071,192	6,942,886	7,267,466	93,338,658	107,714,842
1980	93,338,658	103,064,546	3,952,075	4,157,978	107,222,524	123,096,707
1981	107,222,524	118,534,500	11,838,761	12,463,256	130,997,756	146,914,844
1982	130,997,756	139,774,605	11,352,911	11,733,234	151,507,839	168,108,800
1983	151,507,839	209,535,341	16,396,914	19,536,923	229,072,264	247,914,259
1984	229,072.264	236,906,536	21,069,356	21,429,642	258,336,178	280,891,000
1985	258,336,178	317,520,996	26,012,540	28,992,276	346,513,272	379,383,359
1986	346,513,272	439,690,691	28,079,111	31,854,347	471,545,039	519,560,303
1987	471,545,039	524,829,628	28,020,001	29,603,131	554,432,759	615,971,410
1988	554,432,759	551,106,163	40,211,024	40,090,391	591,196,554	669,533,880
1989	591,196,554	662,140,140	41,828,575	44,338,290	706,478,430	814,019,187
1990	706,478,430	791,962,319	44,373,295	47,057,879	839,020,199	981,069,766
1991	839,020,199	841,537,259	48,144,654	48,216,871	889,754,130	1,053,868,533
1992	889,754,130	1,004,532,413	48,793,740	51,940,936	1,056,473,349	1,265,329,673
1993	1,056,473,349	1,211,774,932	53,235,343	57,148,141	1,268,923,073	1,533,874,508
1994	1,268,923,073	1,298,108,303	59,169,741	59,850,193	1,357,958,496	1,656,091,962
1995	1,357,958,496	1,596,959,192	62,790,677	68,316,257	1,665,275,448	2,047,498,031
1996	1,665,275,448	1,978,347,232	34,966,927	38,253,818	2,016,601,051	2,489,403,704
1997	2,016,601,051	2,306,991,602	30,993,601	33,225,140	2,340,216,742	2,895,411,485