Approved: 4/23/98
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 8:00 a.m. on March 13, 1998 in Room 514-S of the Capitol.

All members were present except: Representative Joe Kejr - Excused
Representative Greg Packer - Excused

Committee staff present: Alan Conroy, Stuart Little, 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:
Dave Sterbenz, President, Kansas State Firefighters' Association Inc. (KSFFA)
Meredith Williams, Executive Secretary, Kansas Public Employee Retirement System (KPERS)
Jack Haan, Deputy Executive Secretary, KPERS

Others attending: See attached list

Chair Kline introduced Dave Sterbenz, President, KSFFA, who spoke of the concerns on the part of KSFFA about not receiving a COLA until five years after retirement or age 70, which ever comes later (Attachment 1). There were no questions.

Chair Kline announced the committee would be discussing and possibly taking action on the divided Subcommittee report covering the KPERS Cost of Living Adjustment (COLA) (Attachment 2).

Representative Pottorff presented the House Subcommittee report on KPERS COLA, Alternative 1: Modified **HB 2961**.

A motion was made by Representative Pottorff, seconded by Representative Farmer to adopt the Alternative 1: Modified **HB 2961** plan. A discussion followed.

Representative Edmonds noted **HB 2961** was part of the work done during the interim by the Joint Committee on Pensions, Investments, and Benefits. Since that time the committee members have heard from a number of individuals concerning the age limit and he feels those concerns are not unfounded. He reminded the committee the reason the age limit was originally included in the proposal was to contain costs. Representative Edmonds made some preliminary remarks before proposing a substitute motion. **HB 2961** included in its language some alternative financing information that is not offered in Alternative 1, but would be part of his substitute motion, which moves the education portion of the KPERS contribution into the schools' budgets. It is approximately $85.0 million next year and would need to be adjusted in the coming years. The change would make the budgeters in the districts aware of the costs. This motion does not speak to the transference of current budget savings within state agencies, but Representative Edmonds did include the transference of the educational line item. By way of a compromise proposal he wanted to suggest they retain the feature of the maximum 2%, the 2/3rd of CPI, that they retain the five years waiting period after retirement, but recede from the age limit entirely. He proposed they drop back to a no age limit COLA which would be essentially the same as going to an age 60 limit. The current actuarial cost in today's dollars would be $873.0 million. Referencing a page from the KPERS COLA book dated 3/4/98 (Attachment 3) he noted the enhancement is approximately 1/3 funded by employees. The largest net increase is the employer funding because the withdrawal of age limit falls primarily on the KP&F employer where the bulk of early retirees are and a fairly significant change will be seen in the numbers for locals under KP&F. **HB 2963** is a proposal for a $100 flat increase per month in the pensions of certain retirees that met the test that they retired under KSRS prior to July 1971 with 25 years or more of service. This is a closed, relatively small group, that retired under a fairly lean pension arrangement at a time when salaries were relatively low so that the formula did not benefit the people.

A substitute motion was made by Representative Edmonds, seconded by Representative Nichols to modify the COLA proposed by eliminating the age 70 requirement. Also to add a provision to include **HB 2963** (KSRS) and provision from **HB 2961** relating to spreading the employer's portion of KPERS School payments out of the Department of Education and be spread among the school districts. A discussion followed.

Representative Edmonds explained how the education budget includes a line item annually for the states proportion of KPERS, which next year is approximately $85 million. Under this proposal, instead of leaving the $85 million in one line item in the Department of Education, the bill would spread it among the several districts according to the size of the payrolls, making those districts realize KPERS costs. Representative Edmonds noted his intention is for the legislature to revisit this issue year by year and fund it at the appropriate level. It can't be left at $85 million because the liability will change.

The discussion continued as well as clarification on Representative Edmonds motion.

Representative Neufeld requested the question be divided and vote on the KSRS issue separately. Chair Kline agreed the question would be divided. A discussion followed.

In response to concerns voiced by Representative Weber on making changes which increase the unfunded liability, Representative Edmonds pointed out that over the years the legislature has responded to changes in the economy by issuing Ad Hoc COLAs. This has been done by the perceived demands of the moment and has sometimes been done in a disorderly and sometimes a political fashion, spending about 5% per year on average since 1971. The legislature has made the decision there will be COLAs. At $873 million in today's costs this is a major enhancement but Representative Edmonds stressed while KPERS was designed as a defined benefit plan, it long ago was changed by action of the several legislators into one that includes a COLA feature. Ideally the legislature might want to look in years to come at some sort of defined contribution substitute for KPERS -- that needs to be studied at some point.

Representative Edmonds noted one of the advantages of an automatic COLA over an Ad Hoc adjustment is that the amount of the economy's inflation over the next few years can be predicted with some degree of accuracy. Actuaries are currently using a 4% estimate and required contributions can also be calculated with a fair degree of accuracy. The AD Hoc regime calculation is much more problematic. It can be done only one year at a time. One of the features of this proposal is that it is approximately one third paid by employees. This involves an employee increase from 4% to 5% for regular KPERS. It also involves an increase in the employer contribution to match employee contribution. Ad Hoc, on the other hand doesn't create a situation where this is possible. The legislature can only go to the employees with an increase if there is some tangible benefit in exchange. We are trading the tangible benefit of a systematic COLA in exchange for some additional contribution on the employees part. Using the Governor's proposal (making the assumption the proposal is a multiple year plan) adds an Ad Hoc COLA every year which would be considerably more expensive.

A vote was taken on the divided substitute motion originally made by Representative Edmonds, seconded by Representative Nichols to modify the COLA proposed by eliminating the age 70 requirement. Also to add a provision to include **HB 2963** (KSRS) and provision from **HB 2961** relating to spreading the employer's portion of KPERS School payments out of the Department of Education and be spread among the school districts. The motion carried on the KSRS portion. A discussion followed on the second portion. The motion on the second portion carried.

In response to questions by the Representatives, Jack Hann, Deputy Executive Secretary, KPERS, made a few comments on problems with **HB 2961**.

Staff clarified the intent of implementing an automatic COLA in the state's FY 2000 and on January 1, 2000, for the local units of government. It was noted that any legislation passed by the 1998 Legislature would be included in the actuarial valuations for the period ending June 30, 1998, and that the results of those valuations would not be available until the Fall of 1998, after the start of the state's FY 1999. The current actuarial estimates for employer contributions rates to pay for an automatic COLA will be refined by the actuaries and will be based on valuations ending June 30, 1998, if legislation is passed this Session enacting an automatic COLA. Traditionally, implementation of new employer contribution rates have occurred in the following budget year for state and local government, which for 1998 legislation would be July 1, 1999, for the state's FY 2000, and January 1, 2000, for the local units fiscal year.

Chair Kline noted the problems could be remedied with technical corrections.

At Representative Spangler's request, Meredith Williams, Executive Secretary,KPERS, presented information to the committee concerning a maximum benefits including a COLA cap. Considerable savings can be made by capping the COLA maximum at $2500 a month. The practical effect is that any retired member whose monthly pension is in excess of $2500 would not receive a COLA. Charts were distributed (Attachment 4), explaining two scenarios that KPERS was asked to model. A discussion followed.

Chair Kline suggested the committee set the question of Caps aside for the time, allowing the members a chance to consider imposing caps at a later date.

Representative Landwehr made a request to staff for a list of all the KPERS benefits and also a chart which shows what those benefits cost. Meredith Williams agreed to meet with Representative Landwehr to specify what information is requested. Chair Kline requested the information be given to the whole committee.

Representative Landwehr also wanted to know what the impact on each of the budgets. Alan Conroy detailed what information could be separated out.

Chair Kline noted the committee would find another time to evaluate the best way to put the automatic COLA bill in effect - where, how and in what form, and for the time being to move on to other issues.

A motion was made by Representative Dean, seconded by Representative Edmonds that **SB 382** be recorded favorably for passage. The motion carried.

A motion was made by Representative Pottorff, seconded by Representative Minor, that **SB 618** be recorded favorably for passage. The motion carried.

A motion was made by Representative Minor, seconded by Representative Dean, that **HB 2542** be passed out favorably as amended with technical changes noted by Jim Wilson, Revisor or Statutes Office. The motion carried. Representatives Spangler and McKechnie voted no.

A motion was made by Representative Dean, seconded by Representative Neufeld that **HB 2963** be passed out separately. An extensive discussion followed. The motion was withdrawn.

A motion was made by Representative Edmonds, seconded by Representative Pottorff the Committee reconsider the vote on **SB 618**. The motion carried.

A motion was made by Representative Edmonds, seconded by Representative Minor that the provisions of the subcommittee report be amended into **SB 618** in addition to the bill's existing language.

A discussion followed on whether that includes a COLA. Representative Edmonds noted it was his intention to include today's work in that motion which would include both the KSRS COLA and the Automatic COLA.

Chair Kline noted there is more work to be done on the automatic COLA and clarified the motion amending the automatic COLA, the KSRS COLA, and all of the other items reported in the Subcommittee Report for Omnibus Bill into **SB 618**, which we have in Committee, and the Omnibus Bill would include **SB 618**. There was no further discussion.

A vote was taken on the motion made by Representative Edmonds, seconded by Representative Minor that the provisions of the subcommittee report be imbedded in **SB 618** in addition to the bill's existing language. The motion carried.

A motion was made by Representative Edmonds, seconded by Representative Pottorff, to amend the KPERS Bill -- This would be added to the appropriate sections of K.S.A. 74-4919 in addition to the language about purchasing out-of-state service: For any member who elected to purchase service credit as provided in this section prior to the effective date of this act at the 1% rate, such member may elect to purchase such service credit for each such year of employment at an additional amount of .75% of final average salary of such member as otherwise provided in this subsection. A discussion followed. The motion was withdrawn.

Chair Kline noted the Committee would find a time during the following week to work the Omnibus Bill.

A handout had been distributed to the Committee on the testimony on **SB 424** of Sally F. Fronsman-Cecil, Grassroots Legislative Coordinator, Kansas Mental Health Coalition.

Representative Landwehr noted the minutes of March 10, 1998 did not include the following phrase stated during her motion -- "Foster Care, Adoption and Family Preservation". The corrected motion should read: "A motion was made by Representative Landwehr, seconded by Representative Nichols to amend the FY 99 report to add that the Subcommittee notes corrective actions plans are in place for all providers of contracts under the Children and Family Services Commission and SRS is asked to report back at Omnibus on the status of *Foster Care, Adoption and Family Preservation* ~~those~~ plans. The motion carried."

A motion was made by Representative Landwehr, seconded by Representative O'Connor to approve the minutes for March 10, 1998 as amended.

The meeting was adjourned at 3:30 p.m. The next meeting is schedule for March 16, 1998.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3/13/98

NAME	REPRESENTING
Craig Grant	KNEA
Basil Covey	KRTA
Keith Haxton	SEAK
Stacey Farmer	KASB
John Foster	KPOA
J. Ted Walters	KRTA
Dave Sterbenz	Ks State Firefighters
Ed Pedroza	
Beth Myers	SOS
Joan Hancock	KPERS
Robert Woodard	KPERS
Meredith Williams	KPERS
Lili C Brueller	KPERS
Jack Hawn	KPERS
Ron Pickman	
Julene Miller	AG
Jerry Sloan	OJA

Kansas State Firefighters' Association Inc.
Organized August 13, 1887

To: House Appropriations Committee
Representative Cline

From: Dave Sterbenz, President, KSFFA

To the committee:

I would like to thank you for the opportunity to be heard by the committee. This is not what I am used to doing, as I am a Training chief for the Topeka Fire Dept. I was asked to speak to you because of my involvement with the state association, representing the fire service of Kansas. The issue of not receiving a COLA until five years after retirement or age 70, whichever comes later, is a concern for us.

Most fire departments structure their retirement so as to encourage the employee to retire earlier thus saving money for the municipality. Some departments have a mandatory retirement age of 60.

Another important fact is that firefighters as a whole do not have the life expectancy of the general population. Studies done as early as 1974 have proven this. A study by James Lloyd Abrams from Oklahoma shows an occupational mortality of ten years earlier. A case at home is the passing of Representative Long who was only 61 years old. He would have had 9 more years to wait for an increase in his retirement.

This means that most firefighters could not get a cost of living increase for ten years. With the cost of living going up around 2.5% annually, how far are they behind by the time they do get an increase. Some firefighters like myself have looked forward to the ability to retire after 25 years of service and 50 years of age. This will not be an option to most people, as they cannot wait 20 years for a COLA on their pension.

Public employees dedicate their lives to the state and their community; we need to be assured that this will be rewarded after retirement.

I will try to answer any questions or concerns that you might have.

Respectfully yours in the fire service

Dave Sterbenz, President KSFFA

Appropriations
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Attachment 1

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HOUSE COMMITTEE ON APPROPRIATIONS
1998 LEGISLATURE

SUBCOMMITTEE REPORT

February 26, 1998

The House Appropriations Subcommittee on KPERS Issues makes the following recommendations.

S.B. 382. Hold hearing on S.B. 382, as amended by the Senate Committee of the Whole. The bill addresses compliance with Internal Revenue Service requirements for public pension systems and would make state laws conform. The Joint Committee on Pensions, Investments and Benefits originally recommended this bill in 1997 and the 1998 Senate amendments. The bill is intended to bring KPERS into federal compliance with all qualified plan requirements. The provisions were requested by the KPERS Board of Trustees after completing a compliance review process which was detailed and complex, and largely technical in nature. Administrative costs are estimated to be $78,000 for contract programming required to change the member data base for monitoring the compliance issues.

S.B. 617. Include in omnibus KPERS bill a provision that would allow pre-July 1, 1995, members to retire under one system and to continue working under a second system. Hold hearing on this provision as included in the omnibus KPERS bill. KPERS staff estimates that 546 individuals could be affected by 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.

S.B. 618. Hold hearing on S.B. 618 that would add a criminal penalty for making false statements pertaining to KPERS matters. The proposed change would delete references to "misdemeanor" and "$500," and would substitute language providing that such a person is "subject to the provisions of K.S.A. 21-3904" which is the criminal code section governing the presenting of a false claim. K.S.A. 21-3904 defines presenting a false claim as knowingly and with intent to defraud, presenting a false claim or demand to a public officer or body authorized to pay such claim, and provides a graduated level of severity depending upon the dollar amount of the fraud. Current law provides that a person who knowingly makes a false statement for the purpose of committing fraud shall be guilty of a misdemeanor and upon conviction subject to a fine of up to $500. KPERS has paid a false claim through its long term disability program of over $100,000.

S.B. 619. Include in omnibus KPERS bill a provision that would authorize all service credit purchases that are currently 1.0 to be purchase optionally at 1.75 percent and hold hearing on the omnibus bill provisions. The Joint Committee on Pensions, Investments and Benefit studied this issue during the 1997 interim. The Committee recommends legislation that would allow all KPERS

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Attachment 2

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.

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

The Joint Committee recognized that 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. This provision would correct the inconsistency and make members bear the full actuarial cost of any enhancement.

S.B. 620. Include in omnibus KPERS bill provisions that would:

1. provide regulatory authority for the Judges' Retirement System;
2. clarify the definition of a KPERS employee;
3. clarify an elected official's membership date;
4. address returning from military service;
5. provide for rebuttable presumption under KP&F for disability benefits;
6. allow the crediting of one-for-two KP&F prior non-service work;
7. distinguish between a disabled and active KP&F member;
8. allow use of a workers' compensation report in determining a disability for KP&F;
9. clarify references to KPERS Act and the definition of Act; and
10. hold hearing on these omnibus bill provisions.

H.B. 2542. Hold a hearing on HB 2542 that would ease real estate restrictions on KPERS investments. The KPERS Board requested the bill to remove certain of the investment constraints, specifically as they apply to real estate investments. These constraints include requirements in K.S.A. 74-4921, section (5)(c)(i - viii) that the System:

1. own no more than a 20 percent interest in any new investments;

2. participate in new investments only if two other sophisticated co-investors also invest; and

3. take positions in commingled funds only to the extent that they do not individually exceed 20 percent of the total real estate portfolio.

H.B. 2612. Include in omnibus KPERS bill only if S.B. 11 does not pass since this provision would reduce frequency of performance audits and hold hearing on the omnibus bill provisions.

H.B. 2615. Include in omnibus KPERS bill a provision that would allow Judges to purchase military service and hold hearing on the omnibus bill provisions (also included in SB 512). Current law allows members under both KPERS and KP&F to buy military credits and this change makes it uniform across plans.

H.B. 2873. Refer to the Joint Committee on Pensions, Investments and Benefits this proposal to exempt a quadriplegic person from the current social security offset for the KPERS disability program.

H.B. 2874. Refer to the Joint Committee on Pensions, Investments and Benefits this proposal to move fire investigators in State Fire Marshal's office from KPERS to KP&F coverage.

H.B. 2889. Include in omnibus KPERS bill a provision that would eliminate assignment of KPERS' office location in the Capitol Complex by Secretary of Administration and hold hearing on the omnibus bill provisions

H.B. 2890. Include in omnibus KPERS bill a provision that would define a policeman and fireman and hold hearing on the omnibus bill provisions. The provision would change the definition of a policeman to require that they be certified by the Kansas Law Enforcement Training Center which initially requires 320 hours of accredited instruction at the Training Center and 80 hours of instruction annually thereafter. As firemen currently do not receive the same type of training, their definition is being changed to require that their principal duties are engagement in the fighting and extinguishment of fires. This amendment would not affect anyone who is already a KP&F member. The current definition of "policeman and fireman" in the KP&F statutes, includes a person who is ". . . in support thereof and who is specifically designated, appointed, commissioned or styled as such by the governing body or city manager of the participating employer . . . ." Some employers have certified employees such as secretaries, dispatchers, mechanics and city managers as being either a policeman or fireman and eligible for coverage under KP&F since benefits are substantially higher under KP&F than under KPERS.

H.B. 2935. Include in omnibus KPERS bill a provision to ensure that the regular KPERS employer rate would not be lower than employee rate and hold hearing on the omnibus bill provisions.

H.B. 2937. Include in omnibus KPERS bill a provision that would provide for purchases of additional benefits by Magistrate Judges and hold hearing on the omnibus bill provisions. This provision would provide that District Magistrate Judges, who elected to become members of the Judges Retirement System in 1994 and who were judges prior to July 1, 1987, upon retirement would have their first ten years of service credit calculated at 5.0 percent of their final average salary. When these Judges initially elected to purchase this service credit, the cost of the purchase assumed the service would be credited at 3.5 percent.

H.B. 2938. Include in omnibus KPERS bill a provision that would allow judges to purchase forfeited KPERS and KP&F service and hold hearing on the omnibus bill provisions. The provision would allow purchases of service by payroll deductions to be made by the modified double or triple payroll deduction method. Under current law, this service can only be purchased in a single lump-sum payment.

H.B. 2952. Include in omnibus KPERS bill a provision that would increase the earnings limitation after retirement and hold hearing on the omnibus bill provisions The bill would provide that effective July 1, 1998, the earnings limitation for employment after retirement would be increased to $14,500 for calendar year 1998, $15,500 for 1999, $17,000 in 2000, $25,000 for 2001 and $30,000 in 2002 and thereafter. This would coincide with the changes in the social security earnings limitation for those respective years. Under current law, if a KPERS or KP&F retired member returns to employment with the same employer they were employed with prior to retirement, there is an earnings limitation of $11,280. Once the retired member receives compensation of this amount they must either (1) cease employment so there retirement benefit will continue or (2) continue employment and have their benefit suspended for the balance of the calendar year. There is no earnings limitation if the retired member returns to employment with some other participating employer.

Investment Restrictions. Introduce a concurrent resolution to amend the State Constitution and hold hearing on the provision that would allow KPERS to invest funds in banks and other financial institutions.

Final Average Salary. Introduce a separate bill on and hold hearing on the provision that would establish the statutory basis for determining the final average salary to be used when computing KPERS retirement benefits for Regents unclassified personnel who presently are covered by a defined contribution plan implemented by the Board of Regents, but who previously had service recognized under KPERS.

Upgrading KP&F Service. Include in the omnibus KPERS bill a provision that would allow a participating KP&F employer to reaffiliate for the purpose of bringing employees' past service into coverage under KP&F if the employer had initially affiliated for future service only and hold hearing on the omnibus bill provisions

75-Point Plan. Refer to the Joint Committee on Pensions, Investments and Benefits a proposal for placing KPERS public safety officers under an early retirement plan provision that would allow retirement after reaching any combination of age plus service that equaled 75.

EFT Remittances. Include in the omnibus KPERS bill a provision to amend current law regarding the timing of employer remittances by electronic funds transfers (EFT) of employee contributions and hold hearing on the omnibus bill provisions

COLA Proposals

H.B. 2963. Hold hearing on HB 2963 originally recommended by the Joint Committee on Pensions, Investments and Benefits that would grant KSRS members with 25 or more years of service a monthly benefit increase of $100. The bill would provide that effective July 1, 1998, anyone who had retired under KSRS prior to January 1, 1971, with at least 25 years would have their monthly benefit increased by $100. This increase would impact 336 KSRS retirants (as of October 1, 1997) and the additional first year benefits would cost $403,200 if paid for 12 months to all 336 people. Because this is an older group, the KPERS actuary has indicated there would be a negligible actuarial cost since the mortality rate annually would reduce the size of this closed group.

Automatic COLAs. The Subcommittee conclusion was to recommend an automatic COLA rather than an ad hoc COLA, such as the Governor's proposed one-time 3.0 percent increase in HB 2875. Because the Subcommittee was unable to reach consensus on the components of an automatic COLA, alternative recommendations are presented in the Supplemental Subcommittee Report that is in addition to this Subcommittee Report.

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Representative Jo Ann Pottorff, Chairperson

Representative George Dean

Representative Phil Kline

Representative Melvin Minor

House Committee Recommendation

The Committee concurs with its Subcommittee's recommendations with the following exception:

1. Include provisions of H.B. 2873 in the omnibus KPERS bill instead of recommending an interim study.

SUPPLEMENTAL SUBCOMMITTEE REPORT

Alternative 1: Modified H.B. 2961

2.0 Percent Automatic Cost of Living Adjustment (COLA). This enhancement was recommended by the Joint Committee on Pensions, Investments, and Benefits. 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 (CPI) and limited to a maximum increase of 2.0 percent in any given year. In order to pay for this proposal, the following provisions are incorporated:

a. Employer and employee contribution rates for regular KPERS State, School, and Local at least must remain equal in future years but, If required, employer contribution rates may exceed the employee rate. Employer rates for KPERS, KP&F and the Judges' plans must never be allowed to drop below the employee rate in future years.

b. 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. Other plans administered by KPERS also will have employee increases to help finance the total cost.

Fiscal Note: The increase in the actuarial liability would be shared equally by employers and employees. Each component would contribute to pay $522.5 million in financing this plan. Total increase in actuarial liability would be $522.5 million (see Table 1a and 1b). The projections are based on the assumption that the adjusted CPI will be a constant 2.00 percent over the period.

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Representative Jo Ann Pottorff, Chairperson

Representative Phil Kline

Alternative 2: Amended and Modified H.B. 2961

3.0 Percent Automatic Cost of Living Adjustment (COLA). This plan is an enhancement of the one recommended by the Joint Committee on Pensions, Investments and Benefits. All current and future retirees would be granted an annual adjustment, beginning the fifth year after retirement and attainment of at least age 60. The adjustment would be based on a percentage equal to two-thirds of the Consumer Price Index (CPI) and limited to a maximum increase of 3.0 percent in any given year. In order to pay for this proposal, the following provisions are incorporated:

a. Employer and employee contribution rates for regular KPERS State, School, and Local at least must remain equal in future years, but, if required, employer contribution rates may exceed the employee rate. Employer rates for KPERS, KP&F, and the Judges' plans must never be allowed to drop below the employee rate in future years.

b. 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. Other plans administered by KPERS also will have employee increases to help finance the total cost.

Fiscal Note: The increase in the actuarial liability would be shared equally by employers and employees. Each component would contribute to pay $1.15 billion in financing this plan. Total increase in actuarial liability would be $1.15 billion (see Table 2a and Table 2b). The projections are based on the assumption that the adjusted CPI will average 2.67 percent over the period.

COPY

Representative George Dean

Representative Melvin Minor

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

TABLE 1A

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	$ 117,000,000	0.86%	$ 6,540,000	0.89%	$ 7,920,000	$ 201,480,000
	School	288,000,000	0.86%	18,040,000	0.89%	21,840,000	555,730,000
	Local(1	73,000,000	1.92%	15,830,000	**2.18%**	**21,030,000**	406,430,000
	TIAA	2,500,000	0.00%	0	0.13%	660,000	1,580,000
Judges							
	Judges	5,000,000	0.00%	0	2.79%	590,000	10,440,000
KP&F							
	KP&F-State	4,750,000	0.00%	0	1.39%	510,000	9,510,000
	KP&F-Local	32,250,000	0.00%	0	1.39%	3,520,000	65,320,000
	Totals	$ 522,500,000		$ 40,410,000		$ 56,070,000	$ 1,250,490,000

1) **Local KPERS first year will be calendar year 1999; fifth year will be 2003. The remaining groups first year will begin in calendar year 1998.**

2-9

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

TABLE 1B

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	$ 117,000,000	0.25%	$ 1,900,000	1.00%	$ 8,900,000	$ 168,540,000
	School	288,000,000	0.25%	5,250,000	1.00%	24,540,000	464,880,000
	Local	73,000,000	0.25%	2,060,000	1.00%	9,650,000	167,270,000
	TIAA	2,500,000	0.00%	0	0.00%	0	0
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		$ 10,370,000		$ 48,490,000	$ 902,880,000

2-10

3% Automatic COLA to all current and future retirants commencing five years after retirement, but not before age 60

TABLE 2A

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	$ 239,250,000	0.86%	$ 6,540,000	2.92%	$ 25,980,000	$ 501,830,000
	School	585,750,000	0.86%	18,040,000	2.92%	71,670,000	1,384,180,000
	Local(1	146,000,000	1.92%	15,830,000	2.18%	21,030,000	406,430,000
	TIAA	4,000,000	0.00%	0	0.20%	1,000,000	4,690,000
Judges							
	Judges	$ 8,000,000	3.28%	$ 600,000	4.57%	$ 970,000	$ 19,480,000
KP&F							
	KP&F-State	$ 21,376,000	4.84%	$ 1,530,000	6.93%	$ 2,550,000	$ 51,090,000
	KP&F-Local	145,624,000	4.84%	10,470,000	6.93%	17,550,000	350,900,000
	Totals	$ 1,150,000,000		$ 53,010,000		$ 140,750,000	$ 2,718,600,000

1) **Local KPERS first year will be calendar year 1999; fifth year will be 2003. The remaining groups first year will begin in calendar year 1998.**

3% Automatic COLA to all current and future retirants commencing five years after retirement, but not before age 60

TABLE 2B

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	$ 239,250,000	0.25%	$ 1,900,000	1.00%	$ 8,900,000	$ 168,540,000
	School	585,750,000	0.25%	5,250,000	1.00%	24,540,000	464,880,000
	Local	146,000,000	0.25%	2,060,000	1.00%	9,650,000	167,270,000
	TIAA	4,000,000	0.00%	0	0.00%	0	0
Judges							
	Judges	$ 8,000,000	0.38%	$ 70,000	1.50%	$ 320,000	$ 6,050,000
KP&F							
	KP&F-State	$ 21,376,000	0.44%	$ 140,000	1.75%	$ 650,000	$ 12,220,000
	KP&F-Local	145,624,000	0.44%	950,000	1.75%	4,430,000	83,920,000
	Totals	$ 1,150,000,000		$ 10,370,000		$ 48,490,000	$ 902,880,000

2-12

An automatic COLA of 2/3 of CPI, not to exceed 2%,
payable to all current and future retirants,
commencing 5 years after retirement.
Employee rate would increase 25% over the next four years.
Employer rate would never be less than the employee rate.

APPROPRIATIONS
3-11-98
ATTACHMENT 3

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	Employer Contribution Equilibrium Rate	Additional Fifth Year Employer Contribution	Total Additional Employer Contributions Through 2014
KPERS							
State	181,000,000	0.86%	6,540,000	1.96%	6.67%	17,440,000	359,810,000
School	445,000,000	0.86%	18,050,000	1.96%	6.67%	48,100,000	992,390,000
Local (1)	111,000,000	1.92%	15,830,000	2.18%	4.03%	21,030,000	406,460,000
TIAA	3,000,000	0.14%	600,000	0.16%	1.75%	810,000	3,650,000
Judges							
Judges	6,000,000	2.13%	390,000	3.42%	17.80%	730,000	14,500,000
KP&F							
KP&F-State	16,510,000	2.84%	890,000	4.93%	12.29%	1,820,000	36,160,000
KP&F-Local	110,490,000	2.84%	6,150,000	4.93%	12.29%	12,490,000	248,330,000
Totals	873,000,000		48,450,000			102,420,000	2,061,300,000

(1) Local KPERS first year will be calendar year 1999; fifth year will be 2003. The remaining groups first year will begin in calendar year 1998.

Appropriations
3-11-98
Attachment 3

2/26/98

An automatic COLA of 2/3 of CPI, not to exceed 2%,
payable to all current and future retirants,
commencing 5 years after retirement.
Employee rate would increase 25% over the next four years.
Employer rate would never be less than the employee rate.

3-8

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	181,000,000	0.25%	1,900,000	1.00%	8,900,000	168,540,000
School	445,000,000	0.25%	5,250,000	1.00%	24,540,000	464,880,000
Local	111,000,000	0.25%	2,060,000	1.00%	9,650,000	167,270,000
TIAA	3,000,000	0.00%	-	0.00%	-	-
Judges						
Judges	6,000,000	0.38%	70,000	1.50%	320,000	6,050,000
KP&F						
KP&F-State	16,510,000	0.44%	140,000	1.75%	650,000	12,220,000
KP&F-Local	110,490,000	0.44%	950,000	1.75%	4,430,000	83,920,000
Totals	873,000,000		10,370,000		48,490,000	902,880,000

3% Automatic COLA to all current andfuture retirants commencing five years after retirement, but not before age 60.
Maximum benefit including COLA is $2,500/month.
The employee contribution rate would increase 25% over the next 4 years.
The employer contribution rate would never be less than the employee rate.

Appropriations
3-11-98
Attachment 4

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		203,000,000	0.86%	6,540,000	2.54%	22,610,000	445,620,000
School		497,000,000	0.86%	18,040,000	2.54%	62,340,000	1,229,100,000
Local	(1)	127,000,000	1.92%	15,830,000	2.18%	21,030,000	406,460,000
TIAA		4,000,000	0.00%	-	0.20%	1,000,000	3,810,000
Judges							
Judges		1,000,000	0.00%	-	0.08%	20,000	310,000
KP&F							
KP&F-State		5,760,000	0.00%	-	1.39%	520,000	9,520,000
KP&F-Local		39,240,000	0.00%	-	1.39%	3,520,000	65,320,000
Totals		877,000,000		40,410,000		111,040,000	2,160,140,000

(1) Local KPERS first year will be calendar year 1999; fifth year will be 2003. The remaining groups first year will begin in calendar year 1998.

3% Automatic COLA to all current andfuture retirants commencing five years after retirement, but not before age 60.
Maximum benefit including COLA is $2,500/month.
The employee contribution rate would increase 25% over the next 4 years.
The employer contribution rate would never be less than the employee rate.

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	203,000,000	0.25%	1,900,000	1.00%	8,900,000	168,540,000
School	497,000,000	0.25%	5,250,000	1.00%	24,540,000	464,880,000
Local	127,000,000	0.25%	2,060,000	1.00%	9,650,000	167,270,000
TIAA	4,000,000	0.00%	-	0.00%	-	-
Judges						
Judges	1,000,000	0.38%	70,000	1.50%	320,000	6,050,000
KP&F						
KP&F-State	5,760,000	0.44%	140,000	1.75%	650,000	12,220,000
KP&F-Local	39,240,000	0.44%	950,000	1.75%	4,430,000	83,920,000
Totals	877,000,000		10,370,000		48,490,000	902,880,000

4-2

2% Automatic COLA to all current and future retirants commencing five years after retirement, but not before age 70.
Maximum benefit including COLA is $2,500/month.
The employee contribution rate would increase 25% over the next 4 years.
The employer contribution rate would never be less than the employee rate.

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	104,690,000	0.25%	1,900,000	1.00%	8,900,000	168,540,000
School	256,310,000	0.25%	5,250,000	1.00%	24,540,000	464,880,000
Local	66,000,000	0.25%	2,060,000	1.00%	9,650,000	167,270,000
TIAA	2,000,000	0.00%	-	0.00%	-	-
Judges						
Judges	1,000,000	0.38%	70,000	1.50%	320,000	6,050,000
KP&F						
KP&F-State	2,560,000	0.44%	140,000	1.75%	650,000	12,220,000
KP&F-Local	17,440,000	0.44%	950,000	1.75%	4,430,000	83,920,000
Totals	450,000,000		10,370,000		48,490,000	902,880,000

4-4

2% Automatic COLA to all current and future retirants commencing five years after retirement, but not before age 70.
Maximum benefit including COLA is $2,500/month.
The employee contribution rate would increase 25% over the next 4 years.
The employer contribution rate would never be less than the employee rate.

4-3

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		104,690,000	0.86%	6,540,000	0.89%	7,920,000	201,480,000
School		256,310,000	0.86%	18,050,000	0.89%	21,840,000	555,730,000
Local	(1)	66,000,000	1.92%	15,830,000	2.18%	21,030,000	406,460,000
TIAA		2,000,000	0.00%	-	0.16%	810,000	3,740,000
Judges							
Judges		1,000,000	0.00%	-	-0.09%	(20,000)	(390,000)
KP&F							
KP&F-State		2,560,000	0.00%	-	1.39%	520,000	9,660,000
KP&F-Local		17,440,000	0.00%	-	1.39%	3,520,000	66,320,000
Totals		450,000,000		40,420,000		55,620,000	1,243,000,000

(1) Local KPERS first year will be calendar year 1999; fifth year will be 2003. The remaining groups first year will begin in calendar year 1998.