Approved: 4/23/98
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 20, 1998 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Russell Mills, Legislative Research Department
April Holman, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ann Deitcher, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Julian Efird, of the Legislative Research Department, explained to the Committee the Subcommittee Report on KPERS Issues and the group of items they recommended for inclusion in what he said has historically been known as the "KPERS Omnibus Bill". (Attachment 1).

In the section on Definition of Public Safety Officers, the phrase "to require certification" by the Kansas Law Enforcement Training Center would be changed to "those who are in a position which requires certification".

Senator Petty made the motion that was seconded by Senator Gilstrap to amend **HB 2890** in this way. The motion was adopted by a voice vote.

Recommended Interim Study Items 1 and 2 were then explained by Julian Efird. These items would not be included in the KPERS Omnibus bill, but would be directed to the Legislative Coordinating Council and Joint Committee in correspondence by the Senate Ways and Means Chairman.

Senator Kerr read from the Subcommittee Report on the KPERS Omnibus bill. He also referred to the Ad Hoc COLA Estimates -- One-Time Costs. (Attachment 2.)

Julian Efird read from the Minority Report, included in the Subcommittee Report. There were three items offered as a substitute for the last portion of the report.

After discussion, it was agreed that some additional study was in order before the Committee made a decision on the COLA provision.

The Committee adjourned at 12 noon. The next meeting is scheduled for March 23, 1998.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3/20

NAME	REPRESENTING
Craig Grant	KNEA
Keith Haxton	SEAK
Don Rezac	S.E.A.K.
Judy Rickerson	KDOC
Jim Heflin	KAPE
Jerry Sloan	OJA
John Foster	KPOA
Ed Pavey	KPOA/KLETC
Julene Miller	AG
Wm Boyd Allen	—
Leland Breedlove	KPERS
Jack Hawn	"
JERRY MARLATT	KSCFF
Megan Griggs	KSTA, KAJA, KS FOP
STEVE KEARNEY	" " "

Subcommittee Report
Senate Ways and Means Committee
March 19, 1998

The Senate Ways and Means Subcommittee on KPERS Issues adopted the following recommendations at its meetings of March 17-18, 1998.

Recommended Omnibus Bill Items. Include the following items in the 1998 KPERS Omnibus bill:

Restriction Rescinded. This provision would allow pre-July 1, 1995, members to retire under one system and to continue working under a second system while drawing retirement benefits from the original plan. Current law passed in 1995 requires that if a person uses credit from one plan in order to retire under a different plan, then the person must retire from both plans in order to collect retirement benefits. The amendment also is included in **S.B. 617**. 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. The fiscal note indicates 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 retired as soon as eligible under regular KPERS, then the cost estimate is approximately $3.5 million. The fiscal note suggests that the cost most likely would be in the $10-$12 million range. The fiscal note does not address the retirement benefits that would be paid from KP&F and would be in addition to an employee's regular salary from the second participating KPERS employer if a person continued to work and earn additional service credit under KPERS.

Technical Amendments. The following provisions requested by the KPERS Board of Trustees should be incorporated. The provisions are included in **S.B. 620**, which was recommended for introduction by the Joint Committee on Pensions, Investments and Benefits to include these items:

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; and

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9. clarify references to KPERS Act and the definition of Act.

Enhanced Service Credit. The provision would provide that any KPERS member who was a court reporter working for a District Magistrate Judge prior to July 1, 1975, and was a full-time court reporter on July 1, 1998, would be granted benefits under provisions of the old Court Reporter Retirement System upon retirement. The fiscal note indicates a negligible actuarial cost because so few people would be eligible. This item originally was introduced in **S.B. 627.**

Eliminate Investment Restrictions. This item would remove three real estate restrictions on KPERS investments. The KPERS Board requested the bill to eliminate certain of the investment constraints, specifically ones that 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.

No administrative costs for KPERS are indicated in the fiscal note. These provisions also are included in **H.B. 2542.**

Assignment of Space. This amendment would eliminate assignment of KPERS' office location in the Capitol Complex by Secretary of Administration. This provision was introduced as **H.B. 2889.**

Definition of Public Safety Officers. A new provision would define policeman and fireman. The provision would change the definition of a policeman to require certification 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 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. Benefits are substantially higher under KP&F than under KPERS. The proposal was introduced as **H.B. 2890.**

Final Average Salary. This provision 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

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implemented by the Board of Regents, but who previously had service recognized under KPERS. The item should reflect any cost to be added to the end of the plan period which is scheduled currently to pay off the unfunded actuarial liability by 2004.

EFT Remittances. KPERS requested legislation to amend current law regarding the timing of employer remittances by electronic funds transfers (EFT) of employee contributions and improving the timely remittance by participating employers of contributions. The amendment would require all participating employers to remit electronically regardless of present requirements that some units of government pay only by warrant.

30-Day Waiting Period. A provision would be amended into current law providing that after separation from a participating employer, an employee must wait at least 30 days for withdrawal of retirement contributions or for working after retirement for the same participating employer. This item is considered a trailer amendment for **S.B. 362** that passed the Senate and House earlier in the 1998 Session.

Recommended Interim Study Items. The following items would not be included in the KPERS Omnibus bill, but would be directed to the Legislative Coordinating Council and Joint Committee in correspondence by the Senate Ways and Means Chairperson.

Interim Study Item 1. The Joint Committee on Pensions, Investments and Benefits is requested to study certain subjects during the 1998 interim that have a public safety theme. The interim study should address proposals and other alternatives that would be less expensive than regular Kansas Police and Fire (KP&F) membership, and still offer public safety personnel an earlier retirement option than normally available under regular KPERS. Both the state and local governmental units that employ public safety personnel face similar budget constraints. A less expensive option than KP&F that would provide earlier retirement than KPERS, without reducing benefits as a penalty, sould be the focus of an interim study. Costs and finances of any alternatives and a thorough review of present plans should be addressed by the interim study. Other public safety personnel, such as local law enforcement personnel and local jailers who do not enjoy KP&F coverage, as well as state employees like parole personnel, could be candidates for coverage under a KPERS administered program rather than coverage under KP&F. The following bills and proposal would be included in this interim study.

S.B. 475. This bill would allow Parole Officers and Parole Supervisors to affiliate with the special KPERS correctional group that can retire at age 55 with unreduced benefits. Under current law, certain statutorily defined employees of the Department of Corrections are members of this special KPERS correctional group and can retire as early as either age 55 or 60, depending upon their classifications. The cost of this early retirement benefit is paid by the state as an additional contribution rate totaling 6.28 percent in FY 1999. The regular KPERS employer rate is 3.99 percent in FY 1999. The KPERS actuary indicates that by adding parole personnel, the employer contribution rate would increase to 6.30 percent.

H.B. 2874. The proposal would move fire investigators in State Fire Marshal's office from KPERS to KP&F coverage. The Secretary of Administration raised

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an objection to legislative consideration of this bill since the matter is an issue being considered as part of the meet-and-confer process involving units in a number of state agencies with public safety personnel who desire KP&F coverage to replace KPERS.

75-Point Plan. This proposal would place 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. Current KPERS early retirement provisions are based on an 85-point plan in order to retire without penalty.

Interim Study Item 2. The Senate Subcommittee recommends that the Joint Committee on Pensions, Investments and Benefits, with the assistance of the KPERS Board of Trustees, conduct an investigation into the benefits of replacing one or more of the current defined benefits plans, administered by the KPERS Board, with a defined contribution plan or plans. This interim review should be considered a feasibility study in which the Joint Committee begins the process of analyzing the costs and impediments to migrating to a defined contribution plan. The Subcommittee understands that the cost of this study, if assistance is provided by the KPERS actuary or another firm, could be significant. The cost and source of financing should be a topic for Omnibus review if this proposal is adopted.

Dave Kerr

Senator Dave Kerr
Subcommittee Chairperson

Barbara Lawrence

Senator Barbara Lawrence

Christine Downey

Senator Christine Downey

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COLA Provision. The Senate Subcommittee recommends inclusion in the KPERS Omnibus bill of a 2.0 percent one-time cost-of-living adjustment for all persons who retired prior to July 1, 1993. The Subcommittee recommends that the state's actuarial cost be paid immediately and that the Committee should reject any plan that requires an increase in actuarial liability to be paid by the state over a period of years. The fiscal note for this proposal is approximately $36.8 million, of which approximately $23.7 million would be financed from the State General Fund. The total state cost is estimated at $27.5 million all funds, and the total local cost would be calculated at $9.3 million. Because the present actuarial liability of local units is more favorable than that of the state, the financing of $9.3 million should be added to the local units' liability and paid over a period of 15 years in order to reduce the potential adverse impact on local units of making a single lump-sum payment or having the state pay this local cost.

Dave Kerr

Senator Dave Kerr
Subcommittee Chairperson

Barbara Lawrence

Senator Barbara Lawrence

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Minority Report

The following three items are offered as a substitute for the last portion of the Subcommittee Report on KPERS Issues that I was unable to sign.

COLA Proposal. Add the Governor's recommended one-time adjustment of 3.0 percent for all persons retired prior to July 1, 1997. The effective date for the COLA increase would be July 1, 1998, and the post-retirement benefit adjustment would be built into the base monthly payment of all eligible retired members. Financing of the proposal would begin in FY 2000 and would continue for 35 years as recommended in 1998 **H.B. 2875** as introduced to implement the Governor's 3.0 percent ad hoc COLA.

KSRS COLA Increase. This provision would grant Kansas School Retirement System (KSRS) members with 25 or more years of service a monthly benefit increase of $100, effective July 1, 1998, for anyone who had retired under KSRS prior to January 1, 1971. 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. The provision was included in **H. B. 2963** that originally was recommended for introduction by the Joint Committee on Pensions, Investments and Benefits.

Service Credit Purchases. This provision would authorize all service credit purchases that are currently 1.0 to be purchase optionally at 1.75 percent. This item also is included in **S.B. 619**. The Joint Committee on Pensions, Investments and Benefit studied this issue during the 1997 interim and recommended introduction of the bill which was assigned to the Senate for first consideration. The proposal 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.

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

As shown in the above table, purchases of permissive service credit are not uniform for

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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. All other permissive service credit purchases are based on final average salary. These purchases are made based on the full actuarial cost which depends upon the member's age when purchases are made. Therefor, the state or other participating employer does not pay any of the actuarial cost in these purchases. The Legislature changed to this policy several years ago in order to avoid having governmental units subsidize these purchases, and as a result, increasing the actuarial liability.

Christine Downey

Senator Christine Downey

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3% - All retirants
Amortization through 2033

AD HOC (ONE-TIME) COLA ESTIMATES

	Increase in Actuarial Liability	Increase in Contribution Rate	Additional First Year Contribution	Total Additional Contributions
KPERS				
State	25,000,000	0.20%	1,620,000	113,050,000
School	55,000,000	0.15%	3,500,000	244,430,000
Local	13,000,000	0.10%	860,000	59,910,000
TIAA	1,000,000	0.12%	560,000	1,750,000
Judges				
Judges	1,000,000	0.49%	100,000	6,740,000
KP&F				
KP&F-State	1,600,000	0.34%	120,000	8,100,000
KP&F-Local	11,400,000	0.34%	800,000	55,600,000
Totals	108,000,000		7,560,000	489,580,000

Notes: •COLA applied to all members retired on or before June 30, 1997
•Additional actuarial liability amortized through 2033