

MINUTES OF THE HOUSE KANSAS 2000 SELECT COMMITTEE.

The meeting was called to order by Chairperson Kenny Wilk at 1:30 p.m. on February 8, 1999 in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Jim Wilson, Revisor of Statutes
Janet Mosser, Committee Secretary

Conferees appearing before the committee: Julian Efird, Legislative Research Department

Others attending: See attached list

Chairperson Wilk brought to the Committee's attention that the deadline for non-exempt committees to request to have bills drafted had passed when the motion was made to introduce a Department of Administration legislative proposal authorizing the establishment and implementation of pilot programs related to the civil service. Chairperson Wilk requested that the motion and second be withdrawn. Rep. Horst withdrew the motion and Rep. Sloan withdrew the second. Chairperson Wilk will ask the Taxation Committee to introduce the bill.

Julian Efird, Legislative Research Department, gave a briefing on the retirement plans for state and local public employees (**Attachment 1**). Chairperson Wilk recognized Meredith Williams, Executive Secretary, Kansas Public Employees Retirement System (KPERS), and Jack Hawn, Deputy Executive Secretary, KPERS, to assist in answering technical questions about KPERS.

Chairperson Wilk adjourned the meeting at 2:22 p.m.

The next meeting is scheduled for February 9, 1999.

KANSAS 2000 SELECT COMMITTEE GUEST LIST

DATE: 2-8-99

NAME	TITLE	REPRESENTING
PAUL WILSON	Exec. Dir.	KADE
Keith Haxton		SEAK
Don Ryan		SEAK
Denis Stanley	Supt. of Sch.	Jefferson West HSD 340
Shelley H. King	Lobbyist	McGill, Gaches, & Assoc.
Judy Ruberson	HR Dir.	DOC
Jack Ruberson	Pers. Dir.	SRS
Shawn Bolzend	HRP	SRS
Paul Kuhl	DOA - DPS	DPS
Karen Watney	DOA / DPS	DPS
Steve Ashley	DOA / DPS	DPS

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February 8, 1999

To: House Select Committee on Kansas 2000
From: Julian Efird, Principal Analyst
Re: Retirement Plans for State and Local Public Employees

Kansas public employees are covered by a number of different retirement plans. The types include defined contribution and defined benefit plans.

KPERS State and Local Plans. The Kansas Public Employees Retirement System (KPERS) is an umbrella organization with a Board of Trustees responsible for administering three pension groups that include as members most state and local Kansas public employees. The three systems are defined benefit, contributory, cost-sharing plans: regular KPERS for state, school, and local employees; the Kansas Police and Firemen's (KP&F) Retirement System for state and local employees; and the Kansas Retirement System for Judges (see Attachment 1 for a comparison of the plans). The latter system is a single-employer plan, while the former two are multi-employer plans. KPERS is a governmental plan as defined in Section 3(32) of ERISA and Section 414(d) of the federal Internal Revenue Code. The June 1, 1998, membership is reported in the following table:

<u>Plan</u>	<u>Active</u>	<u>Inactive</u>	<u>Retired</u>	<u>Total</u>
KPERS	137,080	20,059	47,096	204,235
KP&F	6,201	374	2,729	9,304
Judges	<u>246</u>	<u>15</u>	<u>138</u>	<u>399</u>
Total	<u>143,527</u>	<u>20,448</u>	<u>49,963</u>	<u>213,938</u>

The regular KPERS plan includes state, public school, and local employees. The state group includes a subgroup of certain state correctional employees who can retire with unreduced benefits as early as age 55 or 60. The cost of this benefit is paid by the state contributing at the regular KPERS employer rate and also paying at a special additional rate for this subgroup of employees. The FY 1999 total state contribution rate for this correctional subgroup is 6.28 percent, compared with 3.99 percent for the regular KPERS employer contribution rate. Included in the state's KPERS contribution is 0.6 percent for a death and disability program. All KPERS employees, including correctional, pay a statutory 4.0 percent contribution for regular KPERS.

Because the KP&F and Judges plans have greater benefits, the employer and employee contributions are higher than for regular KPERS. Each participating KP&F employer is assigned a separate contribution rate. The state's rate for the Judges plan is 15.67 percent in FY 1999.

Kansas 2000 Select Committee

Meeting Date 2-8-99

Attachment 1

For most eligible employees, the contribution rate is 7.0 percent for KP&F and 6.0 percent for Judges. Some employees only contribute 2.0 percent after earning the maximum accrued service credit. There is no separate KP&F actuarial rate for death and disability coverage. A rate of 2.0 percent for Judges represents the cost of death benefits. No separate actuarial rate is established for disability since the Judges group is very small and has not experienced recent disability claims.

Regents Plan. The State Board of Regents Retirement Plan, authorized in 1962, is a defined contribution (money purchase) plan in which contributions are applied to the development of individual employee account balances and possible purchase of annuities from companies authorized by the Board of Regents to participate in the plan to provide for future retirement income needs of the employees. This plan includes most unclassified employees at Regents institutions who are allowed by statute to participate. For Regents institutions, the state contributes 8.5 percent and the employee contributes 5.5 percent of gross salary. The state pays an additional 0.6 percent for participation in the KPERS-sponsored death and disability benefits program.

Voluntary State Plan. Eligible classified and unclassified state employees also may participate in a voluntary tax-sheltered annuities program. The state does not pay a matching amount for participants in this program. The program began in 1980 as a deferred compensation plan under Section 457 of the federal Internal Revenue Code.

Alternative State Plan. In addition, certain state employees are permitted by statute to elect out of regular KPERS coverage and as an alternative, to select coverage by a deferred compensation program in which the state contributes the entire required amount of 8.0 percent. No employee contribution is required. The amount paid by the state represents an employer-paid fringe benefit. The employees in this group generally are cabinet officers and other executive branch appointees.

Local Plans. Several local units of government maintain local retirement plans for their employees, most notably the City of Wichita and the Kansas City Kansas Board of Public Utilities. These plans are defined benefit. A majority of local units participate in the KPERS plans. Most local employees, including public safety personnel, are members of regular KPERS. Only 59 city and county governmental unit employers, as of June 30, 1997, participated in KP&F. An actuarial rate for each KP&F participating governmental unit is calculated for employer contributions and ranges from 7.4 percent to 20.2 percent in CY 1999 depending upon the workforce and service credit being purchased. Because of the higher cost for the KP&F enhanced benefits, many local units do not elect KP&F participation and opt for the regular KPERS benefits to cover their public safety personnel. The regular KPERS contribution rate for local units is 2.93 percent in CY 1999 for all employees, including public safety personnel. Death and disability benefit coverage costing 0.6 percent is included in the regular KPERS rate for local employees. KP&F members are covered by separate death and disability provisions in that plan and the enhanced benefits are financed by high rates. The KP&F employees are required to contribute 7.0 percent, while regular KPERS employees contribute 4.0 percent of gross salary.

Federal Social Security. Most state and local government employees in Kansas participate in the federal Social Security program. Some public safety employees do not participate in Social Security. A majority of the public safety employees covered by KP&F, for instance, do not have Social Security coverage.

Early Retirement Plans. There are several groups of public employees that enjoy add-on plans. Local units of government, school districts, and community colleges have established special early retirement incentive plans to supplement KPERS. Local governmental units, including Kansas City, Prairie Village, El Dorado, and Wyandotte County used home rule powers to establish early retirement incentive programs. State statutes dating from the 1980s permit school districts and community colleges to establish early retirement incentive plans. More than half of the school boards and community college boards have authorized these programs. The 1980 legislative intent for such plans was to restore, in whole or part, any reduction in retirement benefits that an employee would incur under Social Security or KPERS if retiring before the normal retirement age of 65.

Updated
January 23, 1999

COMPARISON OF SIGNIFICANT FEATURES OF THE KANSAS PUBLIC EMPLOYEES, KANSAS POLICE AND FIRE, AND KANSAS JUDGES RETIREMENT SYSTEMS*

(All Administered by the Board of Trustees of KPERS)

COVERAGE -- EMPLOYERS

- KPERS - Mandatory for the state. Optional for any city, county, township, special district or any instrumentality of any one or several of the aforementioned whose employees are covered by Social Security and not covered by or eligible for another retirement plan under the laws of the State of Kansas; optional for any employer who meets the definition of a governmental entity as determined by the U.S. Internal Revenue Service or KPERS in the absence of an IRS determination.
- KP&F - Optional for any political subdivision employing fire fighters, police officers, or emergency medical personnel (local units may affiliate for future service only). Includes Highway Patrol, KBI, and, at the option of the head of the institution, university police officers employed by institutions under the State Board of Regents.
- JUDGES - State Judicial System.

COVERAGE -- EMPLOYEES

- KPERS - Mandatory for all eligible employees (except elected officials and specified state officers and employees), both current and future, whose employment is not seasonal or temporary and requires at least 1,000 hours per year. An eligible school employee would be one whose employment is not seasonal or temporary and whose employment requires at least 630 hours of work per year or 3.5 hours of work per day for at least 180 days. Nonschool employees become eligible after one continuous year of service (except that first-day coverage for death and disability benefits is provided by the state and is optional for local units). School employees become eligible immediately after employment.

* Prepared by KPERS staff and KLRD staff.

- KP&F - Mandatory for all employees except sheriffs. Sheriff may elect membership.
- JUDGES - All justices of the Supreme Court, Court of Appeals judges, and all judges of the district courts (including district magistrate judges) of the State of Kansas automatically participate upon appointment.

EMPLOYER CONTRIBUTION

- KPERS** - Amount required to pay current service liabilities and to fund prior service costs.

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
State Nonschool and School	3.30%	3.59%	3.79%	3.99%	4.19%	4.58%
Local Nonschool	2.48 (CY 96)	2.63 (CY 97)	2.78 (CY 98)	2.93 (CY 99)	3.22 (CY 00)	--

- KP&F** - Amount required to pay current service liabilities and to fund prior service costs (16% for first year). Each employer has a separate rate.

	<u>CY 1995</u>	<u>CY 1996</u>	<u>CY 1997</u>	<u>CY 1998</u>	<u>CY 1999</u>	<u>CY 2000</u>
Local	9.9% (avg.)	12.4% (avg.)	12.1% (avg.)	12.1% (avg.)	10.0% (avg.)	9.8% (avg.)
KBI	<u>8.4%</u>	<u>11.0%</u>	<u>11.1%</u>	<u>10.6%</u>	<u>8.5%</u>	<u>8.2%</u>
Highway Patrol	9.8%	12.2%	12.2%	11.7%	9.8%	9.6%
Regents Inst.	6.9%	9.7%	9.7%	9.5%	7.4%	7.0%

(For employers affiliating for future service only, the normal cost rate in CY 1996 is 9.65 percent, CY 1997 is 9.7 percent, and CY 1998 is 9.45 percent.)

- JUDGES** -- Amount required to pay all liabilities which shall exist or accrue, including amortization of unfunded accrued liability.

<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
10.4%	16.0%	15.67%	15.67%	14.38%	16.14%

HISTORICAL EMPLOYER CONTRIBUTION RATES UNDER KPERS

Section A. Nonschool
FY 1962-FY 1987**

<u>Fiscal Year</u>	<u>Participating Service</u>	<u>Unfunded Liability Amortization</u>	<u>Group Insurance</u>	<u>Admin.</u>	<u>Actuarial Rate (Rounded)</u>	<u>Statutory Rate^(a)</u>
1962	--	--	--	--	--	5.35
1963	--	--	--	--	--	5.35
1964	--	--	--	--	--	5.35
1965	2.311	1.489	--	0.200	4.00	--
1966	2.282	1.518	--	0.200	4.00	--
1967	2.214	1.586	0.50	0.200	4.50	--
1968	1.721	2.079	0.50	0.200	4.50	--
1969	1.634	2.166	0.50	0.200	4.50	--
1970	1.806	3.294	0.50	0.200	5.80	--
1971	3.508	1.892	0.50	0.200	6.10	--
1972	3.613	1.787	0.50	0.200	6.10	--
1973	3.732	1.568	0.50	0.200	6.00	--
1974	4.300	1.400	0.50	0.200	6.40	--
1975	5.000	1.400	0.50	0.200	7.10	--
1976	5.250	1.400	0.60	0.150	7.40	--
1977	5.550	1.000	0.60	0.150	7.30	--
1978	5.005	0.920	0.60	0.175	6.70	--
1979	4.525	0.900	0.60	0.175	6.20	--
1980	4.615	0.810	0.60	0.175	6.20	--
1981	4.025	0.700	0.60	0.175	5.50	--
1982	3.820	0.680	0.60	0.100 ^(c)	5.20 ^(b)	--
1983	--	--	0.60	--	--	4.80
1984	--	--	0.60	--	--	4.60
1985	2.900	1.100	0.60	--	4.60	--
1986	--	--	0.60	--	--	4.30
1987	2.540	0.760	0.60	--	3.90	--
1988*	^(d)	^(d)	^(d)	^(d)	^(d)	^(d)

*See Section C. State Nonschool and School.

**Section B. State School*
FY 1971-FY 1987**

<u>Fiscal Year</u>	<u>Participating Service</u>	<u>Unfunded Liability Amortization</u>	<u>Group Insurance</u>	<u>Admin.</u>	<u>Actuarial Rate (Rounded)</u>	<u>Statutory Rate^(a)</u>
1971	--	--	0.50	--	--	5.05
1972	--	--	0.50	--	--	5.05
1973	0.010	3.690	0.50	0.200	4.40	--
1974	0.570	3.430	0.50	0.200	4.70	--
1975	1.470	3.430	0.50	0.200	5.60	--
1976	1.670	3.380	0.60	0.150	5.80	--
1977	4.060	3.090	0.60	0.150	7.90	--
1978	3.675	2.850	0.60	0.175	7.30	--
1979	2.745	2.580	0.60	0.175	6.10	--
1980	3.335	2.190	0.60	0.175	6.30	--
1981	2.325	2.100	0.60	0.175	5.20	--
1982	2.450	1.550	0.60	0.100 ^(c)	4.70	--
1983	--	--	0.60	--	--	4.50
1984	--	--	0.60	--	--	4.40
1985	1.200	2.600	0.60	--	4.40	--
1986	--	--	0.60	--	--	4.00
1987	1.500	2.000	0.60	--	4.10	--
1988*	^(d)	^(d)	^(d)	^(d)	^(d)	^(d)

*See Section C. State Nonschool and School.

C. State Nonschool and School^{(d)}
FY 1988-FY 1999**

<u>Fiscal Year</u>	<u>Participating Service</u>	<u>Unfunded Liability Amortization</u>	<u>Group Insurance</u>	<u>Admin.</u>	<u>Actuarial Rate (Rounded)</u>	<u>Statutory Rate^(a)</u>
1988	0.700	1.740	0.60	--	3.04	--
1989	0.700	1.740	0.60	--	3.04	--
1990	0.791	1.737	0.60	--	3.10	--
1991	0.864	1.732	0.60	--	3.20	--
1992	1.369	1.671	0.60	--	3.64	3.30
1993	0.823	1.896	0.60	--	3.32	3.30
1994	0.585	1.976	0.60	--	3.16	3.10
1995	0.464	2.080	0.60	--	3.14	3.20
1996	2.299	1.212	0.60	--	4.11	3.30
1997	2.480	2.090	0.60	--	5.17	3.59
1998	2.660	1.970	0.60	--	5.23	3.79
1999	2.880	1.850	0.60	--	5.33	3.99
2000	2.980	1.690	0.60	--	5.27	4.19

Section D. Local⁶
FY 1989-FY 1999

<u>Calendar Year</u>	<u>Participating Service</u>	<u>Unfunded Liability Amortization</u>	<u>Group Insurance</u>	<u>Admin.</u>	<u>Actuarial Rate (Rounded)</u>	<u>Statutory Rate^{1a}</u>
1989	--	--	--	--	--	2.00
1990	1.280	0.708	0.60	--	2.60	--
1991	0.873	0.897	0.60	--	2.37	2.40
1992	0.115	1.059	0.60	--	1.77	1.80
1993	0.079	1.204	0.60	--	1.88	1.90
1994	0.186	1.389	0.60	--	2.18	1.90
1995	1.624	0.822	0.60	--	3.05	2.30
1996	1.940	1.180	0.60	--	3.72	2.48
1997	2.170	0.960	0.60	--	3.13	2.63
1998	2.370	0.890	0.60	--	3.86	2.78
1999	2.380	0.880	0.60	--	3.86	2.93

Source: Actuarial and annual reports of the Kansas Public Employees Retirement System (KPERs).

** Excluding contributions for TIAA covered employees, special state-elected officials, and certain employees of state correctional institutions.

- a) Statutorily required rate during certain years of KPERs-State Nonschool, KPERs School, or KPERs Local.
- b) Rate applicable to state government; total rate for local governments was 5.80.
- c) A law enacted in 1982 provided that, beginning in FY 1983, administrative expenses shall not be included in the employers' contribution rate, the effect being to require payment of such expenses from investment income after an accumulated expense reserve balance had been reduced.
- d) 1987 legislation provided that the employer contribution rate shall be the same for KPERs State Nonschool and School.
- e) 1988 legislation established two employer contribution rates, one for local units which would be separate from the state rate.

EMPLOYEE CONTRIBUTION

KPERs - 4.0% gross compensation.

KP&F - 7.0% gross compensation - after 32 years credited service, the rate drops to 2.0%.

JUDGES - 6% gross compensation - reduced to 2% when a judge has accrued enough service to be entitled to the maximum benefit.

(Beginning in the 3rd quarter of CY 1984, legislation enacted in 1984 requires member contributions to be "picked-up" by employers, *i.e.*, treated, but not actually paid, as

employer contributions, for federal income tax purposes to defer taxation of that part of a member's salary until contributions are withdrawn or retirement benefits begin.)

REQUIRED SERVICE

- KPERS - No required number of years.
- KP&F - Tier I: 20 years.
Tier II: 15 years at age 60.
- JUDGES - No required number of years.

VESTING OF BENEFITS

- KPERS - 10 years credited service.
- KP&F - Tier I: For those individuals employed prior to June 30, 1989 who have not elected into Tier II -- 20 years credited service.
Tier II: For those individuals employed after June 30, 1989 and for those who were employed prior to that date and have elected into Tier II -- 15 years credited service.
- JUDGES - 10 years credited service.

(Members of one of the above systems who were members of either of the other systems may combine service credit for vesting under all systems for which they have credit.)

RETIREMENT AGE

- KPERS - 65 (normal retirement); age 62 with ten years of service; or when an individual's combination of age and years of service reach 85 (*e.g.*, age 55 with 30 years of service or age 60 with 25 years of service). * 55 (early retirement). ** See Minimum Retirement Age, below.
- KP&F - Tier I: 55 (normal retirement).
50 (early retirement).

**State correctional employees -- unit team personnel, correctional officers, and supervisors have a normal retirement age of 55 and an early retirement option at age 50. Power plant operators, correctional industries personnel, food service employees, and maintenance supervisors, who have regular contact with inmates, have a normal retirement age of 60 and an early retirement optional age 55. Early retirement is subject to a reduced benefit of 0.2 percent for each month the KPERS-Correctional employee is less than normal retirement age.

Tier II: 55 (normal retirement); or at age 50 or over with 25 years of service; or age 60 or over with 15 years of service.

JUDGES - 65 (normal retirement); or age 62 with 10 years of service; or when an individual's combination of age and years of service reach 85 (*e.g.*, age 55 with 30 years of service or age 60 with 25 years of service).
55 (early retirement). * See Minimum Retirement Age, below.

MINIMUM RETIREMENT AGE

KPERS - 60, early retirement with 10 years credited service (reduced benefit -- .2 percent per month between ages 60 and 62); or age 55 with 10 years of credited service (reduced benefit -- .6 percent per month between ages 55 and 60 and .2 percent per month between ages 60 and 62). Exceptions for state correctional employees -- see Retirement Age.

KP&F - Tier I or Tier II: 50, after 20 years service (actuarially reduced benefit -- .4 percent per month).

JUDGES - 60, early retirement with 10 years credited service (reduced benefit -- .2 percent per month); or age 55 with 10 years of credited service (reduced benefit -- .6 percent per month between ages 55 and 60 and .2 percent per month between ages 60 and 62).

MANDATORY RETIREMENT AGE

KPERS - None

KP&F - No mandatory retirement age. Employee must make contributions as long as employed as police officer or fire fighter. However, the rate drops from 7.0 percent to 2.0 percent after 32 years of KP&F service credit.

JUDGES - End of term in which age 70 is attained.

BASIS OF RETIREMENT BENEFIT

KPERS - Final average salary (FAS). For individuals employed prior to July 1, 1993, average highest 4 years of participating service including entitlements of accrued sick and annual leave payments upon retirement or the average highest 3 years of participating service excluding such sick and annual leave payments, whichever is greater; however, under certain circumstances there are limitations in the amount of increase between any two consecutive years which are used in the calculation; for individuals employed on July 1, 1993 and thereafter, the average highest three years of participating service excluding such sick and

annual leave payments upon retirement. However, members eligible for a long-term disability benefit, who were disabled for at least 5 years immediately before retirement, will have their FAS adjusted upon retirement by the actuarial salary assumption rates existing during the period of disability.

- KP&F - Final average salary (FAS). Average highest 3 of last 5 years of participating service including entitlements of accrued sick and annual leave payments upon retirement. For individuals employed on July 1, 1993 and thereafter, the average highest 3 years of last 5 years of participating service excluding such sick and annual leave payments upon retirement. However, members eligible for a long-term disability who are employed after July 1, 1989 or those who elected special provisions and are disabled five or more years before retirement, will have their FAS adjusted upon retirement by the actuarial salary assumption rates existing during the period of disability.

- JUDGES - Final average salary (FAS). Average highest 3 years of participating service. However, members eligible for a long-term disability benefit, who were disabled for at least five years immediately before retirement, will have their FAS adjusted upon retirement by the actuarial salary assumption rates existing during the period of disability.

BASIC RETIREMENT BENEFIT

- KPERS - Prior service -- 1% FAS for each year of prior service. Some school service may be credited at 0.75%. Participating service -- 1.75% FAS for all years of participating service for those who retire on or after July 1, 1993. No minimum -- No maximum.

- KP&F - 2.5% FAS per year of service not to exceed 80% FAS for all those who retire on and after July 1, 1993.

- JUDGES - 5% FAS per year of service for up to 10 years and 3.5% for more than 10 years (combined prior and participating) not to exceed 70% of FAS. 3.5% FAS per year of service for persons joining the system after June 30, 1987, not to exceed 70% of FAS.

OPTIONS

- KPERS - Joint ½ Survivor (was OPTION A): A reduced monthly benefit payable for life with one-half this amount continued monthly to the joint annuitant upon the death of a retirant. The reduction factor is 91% minus .4% for each year the joint annuitant is younger than the retirant or plus .4% for each year older.

Joint Survivor (was OPTION B): A reduced monthly benefit payable for life with the same amount continuing monthly to the joint annuitant upon the retirant's death. The reduction factor is 83% minus .6% for each year the joint annuitant is younger than the retirant or plus .6% for each year older.

Life Certain (was OPTION C): A reduced monthly benefit payable for life and if death occurs within 5, 10, or 15 years of the retirement date, the same amount is payable to the beneficiary for the remainder of the 5, 10, 15 year period. The reduction factors are 98%, 95%, or 88%, respectively.

Joint 3/4 Survivor (was OPTION D): A reduced monthly benefit payable for life with three-fourths of this amount continued monthly to the joint annuitant upon the death of a retirant. The reduction factor is 87% minus .5% for each year the joint annuitant is younger than the retirant or plus .5% for each year older.

KP&F - Joint 1/2 Survivor (was OPTION A): Same as KPERS except reduction factor is 94.5% plus or minus .2% for age differential.

Joint Survivor (was OPTION B): Same as KPERS except reduction factor is 88% plus or minus .4% for age differential.

Life Certain (was OPTION C): Same as KPERS except reduction factors are 99%, 98%, or 92%.

Joint 3/4 Survivor (was OPTION D): Same as KPERS except reduction factor is 91% plus or minus .3% for age differential.

JUDGES - Joint 1/2 Survivor (was OPTION A): Same as KPERS.

Joint Survivor (was OPTION B): Same as KPERS.

Life Certain (was OPTION C): Same as KPERS.

Joint 3/4 Survivor (was OPTION D): Same as KPERS.

POST RETIREMENT ADJUSTMENTS

- KPERS - 1972 - 5% across the board. (Permanent)
- 1973 - Graduated percentage increase based on year of retirement ranging from 32% to 2%. (Permanent)
- 1974 - None.

- 1975 - None.
- 1976 - 5% of annual benefit; maximum \$200, minimum \$20. (13th Check)
- 1977 - 5% of annual benefit; maximum \$200, minimum \$20. (13th Check)
- 1978 - Graduated percentage increase based on year of retirement ranging from 7.34% to 1.1%. (Permanent)
- 1979 - None.
- 1980 - Retirement Dividend Payment not to exceed 8.33% of annual benefit (13th Check). (Permanent for all who retire through July 1, 1987)
- 1981 - None.
- 1982 - 10% increase in monthly benefits for retirants who were entitled to benefits as of 6-30-81. (Permanent)
- 1983 - None.
- 1984 - 10% increase in monthly benefits for retirants who were entitled to benefits as of 6-30-81. (Permanent)
- 1985 - 5% increase in monthly benefits for retirants who were entitled to benefits as of 6-30-84. (Permanent)
- 1986 - 3% increase in monthly benefits for retirants who retired prior to 1-1-85. (Permanent)
- 1987 - 2% increase in monthly benefits for retirants who retired before 1-1-86. (Permanent)
- 1988 - 3% increase in monthly benefits for retirants who retired before 1-1-87. (Permanent)
- 1989 - 4% increase in monthly benefits for retirants who retired before 7-1-88. (Permanent)
- 1990 - 4% increase in monthly benefits for retirants who retired before 7-1-89. (Permanent)
- 1991 - whichever is greater between a \$10 a month or 1% increase for retirants who retired before 7-1-90. (Permanent -- 2.6% average)

- 1992 - \$15 a month increase for retirants who retired before 7-1-91. (Permanent -- 3.6% average)
- 1993 - 15% increase in monthly benefits (with a \$200 a month maximum) or a \$50 per month minimum increase, whichever is greater, for retirees with 15 or more years of service who retired prior to July 1, 1993; and a 5% or \$10 a month increase, whichever is greater, for retirees with less than 15 years of service who retired prior to July 1, 1993. (Permanent -- 14.5% average)
- 1994 - The greater of 1.5% or \$0.50 per year of service plus \$0.50 per year of retirement for all those who retired prior to July 1, 1993. (Permanent -- 3.0% average)
- 1995 - None.
- 1996 - None.
- 1997 - None.
- 1998 - 3% increase in monthly benefits for retirants when retired before 7-1-97. (Permanent)

KP&F

- 1972 - Same as KPERS.
- 1973 - Same as KPERS except 50% to those who retired before 1962.
- 1974 - Same as KPERS.
- 1975 - Same as KPERS.
- 1976 - Same as KPERS.
- 1977 - Same as KPERS.
- 1978 - Same as KPERS.
- 1979 - Same as KPERS.
- 1980 - Same as KPERS.
- 1981 - Same as KPERS.
- 1982 - Same as KPERS.
- 1983 - Same as KPERS.
- 1984 - Same as KPERS.
- 1985 - Same as KPERS.
- 1986 - Same as KPERS.
- 1987 - Same as KPERS.
- 1988 - Same as KPERS.
- 1989 - Same as KPERS.
- 1990 - Same as KPERS.
- 1991 - Same as KPERS.
- 1992 - Same as KPERS.
- 1993 - Same as KPERS.
- 1994 - Same as KPERS.

- 1995 - None.
- 1996 - None.
- 1997 - None.
- 1998 - Same as KPERS.

- JUDGES -
- 1972 - Same as KPERS.
 - 1973 - None.
 - 1974 - Integration with social security removed.
 - 1975 - Same as KPERS.
 - 1976 - Same as KPERS.
 - 1977 - Same as KPERS.
 - 1978 - Same as KPERS.
 - 1979 - Same as KPERS.
 - 1980 - Same as KPERS.
 - 1981 - Same as KPERS.
 - 1982 - Same as KPERS.
 - 1983 - Same as KPERS.
 - 1984 - Same as KPERS.
 - 1985 - Same as KPERS.
 - 1986 - Same as KPERS.
 - 1987 - Same as KPERS.
 - 1988 - Same as KPERS.
 - 1989 - Same as KPERS.
 - 1990 - Same as KPERS.
 - 1991 - Same as KPERS.
 - 1992 - Same as KPERS.
 - 1993 - Same as KPERS.
 - 1994 - Same as KPERS.
 - 1995 - None.
 - 1996 - None.
 - 1997 - None.
 - 1998 - Same as KPERS.

RESTRICTIONS ON POST RETIREMENT EARNINGS

- KPERS - None, unless the retirant is employed by the same employer for whom the retired member worked during the last two years of KPERS participation. In such cases, retirants could receive benefits until earnings equal \$15,000 in a calendar year. At that point, retirants may elect to terminate employment and continue to receive benefits; or continue employment and have benefits suspended. This exception applies only to people who retire after June 30, 1988. Substitute teachers, elected officials, and officers, employees, appointees, and members of the Legislature are exempt.
- KP&F - Same as KPERS.

- JUDGES - Retired judges may be assigned cases by the Chief Justice of the Supreme Court. The retired judge receives per diem compensation, subsistence, mileage and other necessary expenses until the total per diem and retirement benefits paid in the given calendar year equal the current annual salary of a District Court Judge, and at that time the payment of per diem compensation would be discontinued.

A new Post-Retirement Judicial Program was established in 1995. Retired judges and justices (excludes magistrate judges) may enter into written agreements with the Supreme Court, that, after retirement, the judge or justice would perform judicial duties for no more than 104 days or 40 percent of the year. In exchange, the judge or justice would receive a stipend equal to 25 percent of the current monthly salary of judges or justices serving in the same position as held by the retiree at the time of retirement.

TERMINATION BENEFIT

- KPERS - Return member's actual contributions plus credited interest; 31-day conversion provision on optional life insurance. Vested benefit with 10 years of service, if no withdrawal.
- KP&F - Return member's actual contributions plus credited interest; 31-day conversion provision on optional life insurance. Vested benefit with required years, if no withdrawal.
- JUDGES - Return member's contributions plus credited interest; 31-day conversion provision on optional life insurance. Vested benefit with 10 years of service.

DEATH BENEFITS DEFINITION (DUTY CAUSED)

- KPERS - Service-connected accident.
- KP&F - Service-connected accident; for members with 5 or more years of credited service heart and lung disease is presumed service-connected; other cancers are presumed service-connected, as long as the cancer was work related through the exposure to lead, radiation, or to any known carcinogen.
- JUDGES - Death from any cause while in service as a judge.

DEATH BENEFITS (DUTY CAUSED)

KPERS

SPOUSE: 50% FAS less any amount paid or payable under Workers' Compensation (\$100 minimum per month), until death, and a \$50,000 lump sum payment.

EACH CHILD: None.

FAMILY MAXIMUM: 50% FAS

CHILDREN, NO SPOUSE: Same as spouse until youngest child attains age 18 or until age 23 for those children who are full-time students.

BENEFICIARY: Return member's actual contributions plus interest. Insured death benefit-150% annual rate of compensation (ARC). If no spouse or children, service-connected accident benefits payable to dependent parents.

KP&F

SPOUSE: 50% FAS, until death.

EACH CHILD: 10% FAS, until youngest attains age 18 or until age 23 for those children who are full-time students.

FAMILY MAXIMUM: 75% FAS.

CHILDREN, NO SPOUSE: 50% FAS + 10% FAS per child.

BENEFICIARY: If no spouse or children, return member's contributions plus interest credited after June 30, 1982, to beneficiary.

(Federal law provides a death benefit of \$100,000, plus cost-of-living adjustments within certain limitations for public safety officers killed in the line of duty. The federal death benefit is currently \$123,520.)

JUDGES

PAYABLE TO ANY NAMED
BENEFICIARY:

Return member's actual contributions plus interest. Insured death benefit of 150% ARC payable to beneficiary. If over age 55, with 10 years credited service and spouse is sole benefi-

ciary, spouse may elect payment under any option the member had previously elected rather than lump sum return of actual contributions; or surviving spouse of member who had at least 15 years of service at the time of death of the member may elect to receive a benefit option at the time the deceased member would have been eligible for retirement benefits.

DEATH BENEFITS (NON-DUTY)

- KPERS - Return member's actual contributions plus interest. Insured death benefit of 150% ARC payable to beneficiary. Members eligible for long-term disability benefits, who are disabled at least 5 years immediately preceding death, will have their ARC adjusted by actuarial salary assumption rates existing during the period of disability. If over age 55, with 10 years credited service and spouse is sole beneficiary, spouse may elect payment under any option rather than lump sum return of actual contributions; or surviving spouse of member who had at least 15 years of service at the time of death of the member may elect to receive a benefit option at the time the deceased member would have been eligible for retirement benefits.
- KP&F - Spouse receives lump sum of 100% FAS plus 2% FAS per year of service (payable to spouse at any age). If no spouse or children, return member's actual contributions with interest to beneficiary.
- JUDGES - Same as above (duty caused).

DEATH BENEFITS AFTER RETIREMENT

- KPERS - None unless option is selected. Selected beneficiary of member or joint annuitant receives amount remaining, if any, of member's actual contributions less retirement benefits paid to deceased member and/or joint annuitant/beneficiary. Lump sum death benefit of \$4,000.
- KP&F - None unless option is selected. Selected beneficiary of member or joint annuitant receives amount remaining, if any, of member's actual contributions less total retirement benefits paid. For disability retirements if no other benefits are provided then a lump sum benefit of 50% FAS and 50% of member's monthly benefit to beneficiaries. Lump sum death benefit same as KPERS.
- JUDGES - None unless option is selected. Selected beneficiary of member or joint annuitant receives amount remaining, if any, of member's actual contributions less retirement benefits paid. Lump sum death benefit same as KPERS.

DISABILITY BENEFIT DEFINITION (DUTY CAUSED)

- KPERS - Totally disabled after 180 consecutive days regardless of cause. May be either physical or mental.
- KP&F - Tier I: Totally and permanently disabled as a police officer or fire fighter, may be physical or mental but must be caused by service-connected accident. For members with 5 or more years of credited service heart and lung disease is presumed service-connected; other cancers are presumed to be service connected, as long as the cancer was work related through the exposure to lead, radiation, or to any known carcinogen.
- Tier II: No distinction between duty and nonduty caused.
- JUDGES - Totally and permanently disabled as a judge, may be physical or mental from any cause. Also available to vested, inactive judges.

DISABILITY BENEFITS (DUTY CAUSED)

- KPERS - EMPLOYEE: 66 2/3% ARC, reduced by 100 percent of Workers Compensation and 100 percent of primary Social Security or any other employer provided benefits after 180 days disability (\$100 minimum). Continued group life insurance coverage. Participating service credit granted during period of total disability. Insurance benefits end at recovery from disability, termination of membership, or retirement, whichever first occurs. Disabilities occurring after age 60 are subject to certain limitations as to how long benefits will be paid.

EACH CHILD: None.

FAMILY MAXIMUM: 66 2/3% ARC.

(Certain state correctional employees have the same benefits as under KP&F from July 1, 1982 to June 30, 1995, except such benefits are reduced by any disability benefits received under Social Security or Workers Compensation but not to less than \$100 per month. The 1995 Legislature discontinued this benefit for disabilities occurring on and after July 1, 1995.)

- KP&F - Tier I: EMPLOYEE: 50% FAS, could exceed 50 percent if the member's years of service multiplied by the benefit formula would provide a greater percentage.

EACH CHILD: 10% FAS.

FAMILY MAXIMUM: 75% FAS.

- Tier II: EMPLOYEE: 50% FAS. Service credit granted during period of disability. Disability benefits convert to a retirement benefit at the earliest date that the member is eligible for an unreduced retirement. For all disabilities occurring after January 1, 1990, there is an offset of \$1.00 for each \$2.00 earned after the first \$10,000 of earnings.

EACH CHILD: None

FAMILY MAXIMUM: 50% FAS.

(Federal law provides a disability benefit of \$100,000, plus cost-of-living adjustments within certain limitations for public safety officers who have been permanently and totally disabled as the direct result of a catastrophic personal injury sustained in the line of duty. To qualify, the injury must permanently prevent the officer from performing any gainful work. The federal disability benefit is currently \$123,520.)

- JUDGES EMPLOYEE: 3.5% for each year of service with a 50% minimum benefit regardless of years of service; and a maximum benefit of 70%; benefits recalculated upon attainment of retirement age with additional credit granted for the period of disability.

EACH CHILD: Not applicable.

FAMILY MAXIMUM: Same as normal retirement benefits.

DISABILITY BENEFITS (NON-DUTY)

KPERS - Same as duty caused.

KP&F - Tier I: 2.5% FAS per year of service, after 180 days disability. (Minimum 25% FAS and maximum 50%.)

Tier II: Same as duty caused.

JUDGES - Same as duty caused.

RELATIONSHIP TO SOCIAL SECURITY

KPERS - None, except offset for primary Social Security under insured disability.

KP&F - None, except select group covered under *Brazelton vs. KPERS* lawsuit.

JUDGES - None; integration with Social Security removed in 1974.

BACKGROUND

KANSAS SCHOOL RETIREMENT SYSTEM (KSRS) ANNUITANTS

In 1971, all of the active members (and most inactive vested members) of the KSRS became members of KPERs. KSRS members who were retired at that time and certain classes of inactive employees with vested rights did not come under KPERs. Instead, payments to these members continued under the provisions of KSRS through separate reserves maintained specifically for that purpose.

KSRS provided a benefit related to the amount of employee contributions, and a separate benefit, paid by the state, based solely on years of school service as follows:

Savings annuity -- is the annuity amount which could be provided by the employee's contribution account at retirement (1984 legislation increased the savings annuity by 50%).

Service annuity -- the service related benefit - is a level dollar amount based on years of service at retirement. The service annuity rates at the time of the merger and prior to 1973 were as follows:

<u>Years of Service</u>	<u>Monthly Service Annuity Per Year of Service Prior to 1973</u>
Less than 10	\$1.00
10 but less than 20	1.50
20 but less than 25	2.00
25 to 35	3.50

Effective in 1973, this benefit was increased to \$6.50 per year of service for all employees with at least 10 years of service; a further increase to \$6.85 became effective October 1, 1978. Effective September 1, 1979, the 35-year limit on service was removed and benefits were increased accordingly. Legislation enacted in 1985 raised the service annuity rate to \$2 for persons with less than 10 years of service, and provided that KSRS retirants with 10 or more years of credited and noncredited service shall receive an additional \$3 monthly for each year of Kansas school service not previously used in a benefit calculation. In 1991, the Legislature provided a post-retirement benefit increase in an amount whichever is greater between \$10 a month or a 1.0 percent increase. Inclusion of the 1982, 1984, and 1985 through 1989 post-retirement adjustments resulted in the following monthly annuity rates:

Less than 10 years of service	\$2.61
10 or more years of service	
a) no noncredited service	\$9.79
b) with noncredited service	\$13.34

Although all currently active school employees are covered under KPERS, a small number of former school employees continue to qualify for benefits each year under KSRS.

The obligation of the state of Kansas for payment of School Service Annuities was originally to be amortized over a period of 10 years commencing July 1, 1973. The sum of \$10,220,000 was transferred from the State General Fund on July 1, 1973, and annual transfers of \$10 million were made each year from 1974 through 1983.

Legislation enacted in 1984 eliminated annual transfers from the State General Fund (which would have been \$10 million in 1984 and approximately \$3.4 million in 1985), made members of the old KSRS special members of KPERS, and provided that the state's remaining obligation for service annuities be amortized over 27 years (changed to 40 years commencing July 1, 1993).

Legislation enacted in 1998 provided KSRS retirants with 25 or more years of service a monthly benefit increase of \$100, effective July 1, 1998, for anyone who retired prior to January 1, 1971.

BACKGROUND

KANSAS CITY, KANSAS SCHOOL EMPLOYEES RETIREMENT FUND

The only Kansas school employees covered by a local retirement system were those in the Kansas City Unified School District No. 500 who were hired before 1964. Employees of that school district hired after January 1, 1964 -- like all other active Kansas school employees -- became members of the Kansas Public Employees Retirement System (KPERS) on January 1, 1971, the effective date of the merger of the Kansas School Retirement System (KSRS) into KPERS.

In 1994, the Legislature provided that the Kansas City, Kansas School Retirement System could affiliate with KPERS, subject to an actuarial study of assets and liabilities prior to any merger and also provided for the same post-retirement benefit increase as authorized for KPERS, to be paid by the school district. After July 1, 1994, the school district applied for affiliation with KPERS, and merged later that year.

In 1953, legislation was passed to permit first-class city school retirement systems to transfer into KSRS. Employees covered by such city systems that joined the state system were given prior service credit under KSRS, and their contributions to the local systems after September 1, 1941 were transferred to KSRS. First-class cities that entered KSRS were permitted to retain their local school systems as supplemental retirement plans, so as to bring monthly benefits to a maximum of \$125 if a lesser amount was payable under KSRS.

The first-class city systems that transferred into KSRS in 1953 were those in Atchison, Coffeyville, Fort Scott, Leavenworth, Parsons, Pittsburg and Topeka. (A special act resulted in Hutchinson entering KSRS in 1951.) When Salina joined KSRS in 1954, Kansas City remained as the only first-class city with a separate school employees retirement system.

In 1963 the Kansas School Retirement Law (K.S.A. 72-5512a) was amended to provide that employees of the Kansas City school district hired after January 1, 1964 would become members of KSRS. The separate city system -- the Kansas City School Employees Retirement Fund -- continued to cover the closed group of employees hired before 1964. As of August 31, 1973 the Kansas City Plan covered 407 active school employees. By August 2, 1993, the number had declined to only four active members.

The 1963 legislation also provided that the State School Retirement Fund would reimburse the Kansas City Fund for its members who retired after July 1, 1963, in the amount that such employees would have received had they retired under KSRS. Payments from the State Fund to the Kansas City Fund were made semiannually on March 1 and September 1 of each year on the basis of the service annuities payable for the preceding six month period.

The substantial increase in KSRS service annuities effective July 1, 1973, did not apply to retirants receiving benefits from the Kansas City Fund. (The only exceptions to this general rule are a few Kansas City Plan retirants who are receiving direct payments from KSRS as Group II and Group III annuitants.) State payments to the Kansas City Fund continued to be based on the schedule of KSRS service annuity amounts effective July 1, 1965, up to a maximum of \$122.50 a month for Kansas City Plan retirants with 35 or more years of service. The State payment for the first 30 years of service (up to \$105 a month per retirant) was used to help finance the Kansas City Plan, but any amounts in excess of \$105 a month are paid to eligible Kansas City Plan retirants in addition to local plan benefits (up to \$17.50 a month passes through to the direct benefit of the retirant).

Chapter 293, *Session Laws of 1974*, amended K.S.A. 72-1759 and 74-4932 to provide members of the Kansas City School Employees Retirement Fund with the opportunity of electing membership in KPERS. The election had to be made prior to September 1, 1974. For those who elected to become members of KPERS, the Kansas City Board of Education was required to transfer from the local retirement fund to KPERS an amount equal to the aggregate of all employee contributions of those so transferring. Employees were to be granted prior service credit in accordance with K.S.A. 74-4936 except that service between January 1, 1971 and September 1, 1974 was credited as participating service. Those electing membership in KPERS are no longer covered under the local retirement fund (K.S.A. 72-1758 to 72-1769) and are now governed by all the provisions of law applicable to employees who became members under K.S.A. 74-4935.

The 1974 legislation further provided for the KPERS actuary to compute the remaining obligation of the state for the retirants and employees who elected to remain under the local retirement fund and the level annual payments that were to be made by the state over a period of 10 years commencing July 1, 1975. This level annual payment amounted to \$404,900, the last one being made in FY 1985.

In 1978, 1979, and 1980, legislation was enacted which provided post-retirement benefits for certain members of the Kansas City system.

A bill enacted in 1981 lowered from \$125 to \$75 the maximum amount of primary Social Security benefits which are deducted from the monthly annuity paid to a member of the Kansas City system.

A bill enacted in 1982 provided for a 10 percent increase in the monthly benefits of retirants, but this had to be financed by the Kansas City System.

Legislation enacted in 1984 provides that annuities paid by the Kansas City system shall begin on the first day of the month following retirement rather than on September 1 of the year in which retirement occurs.

The 1985 Legislature (1) gave pre-1981 retirants the benefits of the 1982, 1984, and 1985 post-retirement adjustments, all of which had to be financed by the school district, and extended the retirement divided payment (13th check) to all who retire through 7/1/87 and (2) allowed the remaining active members of the local system to elect membership in KPERS.

In 1986, the Legislature granted a 3 percent increase in retirants' benefits for all individuals who retired prior to January 1, 1985 (paid for by the school district).

The 1987 Legislature allowed a 2 percent raise in retirants' benefits for all persons who retired before January 1, 1986 (to be paid for by the school district) and provided that contributions by members of the Kansas City system shall be "picked up" by the employer so as to defer federal income tax on the amount of the contribution.

In 1988, the Legislature provided for a 3 percent increase in benefits for those who retired before January 1, 1987 (paid for by the school district).

In 1989, the Legislature provided for a 4 percent increase in benefits for those who retired before July 1, 1988 (paid for by the school district).

In 1990, the Legislature provided for a 4 percent increase in benefits for those who retired before July 1, 1989 (again to be paid by the school district). The Legislature also permitted employees of the system who were employed prior to 1964 to begin a seven-year phase-out of the Social Security set-off.

In 1991, the Legislature provided a post-retirement benefit increase to retirants in an amount whichever is greater between a \$10 a month or a 1.0 percent increase to all retirants who retired prior to July 1, 1990. The increase was paid by the school district.

In 1992, the Legislature provided a post-retirement benefit increase to retirants of \$15 per month (again to be paid by the school district) to all retirants who retired prior to July 1, 1991.

In 1993, again to be paid by the school district, 15% increase in monthly benefits (with a \$200 a month maximum) or a \$50 per month minimum increase, whichever is greater, for retirees with 15 or more years of service who retired prior to July 1, 1993; and a 5% or \$10 a month increase, whichever is greater, for retirees with less than 15 years of service who retired prior to July 1, 1993.

In 1994, the school district system affiliated with KPERS.