Approved: March 15, 2000
Date

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 1, 2000 in Room 526-S of the Capitol.

All members were present except: Representative Doug Gatewood - excused
Representative Susan Wagle - excused

Committee staff present: Julian Efird, Legislative Research Department
Paul West, Legislative Research Department
Gordon Self, Revisor of Statutes
Janet Mosser, Committee Secretary

Conferees appearing before the committee:
Representative Melvin Neufeld
Representative Lynn Jenkins

Others attending: See attached list.

Chairperson Wilk opened the hearing on **HB 2585 - State agencies prohibited from entering into consulting contracts with certain former state officers or employees**.

The fiscal note was distributed.

Paul West, Legislative Research Department, briefed the committee on the contents of the bill.

Chairperson Wilk recognized Representative Melvin Neufeld, sponsor and proponent, to address the committee. Representative Neufeld expressed his belief in the value of the bill as a vehicle for discussion of the issue of limits on relationships between the state and elected officials and/or state employees who subsequently leave state employment. This bill addresses only consulting contracts. To address the incident that occurred this past summer, the committee would have to consider appropriate wording to include grants in the bill. Representative Neufeld would support expanding the scope of the bill to include grants.

Questions and discussion followed testimony.

Chairperson Wilk closed the hearing on **HB 2585**.

Chairperson Wilk opened the hearing on **HB 2645 - Deferred compensation plan for members of the legislature**.

The fiscal note was distributed.

Julian Efird, Legislative Research Department, briefed the committee on the contents of the bill (Attachment 1).

Chairperson Wilk recognized Representative Lynn Jenkins, sponsor and proponent, to address the committee (Attachment 2).

Questions and discussion followed testimony. Jack Hawn, Deputy Executive Secretary, Kansas Public Employees Retirement System (KPERS), was recognized to assist in answering questions. Julian Efird, Legislative Research Department, was recognized to assist in answering questions.

Chairperson Wilk closed the hearing on **HB 2645**.

Julian Efird, Legislative Research Department, briefed the committee on the contents of **HB 2718**.

Questions and discussion followed the briefing. Jack Hawn, Deputy Executive Secretary, KPERS, and Rob Woodard, Chief Investment Officer, KPERS were recognized to assist in answering questions.

CONTINUATION SHEET

Chairperson Wilk adjourned the meeting at 2:35 p.m.

The next meeting is scheduled for February 2, 2000.

KANSAS 2000 SELECT COMMITTEE GUEST LIST

DATE: 2-1-00

NAME	TITLE	REPRESENTING
Sandy Powell	Mgt. Systems Analyst	SRS Finance ITT Administration
Stan Parsons		KGC
Bill Henry		Ks Governmental Consulting
Allen Humphrey	HR Director	KCC
John Collins	asst. HR mgr.	D. of A.
Krista Gasperich	Staff	DOA/DPS
[illegible] Hughes	~~[illegible]~~	D of A
Jack Hawn		KPERS
Laurie McKinnon	attorney	KPERS
Don Cawby	Principal Analyst	DOB
Danielle Noe	Asst Secretary	DOA
Pat Lehman	Lobbyist	KS Fire Service Alliance
Keith Haxton	Lobbyist	SEAK
Roger Franzke	"	KGC
Lynn Jenkins	Sponsor	52nd Dist.
David Yoder		
Martin Hawver	Publisher	Hawver's Capitol Report
Almeda Edwards	Policy Chair	Franklin Co Farm Bureau
Brade Orth	Intern	KFB

KANSAS LEGISLATIVE RESEARCH DEPARTMENT Rm N-Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 ◆ FAX (785) 296-3824
kslegres@klrd.state.ks.us
http://skyways.lib.ks.us/ksleg/KLRD/klrd.html

January 31, 2000

To: Kansas 2000 Select Committee

From: Julian Efird, Principal Analyst

Re: HB 2645 Concerning an Alternative Legislative Retirement Plan

HB 2645 (also introduced in the Senate as SB 449) would provide a one-time opportunity for legislators to become members of the state's deferred compensation plan and for the state to make a defined contribution of 8.0 percent of gross compensation. The effective date would be the first day of the legislative session in 2001 following the November 2000, election for all House and Senate members. Currently, most, but not all legislators participate in the Kansas Public Employees Retirement System (KPERS) which is a defined benefit retirement plan. HB 2645 would offer legislators an alternative retirement plan which is based on a defined contribution arrangement.

For legislative members who are reelected in November 2000, and who are active members of KPERS, HB 2645 would allow those legislators an election with three choices: (1) to continue in the regular KPERS legislative retirement plan, (2) to switch to the 8.0 percent defined contribution plan, or (3) to decline participation in any retirement plan.

For legislative members who are reelected in November 2000, and who are not active members of KPERS (currently there are 20 members of the House and Senate who do not participate in KPERS), HB 2645 would allow those legislators an election either (1) to participate in the 8.0 percent defined contribution plan, or (2) to decline participation in that plan.

For new legislative members who are elected to the 2001 Legislature for the first time, HB 2645 would allow those going to the House or Senate for the first time an election with two options, either: (1) to participate in the new 8.0 percent defined contribution plan, or (2) to decline participation in that plan. New legislative members who previously have not served in the Legislature would not be able to elect KPERS participation.

All legislative members who elect to participate in one of the retirement plan options would continue to be eligible for the KPERS death and long-term disability benefits program. Legislators who choose not to participate would decline coverage under the KPERS death and disability benefits plan.

Kansas 2000 Select Committee
Meeting Date 2-1-00
Attachment 1

Fiscal Note

The FY 2000 estimated gross compensation and expenses for a "typical" legislator is $21,667. For KPERS retirement contribution purposes, the amount of $21,667 is annualized and the estimated KPERS compensation base is $64,764 for a "typical" legislator who is an active KPERS member during FY 2000. The KPERS retirement contribution paid by the state on the annualized amount is $2,325, exclusive of the amount paid for death and disability. The legislator also pays a 4.0 percent retirement contribution based on the annualized amount.

The new 8.0 percent defined contribution plan state contribution would be based on the non-annualized amount, and that contribution would be $1,733 in FY 2000 for a "typical" legislator who has compensation of $21,667. There is a net difference of $592 in FY 2000 between KPERS payments and the 8.0 percent plan that would represent an annual savings if a legislator elects to participate in the 8.0 percent plan instead of KPERS.

The KPERS retirement contribution rate was scheduled to rise in FY 2001, and if the annualized salary remained constant, the annual state contribution increase would be $252 for a "typical" legislator. However, the Governor has proposed freezing KPERS contribution rates in FY 2001, but that recommendation will require passage of legislation to suspend the rate increase. The total savings per "typical" legislator who might elect the 8.0 percent defined contribution plan instead of the KPERS plan would be $844 in FY 2001 if the rate increase takes effect. If the Governor's proposal is passed by the Legislature, then the savings per "typical" legislator who might elect the 8.0 percent defined contribution plan instead of the KPERS plan would be $592 in FY 2001.

The KPERS employer contribution rate is projected to increase 0.2 percent per year until FY 2004, and each actual increase would tend to widen the gap between the cost of the state's KPERS retirement contributions for legislators and the proposed defined contribution plan for legislators since the new plan would be based on a constant 8.0 percent rate.

During the 2000 Legislature, there are 20 legislators either who choose not to participate in KPERS or who are not eligible to elect KPERS. Those 20 legislators might elect the 8.0 percent plan if they are reelected to serve in the 2001 Legislature. There would be added costs not presently paid by the state for legislative retirement if any member of that group would opt for the new plan. The cost per individual based on the FY 2000 data of a "typical" legislator would be $1,733.

Background

Under current law, most members of the Legislature may elect to participate in KPERS, or they may decline to participate. Some other members who have retired from a KPERS participating employer are ineligible to participate in the KPERS retirement plan while serving in the Legislature. In the 2000 Legislature, 20 legislators either declined to participate or were ineligible to elect KPERS participation. A total of 145 legislators were participating in KPERS. Each legislator who participates in the KPERS retirement plan also is eligible for the KPERS death and long-term disability benefits program. The 20 members who do not participate in KPERS are not eligible for the death and disability benefits plan.

Currently, there is an 8.0 percent defined contribution plan authorized by statute to be included within the Kansas Public Employees Deferred Compensation Plan which is established under section 457 of the federal Internal Revenue Code. Participation in the 8.0 percent plan is offered as an option for certain statutorily identified state employees who may elect not to participate in KPERS, and instead may opt for an 8.0 percent defined contribution by the state into a section 457 deferred compensation account. There are approximately 65 full-time state employees who participate year-round in this 8.0 percent defined contribution program. Legislative staff from the leadership offices are among those eligible to participate in this plan. A number of part-time employees of the Legislature also participate in this program, but most only work four months during the session.

Under federal law, a section 457 deferred compensation plan allows maximum annual deferrals of 25 percent of adjusted gross earnings, not to exceed a maximum of $8,000. The voluntary plan is intended to supplement the KPERS defined benefits and is referred to as a voluntary program in which state employees may choose to participate. There is no employer match for participants in the voluntary plan, such as the 8.0 percent contribution for those statutorily defined employees. There are 13,470 deferred compensation plan accounts, with 9,451 active participants making periodic contributions. The average annual voluntary contribution is $2,250. Approximately 26,000 state employees are eligible to participate in the section 457 plan.

Aetna Life Insurance and Annuity Company administers the plan under contract with the Director of Personnel Services who is statutorily responsible for plan administration. Assets totaled $318,639,821 on December 31, 1998. The plan offers 37 different investment options, including products from Aetna, Fidelity, Janus, T. Rowe Price, Scudder, and Oppenheimer. Since the plan is self-directed by participants, assets may be shifted among different investments that include variable annuity options, with many of the choices represented by different mutual funds.

STATE OF KANSAS

LYNN JENKINS
REPRESENTATIVE, FIFTY-SECOND DISTRICT
5940 SW CLARION LANE
TOPEKA, KANSAS 66610
(785) 271-6585

STATE CAPITOL, ROOM 182-W
TOPEKA, KANSAS 66612-1504
(785) 296-7637

TOPEKA

HOUSE OF REPRESENTATIVES

COMMITTEE ASSIGNMENTS
GOVERNMENTAL ORGANIZATION AND ELECTIONS
INSURANCE
KANSAS 2000 SELECT
LEGISLATIVE POST AUDIT
TAXATION

DATE: February 1, 2000

TO: Kansas 2000 Select Committee

FROM: Lynn Jenkins

RE: HB #2645

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Mr. Chairman, members of the Committee, thank you for the opportunity to testify before you today in support of House Bill #2645. The purpose of this proposed legislation is simply to offer a fair and straightforward alternative to legislator's retirement savings that will save the state money.

Under current law, the Kansas Public Employees Retirement System (KPERS) is the only retirement plan that members of the Legislature can participate in. And as we all know, the contribution made is based on an annualized salary instead of the actual salary. Therefore, if the average pay for a typical Kansas legislator is $21,667 per year, we are able to contribute to the retirement plan based on an annualized wage base of $64,764.

The proposed legislation would provide for legislators to become members of the states 8.0 percent deferred compensation plan that other legislative staff currently participate in. Under the proposed bill, current legislators would be given a choice between continuing their regular KPERS legislative retirement plan, and switching to the deferred compensation plan. New legislators only option would be the 8.0 percent deferred plan. The theory here is that eventually the old annualized KPERS method would be starved off, leaving only the deferred plan. The bill would be effective at the start of next year.

Rarely are we given an opportunity to offer a more desirable incentive for future legislators, without penalizing longtime legislators. At the same time we can improve our image with the public by offering a more straightforward approach that saves the state money.

Kansas 2000 Select Committee
Meeting Date 2-1-00
Attachment 2