

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:40 a.m. on February 21, 2003, in Room 123-S of the Capitol.

All members were present except: Senator Christine Downey - excused

Committee staff present:

J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Michael Corrigan, Assistant Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2003 and FY 2004 were distributed to the committee.

Subcommittee report on:

Kansas Public Employees Retirement System (KPERS) (Attachment 1)

Subcommittee Chairman Kerr reported that the Subcommittee concurs with the recommendations of the Governor with comments for FY 2003. Committee questions and discussion followed.

Senator Feleciano moved, with a second by Senator Schodorf, to amend the subcommittee report for an information piece regarding FY 2003 to detail additional information regarding the amount that the actual amount of money needed is \$6.7 million dollars and is short \$5.7 million dollars in order to fund the 13th check, the average age of those involved is 84 and that the issue will gradually disappear by attrition in the next eight to ten years based on what information was available. Motion carried on a voice vote.

Subcommittee Chairman Kerr reported that the Subcommittee concurs with the recommendations of the Governor with additional comments for FY 2004.

Senator Kerr moved, with a second by Senator Barone, to adopt the subcommittee report for the Kansas Public Employees Retirement System (KPERS) for FY 2003 and FY 2004 as amended. Motion carried on a voice vote.

Senator Feleciano requested that the KPERS managers give an overview with the Joint Committee on Pensions and Investments.

The meeting adjourned at 11:10 a.m. The next meeting is scheduled for February 24, 2003.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

DATE February 21, 2003

NAME	REPRESENTING
Jeff Aynh	Division of the Budget
Julia Thomas	DOB
Glenn Duck	KPER S
Jack Hawn	KPER S

SENATE SUBCOMMITTEE REPORTS

Kansas Public Employees Retirement System (KPERs)

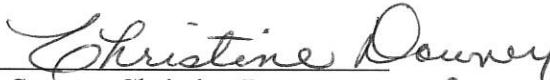
FY 2003 and FY 2004



Senator Dave Kerr, Chairperson



Senator David Adkins



Senator Christine Downey *es.*

Senate Subcommittee Report

Agency: Kansas Public Employees Retirement System

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No.

Budget Page No. 287

Expenditure Summary	Agency Est. FY 03	Governor's Recommendation FY03	Subcommittee Adjustments
State Operations	\$ 24,906,908	\$ 24,906,908	\$ 0
Aid to Local Units	0	0	0
Other Assistance*	661,795,826	661,795,826	0
Subtotal—Operating	\$ 686,702,734	\$ 686,702,734	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 686,702,734</u>	<u>\$ 686,702,734</u>	<u>\$ 0</u>
State General Fund	\$ 0	\$ 0	\$ 0
All Other Funds	686,702,734	686,702,734	0
TOTAL	<u>\$ 686,702,734</u>	<u>\$ 686,702,734</u>	<u>\$ 0</u>
FTE Positions	85.0	85.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>85.0</u>	<u>85.0</u>	<u>0.0</u>

***Note:** Retirement benefits payments are treated as nonreportable expenditures in the Governor's Budget Report. Payments from the group life insurance and long-term disability benefits plan are off-budget and not reflected as nonreportable other assistance. KPERS lump-sum (\$4,000) death benefits are included as nonreportable other assistance.

Agency Est./Governor's Recommendation

The agency's revised request of \$24,906,908 in reportable expenditures includes reductions from the approved budget of \$852,141 for an imaging project and of \$3,901,143 for investment fees. The Governor concurs with the revised estimate of \$24,906,908 for reportable expenditures in FY 2003.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 2003 recommendation and makes the following comments:

- In concurring with the Governor, one issue not addressed specifically in the Governor's Budget Report is the payment of a 13th check, otherwise known as an annual dividend payment. In FY 2003, there may be insufficient revenues accruing to this account and therefor the actual payment, which is based on a statutory formula, may contain less money than is needed in order to fund a full 13th check which in FY 2002 averaged \$475 for slightly more than 15,000 eligible

recipients. In the case of insufficient reserves and new revenue to the account, eligible retirees and their joint annuitants will receive a prorated check under current law. A minimum of \$1.0 million already is available in the account and will be paid out for the October 2003 payment. The Subcommittee discussed the issue and decided to let the current statutory formula determine how much will be paid in FY 2003 since the law has been governing the 13th check since 1987. This is the first time that less than a full check may be paid.

Senate Subcommittee Report

Agency: Kansas Public Employees Retirement System

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No.

Budget Page No. 287

Expenditure Summary	Agency Req. FY 04	Governor's Recommendation FY04	Subcommittee Adjustments
State Operations	\$ 26,487,509	\$ 26,487,509	\$ 0
Aid to Local Units	0	0	0
Other Assistance*	697,672,912	697,672,912	0
Subtotal—Operating	\$ 724,160,425	\$ 724,160,425	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 724,160,425</u>	<u>\$ 724,160,425</u>	<u>\$ 0</u>
State General Fund	\$ 0	\$ 0	\$ 0
All Other Funds	724,160,425	724,160,425	0
TOTAL	<u>724,160,425</u>	<u>724,160,425</u>	<u>0</u>
FTE Positions	85.0	85.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>85.0</u>	<u>85.0</u>	<u>0.0</u>

***Note:** Retirement benefits payments are treated as nonreportable expenditures in the Governor's Budget Report. Payments from the group life insurance and long-term disability benefits plan are off-budget and not reflected as nonreportable other assistance. KPERs lump-sum (\$4,000) death benefits are included as nonreportable other assistance.

Agency Req./Governor's Recommendation

The agency requests an increase in reportable operating expenses of slightly more than \$1.58 million over the current fiscal year for total reportable expenditures of \$26,487,509. Included in the increase is \$817,680 for investment manager fees, \$742,595 for the imaging project, and \$20,326 for net adjustments to administrative expenses, primarily higher employee benefits including health insurance. The Governor concurs with the agency's FY 2004 requested budget.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 2004 recommendation and makes the following additional comments:

- Expenditures of \$742,595 in the FY 2004 recommended budget for continuing the imaging project will be insufficient to complete and implement this project. The current development has been delayed while a reassessment is conducted. It is anticipated that the revised project will cost an estimated \$8.0 million to complete and implement. A revised proposal will be reviewed next year when the FY 2005 budget is submitted.

- No recommendation is made in this Subcommittee Report regarding the issue of a moratorium on death and disability payments in FY 2004. The Governor has recommended a four quarter moratorium and the Senate Ways and Means Committee introduced SB 47 to implement the Governor's recommendations regarding death and disability. However, the Subcommittee was alerted by the agency that if the proposed moratorium were be implemented, the program would have to become a pay-as-you-go plan by FY 2006 or FY 2007, that employer contribution rates would increase to at least 1.0 percent (from the current statutory 0.6 percent), and that the plan would become a budget item in FY 2005. Currently, it is off-budget and nonreportable.