Approved: May 1, 2003
Date

MINUTES OF THE SELECT COMMITTEE ON PENSIONS

The meeting was called to order by Chairperson John Edmonds at 1:30 p.m. on March 18, 2003 in Room 534-N of the Capitol.

All members were present except:	Representative Melvin Neufeld Representative Clark Shultz Representative Sharon Schwartz
Committee staff present:	Julian Efird Legislative Research Department Gordon Self, Office of the Revisor of Statutes Carol Doel, Committee Secretary
Conferees appearing before the committee:	Duane Goosen, Budget Director for the State of Kansas David Schauner, KNEA Andy Sanchez, Kansas Association of Public Employees Glen Deck, Executive Director of KPERS
Others attending:	See attached sheet

Chairman Edmonds opened the floor for public hearings on **SB 47** - *no employer payments for death and disability benefits during time certain.* He introduced Duane Goosen, Budget Director for the State of Kansas who presented testimony in favor of **SB 47**. It extends the moratorium on payments into the death and disability fund from a two quarter moratorium currently in place to a three quarter moratorium per fiscal year and then to a full year moratorium in fiscal year 2004. Passage of this bill will save the general fund 6.1 million dollars in fiscal year 2003 and 21.1 million dollars in fiscal year 2004. This bill is part of the Governor's budget recommendation and if not passed the Governor's budget recommendation would be out of balance by approximately 28 million dollars. The bill does not in any way affect the benefits that state employees receive for disability benefits or life insurance. (Attachment 1)

Mr. Goosen stood for questions from the committee.

Glen Deck, Executive Director of KPERS (Kansas Public Employees Retirement System) came before the committee in answer to the question relating to the length of time it took for death benefits to be paid which was usually within 30 days unless there were extenuating circumstances. Mr. Deck also submitted a report regarding KPERS Death & Disability Fund Status. This report stated that the Death & Disability benefits are funded by employer contributions of 0.6 percent of the payroll and also included the Governor's budget recommendations for fiscal years 2003-04 as well as the fiscal impact of contribution moratoriums and the cash flow analysis. (Attachment 2)

Representative McCreary asked if there had ever been an employee contribution to the Death & Disability Fund to help maintain the program. Mr. Deck responded to this question that this was a benefit which had always been totally funded by the employer since the plan was started in 1966. This a policy decision which was developed in the 60's as an employer provided benefit.

Next to appear in opposition of **SB 47** was David Schauner of KNEA(Kansas National Education Association) His testimony states that the Death and Long-Term Disability Benefits Program administered by KPERS may have been over-funded at one time, however the Legislature has suspended employer contributions a number of times since the year 2000. As a consequence of these funding moratoriums, the fund has begun consuming the fund's reserve assets. By extending the moratorium on funding of the Death and Disability Program by yet another four quarters, as this bill would do, the legislature places the fund in serious jeopardy of being depleted completely. (No written testimony)

Appearing in support of **SB 47** was Andy Sanches, Executive Director of Kansas Association of Public Employees (KAPE). They can only support this bill because the diversion of funds it provides is a way to channel some relief to active state employees. This bill gives hope to state employees who are being hit hard with no step increases the past couple of years, no cost of living adjustment this past year, health insurance co-pay and deductible increases and health insurance premium increases. It could provide an incremental change in pay for state employees. (Attachment 3)

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on 2003 in Room 519-S of the Capitol.

Hearing no one further wishing to address the bill, Chairman Edmonds closed the hearing on **SB 47**.

The Chairman asked Julian Efird, Legislative Research Department to do an overview on the remaining bill which have been assigned to the Select Committee on Pensions. (Attachment 4)

SELECT COMMITTEE ON PENSIONS

GUEST LIST

Date 3-18-03

Andy Sanchez KAPE	
[illegible] KNEA	
Jeff Bottenberg	Kansas Sheriffs / KPOA
JOHN Eichkorn	KHP

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

February 19, 2003

The Honorable Melvin Neufeld, Chairperson
House Committee on Appropriations
Statehouse, Room 517-S
Topeka, Kansas 66612

Dear Representative Neufeld:

SUBJECT: Fiscal Note for HB 2124 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2124 is respectfully submitted to your committee.

HB 2124 would require the Department of Revenue, Department of Wildlife and Parks, State Fire Marshal, Securities Commissioner, Racing and Gaming Commission, and the Department of Corrections to affiliate with the Kansas Police and Firemen's (KP&F) retirement system for coverage of eligible employees, effective July 1, 2004. These eligible employees would have an irrevocable election to become a member of KP&F for future service only, while new employees would automatically become KP&F members.

According to KPERS, the participating employer contribution rate for KP&F will be 9.47 percent in FY 2005. The employer contribution rate for KPERS in FY 2005 will be 5.18 percent. As a result, the fiscal effect of passage of this bill would be the difference between the two rates. The following agencies have identified the employees that would be affected by this bill and report the following additional expenditures that would be required during FY 2005:

SELECT COMMITTEE ON PENSIONS
Attachment 1
Date 3-18-03

	FY 2005	
State Agency	SGF	AF
Department of Corrections	$ 157,000	$ 157,000
Department of Revenue	--	36,347
Fire Marshal	--	21,240
Wildlife & Parks	10,948	182,600
Racing and Gaming	--	26,255
Total	$ 167,948	$ 423,442

Sincerely,

Duane A. Goossen

Duane A. Goossen
Director of the Budget

cc: Steve Wassom, Office of the Securities Commissioner
Beth Fenske, Fire Marshal's Office
Steve Neske, Revenue
Cheryl Dolejsi, Racing
Tracy Diel, Gaming
Jan Johnson, DOC
Dick Koerth, W&P
Jack Hawn, KPERS

KPERS

Death & Disability Fund Status
House Select Committee on Pensions

March 18, 2003

2-2

Death and Disability Fund

Death and Disability benefits for active employees are funded by employer contributions of 0.6 percent of payroll.

Nine quarter moratorium on contributions—from April 1, 2000 through December 31, 2001, and from July 1 through December 31, 2002.

Fund balance declined from $193.7 million in fiscal year 2000 to $108.8 million as of June 30, 2002.

Funded ratio was 78 percent at the end of fiscal year 2002.

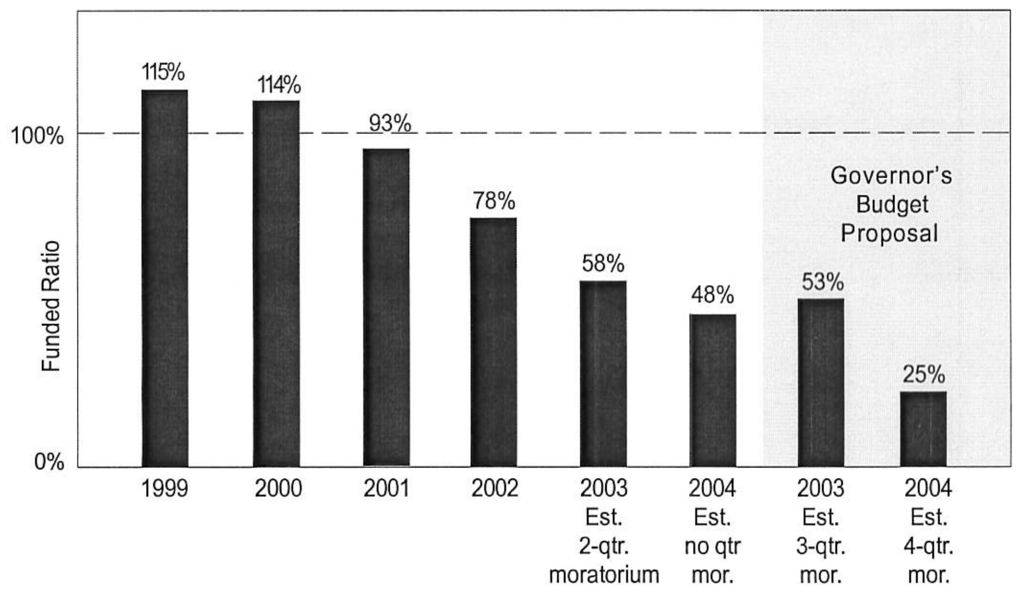
Impact of negative investment returns in fiscal years 2001 and 2002.

Death and Disability Fund

The Governor's budget recommendations for fiscal years 2003-04 include an additional five-quarter moratorium on death and disability contributions:

- The fourth quarter of fiscal year 2003 *(S Sub for HB 2026 adopted and signed by the Governor)*
- All four quarters of fiscal year 2004 *(included in SB 47)*

Death and Disability Funded Ratios 1999-2004



7-8

Death and Disability Fund

If adopted, the additional moratoriums will cause further decline in the Death and Disability Fund's reserves:

- The fund balance will fall to about $31.5 million with a funded ratio of 25 percent at the end of fiscal year 2004.

- Benefits will need to be funded on a pay-as-you-go basis beginning sometime between fiscal years 2005 and 2007, depending on contribution moratoriums after 2004.

- During the first full year after the reserve is depleted, annual employer contributions will be in the range of $50 million (versus the current level of $28 million) and the contribution rate will increase to approximately 1 percent of payroll (versus 0.6 percent).

KPERS is taking action to notify local employers of potential moratoriums in SB 47 and to direct them to hold the 0.6 percent contribution beginning April 1, 2003 until final legislative action is taken.

KPERS will need to re-examine the Fund's investment policy and invest in instruments with a lower risk profile and more liquidity.

KPERS is committed to working with State officials to develop a plan to ensure the financial stability of the Fund.

Death and Disability Fund

Fiscal Impact of Contribution Moratoriums
(millions)

						Governor's Budget Proposal		
	FY 2000	FY 2001	FY 2002	FY 2003	Subtotal	FY 2003 (4th Qtr)	FY 2004	Total
# of Quarters	1	4	2	2	9	1	4	14
State	$ 1.22	$ 4.98	$ 2.57	$ 2.57	$ 11.35	$ 1.28	$ 5.33	$ 17.96
School	3.39	13.82	7.14	7.24	31.58	3.82	15.89	51.30
TIAA	0.51	2.49	1.21	1.31	5.52	0.66	2.73	8.90
Judges	0.02	0.06	0.04	0.05	0.17	0.03	0.12	0.32
Subtotal	5.15	21.34	10.96	11.17	48.62	5.79	24.07	78.48
Local	1.43	5.98	3.01	3.17	13.59	1.59	6.60	21.77
Total	$ 6.57	$ 27.33	$ 13.97	$ 14.34	$ 62.21	$ 7.37	$ 30.67	$ 100.25

Death and Disability Fund

2-8

Cash Flow Analysis
Fiscal Years 2000 - 2003

	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003 (estimate)	
Group Insurance Reserve, Beg. of Year	$ 189,586,717	$ 193,741,927	$ 140,075,741	$ 108,817,519	
Additions					
Employer Contributions	17,164,419	-	13,874,560	7,780,213	(1)
Investment Income	24,266,283	(14,541,389)	(5,351,290)	(1,811,439)	(2)
Total Additions	41,430,702	(14,541,389)	8,523,270	5,968,774	
Deductions					
Disability	(28,652,822)	(30,170,330)	(30,237,943)	(30,973,962)	
Basic Group Life Insurance	(8,622,670)	(8,954,467)	(9,543,549)	(11,194,420)	
Total Deductions	(37,275,492)	(39,124,797)	(39,781,492)	(42,168,382)	
Group Insurance Reserve, End of Year	$ 193,741,927	$ 140,075,741	$ 108,817,519	$ 72,617,911	

(1) Assumes two-quarter moratorium for the period July 1 through December 31, 2002, and an additional quarter moratorium effective April 1, 2003.
(2) As of December 31, 2002, the fiscal year to date rate of return was negative 4.4 percent. January estimates place the fiscal year 2003 rate of return at negative .33 percent.

KAPE
FPE / AFT / AFL-CIO

The Kansas Association of Public Employees

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Testimony on SB 47
Before the House
Select Committee on Pensions

March 18, 2003
Presented by Andy Sanchez, Executive Director
Kansas Association of Public Employees

Thank you Mr. Chairman, I appreciate the opportunity to appear before your committee and speak on SB 47. KAPE represents state, city and county employees. Today I am here on behalf of state employees we represent to voice our support for SB 47 and help support the Governor's recommendation.

KAPE can only support this bill because the diversion of funds SB 47 provides is a way to channel some relief to active state employees. KAPE was critical of the precedent the state set when it began the diversion of funds from the Death and Disability program. Previous diversions simply provided a way to help make the state budget work not benefiting state employees or retirees whom the benefit was intended for. However, in this instance there seems to be a distinct difference in how the savings might be used. The state has not been able to adequately fund the compensation system we have for state employees. Thus, this bill gives hope to state employees who are being hit hard with no step increases the past couple of years, no cost of living adjustment this past year, health insurance co-pay and deductible increases and health insurance premiums increasing from 12 to 45%. This is a bill that could provide an incremental change in pay for state employees. It simply helps to maintain a compensation system. This diversion can only be supported by KAPE because state employees are in dire need.

Thank you

Kansas Legislative Research Department March 18, 2003

House Budget Committee Report

KPERS Issues

A number of bills pertaining to retirement and other benefits was assigned for review. Hearings were held on February 19, 2003, on HB 2012, HB 2013, HB 2124, HB 2225, and SB 47. Hearings were held on February 24, 2003, on HB 2127 and HB 2325. On March 6, 2003, the Speaker of the House announced establishing a House Select Committee on Pensions and charged it with studying the issues surrounding state pensions. As a result, the preceding bills and HB 2410 that originally were assigned to the Budget Committee were withdrawn from the House Appropriations Committee and rereferred to the new Select Committee. In addition, one other bill was introduced later: HB 2433 was assigned initially to the new Select Committee.

Summary of Bills

HB 2012 allows Tier I KP&F members to retire with unreduced benefits after 32 years of service regardless of age.

Cost: Additional $2.2 million Unfunded Actuarial Liability (UAL). Additional first year contributions – State $20,000, Local $173,000.

HB 2013 exempts certain employees of not-for-profit nongovernmental entities who later are employed by a KP&F employer from participating in the KP&F Retirement System.

Cost: None.

HB 2124 provides for the membership in Kansas Police and Firemen's Retirement System (KP&F) of certain employees of the Departments of Revenue, Wildlife and Parks, Corrections, State Fire Marshal, Securities Commission, and Racing and Gaming Commission.

Cost: For the State, 4.29 percent of the total payroll of the covered groups for first year above the KPERS rate included in the budgets. For the individuals, 3.0 percent above the statutory KPERS rates of 4.0 percent for those who elect KP&F.

HB 2127 eliminates the earnings limitation after retirement under KPERS.

Cost: Variable. Could be significant depending on demographics of group and if retirement patterns change as a result.

HB 2225 reduces vesting under KPERS from ten years to five years. Effective date July 1, 2005.

Cost: State/School increase in Unfunded Actuarial Liability (UAL) $5.0 million, additional first year contributions $1.5 million. Local increase in UAL $4.0 million, additional first year contributions $1.1 million.

HB 2325 provides that the retirant dividend payment (13th check) will not be dependent on investment performance.

Cost: Additional UAL $35.9 million. Additional first year contributions: State $1.8 million, Local $1.2 million.

HB 2410 increases the retirant death benefit from $4,000 to $5,000.

Cost: Additional UAL $32.8 million. Additional first year contribution: State $1.64 million, Local $0.44 million.

HB 2433 authorizes an additional benefit payment to all KPERS retirees or disabled members who retired or became disabled before July 1, 2002, in the form of an amount equal to 50 percent of their regular monthly benefit payment. The one-half check would be paid on October 1, 2003.

Cost: Additional UAL $24.1 million.

SB 47, as amended, establishes a contribution moratorium from April 1, 2003 through June 30, 2004 for the KPERS death and disability program.

Cost: State $(29.86) million, Local $(8.19) million.

Committee Review of Bills

SB 47 Death and Disability Contribution Moratorium

The bill, as amended by the Senate Committee of the Whole, would provide a five quarter moratorium on employer contributions for the death and disability plan, as recommended by the Governor in the *FY 2004 Budget Report*. The Budget Committee reviewed a KPERS report on the financing of the death and disability plan, concluding that if the Governor's recommendation for five quarters is implemented, then the plan would become pay-as-you-go no later than FY 2006 or FY 2007. An employer contribution rate increase from 0.6 to 1.0 percent likely will be needed to finance the plan.

The fiscal note on SB 47 indicates that all funds savings of $6,123,070 million for the state will result in FY 2003, including $5,265,070 million in State General Fund (SGF) and $858,000 in special revenue fund expenditures. In addition, local units of government will save an estimated $1.59 million, according to KPERS. FY 2004 savings for the state will total an estimated $21,144,360 from all funds, with $17,758,360 in SGF and $3,386,000 in special revenue funds. In addition, local units of government will save an estimated $6.6 million, according to KPERS.

The Governor's FY 2004 budget recommendation includes state savings from death and disability funds as the source of financing for a proposed 1.5 percent cost-of-living adjustment for state employees. Financing of $13.5 million SGF is included in the salary plan pool. None of the local money saved is used for this purpose, but rather is allowed to remain in the local units' budgets as savings.

Hearing (2/19/2003): A representative of the Kansas Association of Public Employees (KAPE) appeared in support. Opposing the bill were a representative from the Kansas National Education Association (KNEA) and Rep. John Edmonds.

HB 2012 Earlier KP&F Retirement

The bill was recommended by the Joint Committee on Pensions, Investments and Benefits in order to allow Tier I KP&F members with 32 years of credit service to retire before age 55, with no reduction in benefit. Tier II KP&F members may retire at age 50 with no reduction in benefit.

Hearing (2/19/2003): Four proponents appeared in support of the bill: a representative from the Fraternal Order of Police Lodge #4, Kansas City Kansas, the Deputy Chief of the Kansas City Kansas Police Department, a representative of the Kansas Peace Officers Association, and a member of the Topeka Fire Department. Rep. John Edmonds asked for the Budget Committee to defer action on the bill for 30 days so the Joint Committee on Pensions, Investments and Benefits could review its earlier recommendation made during the 2002 Interim. It was noted that the membership had changed and given its new members had not reviewed the issue, the deferral would allow the Joint Committee a chance.

HB 2013 KP&F Membership Not Required

The bill was requested by the city of Overland Park in order to retain a separate pension plan for members of its fire department. The bill was recommended by the Joint Committee on Pensions, Investments and Benefits. The Overland Park Fire Department is a not-for-profit nongovernmental entity, and will be merged with the city on July 1, 2003. The bill would allow the continuation of the existing pension plan by not requiring affiliation with KP&F when the department is incorporated into the city.

Hearing (2/19/2003): A representative of the city of Overland Park and the Overland Park Fire Chief appeared in support of the bill. There were no opponents.

HB 2124 KP&F Membership for State Employees

The bill would allow law enforcement personnel in a number of different state agencies to have an election in which they could choose to remain under KPERS, or switch to membership under the Kansas Police and Fireman's (KP&F) Retirement System. Currently, only law enforcement officers in the Highway Patrol (troopers), Kansas Bureau of Investigation (agents), and Regents police officers are covered by KP&F.

Hearing (2/19/2003): Proponents included the Assistant Superintendent of the Highway Patrol speaking on behalf of Capitol Police Officers and Motor Carrier Inspection Officers, an officer from the Capitol Police, and a representative of the Kansas Association of Public Employees (KAPE). Also appearing as a neutral conferee was a representative of the Department of Wildlife and Parks who noted that the bill as introduced would affect only 106 agency personnel, with another 56 employees who have law enforcement duties not recognized under provisions of the bill as introduced. Rep. John Edmonds asked for the Budget Committee to defer action on the bill either to allow interim study this summer, or alternatively, for 30 days so the Joint Committee on Pensions, Investments and Benefits could review this matter. It was noted that the bill had not been reviewed, and the deferral would allow the Joint Committee a chance for developing a recommendation.

HB 2225 Five-Year KPERS Vesting

The bill reduces the length of time new members must wait before being entitled to a KPERS retirement benefit. Under current law, most employees must work at least 10 years before being entitled to a retirement benefit. There are a few exceptions, such as new employees who are within a few years of retirement eligibility or employees who are able to acquire prior service credits that count towards 10-year vesting.

Hearing (2//2003): Proponents for the bill included representatives from the State Employees Association of Kansas (SEAK), the Kansas Association of Public Employees (KAPE), and the Kansas National Education Association (KNEA). Rep. John Edmonds asked for the Budget Committee to defer action on the bill either to allow interim study this summer, or alternatively, for 30 days so the Joint Committee on Pensions, Investments and Benefits could review this matter. It was noted that the bill had not been reviewed, and the deferral would allow the Joint Committee a chance for developing a recommendation.

HB 2127 Working After Retirement

The bill deletes a $15,000 statutory cap on the amount of earnings allowed if a KPERS employee returns to work after retirement for the same participating employer. Under current law, if a retired KPERS member returns to work for the same participating employer, when calendar year earnings reach $15,000, the employee must either stop working, or KPERS will cut off the retirement benefit payments for the remainder of the calendar year.

Hearing (2/24/2003): Proponents of the bill included Rep. Ray Cox and representatives of the Bonner Springs School District, Olathe School District, Kansas Hospital Association, Kansas State Nurses Association, and State Employees Association of Kansas (SEAK). Appearing as a neutral conferee was a representative of the Kansas National Education Association (KNEA) who pointed out that of 4,700 KPERS members who are currently eligible for retirement without reduced benefits, over 3,700 of them are school employees. Replacing teachers remains a problem, but the profession needs to attract new teachers. Finding a balance between allowing retired teachers to work longer, and bringing new teachers into the profession is not addressed by the bill as introduced.

HB 2325 Funding the 13th Check

In FY 2003, there may be insufficient revenues accruing to make a full payment, which is based on a statutory formula, since the statutory account may contain less money than is needed. In FY 2002, a 13th check averaged $475 for slightly more than 15,000 eligible recipients. In the case of insufficient reserves and no 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 estimated amount of the 2003 maximum payment is approximately $6.7 million. About $5.7 million will need to be credited to the reserve along with the $1.0 million carry over balance in order to make the maximum payment. The bill would fold the liability into the Unfunded Actuarial Liability and make the annual payment, plus guaranteed full funding, permanent.

Hearing (2/24/2003): Proponents included representatives from the Kansas National Education Association (KNEA) and the State Employees Association of Kansas (SEAK).

KAPE
FPE / AFT / AFL-CIO

The Kansas Association of Public Employees

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Attachment 3
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SELECT COMMITTEE ON PENSIONS
Attachment 4
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HB 2013 KP&F Membership Not Required

The bill was requested by the city of Overland Park in order to retain a separate pension plan for members of its fire department. The bill was recommended by the Joint Committee on Pensions, Investments and Benefits. The Overland Park Fire Department is a not-for-profit nongovernmental entity, and will be merged with the city on July 1, 2003. The bill would allow the continuation of the existing pension plan by not requiring affiliation with KP&F when the department is incorporated into the city.

Hearing (2/19/2003): A representative of the city of Overland Park and the Overland Park Fire Chief appeared in support of the bill. There were no opponents.

HB 2124 KP&F Membership for State Employees

The bill would allow law enforcement personnel in a number of different state agencies to have an election in which they could choose to remain under KPERS, or switch to membership under the Kansas Police and Fireman's (KP&F) Retirement System. Currently, only law enforcement officers in the Highway Patrol (troopers), Kansas Bureau of Investigation (agents), and Regents police officers are covered by KP&F.

Hearing (2/19/2003): Proponents included the Assistant Superintendent of the Highway Patrol speaking on behalf of Capitol Police Officers and Motor Carrier Inspection Officers, an officer from the Capitol Police, and a representative of the Kansas Association of Public Employees (KAPE). Also appearing as a neutral conferee was a representative of the Department of Wildlife and Parks who noted that the bill as introduced would affect only 106 agency personnel, with another 56 employees who have law enforcement duties not recognized under provisions of the bill as introduced. Rep. John Edmonds asked for the Budget Committee to defer action on the bill either to allow interim study this summer, or alternatively, for 30 days so the Joint Committee on Pensions, Investments and Benefits could review this matter. It was noted that the bill had not been reviewed, and the deferral would allow the Joint Committee a chance for developing a recommendation.

HB 2225 Five-Year KPERS Vesting

The bill reduces the length of time new members must wait before being entitled to a KPERS retirement benefit. Under current law, most employees must work at least 10 years before being entitled to a retirement benefit. There are a few exceptions, such as new employees who are within a few years of retirement eligibility or employees who are able to acquire prior service credits that count towards 10-year vesting.

Hearing (2//2003): Proponents for the bill included representatives from the State Employees Association of Kansas (SEAK), the Kansas Association of Public Employees (KAPE), and the Kansas National Education Association (KNEA). Rep. John Edmonds asked for the Budget Committee to defer action on the bill either to allow interim study this summer, or alternatively, for 30 days so the Joint Committee on Pensions, Investments and Benefits could review this matter. It was noted that the bill had not been reviewed, and the deferral would allow the Joint Committee a chance for developing a recommendation.

HB 2127 Working After Retirement

The bill deletes a $15,000 statutory cap on the amount of earnings allowed if a KPERS employee returns to work after retirement for the same participating employer. Under current law, if a retired KPERS member returns to work for the same participating employer, when calendar year earnings reach $15,000, the employee must either stop working, or KPERS will cut off the retirement benefit payments for the remainder of the calendar year.

Hearing (2/24/2003): Proponents of the bill included Rep. Ray Cox and representatives of the Bonner Springs School District, Olathe School District, Kansas Hospital Association, Kansas State Nurses Association, and State Employees Association of Kansas (SEAK). Appearing as a neutral conferee was a representative of the Kansas National Education Association (KNEA) who pointed out that of 4,700 KPERS members who are currently eligible for retirement without reduced benefits, over 3,700 of them are school employees. Replacing teachers remains a problem, but the profession needs to attract new teachers. Finding a balance between allowing retired teachers to work longer, and bringing new teachers into the profession is not addressed by the bill as introduced.

HB 2325 Funding the 13th Check

In FY 2003, there may be insufficient revenues accruing to make a full payment, which is based on a statutory formula, since the statutory account may contain less money than is needed. In FY 2002, a 13th check averaged $475 for slightly more than 15,000 eligible recipients. In the case of insufficient reserves and no 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 estimated amount of the 2003 maximum payment is approximately \$6.7 million. About \$5.7 million will need to be credited to the reserve along with the \$1.0 million carry over balance in order to make the maximum payment. The bill would fold the liability into the Unfunded Actuarial Liability and make the annual payment, plus guaranteed full funding, permanent.

Hearing (2/24/2003): Proponents included representatives from the Kansas National Education Association (KNEA) and the State Employees Association of Kansas (SEAK).