

MINUTES OF THE HOUSE SELECT COMMITTEE ON KPERS COMMITTEE

The meeting was called to order by Chairman Sharon Schwartz at 3:40 p.m. on February 25, 2009, in Room 446-N of the Capitol.

All members were present except.

Representative Harold Lane - Absent
Representative Robert Olson - Excuse
Rep. Jeff Whitham - Absent

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Julian Efird, Kansas Legislative Research Department
Carol Bertram, Committee Assistant

Conferees appearing before the committee:

Glenn Deck, Executive Director, Kansas Public Employees Retirement System

Others attending:

See attached list.

Chair Schwartz informed the Committee she had received word from Speaker Michael R. O'Neal that in accordance with Joint Rules of the Senate & House #4 (d), the Select Committee on KPERS is designated as an exempt committee. A hard copy of the memorandum will be sent to each committee member by the committee assistant.

Committee members have received copies of the minutes for the January 29, 2009 and February 9, 2009 meetings. Chair Schwartz asked if there was a motion to approve these minutes. Representative Long moved the January 29 and February 9 minutes of the KPERS meetings be approved as written, seconded by Representative Shultz. The motion carried.

Chair Schwartz opened the meeting on **SB 219 - Moratorium on employer contributions for death and disability benefits under KPERS.**

Gordon Self, Office of the Revisor of Statutes, explained **SB 219** and noted the amendments which had been made in the Ways and Means Committee. He also noted the funding mechanism which provides for the contributions being made to the fund.

Chair Schwartz recognized Glenn Deck, Executive Director, Kansas Public Employees Retirement System, who presented testimony in regard to **SB 219 (Attachment 1)**. He stated the bill provides for a plan of death and long-term disability benefits for active KPERS members, and that it accelerates the effective date of the moratorium to March 1, 2009. He urged rapid consideration and enactment of **SB 219** in order for it to accommodate the March 1 implementation date in **SB 23**. Also, KPERS has communicated with employers that this bill providing for the moratorium is pending, but has not passed.

Questions and answers followed.

Chair Schwartz closed the hearing on **SB 219**.

Chair Schwartz brought the Committee's attention to **HB 2072** for consideration. Gordon Self, Staff, presented the Committee with a brief overview of **HB 2072**.

Representative Flaharty moved that **HB 2072** be amended by deleting paragraph 10, lines 19 through 28 on page 3 of the bill, seconded by Representative Long. She stated this would remove the cap. Motion carried.

Representative Flaharty moved the Committee pass **HB 2072** favorably for passage as amended, seconded by Representative Long. The motion carried.

Chair Schwartz brought the Committee back to **SB 219** for action. It was moved by Representative Shultz

CONTINUATION SHEET

Minutes of the House Select Committee on KPERS at 3:40 p.m. on February 25, 2009, in Room 446-N of the Capitol.

that the Committee recommend **SB 219** favorably for passage, seconded by Representative Carlson. There was a brief discussion where committee members asked for clarification of certain items contained in the bill. The motion carried.

The meeting was adjourned at 4:10 p.m.

Representative Sharon Schwartz, Chair

HOUSE SELECT COMMITTEE ON KAPERS

DATE: 3-25-09

NAME	REPRESENTING
Callie Coco	Hearney & Associates, Inc.
Pat Lehman	KFSA
Dennis Phillips	KSCFF
Ed Redmon	KSCFF
Glenn Deck	KPER5
Karla Thies	Interest Party Interest Party
Moji Fanimokun	LKM

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SB 219

Testimony for the House Select Committee on KPERS

Glenn Deck
Executive Director
Kansas Public Employees Retirement System

February 25, 2009

Madam Chairperson and Members of the Committee:

Thank you for this opportunity to provide testimony regarding SB 219, which provides for suspension of contributions to the Group Insurance Reserve Fund for KPERS death and disability benefits for a period of three quarters.

Overview

K.S.A. 74-4927 provides for a plan of death and long-term disability benefits for active KPERS members. It further provides for each participating employer to pay an amount equal to 1.0% of the amount of compensation on which members' contributions to the System are based. The employer contributions are deposited in the Group Insurance Reserve Fund (the Fund), from which the death and disability benefits are paid.

The Governor's budget recommendations for FY 2010 included a three-quarter moratorium on payments into the Fund by state agencies, beginning July 1, 2009, and ending March 31, 2010. SB 23, as passed by the Legislature and approved by the Governor, accelerated the effective date of the moratorium to March 1, 2009. The budgetary savings to the State for a nine-month moratorium beginning March 1, 2009, are projected to be \$37.44 million.

Kansas Public Employees Retirement System Death and Disability Fund Budgetary Impact of a Three-Quarter Moratorium			
	<i>Moratorium Beginning 3/1/09 through 11/30/09</i>		
	FY 2009	FY 2010	Total
State	\$ 5,974,076	\$ 7,543,025	\$13,517,101
School	\$ 8,272,217	\$15,592,427	\$23,864,644
Judges	\$ 37,592	\$ 23,101	\$ 60,693
Total State	\$14,283,885	\$23,158,553	\$37,442,438
Local	\$ 4,973,968	\$ 6,358,166	\$11,332,134
Grand Total	\$19,257,853	\$29,516,719	\$48,774,572

Following this three-quarter moratorium, the FY 2010 year-end balance in the Fund is projected to be \$10.7 million.

SB 23 prohibits payments to the Fund by state agencies, including contributions for state employees and contributions paid by the State on behalf of school districts for their employees. However, it does not suspend the contribution requirements as they apply to local government employers. Therefore, SB 219 is a necessary companion bill that amends the underlying substantive law requiring employer contributions to the Fund. As passed by the Senate, SB 219 amends K.S.A. 74-4927 to prohibit any participating employer from appropriating and paying to the Fund any amount for the period beginning March 1, 2009, and ending November 30, 2009.

Implementation Timing Issues

Rapid consideration and enactment of the SB 219 is necessary to accommodate the March 1 implementation date in SB 23. KPERS has communicated with employers that this bill providing for the moratorium is pending, but has not passed.

- There are approximately 1,000 local participating employers that are affected by the moratorium.
- Local participating employers have a wide range of payroll cycles. As a result, there will be pay dates for some local employers as early as March 2nd, with the others scattered throughout the month.
- If the bill is enacted after March 1, but is made retroactive to that date, a number of local employers may have made payments that would then need to be refunded, which is a more time-consuming, inefficient approach than implementing the contribution suspension on March 1.

For these reasons, I would urge the Committee to work toward rapid enactment of SB 219.

Thank you for your consideration of these issues. I would be glad to respond to any questions you might have.