

MINUTES OF THE HOUSE SELECT COMMITTEE ON KPERS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 8:00 a.m. on March 2, 2010, in Room 546-S of the Capitol.

All members were present except:

Representative Richard Carlson, Absent  
Representative Robert Olson, Absent

Committee staff present:

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

Conferees appearing before the Committee:

Representative Eber Phelps, 111<sup>th</sup> District  
Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS)

Others attending:

See attached list.

After calling the meeting to order, Chair Schwartz opened the hearing on **HB 2716 - Computation of KPERS benefits for certain state officers and employees placed on furlough.**

Julian Efird, Legislative Research Department, explained that this bill revives and makes a few changes to a prior law that was on the books until 2007. It relates to furloughs and the reduction of compensation of employees in state agencies. The bill identifies employees that have attained 20 or more years of service who would be furloughed; it would protect them when computing their final average salary and other benefits should they be furloughed.

Chair Schwartz recognized Representative Eber Phelps who appeared before the committee to offer testimony for Representative Tom Hawk (Sponsor of the original bill introduction) who was unable to be present (Attachment #1). He stated that **HB 2716** provides for some employees, should they be furloughed, to retain the calculation of their final KPERS benefit as if they had remained on full pay. The agency would make the KPERS payment for the designated employees as if they had not been furloughed. Also, he stated it is in the state's best interest to have some method available to encourage the retention of the senior talent who might retire before they really wish or in a situation that might harm the agency by the loss of their seasoned and skilled expertise.

Questions and answers followed.

Chair Schwartz recognized Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS) who answered questions concerning how the calculations for retirement may reduce the benefits of a retiree who is furloughed.

Since there were no other proponents or opponents to testify on **HB 2716**, Chair Schwartz closed the hearing on **HB 2716**.

**SB 146 - Kansas public employees retirement system; computation of benefits when rate of computation is reduced or placed on furlough; removing sunset provision**

For informational purposes, Chair Schwartz drew the Committee's attention to **SB 146**.

Julian Efird explained the differences between **HB 2716** and **SB 146**. He drew the Committee's attention to New Section 2 on line 14 page two of the bill which refers to closure of offices and hourly furloughs. He stated both bills revive the prior law, but each bill includes different changes in that law differently.

## CONTINUATION SHEET

Minutes of the House Select Committee on KPERS Committee at 8:00 a.m. on March 2, 2010, in Room 546-S of the Capitol.

Chair Schwartz recognized Gordon Self, Office of the Revisor of Statutes, who further explained the differences between **HB 2716** and **SB 146**. Glenn Deck (KPERS) also offered background information in regard to the two bills. Questions and answers followed.

### Early Retirement Options

Representative Schultz reported that the Subcommittee is having a bill drafted which is to be introduced by the Committee at the rail. This proposed bill relates to the retirement of certain public employees and their health care benefit payments. Sh said the subcommittee does plan to meet again and will have a report for the Committee at its next meeting..

Gordon Self, Office of the Revisor of Statutes, distributed copies of the proposed legislation which the subcommittee had requested (Attachment #2). Mr. Self explained its contents. He stated there remains a lot of details to work out but that this language is a start.

Questions and answers followed.

Chair Schwartz recognized Julian Efird, Legislative Research Department, who distributed copies of the Joint Committee on Pensions, Investments and Benefits' items on KPERS Long-term Funding Proposal which provided the following information: (1) Increase the current cap on the maximum year-to-year increase in employer contributions from .6% to 1.0%. (2) Increase the employee contribution rate .5% per year for four years to a maximum of 6% for KPERS tier I and 8% for KPERS tier II. (3) Increase the current multiplier for retirant benefit calculations from 1.75% to 1.85% for KPERS tier I and II (Attachment #3). Mr. Efird guided the Committee through the items explaining each handout page and answering questions.

The meeting was adjourned at 9:00 a.m.



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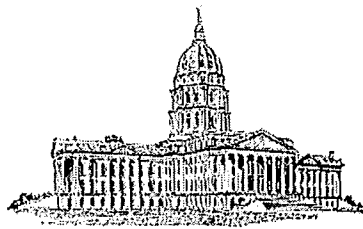
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STATE OF KANSAS

TOPEKA

HOUSE OF  
REPRESENTATIVES

## COMMITTEE ASSIGNMENTS

### MEMBER:

Tax (M-F, 9 AM, Docking 783)

Social Services Budget (M-T, 3:30 PM, D785)

State Employee Pay Plan Oversight

### RANKING MINORITY:

Vision 2020 (M,W; 1:30 PM, D785)

March 2, 2010

Chairman Schwartz and Committee Members: I regret that I am unable to be here in person, but appreciate Rep. Phelps's presentation of my testimony on HB2716.

In a nutshell, HB2716 provides for some employees, should they be furloughed, to retain the calculation of their final KPERS benefit as if they had remained on full pay. The agency would make the payment for the "designated" employees as if they had not been furloughed.

My request for the bill came from a request by one of my Riley County Commissioners who was concerned that the budget cuts for the District Court and the planned furloughs had led to an early retirement of two key, long term employees in our county. It was his thinking that they had likely calculated that the furlough would reduce their ultimate calculation of KPERS benefits so they chose to take their retirement before the budget cuts.

HB2716 is closely modeled after a Senate bill of last year that did not pass. It was my understanding that bill provided calculation and payment of the employers share of KPERS for all employees should there be a state furlough. My bill attempts to limit the fiscal note on this practice with two major differences:

1. The employee would be designated (line 22) by the agency. This would allow the agency, potentially dealing with a budget cut, to target this favorable calculation for only those employees that might have experience that would be most difficult to replace and for which an early retirement would hurt the agency. This could be an incentive to encourage an eligible employee to stay and "stick out the hard times" without being penalized on their final employee calculation.
2. The designated employee must have attained 20 or more years of credited service.

My intent with this bill is not to encourage or support furloughs as a preferred solution to the serious budget shortfalls we are experiencing. However, we saw that the Court system did choose this method when faced with their unexpected shortfall of revenue in this budget year. Should other state agencies, through choice or legislative action now or in the future, use furloughs as a budget solution, I believe it is in the state's best interest to have some method available to encourage the retention of the senior talent who might retire before they really wish or in a situation that might harm the agency by the loss of their seasoned and skilled expertise. This bill allows the agency to make that decision and then make the payment for the state and the employee should that be their best management choice.

As a result of the way this bill is structured, I do not believe there is an additional fiscal note like there was with the Senate bill last year. The agency would have to decide whether to offer this option to key senior employees and then use existing budget to fund it.

I am not tied to any particular provision in this bill and am certainly open to any other amendments that might better accomplish the aim of not "retiring any employee" during a budget crunch when the employee and the agency might wish their retention if their retirement was not penalized with a furlough. Thank you for your consideration of this concept.

HOUSE SELECT COMMITTEE ON KPERS  
DATE: 3-2-10  
ATTACHMENT: 1

Proposed HOUSE BILL NO. \_\_\_\_\_

By

AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system; retirement of certain state officers and employees; health care benefit payments; reduction in F.T.E. position for certain state agencies.

Be it enacted by the Legislature of the State of Kansas:

Section 1. Subject to the provisions of this act, any officer or employee of the state who is 62 years of age or older and who retires on or after the normal retirement date of such officer or employee pursuant to the provisions of K.S.A. 74-4914, and amendments thereto, from the Kansas public employees retirement system shall be entitled to a health care benefit payment by the state as provided in this section. The state shall pay to the Kansas state employees healthcare commission on behalf of each such retirant the total cost of participation in the state health care benefits program under K.S.A. 75-6501 et seq., and amendments thereto, at the same times during the year as the cost of participation would be payable by such retirant for a period of three years from the date of retirement and continuation of coverage of such retirant in such program. No more than 500 retirants shall be entitled to the healthcare benefits provided by this act, as certified by the executive secretary of the Kansas public employees retirement system. The executive secretary shall provide the governor or legislative coordinating council notice of the name, employing state agency and retirement date of each retirant who is entitled to healthcare benefit payments pursuant to this act and such other

information that may be prescribed by the governor or legislative coordinating council. Upon receipt of each notice regarding a retirant employed by a state agency in the executive branch, the governor shall direct the secretary of administration to reduce by one the number of F.T.E. positions authorized for the state agency that employed the retirant who is entitled to healthcare benefit payments pursuant to this act and reduce the expenditure authority of such state agency in an amount attributable to the amount of unused salary and employer-paid benefits attributable to the retirant's job position. Upon receipt of each notice regarding a retirant employed by a state agency in the legislative branch, the legislative coordinating council shall reduce by one the number of F.T.E. positions for the state agency that employed the retirant and reduce the expenditure authority of such state agency in an amount attributable to the retirant's job position. The executive secretary shall administer the provisions of this act.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

KPERS Long-term Funding Proposal for consideration of  
Joint Committee on Pensions, Investments and Benefits

- (1) Increase the current cap on the maximum year-to-year increase in employer contributions from .6% to 1.0%.
- (2) Increase the employee contribution rate .5% per year for four years to a maximum of 6% for KPERS tier I and 8% for KPERS tier II.
- (3) Increase the current multiplier for retirant benefit calculations from 1.75% to 1.85% for KPERS tier I and II.

**\*\*Effective date of these proposed changes need to be decided.\*\***