

MINUTES OF THE SENATE KPERS SELECT COMMITTEE

The meeting was called to order by Chairman Stephen Morris at 7:30 a.m. on March 15, 2011, in Room 144-S of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the Committee:

Glenn Deck – Executive Director of KPERS (Kansas Public Employees Retirement System)

Others attending:

See attached list.

Minutes were provided to the committee for approval from the February 3, 2011 and February 23, 2011 committee meetings.

The hearing was opened on **SB 49--Increased employee and employer contribution rates and benefit formula multiplier.**

Chairman Morris stated that **SB 49** is very similar to a bill that was in Ways and Means Committee last year, and is now in the Select Committee. The Chairman indicated that this bill was the recommendation of the Interim Committee after two years of study. Staff handed copies to the Committee of the proposed amendments to **SB 49** Summary of Key Provisions (Attachment 1). The Chairman indicated that the summary sheet lists suggestions that he would like to offer to the Committee. The proposed summary set out statutory cap increases for KPERS groups with commencement dates. The proposal breaks down contribution rate increases for Tier 1 employees, and suggestions for Tier 2 members.

The proposed summary requests the establishment of a KPERS Study Commission. This Commission would meet in the summer to analyze the current retirement system and report back prior to December 15, 2011. The Commission would include 11 appointed members. The Chairman stated that the provisions on contribution rates for **SB 49** would not go into effect until the Legislature acts on the Study Commission recommendations.

The Chairman opened the floor for discussion. Chairman Morris, Glenn Deck, and staff answered questions regarding the proposed amendments to **SB 49** Summary of Key Provisions.

Senator Vratil made the motion to amend the proposed amendments in **SB 49** by including a provision reserving the right of the State to modify the terms and conditions of the Pension Plan at the discretion of the State.

Senator Huntington seconded the motion.

The Motion passed with a No vote noted by Senator Kelly.

Senator Teichman voted to approve the minutes presented to the Committee from the February 2 and February 23rd meeting. Senator Vratil seconded the motion.

The next meeting is scheduled for March 18, 2011 at 1:30 p.m.

The meeting was adjourned at 8:20 a.m.

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KPERs SELECT COMMITTEE GUEST LIST

DATE: 3/15/11

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**Proposed Amendments to SB 49
Summary of Key Provisions**

Statutory Employer Contribution Cap Increase

- Employer contribution statutory cap increases to 1.1% starting FY 2014 for all three KPERS Groups:
 - July 1, 2013 for State and School
 - January 1, 2014 for Local

Employee Contribution Rate Increases and Election

- Tier 1 Employee contribution rate increases 1% commencing January 1, 2014 and an additional 1% commencing January 1, 2015 for a total employee contribution rate of 6%.
- Subject to IRS approval, current Tier 2 members are given a one-time irrevocable option to: 1) have their employee contributions increase a total of 2% on January 1, 2014 in order to be eligible for the Tier 2 cost-of-living adjustment (COLA) at retirement and the 1.85% future service multiplier or 2) forfeit the cost-of-living adjustment for Tier 2 members and remain at an employee contribution rate of 6%. Those who choose the second option remain at the 1.75% multiplier for all service. Members who fail to select an option default to option 2.
- All Tier 2 members hired after July 1, 2013 have an employee contribution rate of 6% and do not receive the cost-of-living adjustment (COLA) at retirement and have a 1.75% multiplier for all service.

Increase Benefit Formula Multiplier

- The KPERS retirement benefit formula multiplier would increase from 1.75 percent to 1.85 percent for all future years of service credited to KPERS Tier 1 and Tier 2 members who choose to have an employee contribution increase of 2% commencing January 1, 2014.

KPERS Study Commission

- Establish a KPERS Study Commission to analyze the current retirement system and develop a viable plan to ensure the long-term sustainability of the system to possibly include a defined contribution plan, hybrid plan, modified defined benefit plan, or other possible options. Membership of the Commission would include 11 members appointed as follows:
 - Four legislative members (one appointed by President of the Senate, one by the Senate Minority Leader, one by the Speaker of the House and one by the House Minority Leader).
 - Two private sector members (one appointed by President of the Senate and one by the Speaker of the House).
 - Three members appointed by the Governor (one must be licensed Kansas attorney).
 - The Chairperson of the Board of Trustees of the Kansas Public Employees Retirement System.
 - One member from the State employee groups.

Senate KPERS Select Committee

3/15/11

Attachment 1

- Ex-officio non-voting members: Budget Director, Director of Legislative Research, Revisor of Statutes, and KPERS Executive Director.

Commission must issue report with recommended legislation by December 15, 2011.
Legislature must act on the report within 180 days of receiving report.

Effective Date

- Provisions of SB 49 on contribution rates do not go into effect until Legislature acts on Study Commission recommendations.