Approved: January 26, 2000
Date

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 20 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Norman Furse, Revisor of Statutes
Michael Corrigan, Asst. Revisor of Statutes
Rae Anne Davis, KS Legislative Research Department
Debra Hollon, KS Legislative Research Department
Judy Bromich, Administrative Assistant to the Chairman
Ronda Miller, Committee Secretary

Conferees appearing before the committee:
Meredith Williams, Executive Secretary, Kansas Association of Public Employees
Pat Beckham, KPERS Consulting Actuary, Milliman & Robertson, Inc.

Others attending: See attached list

Mr. Meredith Williams appeared before the Committee and briefly reviewed copies of a document which included the KPERS mission statement (Attachment 1), the membership of the Board of Trustees (Attachment 2), and KPERS accomplishments, initiatives, and monthly reports. (Attachment 3) He reported that KPERS had undergone their fifth consecutive financial audit with a clean opinion. Over the last five year period, KPERS started with assets of $5.16 billion, received $1.66 billion in contributions, issued 3 million benefits checks totaling $2 billion, had a net investment income of $5.18 billion, had assets of $9.63 million as of June 30, 1999, and had an asset base of $10.42 billion as of January 14, 2000. He briefly reviewed KPERS investment performance report for December, 1999, the December financial statement, and the monthly litigation status report. (Attachment 3) He stated that in the last 30 days the Board has accepted 3 settlement offers totaling $41.625 million; total settlements are now $69 million with a net after all fees and expenses just under $42 million. Secretary Williams told Committee members that he believes most of the litigation will be finished in the next year. In answer to a question, he stated that attorney fees total just under 25% of the settlements.

Secretary Williams introduced Pat Beckham who reviewed the actuarial performance of both the Retirement and the Death and Disability programs as of June 30, 1999. (Attachment 4) In reviewing the latter, Ms. Beckham pointed out that the actual liability as of June 30, 1999 totals $148.4 million based on actuarial assumptions. (Attachment 4-12) In comparison, the assets used to finance the liabilities total $189.9 million. (Attachment 4-13) She stated that part of the excess is needed to help fund the shortfall between the 0.62% contribution rate (the true cost of providing benefits) and the statutory rate of 0.6%.

Ms. Beckham explained the impact of the “smoothing mechanism” on the assets of the Death & Disability program if it were retroactively implemented in 1995. (Attachment 4-14) There was lengthy discussion regarding the policy decision to place a moratorium on state contributions to the program. Following debate, Ms. Beckham stated that there would be 100% coverage for all potential debts of the Death & Disability claims and the program would include a reserve of $22 million to provide additional protection against claims. There was some discussion regarding the Governor’s recommendation to freeze the contribution rate in FY 2001.

Ms. Beckham proceeded to briefly review the Retirement system within KPERS. (Attachment 4-5) In answer to a question, Ms. Beckham stated that virtually all public systems use some type of smoothing mechanism with a 4 year or 25% being the most common.

It was moved by Senator Salmans and seconded by Senator Ranson that bill draft 9rs1597 be introduced as requested by the State Treasurer. The motion carried on a voice vote.

Senator Ranson moved and Senator Morris seconded that the minutes of January 12, 2000 as amended and the minutes of January 13, 2000 be approved. The motion carried on a voice vote.

Copies of subcommittee assignments were distributed to members. (Attachment 5)

The Chairman announced that because of the challenges presented by the FY 2001 budget, he would call members into his office in pairs to discuss approaches to solving budget issues.

The meeting was adjourned at 12:00 p.m. The next meeting will be January 21, 2000.