

Approved: January 25, 2011
(Date)

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Marc Rhoades at 9:04 a.m. on Tuesday, January 17, 2012 in room 346-S of the Capitol.

All members were present

Committee staff present:

J.G. Scott, Chief Fiscal Analyst, Legislative Research Department
Dylan Dear, Senior Fiscal Analyst, Legislative Research Department
Michael Wales, Fiscal Analyst, Legislative Research Department
Jim Wilson, First Assistant Revisor, Office of Revisor of Statutes
Jill Wolters, Senior Assistant Revisor, Office of Revisor of Statutes
Nobuko Folmsbee, Senior Assistant Revisor, Office of Revisor of Statutes
Cindy O'Neal, Administrative Assistant, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others in attendance:

See attached list.

Chairman Rhoades welcomed committee members and reviewed the agenda.

Representative Feuerborn made a motion to introduce legislation regarding veterans licensing at VFW legions. The motion was seconded by Representative Gatewood. Motion carried.

Representative Johnson, presented an update on the Final Report from the Kansas Public Retirees System (KPERS) Commission Study (Attachment 1). These recommendations would be introduced in legislation during the 2012 Session, he noted. The Commission recommendations include a new hybrid retirement plan, addressed the KPERS unfunded actuarial liability and retirement related issues. He stated that the new retirement plan would apply to all non-vested KPERS members and new employees beginning January, 2014. Other recommendations included a repeal of the statutory cap on employer contributions, possible bonding for a portion of the unfunded actuarial liability, and the removal of the cap on the number of years of service credits earned. Early retirement incentives, standardization of all retirement plans was reviewed and all components of the new plan would be subject to federal retirement guidelines, he added. An overview of a Defined Benefit Plan and Defined Contribution Plan followed. He noted that the funding of retirement benefits has been less than the actuarial required contribution since enacted in FY 1993. This has resulted in a shortfall of over \$2.7 billion in employer contributions

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and an unfunded actuarial liability of \$8.3 billion for all KPERS plans. A review of future funding followed. It was noted with the passage of Sub **HB 2904**, the employee contribution went from 4% to 6 %, which changed the cap from .6% to 1.2% and increased the multiplier from 1.75 to 1.85. The unfunded liability projections should be met at the end of the amortization period in FY 2033, he added. Funding at the actuary contribution rate as compared to **Sub HB 2194** was reviewed. This represents State General Fund (SGF) revenues of between 9 - 10% over time. **Sub HB 2194** as compared to a Defined Contribution Plan was reviewed. This plan would result in a cost higher than **Sub HB 2194**, he noted.

Representative Johnson responded to questions from committee members. He stated that the market volatility continues to be an area of concern. Funding for the Death and Disability benefits would continue under KPERS. Tax free bonds, taxable bonds and pension bonds were reviewed. He noted that investment consultants projected a return on investments of 7 1/4 % over the next 10 years and 8% over 40 years by investing dollars similar to KPERS through an annuity contribution component. The Defined Contribution Plan would meet the unfunded liability and would protect participant's investments. The down-slide included two key factors; increase in benefits in 1992 and a cap that underfunded the state's responsibility. A review of the funds needed to meet the variance of the market followed. The state's contribution would start at 1% and would increase by a 1/2 % for the next 8 years with a cap of 5%. The Minority Report has been reviewed, and emphasis on the need going forward would be in the best interests of the state and employees it was noted. He added that KPERS would be solvent until FY 2033 and that the bills would focus would be on the plan design.

Representative Gordon reported that meetings are underway with the Governor's office regarding legislation that would establish a Creative Arts Commission which would include the Arts and Film Commissions. Funding of \$200,000 has been included in the Governor's Budget Proposal with the intent to enhance job creation and the possibility of drawing down federal dollars.

Chairman Rhoades reviewed the agenda for the next committee meeting.

Meeting adjourned at 10:21 a.m.