

## MINUTES

### JOINT COMMITTEE ON PENSIONS, INVESTMENTS, AND BENEFITS

December 10, 2007  
Room 123-S—Statehouse

#### Members Present

Representative Richard Carlson, Chairperson  
Senator Anthony Hensley  
Senator Laura Kelly  
Senator Dwayne Umbarger  
Representative Geraldine Flaharty  
Representative Vaughn Flora  
Representative Robert Olson  
Representative Sharon Schwartz  
Representative Arlen Siegfried

#### Staff Present

Alan Conroy, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Julian Efird, Kansas Legislative Research Department  
Sharon Wenger, Kansas Legislative Research Department  
Gordon Self, Office of the Revisor of Statutes  
Kristen Kellems, Office of the Revisor of Statutes  
Melissa Doeblin, Office of the Revisor of Statutes  
Shirley Jepson, Committee Secretary

#### Conferees

George Vega, Director of Personnel Services, Department of Administration  
Glenn Deck, Executive Director, Kansas Public Employees Retirement System  
(KPERS)  
Pat Beckham, KPERS Actuary, Milliman, Inc.

**December 10, 2007  
Morning Session**

*Representative Olson moved to approve the minutes of September 6-7, 2007, and November 5-6, 2007, as written. The motion was seconded by Senator Kelly. Motion carried.*

George Vega, Director of Personnel Services, Department of Administration, provided an overview of survey work completed by the Hay Group pertaining to (1) workforce data for state public safety employees and (2) state workforce issues related to retirement (Attachment 1).

With reference to the workforce data for state public safety employees, Mr. Vega's testimony provided information on public safety job classifications, salary related to the job classifications, and a brief description of the Protective Services Pay Plan specific to public safety occupations. The survey information found that the state provides a competitive total benefits program that generally is at market and competitive with both the public and private sector employers. With respect to the retirement component of the analysis, the comparisons to competitors were made using the most prevalent retirement plan, which is the standard KPERS retirement package. Kansas Police and Fire Retirement System benefits were not surveyed. Mr. Vega stated that the salary information for public safety officers was requested from approximately 100 agencies from eight other states, and included school districts, cities, counties, and public sector organizations. The results, as shown in Attachment 1 of Mr. Vega's testimony, reflect that the state's salary ranges for various public safety officer positions ranges from 27.0 percent above the market average to 21.0 percent below the average.

With regard to the state workforce issues related to retirement, Mr. Vega provided information on actual retirements that occurred in state agencies during FY 2007 and the number of employees in each agency that will be retirement eligible by December of 2012. The information suggests that, on the average, 34.0 percent of the state workforce will be retirement eligible by the end of 2012. Mr. Vega stated that this creates a potentially serious situation. The state is working actively toward solutions to insure that these impending retirements do not impact the types or quality of the services provided by the State of Kansas. One solution is to cross-train employees and encourage team work within the agencies. It is known that many of the employees will not retire when they are first eligible because of health insurance. It also is thought that adoption of the new pay plan will encourage employees to continue working. Mr. Vega noted that the percentage of retirement eligible employees is comparable to what is happening in the rest of the country.

Responding to a question with regard to the cost of the proposed new pay plan, Mr. Vega stated that the total cost is \$72.0 million, to be implemented over a five-year period. The new pay plan does not address the benefit package. However, data indicate that the state's benefit package compares favorably with other state and private industry packages.

**KPERS Three-Year Actuarial Experience Study**

Pat Beckham, KPERS Actuary, Milliman, Inc., presented an overview of the KPERS Three-Year Actuarial Experience Study to determine if changes were needed in the assumptions guiding the work of the KPERS actuary (Attachment 2). The study uses a number of tests to check these assumptions. Ms. Beckham stated the assumptions continually are evaluated and adjusted as a result of economic and demographic changes. Factors that will affect KPERS in the years to come include the number of eligible employees who actually retire and the teacher shortage.

Ms. Beckham noted that the study shows that the mortality rate has dropped from previous years, indicating that retirees are living longer and drawing benefits for a longer period of time. This trend will continue to be monitored.

### **Afternoon Session**

Sharon Wenger, Legislative Research Department, presented a summary of the recommendations to the 2008 Legislature from the 2010 Commission regarding working after retirement for school districts (Attachment 3). The Commission recommended that the Legislature provide \$2.5 million in funding to create a Teacher Retention Incentive Program. The funds would be used to encourage math, science, and special education teachers who are eligible to retire to remain in teaching positions by matching local school district funds up to \$2,500 per teacher and directing the payments to be placed in a savings plan for the teacher, such as a 401 plan, that would be separate from the current KPERS plan.

Julian Efir, Legislative Research Department, provided a review of the draft Committee reports (Attachment 4), including:

- Governor's Nominations -  
**No further action taken by the Committee at this time.**
- KPERS Investment Performance -  
**No further action taken by the Committee at this time.**
- KPERS Actuarial Valuation -  
**No further action taken by the Committee at this time.**
- KPERS Three-Year Experience Study -  
**No further action taken by the Committee at this time.**
- KPERS Actuarial Audit -  
**Preliminary audit findings will be available in January of 2008. It was suggested that a meeting be held on January 22 or 23 to receive information on the audit.**
- KPERS Legislative Request -  
Glenn Deck, Executive Director, KPERS, provided testimony on proposed KPERS Legislation for the 2008 Legislative Session (Attachment 5). The legislation includes three carryover KPERS bills - HB 2076, HB 2077, and HB 2078. Mr. Deck noted that minor adjustments in the language of HB 2077 pertaining to effective date would be necessary. There is a need for technical amendments to SB 362 to clarify language within the proposed legislation. Legislation is requested concerning an updated determination letter from IRS stating that KPERS is a qualified plan.

*Representative Flaharty moved to approve the request from KPERS for legislation to be developed addressing technical amendments to SB 362 and an updated determination letter to IRS for introduction during the 2008 Legislative Session. The motion was seconded by Representative Schwartz. Motion carried.*

- Working After Retirement -

The Committee voiced concern with reference to the possible contracting of teachers by outside sources. Glenn Deck, KPERS Executive Director, and Dale Dennis, Deputy Commissioner of Education, spoke to this concern, noting that clarification is necessary to determine if this procedure is legal, how IRS regulations might apply, who has control of the teachers, as well as retirement and policy issues.

**It was the consensus of the Committee that the Chairperson should write a letter to request that the standing Education Committees review this matter during the 2008 Session, focusing on the issue of contracting for teachers. No other recommendation was made at this time.**

- Post Retirement Benefit Adjustments -

**No further action taken by the Committee at this time.**

- Maximum KP&F Benefits -

**No further action taken by the Committee at this time.**

The Committee continued its review of reports concerning the two proposals assigned by the LCC:

- Topic No. 1 - Allow local units of government to elect coverage under KPERS similar to the state correctional officer group. Study allowing local units of government the option of electing coverage under KPERS that would be similar to the state correctional officer group.
- Topic No. 2 - Expansion of employee groups into the Kansas Police and Fire Retirement System. Study the possibility of adding selected state agency employee groups who perform public safety duties (fire and law enforcement) into the Kansas Police and Fire (KP&F) Retirement system from regular KPERS. Also, review the Social Security coverage for certain groups in the KP&F retirement system and any potential implications for other groups.

**Because of the complicated nature of the issues in Topic No. 1 and Topic No. 2, and to avoid the necessity of revisiting the issues from time to time, it was the consensus of the Committee to request KPERS perform a comprehensive study of public safety officers at the state and local levels. The study should include a review of a possible new tier of KPERS benefits, positions affected, membership, the social security issue, and cost.**

*Representative Schwartz moved to request a comprehensive study to clarify issues in Topic No. 1 and Topic No. 2. The motion was seconded by Representative Olson. Motion carried.*

The Committee requested that KPERS report back to the Committee on the cost of performing the comprehensive study and whether additional funding will be required.

The meeting was adjourned at 2:45 p.m.

Prepared by Shirley Jepson  
Edited by Julian Efirm

Approved by Committee on:

January 25, 2008  
(Date)