

Approved: March 14, 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 March 13, 2000 in Room 123-S of the Capitol.

All members were present except: Senator Morris, who was excused

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

Conferees appearing before the committee:
Meredith Williams, Executive Secretary, KPERS
Don Rezac, State Employees Association of Kansas
Craig Grant, Kansas National Education Association
Duane Goossen, Director, Division of the Budget

Others attending: See attached list

SB 567: **No employer contributions for death and disability benefits for the period from April 1, 2000 to June 30, 2000**

SB 645: **KPERS, amount of employer contributions to system for retirement benefits and death and disability benefits**

Julian Efird, Kansas Legislative Research Department, distributed a Research Department memorandum which he reviewed (Attachment 1). He explained to members that **SB 567** is legislation that freezes the employer's contribution in the fourth quarter of FY 2000 to the insurance program. He said that **SB 645** parallels that provision for all four quarters of FY 2001 and, in addition, places a moratorium on step increase for KPERS retirement contributions. He added that **SB 645** does not have a provision on the retirement side to address local units being frozen at their current rate because they're on a calendar year.

Meredith Williams, Executive Secretary, KPERS, presented his written testimony regarding **SB 567** and **SB 645**. In answer to the Chairman's questions, Mr. Williams stated that:

- the death and disability program is 100% funded at the end of the fifteen month moratorium and includes a smoothing mechanism which is designed to address adverse conditions
- if current year investment performance exceeds 8%, some of the litigation proceeds would be used in the smoothing methodology
- the reduction of \$36 million from the SGF identified in Mr. William's testimony was based on assumptions that the employer's contribution rate would be .2% behind current projections through FY2034. He conceded that a different set of assumptions would result in a different final number.

Senator Downey requested that Executive Secretary Williams describe why the KPERS Board of Trustees has expressed opposition to these two bills. Secretary Williams stated that the Board's fear is that after the 15 month moratorium, there may be a downturn in market performance or an increase in the incidence of disabilities which may cause a reduction in benefits or an increase in employer contributions. He stated that the Board has more opposition to the freeze in the contribution rate to the Retirement Fund because of the precedent it sets. Senator Downey expressed her concern that a representative from the Board did not attend the meeting and address these bills. Secretary Williams stated that his comments and the

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Resolution state the Board's position on both of the issues (Attachment 3).

Don Rezac, speaking on behalf of the State Employees Association of Kansas, testified in opposition to **SB 567** and **SB 645** (Attachment 4). In answer to a question, staff indicated that there are employee contributions associated with the voluntary program, but this long term Death & Disability program is paid for by the employer. There was discussion about whether "sacred trust" mentioned in Mr. Rezac's testimony meant contributing a specified amount or paying full death and disability benefits.

Craig Grant, Kansas National Education Association, appeared before the Committee and reviewed his written testimony in opposition to **SB 645** (Attachment 5).

Duane Goossen, Director, Division of the Budget, told members that not implementing these two bills would leave a hole in the budget of \$35 million in the SGF. He presented a new proposal from the Governor that would use lawsuit settlement monies to provide a 13th check for all retirees and for funding a portion of the unfunded liability (Attachment 6). Staff indicated that the 13th check would equate to approximately one-half of a regular check.

Senator Petty inquired what the cost to taxpayers would be in the out years by not applying the \$31.3 million to the smoothing methodology of the unfunded liability. Mr. Goossen stated that he did not have that information with him.

It was noted that to be eligible for the 13th check, employees would have had to retire prior to July 1, 1999.

Senator Ranson moved, Senator Salmans seconded, that the provisions of SB 567 be amended into SB 645. The motion carried on a voice vote.

In answer to Senator Ranson, Mr. Goossen stated that local units were not included in the retirement fund freeze because the state and local portions are different and it was decided to only enact the freeze on the state portion.

It was moved by Senator Ranson and seconded by Senator Jordan that SB 645 be technically amended as suggested in Attachment 2. The motion carried on a voice vote.

A motion was offered by Senator Salmans and seconded by Senator Salisbury to further amend SB 645 by including the Governor's recommendations regarding the lawsuit settlement monies. Senator Petty requested that the vote on the bill be delayed until information from KPERS about the impact on taxpayers in the out years could be calculated.

The Chairman agreed to Senator Petty's request to divide the question of using \$18.9 million to fund a 13th check to all retirees and applying the remaining \$12.4 million to the unfunded liability. The motion to use \$18.9 million to fund a 13th check to all retirees carried on a voice vote. The motion to apply the remaining \$12.4 million to the unfunded liability carried on a voice vote.

Senator Salisbury moved, Senator Lawrence seconded, that SB 645 as amended be recommended favorably for passage. The motion carried on a roll call vote. Senator Petty and Senator Feleciano asked that the record reflect that their "no" vote was in opposition to the original provisions of **SB 645** and not to the Governor's proposal for the use of the lawsuit settlement monies.

The Chairman adjourned the meeting at 12:15 p.m. The next meeting will be March 14, 2000.