

MINUTES

JOINT COMMITTEE ON PENSIONS, INVESTMENTS, AND BENEFITS

June 1, 2011
Room 546-S—Statehouse

Members Present

Representative Sharon Schwartz, Chairperson
Senator Steve Morris, Vice-chairperson
Senator Jay Emler
Senator Anthony Hensley
Senator Laura Kelly
Senator Ruth Teichman
Representative Richard Carlson
Representative Geraldine Flaharty
Representative Mitch Holmes
Representative Steven Johnson
Representative Richard Proehl

Staff Present

Julian Efird, Legislative Research Department
Michael Steiner, Legislative Research Department
Gordon Self, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Shirley Jepson, Committee Assistant

Conferee

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERs)

The meeting was called to order at 2:00 p.m. by Chairperson Schwartz.

Review of the Provisions of 2011 Senate Substitute for House Bill 2194 (Senate Sub. for HB 2194)

Gordon Self, Office of the Revisor of Statutes, presented a review of the provisions of Senate Sub. for HB 2194 ([Attachment 1](#)). Mr. Self explained that the legislation was passed during the veto session of the 2011 Legislative Session following work in Conference Committee between the House and the Senate. Senate Sub for HB 2194 would provide for:

- An increase in employer contributions;

- For employees, an election related to their contribution rate, a retirement benefit multiplier, and cost of living adjustment (COLA). This election must be approved by the Internal Revenue Service (IRS);
- The disposition of certain proceeds from the sale of real estate of state agencies to the KPERS fund;
- The establishment of a KPERS Study Commission; and
- An appropriation of KPERS in FY 2012 for expenditures not to exceed \$60,000 for actuarial services to support the work of the KPERS Study Commission.

Mr. Self explained that the increase in the employer contribution rate is an increase to the cap presently in place limiting the amount of allowable increase in the annual contribution rate. There also is a change in the plan for increasing the employee contribution rate. Elections by employees for alternative benefits and contributions must be approved by the IRS. At this time, it is unknown how long it will take IRS to review the plan and issue a decision.

Mr. Self reviewed the establishment of the KPERS Study Commission. The Study Commission will review and analyze the advantages and disadvantages of implementing a defined benefit plan, a defined contribution plan, a hybrid defined benefit and defined contribution plan, or other plan options. The Commission will be made up of 13 appointed, voting members as outlined in the legislation.

Mr. Self explained the certification trigger in the legislation, noting the particular actions necessary by the Legislature which will then trigger the effective date of most sections of the legislation after action is taken by the 2012 Legislature.

Responding to questions from the Committee, Mr. Self indicated that the legislation does not include a specific time line for meetings of the Study Commission. It is anticipated that this will be left to the discretion of the the Legislative Coordinating Council (LCC) when assigning interim meeting days.

Mr. Self further explained that the majority of changes in Senate Sub for HB 2194 do not take effect until the occurrence of both the certification of the legislative action trigger and July 1, 2012.

Fiscal Impact of Senate Sub. for HB 2194

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), presented a review of the fiscal impact of Senate Sub. for HB 2194 ([Attachment 2](#)). Mr. Deck noted that KPERS staff will work towards implementation of the aspects of the legislation for which they are responsible during the remainder of 2011, including:

- Submit a private letter ruling request to IRS regarding the election provisions of Senate Sub. for HB 2194 before the end of June 2011;
- Plan for administration of elections, including technology modifications and any additional technical issues that may require “trailer” legislation;

- Upon request, provide support for the Study Commission, including background presentations, research, and actuarial modeling; and
- Communicate with employers and members regarding the bill's terms and plans for implementation.

Mr. Deck noted that it is difficult to predict when a ruling from the IRS will be available. Responding to questions from the Committee, Mr. Deck noted that it is too early to know if the \$60,000 appropriated for actuarial services is sufficient. Mr. Deck explained that the actuarial assumptions are reviewed every three years and recommendations are made to the KPERs Board of Trustees by the actuary if adjustments are needed.

The Committee members expressed some concern as to what will happen if IRS denies the election provisions of the legislation. The Committee members also noted the importance of educating state employees on the various changes to the current plan.

Future Meetings of the Committee

Julian Efird, Kansas Legislative Research Department, explained that the Chairperson would write a letter to the Legislative Coordinating Council (LCC) defining the issues before the Committee and the number of days needed to complete the anticipated work. It was further noted LCC will meet on June 28, 2011, to consider the interim schedule, committee assignments, and study topics.

The next meeting will be on call of the Chairperson. The meeting was adjourned at 2:50 p.m.

Prepared by Shirley Jepson
Edited by Julian Efird

Approved by Committee on:

November 21, 2011
(Date)