

Approved: 5-8-12
Date

MINUTES OF THE OF SENATE SELECT COMMITTEE ON KPERS

The meeting was called to order by Chairman Senator Morris at 4:20 p.m. on February 7, 2012, in Room 784-Docking of the Capitol.

All members were present except:
Senator Anthony Hensley

Committee staff present:

Julian Efird, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Gordon Self, Kansas Revisor of Statutes
David Wiese, Kansas Revisor of Statutes
Daniel Yoza, Kansas Revisor of Statutes
Connie Burns, Committee Assistant

Conferees appearing before the Committee:

Brian H. Graff, American Society of Pension Professionals & Actuaries
Joe Rollins, TAS Consulting Group, Inc.
Doug Wolf, Security Benefit Life
Roderick B. Crane, TIAA-CREF

Others attending:

See attached list.

Investment options on the Defined Contribution Plan

Brian H. Graff, Executive Director/CEO, American Society of Pension Professionals & Actuaries (ASPPA), provided testimony on investment options on the Defined Contribution plan of the Kansas Public Employees Retirement System. (Attachment 1) Personal advice, participant control and local choice are the key factors to designing the most effective defined contribution plan that will maximize personal retirement savings and provide a better retirement solution for participants. Kansas public school employees already have a defined contribution plan, the 403(b) plan. The bill incorporates the 403(b) plan for Kansas public school employees; all that is needed is an amendment to give local school districts a role in selecting the retirement savings choices for their employees.

Mr. Graff provided additional information:

- Executive Summary
- An article, "Protecting Participation, The Impact of Reduced Choice on Participation by School District Employees in 403(b) Plans."

Joseph Rollins, President/CEO of TSA Consulting Group, Inc., testified the need for re-definition of the state's role in providing retirement benefits for workers and the need to explore alternative design in accomplishing financially sound plans for the future. (Attachment 2) It is in their opinion that heed must be paid to the existing retirement plans that are working for participants recognizing the preferences of

CONTINUATION SHEET

The minutes of the Senate Select Committee at 4:20 p.m. on February 7, 2012, in Room 784-Docking of the Capitol.

those participants.

Doug Wolff, President of Security Benefit Life Insurance Company (Security Benefit), presented testimony in support of the bill. (Attachment 3) Security Benefit supports the bill, which establishes a good defined contribution system framework, including a 403(b) plan program for public education employees. A significant benefit in a defined contribution 403(b) is a portability function; this allows for the possibility of moving the defined contribution account to a new employer's retirement plan or even to a IRA once the employee is no longer employed with the district. Security Benefit proposes a few amendments to the bill, to provided additional structure to the 403(b) retirement plan for public education employees. The purpose of the amendments is to guarantee that public education employees have access to a wide variety of investment options while also insuring they have access to the investment advice they need and want to make these investment choices.

Roderick B. Crane, Senior Director, TIAA-CREF, spoke to the committee on investment options on the Defined Contribution plan. (Attachment 4) The objective of a risk-managed program is to provide employees with the means to build sufficient savings through plan rules and the investment structure of the plan.

Government considerations when designing a new plan are:

- Budgetary predictability – determine which structure (Hybrid DB/DC or Core DC) is most appropriate for the government's objectives, and DC plans remove any future unfunded liabilities, providing plan sponsors with more predictable costs for budgeting.
- Employee eligibility – depending on state or local government regulations, both Hybrid and Core plans can be open to new employees only or both new and select existing employees.
- Employee participation – automatic enrollment into an appropriate default investment, and elimination or lowering of certain restrictions such as age, vesting schedules and eligibility, can help maximize participation and adequacy of contributions.

The next meeting is scheduled for February 9, 2012. The meeting was adjourned at 1:15 p.m.