

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 1:00 p.m. on March 28, 2012, in Room 152-S of the Capitol.

All members were present except:

Senator Laura Kelly
Senator John Vratil

Committee staff present:

Julian Efird, 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:

Alan Conroy, Kansas Public Employees Retirement System

Others attending:

See attached list.

Gordon Self, First Assistant Revisor of Statutes, provided the bill draft (Attachment 1) and a summary memo. (Attachment 2) Mr. Self stated the draft represents the decision tree that the Committee reviewed and was reviewed by KPERS and their comments are incorporated in the draft bill; KPERS reserves the right for additional review and comments, as does their tax specialist Ice Miller.

New Sections 1 through 17 establishes the new cash balance retirement plan beginning July 1, 2014. The Cash Balance plan would establish two accounts when combined would constitute the retirement benefit for a member: (1) The annuity savings account and (2) the retirement annuity account. Each member would contribute 6% to the annuity savings account, and the employer would quarterly credit the retirement annuity account with a 4% pay credit. An interest credit rate of 6% would be credited quarterly to each account. An additional interest credit may be provided at the discretion of the KPERS Board.

Sections 18-24 are the same provisions as were found in 2011 **Senate Sub for HB 2194** minus the trigger provision, KPERS Study Commission, and the provision relating the sale of certain state real estate.

Alan Conroy, Executive Director, Kansas Public Employees Retirement System, (KPERS) provided a review on the Cost Study on the draft legislation for the cash balance plan. (Attachment 3) The Cost Study assumptions are based on:

- A guaranteed interest credit of 6% also provides a dividend which may be granted at the discretion of the KPERS Board of Directors subject to certain conditions.
- Members of the new tier 3 would include future members on and after January 1, 2014
- The maximum dividend in any given year is 4%
- An assumption of 6% was used for the first 10 years of employment, and 8% thereafter was used for purposes of this cost study.

CONTINUATION SHEET

The minutes of the Senate Select Committee at 1:00 p.m. on March 28, 2012, in Room 152-S of the Capitol.

Cost impact of the various proposed plan designs will unfold over time as current Tier 1 and Tier 2 members leave covered employment and are replaced with Tier 3 members. Therefore, a projection of costs over a long period of time is necessary to see the long term impact of the proposed change. The cost estimates for **HB 2194**, **HB 2545**, and the proposed Senate Cash Balance Plan (Morris/Kelly) are reflected in the exhibits which show the expected employer contribution rate under each plan design by year for the State/School and Local groups (Exhibits A1 and A2) and the estimated dollar amount of employer contributions in each future year (Exhibits B1 and B2). In order to provide a method for more direct comparison of results, the present value of the difference in the employer contributions has been included in the right hand column for each set of projected contributions on Exhibits B1 and B2 by year and in the aggregate. The employer contribution rate also provides a reliable way to compare the cost of various plan designs in the future. Exhibits C1 and C2 split the projected employer contributions into normal cost and UAL payments by year and in total for **HB 2194** and the proposed Senate Cash Balance Plan (Morris/Kelly).

Mr. Conroy addressed questions from the committee including a request from the previous meeting, what would the cost would be for a 20 or 30 year employee at 6%, 6.15%, or 6.25%, the actuary stated that there would not be significant actuarial cost. The Committee requested additional information on an average monthly benefit for a 20 year employee that wants to roll over to an annuity benefit, and if the benefit study will be in the same format as other requests, and Mr. Conroy stated that the benefit studies would be in same format, and cost on rolling over to an annuity would be provided at the next meeting.

Information on cost projections for **SB 429**, the Morris/Kelly Cash Balance Plan and Senator Kings Plan was provided. (Attachment 4)

Senator King addressed questions on the Defined Contribution plan.

The meeting was adjourned at 1:47 p.m.