

MINUTES OF THE SELECT COMMITTEE ON KPERS

The meeting was called to order by Chairman Richard Carlson at 5:00 P.M. on March 5, 2007, in Room 234-N of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Julian Efird, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Mike Corrigan, Office of Revisor of Statutes
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

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

Others attending:

See attached list.

- Attachment 1 Summary of **HB 2558** and **HB 2557**
- Attachment 2 Copy of Report from Joint Committee on Pensions, Investments and Benefits to the 2007 Legislature
- Attachment 3 Testimony by Glenn Deck on Retirement Plan Design - **HB 2558**
- Attachment 4 Testimony by Glenn Deck on Explanation of **HB 2557**

Discussion on HB 2558 - Enacting the Kansas Public Employees Retirement System Act of 2009.

Chairman Carlson recognized Julian Efird, Legislative Research Department, who presented an overview of **HB 2558** and **HB 2557** (Attachment 1). In addition, Dr. Efird distributed a copy of the Report of the Joint Committee on Pensions, Investments, and Benefits to the 2007 Kansas Legislature (Attachment 2).

Dr. Efird reported that the legislation recommends an alternative retirement plan for new, state, school and local public employees who begin work on or after July 1, 2009. Several modifications to the present plan are included for current employees. The legislation is recommended by the Joint Committee on Pensions, Investments and Benefits and supported by the Kansas Public Employees Retirement System (KPERS) Board of Trustees.

Major components of the proposed new plan include:

- First-day membership.
- Five-year vesting.
- 1.75 percent defined benefit multiplier.
- Final average salary based on five highest years
- Normal retirement at age 65 with 5 years or age 60 with 30 years of service.
- Early retirement at age 55 with 10 years of service.
- Automatic 2.0 percent cost-of-living adjustment at age 65.
- Employee contribution rate of 6.0 percent.
- Employer contribution rate at actuarial level, but not less than employee rate.
- Partial lump sum option of 10.0, 20.0 or 30.0 percent at retirement.

Modifications to the current plan include:

- First day membership for all state, school, and local members.
- Five year vesting, effective July 1, 2009.

Chairman Carlson recognized Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), who presented background information and a review of changes between the current retirement plan and the proposed changes as addressed by **HB 2558**

CONTINUATION SHEET

MINUTES OF THE Select Committee on KPERS at 5:00 P.M. on March 5, 2007, in Room 234-N of the Capitol.

(Attachment 3). Mr. Deck stated that **HB 2558** is the result of several years of planning to address the funding shortfall and develop a long-term funding plan. A considerable amount of research and planning by the KPERS Board of Trustees, staff and actuary has gone into producing the retirement plan design as outlined in **HB 2558**. It is felt that the new plan establishes financial soundness to the KPERS retirement plan, retirement benefit adequacy and workforce incentives.

Mr. Deck noted that the new plan would cover:

- KPERS-covered employees first employed on or after July 1, 2009.
- Former members who withdraw their contribution accounts before July 1, 2009, and again commence membership after that date.
- Former, non-vested members who left KPERS-covered positions with less than 10 years of service but have not withdrawn contributions.

Mr. Deck stated that **HB 2558** will not affect retirement eligibility and rules for current members; however, will provide two benefit enhancements for those members:

- First-day membership for State and local workers employed between July 1, 2008 and June 30, 2009.
- Five-year vesting for members employed before July 1, 2009.

Mr. Deck stated that it is anticipated that the new plan will significantly reduce liabilities and employer contributions beginning in 15 to 20 years and save the State approximately \$2.6 billion through 2033. However, the benefit enhancements for existing members will have a cost impact of approximately \$1.3 million to the State General Fund (SGF) and approximately \$1.3 million from other funds.

Responding to a question from the Committee, Mr. Deck indicated that an individual must be actively employed to become vested under the enhancement feature.

Discussion on HB 2557 - Permanent COLA for certain KPERS retirants and increase in employee and employer contributions related thereto.

Julian Efird, Legislative Research Department, explained that **HB 2557** is a trailer bill recommending a Cost-of-Living Adjustment (COLA) for active employees. The legislation would have no impact on current retired employees.

Mr. Deck continued his testimony with an explanation of **HB 2557**, stating that the legislation provides that the KPERS employee contribution rate would increase from 4 percent to 6 percent on July 1, 2009, and provide funding for an automatic, annual 2 percent cost-of-living adjustment (COLA) in benefits beginning at age 65 for employees in the new plan (Attachment 4). The retired employee would need to be retired for one year before becoming eligible for the COLA. Mr. Deck stated that the funding for the COLA would be derived from the employee rate increase as well as an increase in the employer rate.

The meeting was adjourned at 6:00 p.m. The next meeting of the Committee will be held at 5:00 p.m. on March 8, 2007.

Richard Carlson, Chairman