

MINUTES

JOINT COMMITTEE ON PENSIONS, INVESTMENTS, AND BENEFITS

December 20, 2005
Room 519-S—Statehouse

Members Present

Representative John Edmonds, Chairperson
Senator Steve Morris, Vice Chairperson
Representative Geraldine Flaharty, Ranking Minority Member
Senator Laura Kelly
Senator Dwayne Umbarger
Representative Richard Carlson
Representative Ray Cox
Representative Vaughn Flora
Representative Margaret Long
Representative Bill McCreary

Staff Present

Alan Conroy, Director, Kansas Legislative Research Department
J.G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Julian Efird, Principal Analyst, Kansas Legislative Research Department
Gordon Self, Revisor of Statutes Office
Michael Corrigan, Revisor of Statutes Office
Carol Doel, Committee Secretary

Conferees

Mark Tallman, Assistant Executive Director of Kansas Association of School Boards
Glenn Deck, Executive Director, Kansas Public Employees Retirement System
Scott Peppard, Acting Chief Investment Officer, Kansas Public Employees Retirement System

Morning Session

Kansas Legislative Research Department (KLRD) staff briefed the Committee on the topic of working after retirement ([Attachment 1](#)). Staff explained that under current law, if a Kansas Public Employees Retirement System (KPERS) member retires and returns to work for any KPERS participating employer, then no KPERS contributions are paid either by the employee or the employer since the retired member may not rejoin KPERS. The 2005 Legislature passed a bill to establish a

three-year exception to the current law, allowing nurses at state institutions to be able to return to work after retirement for the same participating employer and to be exempt from the \$15,000 cap on working after retirement. The economic impact of early retirements also was explained.

Mark Tallman, Assistant Executive Director, Kansas Association of School Boards (KASB), explained the position taken by the KASB regarding early retirement (Attachment 2).

Representative McCreary made a motion that the KPERS staff study the working after retirement issue and return with policy options and possible recommendations. Representative Cox seconded the motion. Motion adopted.

Representative Flaharty made a motion to request KPERS to offer policy options with ways to increase incentives for longer retention while benefitting both the employee and KPERS. Motion was seconded by Senator Umbarger. Motion adopted.

KLRD staff briefed the Committee on designating the State as the single participating employer for retired school employees. After discussion, no action was taken on this issue.

The third topic on the agenda was the modification or closure of school district early retirement plans. KLRD staff briefed the Committee on this subject, indicating that the Legislature delegated authority to the school districts to establish early retirement plans, and subsequently, the Legislature could modify or repeal the authority for such plans. The Legislature can act through statutory change. Chairperson Edmonds suggested that this issue be forwarded to the 2010 Commission.

Senator Kelly made a motion that Chairman Edmonds' suggestion be carried out. The motion was seconded by Representative Cox. Motion adopted.

The draft report on the Committee's statutory study was distributed (Attachment 3).

Afternoon Session

The draft report on the Committee's study of KPERS retirement issues was distributed (Attachment 4).

The fourth agenda topic concerned the modification of state tax policy on Regents and KPERS employee retirement contributions. The estimated impact of taxing KPERS employees is approximately \$10.3 million annually (Attachment 5) and taxing Kansas Regents contributions is estimated to be about \$1.9 million (Attachment 6).

Representative Cox made a motion for a bill which would eliminate the add-back provision for KPERS employees and treat them exactly like Regents unclassified employees regarding state income tax on retirement contributions. Representative Carlson seconded the motion.

Representative Margaret Long made a substitute motion that this issue be transmitted to the House and Senate tax committees for further study. Representative Flora seconded the motion. Motion adopted.

The next item on the agenda was the modification of State tax policy on roll-overs and lump sum distributions from Regents and KPERS retirement plans.

Representative Cox made a motion that roll-overs and lump sum distributions not be taxed until the time of final distribution. Representative Flora seconded the motion.

Representative Cox withdrew his motion after Representative Flora agreed.

Senator Morris made a motion that this issue be transmitted to the House and Senate tax committees for further study. Representative Margaret Long seconded the motion. Motion adopted.

Scott Peppard, KPERS Acting Chief Investment Officer, presented a report on long-term performance by the KPERS portfolio as compared to the rate of return for the Standard and Poor's 500 Index (Attachment 7).

Chairperson Edmonds requested a *pro forma* June 30, 2005, balance sheet based on the assumption that during the 30-year period all of the assets had been in the Standard and Poor's 500 rather than in the various investments.

Representative McCreary made a motion to adopt the minutes of November 28, 2005. Representative Long seconded the motion. The minutes were adopted.

Senator Kelly made a motion to adopt the draft report for the statutory study (see Attachment 3). Representative Long seconded the motion. Motion adopted.

Senator Kelly made a motion that the draft report on the working after retirement topic (see Attachment 1) be adopted, reflecting today's work and subject to mail out review prior to December 28, 2005. Senator Umbarger seconded the motion. Motion adopted.

Senator Kelly made a motion that the draft report on KPERS retirement issues (see Attachment 4) be adopted, reflecting today's work and subject to mail out review prior to December 28, 2005. Representative Flaharty seconded the motion. Motion adopted.

Prepared by Carol Doel
Edited by Julian Efir

Approved by Committee on:

February 1, 2006
(date)