

Approved: May 10, 2005
Date

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on March 15, 2005 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Norman Furse, Revisor of Statutes
Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Matt Spurgin, Kansas Legislative Research Department
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Glenn Deck, Executive Director, Kansas Public Employees Retirement System
Dave Kerr
Jim Edwards, Governmental Relations Specialist, Kansas Association of School Boards
Andy Sanchez, Executive Director, Kansas Association of Public Employees
Mark Desetti, Kansas National Education Association
Jan O. Sides, State Employees Association of Kansas

Others attending:

See attached list.

Bill Introductions

Senator Taddiken moved, with a second by Senator Schodorf, introduction of a bill requested by Senator Wysong concerning the Kansas partnership for faculty of distinction program; earnings equivalent awards that (5rs1031). Motion carried on a voice vote.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2005 and FY 2006 were available to the committee.

Subcommittee budget report on:

Kansas Public Employees Retirement System Issues (Attachment 1)

Subcommittee Chairman Stephen Morris reported on the Kansas Public Employees Retirement System Issues subcommittee Recommendations, Issues and bills.

Kansas Public Employees Retirement System Issues - SB 281 (Attachment 2)

Subcommittee Chairman Stephen Morris reported on the Kansas Public Employees Retirement System - **SB 281**.

Senator Morris moved, with a second by Senator Wysong, to adopt the Kansas Public Employees Retirement System Issues Subcommittee Report Recommendations, Issues, and the Subcommittee report on **SB 281**. Motion carried on a voice vote. The Chairman noted that at the time the Senate gets **HB 2037**, the KPERS bills will be worked.

The Chairman opened the public hearing on:

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on March 15, 2005 in Room 123-S of the Capitol.

SB 281--KPERs, retirement plan for members first hired on and after July 1, 2007

Staff briefed the committee on the bill.

Copies of a information from the Kansas Legislator Briefing Book regarding the Kansas Public Employees Retirement System were distributed (Attachment 3). Copies of a chart, Kansas Public Employees Retirement System, Estimate of Employer Contributions & Debt Service Payments, State/School Group (in millions) were distributed (Attachment 4).

Glenn Deck, Executive Director, Kansas Public Employees Retirement System, testified in support of **SB 281** (Attachment 5). Mr. Deck presented information on the alternative retirement plan design in **SB 281**. He explained that the alternative retirement plan design would be for employees hired on or after July 1, 2007, only; it would not impact retirement benefits of current employees. Detailed information is provided in Mr. Deck's written testimony.

Senator Dave Kerr testified in favor of **SB 281** (Attachment 6). He addressed the concerns that if the contributions laws in place some years ago had remained unchanged, the KPERs Fund would never have reached equilibrium and the unfunded liability would have grown to overwhelming proportions. The following steps that were taken to "put the bloom back in the cheeks" of the KPERs Fund are:

- **HB 2014** was passed - over the next 33 years, it will increase employer contributions to KPERs almost \$6 million.
- One-half billion dollars in pension obligation bonds were sold.
- **SB 281** is the last bit step in the sequence of repairs to the KPERs Fund.

Senator Kerr urged support for **SB 281**, the last major step to fix a quiet but massive problem in the funding of employee pensions. He noted that the bill emerged from the Joint Committee on Pensions and Investments with a unanimous vote.

Jim Edwards, Governmental Relations Specialist, Kansas Association of School Boards (KASB), spoke in support of **SB 281** (Attachment 7). Mr. Edwards explained that KASB believes that **SB 281** is a step in the right direction to solve the long-term, unfunded actuarial liability issues surrounding KPERs for the majority of state, school and local employees. In closing, Mr. Edwards noted that these are major changes and they should strengthen the viability of the State General Fund and in the long run strengthen the actuarial liability of KPERs, but as with anything, major changes should be viewed cautiously.

Andy Sanchez, Executive Director, Kansas Association of Public Employees (KAPE), testified in opposition to **SB 281** (Attachment 8). Mr. Sanchez mentioned that KAPE cannot support **SB 281** because it brings about a monumental change in the retirement system for future public employees and future KAPE members. He also addressed a number of concerns detailed in his written testimony. In closing, Mr. Sanchez explained a survey taken of their members in 2001 revealed an unsatisfactory feeling toward a change to a defined benefit plan. He noted on another question, 56 percent expressed their displeasure with the funding the legislature has provided toward KPERs.

Mark Desetti, Kansas National Education Association (KNEA), spoke in opposition to **SB 281** (Attachment 9). Mr. Desetti noted that specifically, the KNEA opposes the following changes:

- the reduction of the multiplier to 1.5,
- the recommended mandatory defined contribution, and
- the expansion of retirement points from 85 to 90 and the higher retirement age.

Mr. Desetti expressed concern of being faced with a bill that would require people to work longer with less take-home pay for a smaller benefit in a system that has no provision for cost of living adjustments and the difficulty of the KNEA to support such a plan.

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Jan O. Sides, representing the State Employees Association of Kansas (SEAK), testified in opposition to **SB 281** (Attachment 10). Ms. Sides mentioned that while SEAK commends the attempt to help future public servants, without a guaranteed COLA, they cannot support the bill. She noted that the bill does not help future employees face retirement issues and urged inclusion of a COLA in the plan.

There being no further conferees to come before the meeting, the Chairman closed the public hearing on **SB 281**.

The meeting adjourned at 12:10 p.m. The next meeting is scheduled for March 16, 2005.