

**MINUTES**

**JOINT COMMITTEE ON PENSIONS, INVESTMENTS, AND BENEFITS**

August 21, 2001  
Room 123-S—Statehouse

**Members Present**

Representative Lloyd Stone, Chair  
Senator Jim Barone  
Senator Steve Morris  
Senator Ruth Teichman  
Representative Ray Cox  
Representative Geraldine Flaharty  
Representative Cindy Hermes  
Representative Joe Shriver  
Representative Clark Shultz

**Staff Present**

Julian Efird, Kansas Legislative Research Department  
Alan Conroy, Kansas Legislative Research Department  
Gordon Self, Revisor of Statutes Office  
Mike Corrigan, Revisor of Statutes Office  
Carol Doel, Committee Secretary

**Committee Conferees**

Glen Deck, Executive Director, Kansas Public Employees Retirement System  
Robert Woodard, Chief Investment Officer, Kansas Public Employees Retirement System  
Steve Schwarm, Attorney from the firm of Goodell, Stratton, Edmonds & Palmer, LLP  
Dale Dennis, Deputy Commissioner, State Department of Education  
Chris Clarke, Legislative Division of Post Audit  
Hal Harrison, Vice President for Retirement Plans, Security Benefit Group  
Craig Grant, Kansas National Education Association  
Bobbi Mariani, Director of Personnel Services, Department of Administration  
Mark Tallman, Assistant Executive Director for Advocacy, Kansas Association of School Boards  
Brilla Highfill Scott, United School Administrators of Kansas

Gary George, USD 233, Olathe

**August 21, 2001  
Morning Session**

Chair Stone called the meeting to order. *Senator Teichman made a motion to approve the minutes of the June 26-27, 2001 meeting. The motion was seconded by Representative Hermes. Motion carried.*

Chair Stone introduced Glen Deck, Executive Director, Kansas Public Employees Retirement System (KPERS). Mr. Deck responded to Committee requests from the June meeting (Attachment 1). He reviewed the issue of employer reporting and steps to encourage timely filing of employee data.

He introduced Rob Woodard, Chief Investment Officer, KPERS, who addressed three topics, including partial lump sum option discount factors and smoothed asset values (Attachment 2). He also presented an investment report (see also Attachment 2). It was noted that for the period ending June 30, 2001, the new asset value of the KPERS portfolio declined 7.3 percent for the fiscal year. The net asset value on June 30, 2001, was \$9,632.5 billion.

Mr. Deck presented reports on the major accomplishments of KPERS during FY 2001, a membership profile, statistics showing increasing benefits, a monthly financial report, and KPERS litigation status (Attachment 3).

Steve Schwarm, Goodell, Stratton, Edmonds, & Palmer, LLP was retained by the Attorney General's office to represent the interest of the State of Kansas in a lawsuit filed by Rodney L. Albright, *et al*, plaintiff, concerning Kansas Police and Firemen's (KP&F) Retirement System membership for certain state employees. Mr. Schwarm gave a status report regarding the lawsuit, noting that a motion to dismiss had been filed today (Attachment 4).

Julian Efird, Kansas Legislative Research Department, presented background information on transitional retirement options and re-employment after retirement legislation passed in other states during the 2001 Session (Attachment 5). National Council of State Legislatures survey results compiled in August 2001 found that 17 states enacted legislation during their most recently completed session that would allow for public employees to work after retirement for the same public employer from which an employee retired. Most of the legislation addressed teachers, although some bills covered both state employees and teachers. Nine state retirement systems indicated some type of transitional option is in place—four systems have restricted or limited return-to-work provisions; three systems have a Deferred Retirement Option Plan (DROP); one system allows an employee to work part-time but receive service credits (and contributions) as if the employee is working full-time; and one system has a return-to-work option that works similar to a DROP, as well as an

option that allows an employee to work part-time but receive service credits (and contributions) as if the employee is working full-time.

### **Afternoon Session**

Dale Dennis, Deputy Commissioner, Department of Education, reported on teacher vacancies at the start of the 2001-2002 school year (Attachment 6). A total of 512.4 teacher vacancies were reported as of August 1, 2001, in 125 school districts. Another 144.2 certified positions were filled on a temporary basis at that time.

A post audit report was presented by Chris Clarke of the Legislative Division of Post Audit (Attachment 7). The report addressed *Early Retirement Incentive Programs in Kansas School Districts: Reviewing Their Funding and Effects on the Supply of Teachers*. Two recommendations were made to the Joint Committee on Pensions, Investments, and Benefits. Both would require legislation—changing the early retirement plan reporting requirements for school districts to budget reports (from actuarial reports), and amending current law to make it consistent with federal law relative to retirement age (from age 65 in KSA 72-5395).

Hal Harrison, Vice President for Retirement Plans, Security Benefit Group, provided a summary of retirement changes in the Economic Growth and Tax Relief Reconciliation Act of 2001 as they relate to 403(b) and 457 plans (Attachment 8). The changes take effect beginning January 1, 2002, and will expire on December 31, 2012, unless Congress takes further action. Contribution limits for public employees in 457 and 403(b) plans are increased, and catchup provisions will allow even greater contributions for certain persons. Portability between plans will be allowed. Assets may be transferred from 457 and 403(b) accounts to purchase service credit in KPERS. A tax credit for low and moderate income workers who make salary reduction contributions into 457 and 403(b) plans applies to the first \$2,000 of contributions. This provision is scheduled to terminate after December 31, 2006.

Representing Kansas National Education Association, Craig Grant addressed retirees returning to work in the same school district (HB 2218 and HB 2352); early retirement incentive programs; and employers being able to contribute to 403(b) plans on behalf of their employees (Attachment 9). His testimony was in favor of all three.

Division of Personnel Services Director Bobbi Mariani addressed HB 2218 and HB 2352. Ms. Mariani reported that the State of Kansas is experiencing the same problems as school districts with respect to an aging workforce and a shrinking applicant pool (Attachment 10). She suggested that the proposed bills fall short of what is needed to address the issues facing the State of Kansas.

Mark Tallman, Assistant Executive Director for Advocacy, Kansas Association of School Boards, addressed the Committee on the issues of authorizing school district and community college boards to make contributions to employees' tax sheltered annuities,

school district early retirement incentive plans, and working after employment (Attachment 11).

Brilla Scott, Executive Director, United School Administrators of Kansas, testified as a proponent for HB 2218 and HB 2352 and asked that an amendment to these bills be considered (Attachment 12). The term "teacher" should be changed to "educator" in order to allow other school employees, such as administrators, to be able to work for the same school district after retirement and without penalty.

Representing Olathe School District USD 233 was Gary George, Assistant Superintendent, who asked for legislation to permit school districts to contribute to deferred compensation and tax sheltered investment plans on behalf of employees (Attachment 13).

The Committee considered a number of items initially reviewed at the June 27-28, 2001, meeting. Gordon Self discussed a proposed amendment to 2001 SB 46 that would remove any restriction on the retirement age for judges.

*Representative Cox made a motion that legislation be introduced to eliminate any age restriction on judges, and that the proposal should be started in the House. The motion was seconded by Senator Teichman. Motion carried.*

*Representative Flaharty made a motion that the content of 2001 SB 340 be introduced as a House bill. Motion was seconded by Representative Cox. Motion carried.*

*Senator Teichman made a motion that the Committee recommend 2001 HB 2540 favorable for passage and that the bill be passed as introduced. Representative Flaharty seconded the motion. Motion carried.*

Chair Stone announced that the next meeting would be October 23-24 and adjourned the meeting.

Prepared by Carol Doel  
Edited by Julian Efir

Approved by Committee on:

October 23, 2001