

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:35 A.M. on March 5, 2007, in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes
Mike Corrigan, Assistant Revisor, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Becky Krahl, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:

Glenn Deck, Executive Director, Kansas Public Employees Retirement System
Jim Edwards, on behalf of Mark Tallman, Kansas Association of School Boards
Mark Desetti, Kansas National Education Association
Tommy Britney, Worker, Lansing Correctional Facility (written)
Cheryl Semmel, Executive Director, United School Administrators of Kansas (written)

Others attending:

See attached list.

Subcommittee reports on:

Animal Health Department

Kansas State Fair (Attachment 1)

Subcommittee Chair Mark Taddiken reported that the subcommittee on the Animal Health Department concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments.

Senator Taddiken moved, with a second by Senator Teichman, to adopt the subcommittee budget report on the Animal Health Department in FY 2007. Motion carried on a voice vote.

Senator Emler moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Animal Health Department in FY 2008. Motion carried on a voice vote.

Subcommittee Chair Mark Taddiken reported that the subcommittee on the Kansas State Fair concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments.

Senator Teichman moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Kansas State Fair in FY 2007. Motion carried on a voice vote.

Senator Schodorf moved, with a second by Senator Teichman, to adopt the subcommittee budget report on the Kansas State Fair in FY 2008. Motion carried on a voice vote.

Kansas Corporation Commission

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:35 A.M. on March 5, 2007, in Room 123-S of the Capitol.

Citizens' Utility Ratepayer Board (Attachment 2)

Subcommittee Chair Carolyn McGinn reported that the subcommittee on the Kansas Corporation Commission concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments and notations.

Senator Steineger moved, with a second by Senator Kelly, to adopt the subcommittee budget report on the Kansas Corporation Commission in FY 2007 and in FY 2008. Motion carried on a voice vote.

Subcommittee Chair Carolyn McGinn reported that the subcommittee on the Citizens' Utility Ratepayer Board concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustment.

Senator McGinn moved, with a second by Senator Kelly, to adopt the subcommittee budget report on the Citizens' Utility Ratepayer Board in FY 2007 and in FY 2008. Motion carried on a voice vote.

The Chairman opened the public hearing on:

SB 362--Enacting the Kansas Public Employees Retirement System Act of 2009

Staff briefed the committee on the bill.

A memorandum was distributed to the Committee from the Office of the Revisor of Statutes summarizing **SB 362** and **SB 364** (Attachment 3). Copies of the Report of the Joint Committee on Pensions, Investments, and Benefits to the 2007 Kansas Legislature were distributed (copies available in the Kansas Legislative Research Department).

Chairman Umbarger welcomed Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERs) who testified as a proponent on **SB 362** (Attachment 4). Mr. Deck explained that since 2001 and 2002 when actuarial projections indicated that KPERs was not in actuarial balance, KPERs' Board and staff have worked closely with the Joint Committee on Pensions, Investments and Benefits to address the funding shortfall and develop a long-term funding plan. The Plan has been comprehensive, multi-year, incremental approach involving funding increases, actuarial changes and plan design review.

Key steps that have been implemented as a part of the plan include:

- Scheduled series of employer rate increases which began in FY 2006.
- Pension obligation bonds of \$500 million issued in February 2004 with \$440.2 million in net proceeds to KPERs and debt service paid through the State General Fund.
- Actuarial components implemented by adopting Entry Age Normal cost method and modifying mortality assumptions.

Mr. Deck explained the Plan Design Recommendations. In conclusion, Mr. Deck mentioned that recognizing the tenuous nature of KPERs' funding coupled with demographic projections, the KPERs Board of Trustees supports the **SB 362** plan design for future employees. He noted that the **SB 362** plan would:

- Improve KPERs' long-term financial security by establishing an affordable mix of employer and employee contribution rates that ensure the System's financial soundness over the long term.
- Provide benefits that, when combined with Social Security and personal savings, sustain retiree's standard of living in retirement.
- Align plan design and benefits for future public employees with demographic projections for longevity and working careers.

CONTINUATION SHEET

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Jim Edwards, on behalf of Mark Tallman, Kansas Association of School Boards, provided comments on **SB 362** (Attachment 5) that would create a new system of retirement benefits for school districts and other public employees beginning in 2009. It was noted that they trust the KPERS Board of Trustees has found a balance that is competitive with other public and private sector retirement plans.

Mark Desetti, Kansas National Education Association, shared concerns about **SB 362** (Attachment 6). Mr. Desetti explained that specifically they oppose the following changes:

- the final average salary calculation going from three years to five years
- the increase in the employee contribution, and
- the elimination of the 85 point rule for retirement.

Mr. Desetti also provided comments on **SB 364** in his testimony on **HB 362**.

Chairman Umbarger closed the public hearing on **SB 362**.

The Chairman opened the public hearing on:

SB 364--Permanent COLA for certain KPERS retirants and increase in employee contributions related thereto

Staff briefed the committee on the bill.

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), testified in support of **SB 364** and provided a legislative data sheet on the bill (Attachment 7). He explained that the additional funding required to pay for the **SB 364** COLA would be derived from two sources: the employee rate increase from 4 to 6 percent and local employer contribution rates.

Please refer to the testimony of Mark Desetti under the testimony of **SB 362**.

Written testimony on **SB 362** was submitted by the USA Kansas United School Administrators of Kansas (Attachment 8) and Tommy Britney, worker at Lansing Correctional Facility (Attachment 9).

The public hearing was closed on **SB 364**.

The meeting adjourned at 12:05 p.m. The next meeting is scheduled for March 6, 2007.