

Approved: 5-8-12
Date

MINUTES OF THE OF SENATE SELECT COMMITTEE ON KPERS

The meeting was called to order by Chairman Senator Morris at 4:20 p.m. on February 9, 2012, in Room 784-Docking of the Capitol.

All members were present.

Committee staff present:

Julian Efird, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Gordon Self, Kansas Revisor of Statutes
David Wiese, Kansas Revisor of Statutes
Daniel Yoza, Kansas Revisor of Statutes
Connie Burns, Committee Assistant

Conferees appearing before the Committee:

Sandy Jacquot, League of Kansas Municipalities
Ed Klumpp, KS Assoc. of Chiefs of Police, KS Sheriffs Assoc., KS Peace Officers Assoc.
Gary Adkins, State Employees Association of Kansas
Ernie Claudel, Kansas Coalition of Public Retirees
Ron Brown, The Coalition for Keeping the Kansas Promise

Others attending:

See attached list.

SB 338 - Enacting the Kansas public employees retirement system act of 2014

Sandy Jacquot, Director of Law/General Counsel, League of Kansas Municipalities, (LKM) presented testimony as a stakeholder in the ongoing discussions about the KPERS system. ([Attachment 1](#)) Ms. Jacquot provided a history of the involvement in the creation of the KPERS system; and the position of the LKM has been that KPERS should be a fully funded system that provides for a livable retirement for their employees. In addition, the Statement of Municipal Policy also advocates that the local system should remain separate from the state and school system. Each year when the LKM policy committee meets in August, the KPERS executive director has been a speaker and presented an update on the system. The last update was in August 2011. (The update devoted to the local government system is provided).

The LKM Governing Body, made up of city officials, elected and appointed, from across Kansas took its first specific plan design position on KPERS. LKM, on behalf of its member cities, respectfully requests that any changes to the KPERS system not be applied to local governments. The local government would continue to consist of Tier 1 and Kier II employees in a defined benefit plan. Numbers were provided to reflect how differently situated the local government portion of the system is from the state and school systems.

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The minutes of the Senate Select Committee at 4:20 p.m. on February 9, 2012, in Room 784-Docking of the Capitol.

LKM certainly supports the Legislature making a policy decision for the groups it funds as to how the retirement benefit should be structured and how it should be funded; however, local government should have input in the retirement program for its employees. There was a motion made during the study Commission's final meeting to do just what LKM is proposing and it was a tie vote, ultimately decided by a negative vote of the chair. LKM is now respectfully requesting that this position be considered and adopted in any version of **SB 338** that is advanced by the committee.

Ed Klumpp, Kansas Association of Chiefs of Police, Kansas Sheriffs Association, and Kansas Peace Officers Association, provided comments on the bill and overall KPERS plan amendment issue. (Attachment 2) Mr. Klumpp stated that 86% of the law enforcement agencies in Kansas have officers in KPERS and not in KP&F; that represents 1/3 of all law enforcement officers in the state. Non-sworn staff in agencies using the state retirement system is under KPERS; non-sworn employees are not eligible for KP&F, so there is significant interest in both regular KPERS (local) plan and the KP&F plans.

Concerns on the plan and the decisions on how to address employer contributions, and will impact recruiting efforts, retention connected to the diversity of hiring goals for both officers and non-sworn employees, and local budgets by the mandates. The cost of the plans coupled with the cost of converting from the existing defined benefit plan including payment of the unfunded actuarial liability will be impacted. Some areas of concerns specific to law enforcement officers and employees are:

- The discussion about extending the normal retirement age; we believe the public wants their safety or the safety of their family not dependent on an aging officer who stays in the profession simply because the retirement system will penalize them if they retire. For example; Corrections officers currently have a plan that permits them to retire at age 55 without penalty. Their retirement is still based on the same calculations as other KPERS members using years of service and final average salary. Law enforcement officers, and probably other public safety workers, need a similar provision for retiring at or after age 55 without penalty.
- There is concern about the disability retirement provisions and how those will be addressed in a new plan. Public safety employees are generally at higher risk of job related disability than most other KPERS members. This is of vital concern for their members.

Gary Adkins, State Employees Association of Kansas, (SEAK) testified in opposition of the bill. (Attachment 3) The bill is more costly than the more attractive alternative, it serves to the detriment of state worker's pension benefits, and it will be an impediment to staffing the State of Kansas with an adequately educated and well-trained workforce. Mr. Adkins offered two alternatives to the bill:

- To fully implement the actuarial concepts presented in **HB 2194** last year, as the new bill calls on state workers to help pay for an indebtedness that occurred at no fault of their own. Despite that, **HB 2194** outlines a plan to offset the Unfunded Actuarial Liability and continues the tradition of offering workers of the State of Kansas with a pension adequate to live out their years after retirement.
- Should the Legislature choose not to continue with this path, the suggestions would be to go back to the drawing board to find a less costly plan that would be consistent with the goal of making the State of Kansas an employer of choice.

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Ernie Claudel, Vice-Chair, Kansas Coalition of Public Retirees, (KCPR) appeared in opposition on the bill in its current form. (Attachment 4) Member of the Coalition represent a total of 39 employee organization of KPERS retirees; and consists of retirees from all levels of State, County, and Municipal Government. Coalition occupations include retired firefighters, police, municipal safety workers, and professional and clerical workers. Members of the Coalition attended all session of the Study Commission, and would like to offer the following:

- Retirees are part owners in the KPERS Trust Fund because they have contributed to it over time as a group.
- Have endured a 4% compounded loss of buying annually
- The buying power of \$100 in 1998 has been reduced to approximately \$66.00.
- It is of great concern that the retirement benefit under the new program will be less
- They are in support of the “working” and the “not yet hired”
- If the **SB 338** is adopted it will represent a shift of retirement investment risk to the shoulders of the retired
- Many of the contacts have concerns about the future attraction to Kansas of a viable public workforce.

We urge the Committee to support **HB 2194** and allow the system to work. If, in the future years some modification is warranted then the Legislature could act.

Ron Brown, Fraternal Order of Police on behalf of the Coalition for Keeping the Kansas Promise, commented on the bill. (Attachment 5) The Coalition feels the bill should be rejected on the basis that it fails to meet the Commission’s charge on three fundamental levels. First, the bill fails to address the UAL; second, it cost more than the current plan laid out in **HB 2194**; and third, it will not provide future KPERS members with an adequate retirement benefit.

The assumption that public employees in Kansas, or any other state, will self-direct their investments in a manner that will yield an 8% return is simply not realistic. The 2012 Legislature should maintain its fiduciary responsibility to public employees, retirees and taxpayers by allowing the plan to address the UAL to go into effect and oppose any plan that would create unnecessary and unsustainable costs to the State.

Chairman Morris opened the meetings for committee discussion on the bill.

Senator Longbine moved to delete the provision that requires the immediate funding to the UAL, and the split that removes the non-vested employees from the system also be removed. Senator Kelly seconded the motion.

*Senator Vratil moved a substitute motion to recommend **SB 338** favorably for passage. Senator Teichman seconded the motion. The Chair called for discussion on the motion. The motion failed.*

The next meeting is scheduled for February 14, 2012. The meeting was adjourned at 5:10 p.m.