

MINUTES OF THE HOUSE SELECT COMMITTEE ON KPERS COMMITTEE

The meeting was called to order by Representative Sharon Schwartz, Chair, at 8:00 on January 29, 2009, in Room 431-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Melissa Doebelin, Office of the Revisor of Statutes
Julian Efird, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Carol Bertram, Committee Assistant

Conferees appearing before the committee:

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS)

Others attending:

See attached list.

Chair Schwartz opened the meeting with a few remarks. She thanked everyone for coming to this early meeting and added that as a Select Committee she will need to search for a time and place for each meeting. Also she will need to work around the membership's conflicts. After introducing the staff members, Chair Schwartz noted the committee roster and committee rules were in everyone's folder. She added the committee rules are traditional rules but emphasized that cellular phones and electronic devices are not allowed because of being disruptive.

Chair Schwartz opened the floor to bill introductions. There being none, she asked Julian Efird, Legislative Research, to provide the Committee with a quick overview of the information the staff will be presenting to the committee this morning.

Chair Schwartz then introduced Glenn Deck, Executive Director of KPERS. He distributed copies of a report which explains the KPERS Long-Term Funding issues (Attachment 1). Executive Director Deck guided the Committee through the report page by page which includes:

- Background Information
- An Investment Overview
- KPERS Funding Status
- State/School ARC Scenarios:
 - 1) Current Bear Market and Recovery Scenarios
 - 2) Statutory Contribution Increase Cap Scenarios
- Conclusions

Executive Director Deck then reviewed the conclusions of the KPERS Long-Term Funding:

- Current benefits are safe. Assets of approximately \$10 billion (including adequate case reserves) are available to pay benefits.
- Unprecedented market declines have had substantial impact on the long-term funding status of the KPERS system.
- Projections indicate that the combined State/School group is not in actuarial balance and will not reach an ARC date during the remainder of the amortization period with a level 8% return assumption.
- Options for increasing statutory employer contribution caps in future years need to be considered to bring the System back into actuarial balance over the long term.
- Contribution increases in the first few years reduce the ultimate cost of bringing the System into actuarial balance, while the final cost rises if contribution rate increases are delayed.
- KPERS will continue to closely monitor investment returns and funding status and will report further developments to the Legislature.

Chair Schwartz opened the floor to questions. After all were answered, Chair Schwartz turned the floor over to Michael Steiner, Kansas Legislative Research Department, who distributed copies of a report which gave

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budget trends for KPERS funding (Attachment 2). He highlighted the operating expenditures for FY 2001 through FY 2010, noting a ten-year change of \$543 million dollars. He went on to explain state aid to school districts for elementary and secondary education, and explained the breakdown in the statewide salaries and wages.

In addition to Mr. Steiner's report, Mr. Efird went on to explain the possible long-term funding budget issues surrounding KPERS, and how the governor's recommendations/proposals would impact KPERS.

Chair Schwartz then turned the floor over to Gordon Self, Office of the Revisor of Statutes, who distributed copies of a document containing the 2008 Interim report summary from the Joint Committee on Pensions, Investment and Benefits (Attachment 3). He noted the five legislative bills which the Interim Committee is recommending:

- Provide an automatic 2.0 percent cost-of-living adjustment for members of the Kansas Police and Firemen's (KP&F) Retirement System and the Retirement System for Judges for members who are hired, appointed, or elected on or after July 1, 2010 (Senate Bill 96);
- Raise the earnings limitation cap to \$20,000 for disabled KP&F members (House Bill 2072);
- Allow local units of government an option of placing correctional and jail officers in a special KPERS group with enhanced benefits, subject to approval by the county commission or other local governing body (House Bill 2090);
- Extend the same restrictions that currently apply to participating employers and teachers working after KPERS retirement for school districts under individual contracts to other entities that provide contracted teachers to school districts by applying the same laws on salary caps and special employer contributions; and
- Allow certain vocational-technical teachers to purchase KPERS service credit for certain types of apprenticeship experience (House Bill 2073).

Due to the lateness of the hour and the fact that committee members had other committee commitments, Chair Schwartz informed the committee that she would invite Mr. Self back another time so that he could finish giving his report. In the meantime, members should watch the calendars and their e-mails for a future date and time for the committee to meet.

The meeting was adjourned at 09:02 a.m.

Representative Sharon Schwartz, Chair