MINUTES

JOINT COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

September 15-16, 2008
Room 545-N—Statehouse

Members Present

Senator Steve Morris, Chairperson
Representative Richard Carlson, Vice-Chairperson
Senator Anthony Hensley
Senator Laura Kelly
Senator Ruth Teichman
Senator Dwayne Umbarger (September 16 only)
Representative Geraldine Flaharty
Representative Margaret Long
Representative Rob Olson
Representative Sharon Schwartz

Staff Present

Alan Conroy, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Kimbra Caywood McCarthy, Kansas Legislative Research Department
Gordon Self, Office of the Revisor of Statutes
Melissa Doeblin, Office of the Revisor of Statutes
Gary Deeter, Committee Secretary

Conferees

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS)
Ron Gardner, Coalition of Public Retirees
Linda Hubbard, Coalition of Public Retirees
Ed Klumpp, Kansas Peace Officers' Association; Kansas Association of Chiefs of Police
Terry Forsyth, Kansas National Education Association (KNEA)
Gary Adkins, State Employees Association of Kansas
Dale Dennis, Deputy Commissioner, Kansas Department of Education
Mark Tallman, Assistant Executive Director, Kansas Association of School Boards
Dodie Wellshear, United School Administrators of Kansas (USA – Kansas)
Richard Atha, Superintendent, Garden City USD 457, USA – Kansas
Rob Balsters, Deputy Superintendent, Seaman USD 345, USA – Kansas

Mark Desetti, KNEA

Monday, September 15
Morning Session

Glenn Deck, Executive Director, KPERS, reviewed the topic of post-retirement benefit adjustments (Attachment 1). He said a cost-of-living adjustment (COLA) study was presented at the Committee's June 2008 meeting, which provided an introduction to the issue. He reviewed the background of COLAs in Kansas, reminded members of the current shortfall in fully funding the actuarially-required annual KPERS contributions, and outlined several alternative, comprehensive COLA plans. He also provided figures for active members and current retirees, showing the impact of a 2.0 percent COLA given annually, biennially, and triennially. He suggested a five-year minimum contribution period at a higher rate for active members in order to be eligible for a future COLA after retirement.

Afternoon Session

The public hearing on post-retirement benefit adjustments was held, with most attention focusing on an annual, automatic COLA for retired members of KPERS, the Kansas Police and Firemen's (KP&F) Retirement System, and the Retirement System for Judges.

Ron Gardner, representing the Coalition of Public Retirees, spoke in support of a COLA, noting inflation's impact in shrinking retiree benefits (Attachment 2). He commended the Legislature for passing SB 362 in 2007 that provided a $300 bonus payments for certain retirees and urged members of the Committee to formulate a strategy to further enhance retiree benefits.

Linda Hubbard, also representing the Coalition of Public Retirees, cited several examples of individual retirees struggling with inflationary pressures and recommended a 3.0 percent COLA tied to the Consumer Price Index (Attachment 3).

Ed Klumpp, Kansas Peace Officers' Association and Kansas Association of Chiefs of Police, cited the diminished income of retirees due to inflation and noted that a COLA would provide an incentive in hiring and retaining police officers (Attachment 4). Stating that delaying a plan will make matters worse and noting other states' COLAs, he encouraged members to avoid stop-gap measures and develop a comprehensive plan that will include all components of the KPERS system. Responding to questions, Mr. Klumpp reiterated the importance of implementing a total package rather than using a piecemeal approach.

Terry Forsyth, Kansas National Education Association, testified in support of a COLA, commenting that delaying action because of cost will create additional costs in other areas of state government. He noted that more than half of states have regular COLAs (Attachment 5).

Gary Adkins, State Employees Association of Kansas, briefly commented on past errors in judgment and expressed hope that the Committee will enhance the present retirement system to provide an adequate standard of living for those who have devoted their careers to public service (Attachment 6). He commended the Committee for its efforts and offered assistance in any way the Committee would deem helpful.

Two other groups provided written testimony in support of a COLA: Dennis Philips, Kansas State Council of Fire Fighters (Attachment 7); and Steve Kearney, Kansas State Troopers Association (Attachment 8).

Members discussed possible options, noting that in recent years the Legislature has taken significant action to improve the funding status of KPERS. It also was noted by members that any additional benefit enhancement that has a substantial cost will be difficult to get through the 2009 Legislature. A member asked the Coalition representatives how the organization would prefer to allocate the $36.0 million of potential revenue from the Expanded Lottery Act Revenues Fund (ELARF), and to develop a recommendation for the Committee for the October meeting. Mr. Gardner said the Coalition would have a recommendation prepared for the Committee's next meeting.

Tuesday, September 16, 2008
Morning Session

The public hearing on the topic of working after retirement focused primarily on the situation involving school districts and the teacher shortage.

Dale Dennis, Deputy Commissioner, Kansas State Department of Education, indicated that the present teacher shortage is the most serious problem facing education in Kansas (Attachment 9). He cited two barriers to retaining teachers who retire and want to be re-employed: a retired teacher who wants to continue teaching is prohibited from returning to the school district from which he/she retired, and a retired teacher is penalized for making over $20,000 per year. He also noted that some districts or teachers try to avoid the prohibitions through use of a private contractor. He referenced a survey conducted by the Department showing that, of the 638 retired teachers employed during the 2007-2008 school year, 33 were employed through private contractors (Attachment 10). He asked the Committee to adjust the retirement policies in order to level the playing field regarding these issues.

Glenn Deck addressed the issues raised by Mr. Dennis, tracing the history of state laws related to working after retirement (Attachment 11). He stated that if a retired teacher returns to the same district from which he/she retired, he/she must be off the payroll for 30 days to comply with an Internal Revenue Services regulation and, if he/she makes more than $20,000 per year, the retirement benefits are suspended for that year. Neither the employer nor the teacher contributes to KPERS. However, if the teacher is employed by another school district, there is no earnings limitation; if the person is employed after July 1, 2006, the school district must contribute 15.95 percent to KPERS. He said some school districts avoid the contribution by employing a teacher through a private contractor.

Mark Tallman, Assistant Executive Director, Kansas Association of School Boards, commented on the retirement issues, noting the unfairness to a school board of a surcharge for retirees who go to work in another district; he stated that the earnings limit should be selectively waived and urged the Committee to make a determination regarding the legality of private contractors (Attachment 12).

Dodie Wellshear, United School Administrators of Kansas, commented on the difficulty of employing teachers in rural areas, especially in western Kansas. She introduced Richard Atha, Superintendent, Garden City USD 457, also representing USA – Kansas, who traced the district's efforts to recruit and retain teachers (Attachment 13). He stated that the Garden City school district is the ninth largest in the state, with 7,300 students, 2,300 of them ESL students (English as a second language). Although the district hired 120 teachers last year, there were eight positions unfilled. He explained that being able to rehire teachers who have retired from the district, if the $20,000 earnings cap were removed, would help reduce the teacher shortage. Answering a question, he said about 30.0 percent of new teachers leave within three years.

Rob Balsters, Deputy Superintendent, Seaman USD 345, also representing USA – Kansas, provided some recommendations for retaining teachers (Attachment 14). He gave four recommendations:

- Increase the multiplier based on the number of points acquired;
- Increase the contribution rate if there is a corresponding benefit to the retiree, such as a COLA;
- Remove the $20,000 annual earnings limitation if the individual has reached age 62 or has 95-plus points; and
- Establish a COLA based on retirement after reaching 95-plus points or age 62.

Mark Desetti, Kansas National Education Association, noting that Kansas teachers salaries rank 37th in the nation, stated that if teachers were paid professional salaries, then the teacher shortage would be less onerous. He also noted that retired teachers were removed from the definition of teachers under the collective bargaining statute, allowing a school district to avoid paying retired teachers as a member of the bargaining unit. He objected to the use of private contractors, citing possible liability issues for a district (Attachments 15 and 16).

Members discussed the specific issues raised by conferees and agreed that recommendations need to be made to the 2009 Legislature. Members discussed ways of modifying the prohibition or the cap without unduly burdening KPERS. Mr. Deck commented that Dr. Balster's recommendations were not revenue-neutral. A suggestion was made that, if the earnings limitation is removed, that it be offset with some new disincentive for early retirement.

The minutes for the August 20, 2008, meeting were approved. (Motion by Representative Olson, seconded by Senator Teichman.)

Prepared by Gary Deeter
Edited by Julian Efird

Approved by Committee on:

October 14, 2008
(Date)