

Approved May 1, 2003

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

**February 11, 2003**

**Room 231 N - Statehouse**

**Members Present:**

Representative John Edmonds, Chairman  
Senator Dave Kerr, Vice-Chairman  
Representative Geraldine Flaharty, Ranking Minority  
Senator Jim Barone  
Representative Ray Cox  
Representative Vaughn Flora  
Representative Margaret Long  
Representative Bill McCreary  
Representative Melvin Neufeld

**Staff Present:**

Julian Efir, Legislative Research Department  
Mike Corrigan, Legislative Research Department  
Gordon Self, Office of the Revisor of Statutes  
Carol Doel, Committee Secretary

**Committee Conferees:**

Glen Deck, Executive Director of KPERS

Chairman Edmonds introduced Mr. Glen Deck, Executive Director of KPERS (Kansas Public Employees Retirement System) who presented the committee with an issue brief covering five separate issues as outlined below.

1. **KPERS LONG-TERM FUNDING:** This report showed the Retirement System's most recent actuarial valuation and indicated that its' total unfunded actuarial liability had grown to \$1.8 billion as of December 31, 2001. Over the long-term, this means that the System has not accumulated enough assets to provide the benefits already earned by members. While the existence of the unfunded actuarial liability is not in itself harmful or unusual, the rate at which the unfunded actuarial liability is increasing and projections of significantly higher employer contribution rates are cause for concern. Addressing this funding shortfall is critical to the System's long-term financial health and is the most important issue facing the System. (Attachment 1)
2. **KPERS DEATH AND DISABILITY FUND:** The Retirement System administers a death and disability program for active members of the System. With recent moratoriums on employer

contributions, the Death and Disability Fund's reserves are being depleted rapidly. An action plan needs to be developed to ensure the financial viability of this fund. (Attachment 2)

3. **KPERS 13<sup>th</sup> CHECK:** KPERS retirees who retired before July 2, 1987, are eligible to receive an annual dividend payment, often referred to as the "13<sup>th</sup> check." These retirees have received a 13<sup>th</sup> check since it was created, but the payment is actually conditional based on the availability of funds in the Retirant Dividend Reserve. Funds are credited to the reserve based on a statutory formula that involves KPERS annual investment income.

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With less than six months left in the fiscal year, whether or not KPERS is going to be able to pay the full 13<sup>th</sup> check payment will depend, in part, on investment markets.

Three options were discussed by the Joint Committee on Pensions, Investments and Benefits in the fall of 2002.

1. Take no action
2. Modify the formula for 2003
3. Modify the formula permanently.

No action was taken at that time. (Attachment 3)

4. **KPERS 2003 LEGISLATIVE AGENDA:** This year's KPERS legislative package includes two bills: **SB 13** with three technical amendments and a second bill, **SB 12**, that is related to the Board's authority over unclassified positions. (Attachment 4)

5. **KPERS INVESTMENT SUMMARY:** With total assets of more than \$8 billion, the Retirement System's investment portfolio is well diversified and designed for long term gains. Despite two consecutive years of negative returns, the System's average annual return has been 8.5 percent over the last decade. It is the plan to continue to follow a prudent diversification strategy, focusing on long-term, risk-adjusted returns. (Attachment 5)

With no further business, Chairman Edmonds announced a meeting for February 20, 2003 and meeting was adjourned at 2:30 p.m.