

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 22, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

J. G. Scott, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Aaron Klaassen, Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Gordon Self, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

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

Others attending:

See attached list.

Introduction of Legislation

Senator Vratil moved to introduce legislation to amend the cash basis law. The motion was seconded by Senator Umbarger. Motion carried on a voice vote.

Senator Vratil moved to introduce legislation to tie the Local Option Budget (LOB) to the Base State Aid Per Pupil (BSAPP). The motion was seconded by Senator Wysong. Motion carried on a voice vote.

Approval of Minutes

Senator Schodorf moved to approve the minutes of January 15 and January 16, as written. The motion was seconded by Senator Wysong. Motion carried on a voice vote.

Update on Kansas Public Employees Retirement System (KPERS) Long-Term Funding

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), presented an update on the retirement system and long-term funding (Attachment 1). Highlights from Mr. Deck's testimony include:

- Actuarial valuation in 2001 and 2002 established the basis for a long-term funding plan to address the shortfall in funding for the retirement system and bring the Plan into actuarial balance.
- The Plan's strategy is to invest long-term and produce a targeted yearly return of 8 percent on investments.
- The weakness in the financial markets in calendar year (CY) 2008 has caused the worst performance for stocks since the Great Depression raising a concern for the Plan.
- Unaudited estimated KPERS' assets on December 31, 2008, is \$9.9 billion, down 27.9 percent for the calendar year, resulting in an actuarial loss for CY 2008 of \$4.6 billion.
- With the losses in CY 2008, the total System funded ratio has declined from 71 percent to 68 percent.
- KPERS anticipates no gain in 2009 and the possibility of slow growth in 2010.
- The magnitude of the CY 2008 losses will cause a significant increase in the unfunded liability.

Mr. Deck stated that current KPERS' benefits are safe with assets of approximately \$10 billion to pay retiree benefits; however, noted the need to look for options, both short-term and long-term, to bring the system back into balance.

CONTINUATION SHEET

Minutes of the Senate Ways And Means Committee at 10:30 a.m. on January 22, 2009, in Room 545-N of the Capitol.

KPERS Proposed Legislation

Julian Efird, Legislative Research Department, provided a report on legislation proposed to be introduced to the 2009 Legislature by the Joint Committee on Pensions, Investments and Benefits in their 2008 Interim Report to the 2009 Legislature (Attachment 2). The legislation briefly includes:

- Provide an automatic 2.0 percent cost-of-living adjustment (COLA) for members of the Kansas Police and Firemen's (KP&F) Retirement System and the Retirement System for Judges, for members hired, appointed, or elected on or after July 1, 2010.
- Raise earning limitation cap from \$10,000 to \$20,000 for disabled KP&F members.
- Allow local units of government an option of placing correctional and jail officers in a special KPERS group.
- Extend the same restrictions that currently apply to participating employers and teachers working after KPERS retirement to other entities that provide contracted teachers to school districts.
- Allow certain vocational-technical teachers to purchase KPERS service credit.

The interim committee also recommends additional study of:

- Working after retirement, cost-of-living adjustment for active and retired employees, and membership in the KP&F Retirement System for certain state employees.
- Review the need for an employer contribution rate increase to be effective no later than FY 2012.

Responding to a question from the Committee, Gordon Self, Revisor of Statutes, stated that the issue of enforcing the \$20,000 income limitation on employees of private contractors, who work for a school district, is still being investigated and language for the legislation has not been drafted at this time.

Continued Discussion of SB 30 - State surplus property; disposition of computers and firearms.

Jill Wolters, Revisor of Statutes, explained additional and revised balloons for SB 30 as a result of the Committee's request (Attachment 3).

Jeff Russell, Director, Division of Legislative Services, presented information on a procedure to be used in the process of offering surplus computers to Kansas local public libraries as proposed in the balloon amendment to SB 30 (Attachment 4). Mr. Russell noted that there are approximately 393 public libraries within the state.

Senator Vratil moved that the amended version of SB 30 be adopted. The motion was seconded by Senator Taddiken. Motion carried on a voice vote.

Senator Vratil moved to recommend SB 30 as amended favorable for passage. The motion was seconded by Senator Masterson. Motion carried on a voice vote.

The next meeting is scheduled for January 23, 2009.

The meeting was adjourned at 11:45 a.m.