Approved: March 4, 2011

# MINUTES OF THE HOUSE PENSIONS & BENEFITS COMMITTEE

The meeting was called to order by Chairman Mitch Holmes at 9:03 a.m. on February 14, 2011, in Room 142-S of the Capitol.

All members were present except:
Representative Ron Worley - Excused

Committee staff present:
Gordon Self, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Julian Efird, Kansas Legislative Research Department
Darla Conner, Committee Assistant

Conferees appearing before the Committee:
Brian R. Thompson, President of Public Employees Association of Kansas
Representative Mike Burgess, District 51
Robert S. Wing, Kansas State Council of Fire Fighters
Representative Tom Sloan, District 45
Pat Lehman, Kansas State Association of Fire Chiefs & Kansas State Professional Fire Chiefs Association
Dennis Phillips, Kansas State Council of Firefighters
Detective M.T. Brown, Lawrence, Kansas Police Department
Terry Forsyth, Kansas NEA
Tom Krebs, Kansas Association of School Boards
Glenn Deck, Executive Director of KPERS

Others attending:
See attached list.

Representative Steve Johnson moved to withdraw his motion, made February 7, 2011, for a bill to review the funding and benefit levels of the life and disability insurance provided to KPERS members. Seconded by Representative Louis Ruiz. Motion carried.

Brian Thompson, President of Public Employees Association of Kansas, (Attachment 1), gave a presentation on Peak.

Hearing on:
**HB 2263 - Increased employee contributions for KP&F members and removal of maximum retirement benefit provision.**

Gordon Self, Office of the Revisor of Statutes, gave an overview on **HB 2263.**

The Chairman opened the hearing on **HB 2263**.

Proponents:
Representative Mike Burgess, District 51, (no written testimony), appeared before the committee in support of **HB 2263.**
Robert S. Wing, Kansas State Council of Fire Fighters, (Attachment 2), gave testimony in support of **HB 2263.**

Neutral:
Glenn Deck, Executive Director of KPERS, (no written testimony), stood for questions from the committee on **HB 2263.**

Hearing closed on **HB 2263.**

Hearing on:
**HB 2114 - Decreasing service time for vesting to 10 years under tier II of the Kansas police and firemen's retirement system.**

CONTINUATION SHEET

The minutes of the House Pensions and Benefits Committee at 9:03 a.m. on February 14, 2011, in Room 142-S of the Capitol.

Gordon Self, Office of the Revisor of Statutes, gave an overview on **HB 2114.**

The Chairman opened the hearing on **HB 2114.**

Proponents:
Representative Tom Sloan, District 45, (Attachment 11), appeared before the committee in support of **HB 2114.**
Pat Lehman, Kansas State Association of Fire Chiefs & Kansas State Professional Fire Chiefs Association, (Attachment 3), gave testimony in support of **HB 2114.**
Dennis Phillips, Kansas State Council of Firefighters, (Attachment 4), gave testimony in support of **HB 2114.**
Detective M.T. Brown, Lawrence, Kansas Police Department, (Attachment 5), gave testimony in support of **HB 2114.**

Neutral:
Glenn Deck, Executive Director of KPERS, (no written testimony), stood for questions from the committee on **HB 2114.**

Hearing closed on **HB 2114.**

Hearing on:
**HB 2086 - Increasing KPERS employer contribution rate cap.**

Gordon Self, Office of the Revisor of Statutes, gave an overview on **HB 2086.**

The Chairman opened the hearing on **HB 2086.**

Proponents:
Terry Forsyth, Kansas NEA, (Attachment 6), appeared before the committee in support of **HB 2086.**
Tom Krebs, Kansas Association of School Boards, (Attachment 7), gave testimony in support of **HB 2086.**
Glenn Deck, Executive Director of KPERS , (Attachment 8), gave testimony in support of **HB 2086.**
Representative Sharon Schwartz, District 106, (Attachment 9), presented written testimony in support of **HB 2086.**
Jane Carter, Executive Director of Kansas Organization of State Employees, (Attachment 10), presented written testimony in support of **HB 2086.**

Hearing closed on **HB 2086.**

The next meeting is scheduled for February 16, 2011.

The meeting was adjourned at 10:09 a.m.

# HOUSE PENSIONS & BENEFITS COMMITTEE GUEST LIST
# DATE: February 14, 2011

| NAME | REPRESENTING |
|---|---|
| Brian Thompson | PEAK |
| John Faber | PEAK |
| Jane Carter | KOSE |
| Melissa Ward | Hein Law Firm |
| Nicole Proulx Aiken | LKM |
| Dennis Phillips | KSCFF |
| Ed Redmond | KSCFF |
| Bob Wing | KSCFF |
| Kelly Navinsky-Wenzl | Kearney & Assoc. |
| Melissa Wangemann | KAC |
| Pat Lehman | KFCP |
| Tom Krebs | KASB |
| Mindy Brissey | AFT-Kansas |
| Levi Henry | Sandstone Kansas |
| | |
| | |
| | |

Public Employee's Association of Kansas
* P.E.A.K. *

# Public Employees Association of Kansas, Inc.

1122 S.W. 10th Avenue, P.O. Box 2573, Topeka, Kansas 66601 · 785.633.9989

Thank you Chairman Holmes, Vice-chair Grange, Ranking member Ruiz and members of the committee. My name is Brian R. Thompson and I am the president of Public Employees Association of Kansas and a retired KDOT employee. I come before you both professionally and personally.

Today I stand before you to request that no legislation be enacted at this time. My reasoning is based on the fact that there are too many unasked and unanswered questions as well as there has not been enough input provided to you by the stakeholders, i.e., the active and retired public employees of Kansas.

Mr. Chairman, there are approximately 200,000 active public employees and approximately 70,000 retired public employees who are depending on this committee and the Senate committee to do the right thing. If we don't get this right at this time, we will be back trying to fix it again, and each time we do that it reflects badly on our resolve to once and for all fix the problem. We feel that we should do as Utah did, have meetings until no one shows up. Hear everyone's concerns and act on them. We should not rush to judgment, but we should do the right thing, what ever that is, and the only way that can be accomplished is to hear from the stake holders, so, therefore Mr. Chairman, we ask the following:

We recommend that a fact-finding task force be created and be comprised of representatives of the Legislative branch, the Administrative branch, active employee representatives, and retiree group representatives. The task would be to hold statewide public hearings to take input from all sides and stakeholders of the issue and create a fair and final solution so that we are not back here in five years to create Tiers 4, 5 and so on.

Thank you so much for allowing me to speak on this issue. It has been near and dear to my heart for over ten years, not only the unfunded liability, but the COLA issue as well.

Mr. Chairman, I will stand for questions.

**House Pensions & Benefits**
**Date:** 2|14|2011
**Attachment #** 1

"PROGRESS THROUGH UNITY"

# KANSAS STATE COUNCIL OF FIRE FIGHTERS

Affiliated With

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS • KANSAS AFL-CIO • CENTRAL LABOR BODIES

**Testimony of Robert S. Wing** **February 14, 2011**

My name is Robert S. Wing. I am a captain in the Fire Department of the United Government of Wyandotte County and Kansas City, Kansas. I have been a fire fighter for 34 years. I am also President of the International Association of Fire Fighters, Local 64 and the Kansas State Council of Fire Fighters. I appear today to speak in support of House Bill No. 2263.

The intent of this Bill is to amend the Kansas Police and Firemen's Retirement System so as to remove the 80% cap on pensions earned under this system. Under the KP&F Retirement System, participants earn a retirement benefit equal to 2.5 percent of the participant's final average salary multiplied by the number of years of credited service. However, the current statute states that the retirement benefit cannot exceed 80% of such members final average salary. Thus, police or fire fighters with more than 32 years of service accrue no additional pension benefit.

The employees that I represent believe that this leads to the early retirement of many of our most skilled and senior employees. The experience gained by seasoned police and fire fighters is invaluable in providing the services that our communities expect. Many of our fire fighters retire upon attainment of the 80% retirement maximum. However, in many cases, these employees are still of working age and simply embark on another career. Thus, skilled fire fighters and police employees are lost to our communities because of this cap.

Additionally, the fire fighters that I represent believe that the cap is unfair. Currently, there are only 2 retirement systems in our State with a cap, the KP&F and the Judicial Retirement System. For example, the Kansas Public Employees Retirement System (KPERS), which covers the vast majority of public employees in Kansas, has no benefit cap. Long serving employees covered under KPERS continue to accrue retirement benefits for each year that they continue to work. Under the KP&F, police or fire fighters who work beyond 32 years serving their communities accrue no additional retirement benefits. Further, although the 7% employee contribution is reduced to 2% of wages after attainment of th 80% retirement benefit, that is still 2% of wages being contributed by employees for which there is no benefit gained. This seems unfair to us.

I am not an actuary. However, it is my understanding that the impact of such a change will be minimal to KP&F. The amendment would include a 7% level employee contribution for all years of employment. Thus, an employee would continue to contribute 7% of his or her wages until their retirement. Additionally, employees would work longer if they could accrue benefits for all years worked and thus, benefits would be paid out for fewer years. I am sure that you will be presented with expert testimony as to the actuarial calculations concerning the cost of the change.

In summary, the men and women that I represent work hard to serve their communities. There is much to be learned on our jobs and experience is our most important asset. We need to keep our most seasoned employees in order to train those that come behind us. We believe that the proposed amendment would encourage senior police and fire fighters to remain on their departments serving their community without significant additional costs.

I will be happy to answer any questions that you have. Thank you for your time and attention.

**KANSAS STATE ASSOCIATION OF FIRE CHIEFS**
**KANSAS STATE PROFESSIONAL FIRE CHIEFS ASSOCIATION**

**Committee on Pension and Benefits**
**Hearing on HB 2114**
**February 14, 2011**

Mr. Chairman and Members of the Committee:

I am Pat Lehman and I represent the Kansas State Association of Fire Chiefs and the Kansas State Professional Fire Chiefs Association. We are appearing in support of HB 2114 - *Decreasing service time for vesting to 10 years under tier II of the Kansas police and firemen's retirement system.*

This action will give local fire departments and local units of government a better position for hiring more qualified personnel for upper positions coming from other retirement programs. As we know, reducing the time from ten to five years was done a few years ago for KPERS and this would be a matter of equality for KP&F.

The fire chiefs of Kansas urge you to support this legislation and pass it out favorably by your committee.

Thank you and I will be glad to answer questions.

"PROGRESS THROUGH UNITY"

# KANSAS STATE COUNCIL OF FIRE FIGHTERS

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INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS • KANSAS AFL-CIO • CENTRAL LABOR BODIES

February 14, 2011

Testimony by Dennis Phillips

I, appear hear today on behalf of the Kansas State Council of Fire Fighters (KSCFF) in support of H.B. 2114. This bill would lower the vesting period for Kansas Police and Fire (KP&F) pension system from 15 years to 10 years for members under Tier II.

Most people who enter into the Police or Fire service work well beyond 10 years, but in those instances that they cannot this will help them to receive a pension that they would not have been afforded to them. The reason for this could be many but the main one is that although most Police and Firefighters start in their middle twenties there are some that start later in life. Therefore it can be very difficult or impossible to get their 15 years of service in.

The KSCFF would ask that committee to support H.B. 2114 to lower the vesting from 15 years to 10 years for KP&F Tier II members. Again thank you for your time and consideration.

Dennis Phillips

Dennis Phillips
Lobbyist, KSCFF

**Testimony: Decreasing service time for vesting to 10 years under tier II of the Kansas police and firemen's retirement system**

Mr. Chairman, Members of the Committee: **HB2114** represents an opportunity to help those who have chosen the profession of a police officer or fire firefighter with retirement security, while at the same time increasing the appeal for those contemplating one of these challenging careers.

I wanted to explain to you a little about my background. I am married, the father of two and I have been a Lawrence Police Officer since 1991 and a Detective since 1994. Although the following testimony represents my (and many of my colleagues) experiences, they do not necessarily represent the governing body of the City of Lawrence. This testimony simply represents the experience of many who work in criminal justice and deal with the every day and very real life issues this bill seeks to address.

The recruitment and retention of good and qualified people to law enforcement is an ever increasing task. The physical and mental requirements for a career in Law Enforcement make it extremely important to make sure people with the right ability and temperament to handle the risk associated are recruited and retained. Lowering the vesting period of KP&F will make a difference. The reduction in the vesting period will aid in:

1. Recruitment of those graduating from college looking for a challenging career and one where retirement is attainable;
2. Recruitment of those from other professions and/or those with specific skills such as language and science backgrounds. Law Enforcement Agencies face challenges related to a scope of issues some of which are related to technology and another is related to language. Making it easier, or more attractive, for someone with the before mentioned skills sets to chose a career in law enforcement will help address these issues.
3. Retaining of qualified officers. Police Officers, who face various risks that could shorten their career, will know being vested is more attainable and their (and their family's) financial security is protected.

**Conclusion:**

The legislature took steps to show their commitment to those who contribute to KPERS, by lowering the vesting period from 10 years to 5 years. We support your commitment to all the employees covered by KPERS. We respectfully request your commitment to those who contribute to KP&F by lowering the vesting period from 15 years to 10 years.

Thank you for your attention and I look forward to your questions.

M.T. Brown
Detective
Lawrence Kansas Police Department

**House Pensions & Benefits**
**Date:** 2|14|2011
**Attachment #** 5

KNEA

Making public schools great for every child

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

Terry Forsyth, Testimony
House Pensions and Benefits
February 14, 2011

My name is Terry Forsyth and I represent Kansas NEA. We understand the difficult position you are in when it comes to securing KPERS for current and future members of the system and we appreciate what you have done in recent years to help.

We are testifying in support of House Bill 2086 which increases the cap on employer rate increases from .6% to 1% starting in 2013. This would be one step in addressing the UAL problem we face in the KPERS system.

We know that KPERS still has an unfunded liability that is too large. This is why the KPERS board has asked the legislature to lift the cap on employer contribution increases from the current 0.6% to 1%. This is also why this committee has been talking about potential solutions to the problem.

While it might make people feel good to point the finger at who caused the problem, that does nothing to resolve it. It is time for us all to roll up our sleeves and do the necessary work to get things right.

- We absolutely believe the legislature must approve the KPERS-requested increase in the cap on employer contributions.
- We believe in light of evidence that defined contribution systems such as 401(k) plans are not providing an adequate retirement for working people that there should be no move to alter the defined benefit plan provided by KPERS.

According to an article in Time Magazine, *Why it's time to retire the 401(k)*, the current reliance on defined contribution retirement systems puts the retirement security of millions of Americans at risk:

> The Society of Professional Asset-Managers and Record Keepers say nearly 73 million Americans, or just less than 50% of our working population, now has a 401(k). And collectively we pour more than $200 billion into these accounts each year. But retire rich? Don't bet on it. The average 401(k) has a balance of $45,519. That's not retirement. That's two years of college. Even worse, 46% of all 401(k) accounts have less than

House Pensions & Benefits
Date: 2/14/2011
Attachment # 6

Telephone: (785) 232-8271 FAX: (785) 232-6012 Web Page: www.knea.org

> $10,000. Today, just 21% of all U.S. workers are covered by traditional pensions, and the number shrinks every year. "The time may have come to consider returning 401(k) plans to their original position as a third tier of retirement planning, behind pensions and Social Security," says Alicia Munnell, who heads the Center for Retirement Research at Boston College. "They should not be the thing we rely on for retirement security." And the government seems to agree. This summer, the Government Accountability Office concluded, "If no action is taken, a considerable number of Americans face the prospect of a reduced standard of living in retirement." That's what is known as an understatement. (http://www.time.com/time/business/article/0,8599,1929119,00.html)

We urge this committee to stand by the workers who serve our students, who maintain our highways, who provide for public safety, who care for our most vulnerable citizens and take this first step toward a solution that protects the defined benefit retirement system provided by KPERS.

KANSAS ASSOCIATION OF SCHOOL BOARDS
1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
785-273-3600

Testimony before the
**House Pensions and Benefits Committee**
Testimony on **HB 2086** – Increased KPERS Contribution Rate

by
**Tom Krebs, Governmental Relations Specialist**
Kansas Association of School Boards

**February 14, 2011**

Chairman Holmes and members of the committee, thank you for this opportunity to comment on HB 2086. We rise in support.

Last week, I had the opportunity to share with the committee our policy language on KPERS. This bill falls under our belief "benefits remain appropriate to attract and retain qualified employees."

As has been mentioned, retirement benefits, health insurance and wages are tied together in a compensation package. Increasing the contributory cap from 0.6 percent to one percent costs the state approximately $20 million. The money the legislature appropriates to schools will be affected, most likely, by an increased contribution. From that perspective, the increase has a potential negative impact on our members' budgets and their ability to increase wages.

But, as we noted last week, there must be a balanced approach to reducing the system's significant unfunded actuarial liability. By raising the contributory cap, the state is taking the first step in the right direction, which, in the long run, protects our members' employees' interests. It is a difficult choice to make, but we believe it is the correct one.

Thank you for this opportunity for input.

House Pensions & Benefits
Date: 2/14/2011
Attachment # 7

**HB 2086**

**Testimony for the
House Committee on Pensions and Benefits**

Glenn Deck
Executive Director
Kansas Public Employees Retirement System

February 14, 2011

Chairperson Holmes and Members of the Committee:

Thank you for this opportunity to provide testimony in support of 2011 HB 2086, which addresses the long-term funding shortfall facing the Kansas Public Employees Retirement System (KPERS).

HB 2086, as introduced by the Joint Committee on Pensions, Investments, and Benefits, would raise the statutory cap on employer contribution rate increases from .6% per year to 1.0% per year, beginning in FY 2013. The 1.0% cap would apply to all three groups of KPERS employers – State, School, and Local.

## Background

To fund a series of benefit enhancements enacted in 1993, a statutory cap was placed on annual increases to employer contribution rates. Although it did not become fully apparent for several years, these changes, along with subsequent experience losses and other factors adversely affecting liabilities, contributed to long-term funding issues that emerged in 2001-2002. Over a period of several years, KPERS worked with the Legislature to develop a comprehensive plan to address the long-term funding shortfall. As a result of funding and plan design changes made during that time, along with several years of positive investment returns, the funding status of the System began to improve.

However, the investment losses of 2008 had a substantial negative impact on the funding status of the Retirement System as a whole and reversed previous forward progress on long-term funding. All measures of KPERS' funded status deteriorated significantly, as reported in the December 31, 2008, actuarial valuation. Due to strong investment performance during 2009, the December 31, 2009, actuarial valuation report shows modest improvement in the System's funding status. The System's unfunded actuarial liability (UAL) decreased by $602 million to $7.7 billion, and the funded ratio rose to 64%. But despite this modest, short-term improvement in its funded status, the System's fundamental, long-term shortfall remains, and the UAL will continue to grow.

A fundamental principle of sound funding for a defined benefit plan is to consistently pay the full ARC rate. As a result of the statutory cap, employer contributions to KPERS have not equaled the full ARC rate, and the current State/School statutory rate is 72% of the ARC rate. Therefore,



KPERS

additional contributions are needed as an initial step toward improving KPERS' long-term funding.

2011 HB 2086 represents such a step. By speeding up the rate at which employer contributions increase to 1.0% per year, additional revenues to the KPERS plan in the near term are projected to improve its funded status over the long term. Over time, HB 2086 is projected to reduce the maximum ARC rate and reach the "ARC date" (the point at which the margin between the statutory rate and the ARC rate is eliminated) more quickly.

- The **State Group** reaches its ARC rate of 9.55% in FY 2013. Without the additional revenue provided in HB 2086, the State's ARC rate is not projected to reach the ARC date until FY 2018 at 11.8%.
- The **School Group** reaches its ARC rate of 17.59% in FY 2021. Under current law, it does not reach the ARC rate before the end of the UAL amortization period, even with a statutory rate of 21.37%.
- The **Local Group** reaches its ARC date in CY 2016 at a rate of 10.6%, which is two years earlier than under the Baseline.

More detailed information about the projected impact of HB 2086 is attached.

## Conclusions

The funding problem facing KPERS does not constitute a crisis threatening its short-term viability. Instead, KPERS' ability to withstand future economic downturns has been compromised, which may threaten its ability to pay benefits over the long term. With HB 2086 and similar measures, the impact of additional contributions may not become apparent for some time due to the size of the shortfall and the compounding effect of investment returns. Therefore, substantial improvements in KPERS' funded ratio and similar measurements of funding status may be limited in the short to mid-term, and KPERS' funding status may remain threatened for an extended period of time.

Therefore, legislative action to begin establishing a more sound foundation for KPERS' long-term financial health is needed as quickly as possible. By raising the statutory cap on employer contribution increases to 1.0%, HB 2086 provides a meaningful first step. It is consistent with the position of the KPERS Board of Trustees supporting responsible legislation that will result in substantial improvement to the KPERS' long-term funding status. For these reasons, I would urge the Committee to work toward enactment of legislation such as HB 2086.

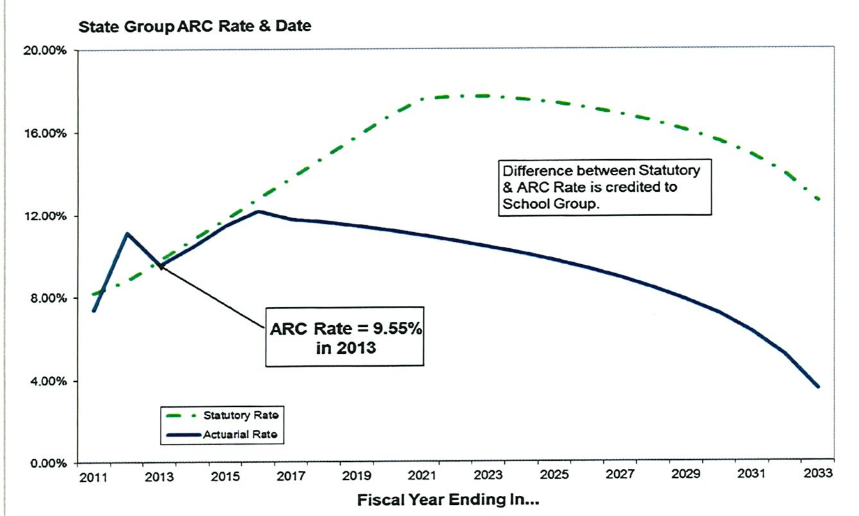
I would be glad to respond to any questions you might have.

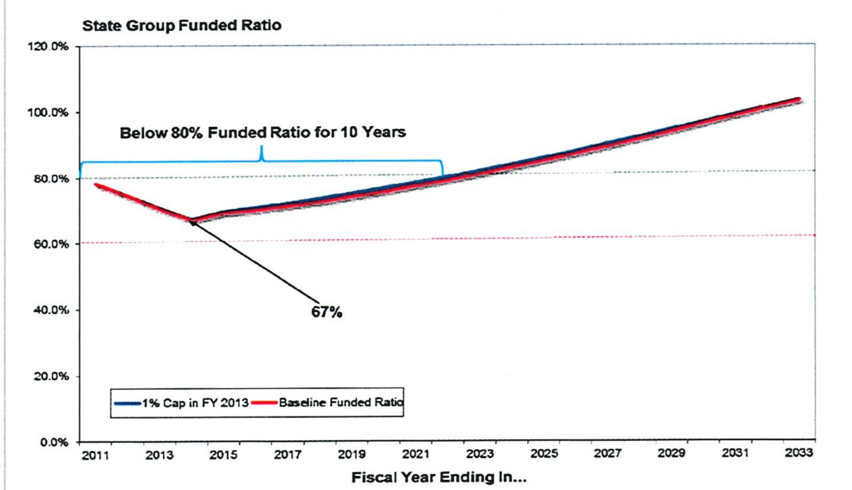
8-3

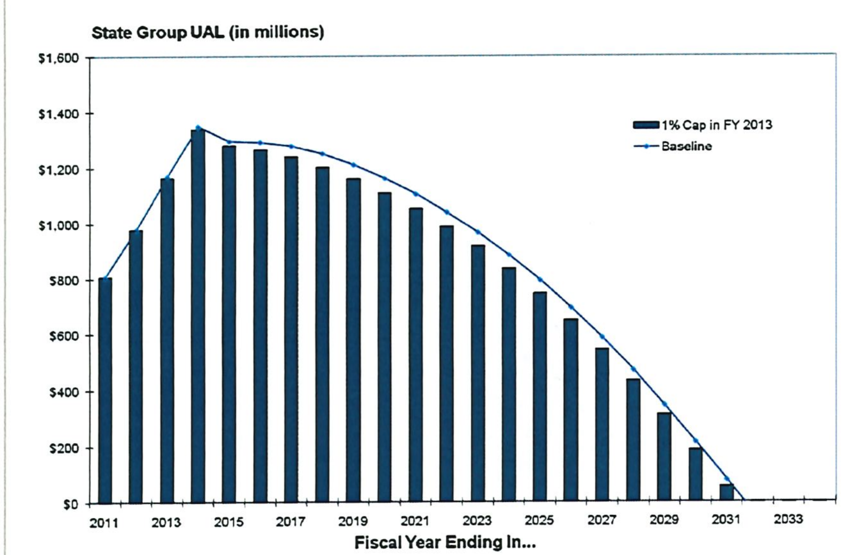
Attachment 1

# 2011 HB 2086 Projections: State Group

- **Raise employer rate increase cap to 1.0%, effective FY 2013. Assumes average annual investment return of 8%.**




- The projected ARC rate of 9.55% is 2.25% less than the Baseline ARC rate of 11.8%. The ARC date moves up 5 years to FY 2013.

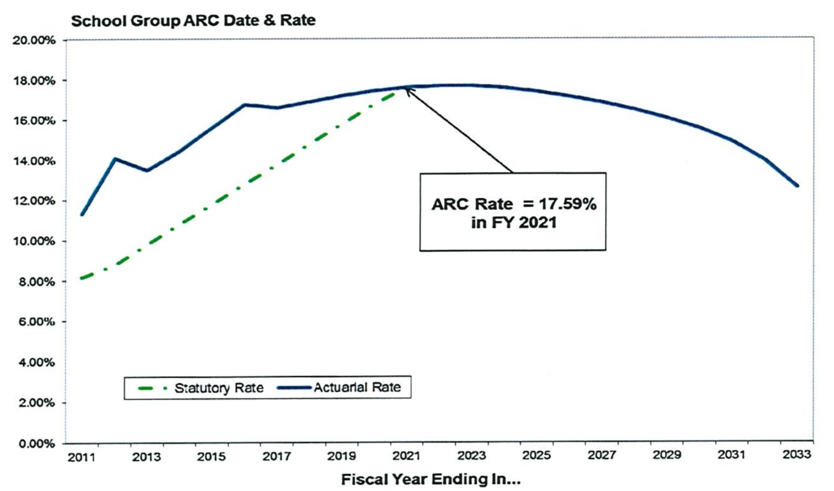
- Funded ratios reach a low of 67% in FY 2014. They are projected to reach 80% in FY 2022.

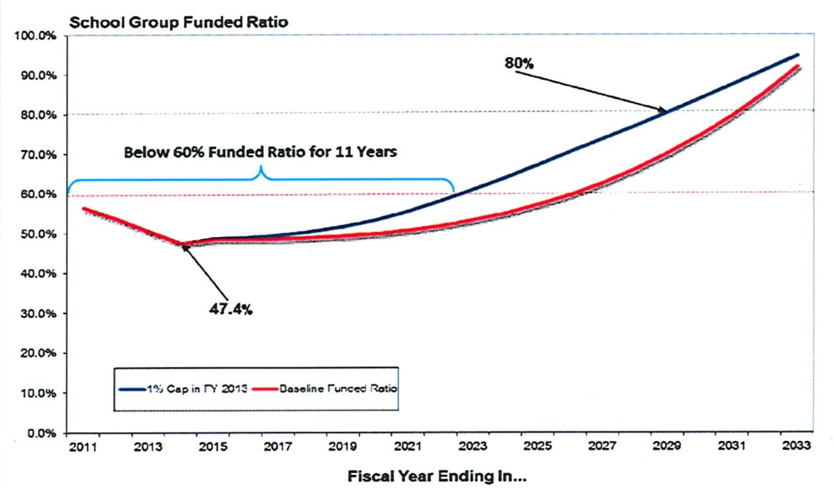
- The projected UAL rises by 66% to $1.34 billion in FY 2014.

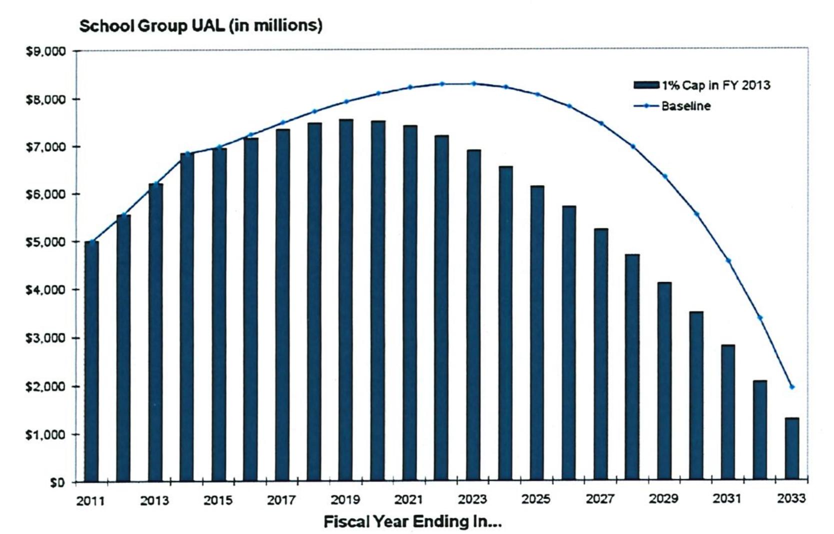
Attachment 2

# 2011 HB 2086 Projections: School Group

- Raise employer rate increase cap to 1.0%, effective FY 2013. Assumes average annual investment return of 8%.



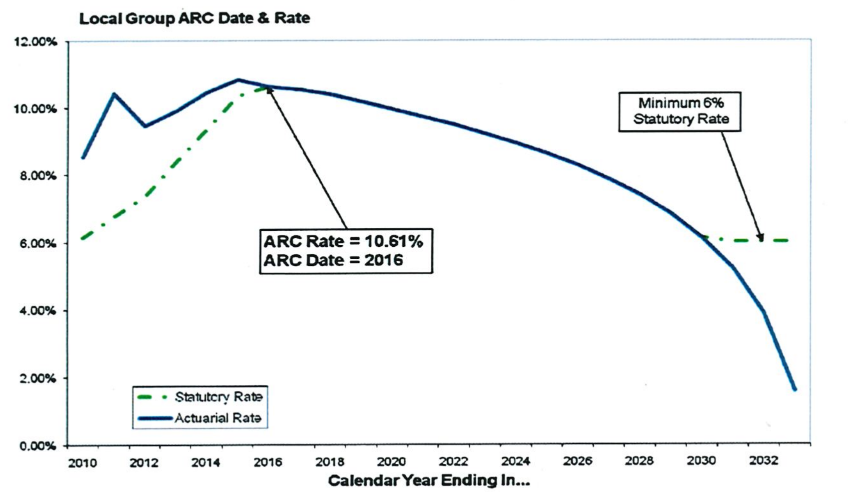

- The School Group is in actuarial balance with an ARC rate of 17.59% in FY 2021. Under the Baseline, the statutory rate reaches 21.37% by FY 2033.
- Funded ratio projections reach a low of 47% in FY 2014 and remain below 50% through FY 2017.
- The funded ratio is not projected to reach 60% until FY 2023 or 80% until FY 2029.
- The projected UAL rises 51% to $7.53 billion in FY 2019.

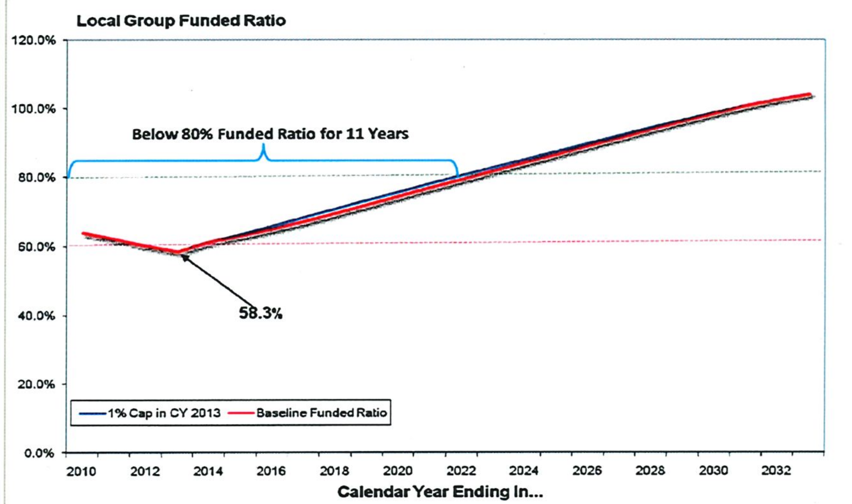
8-5

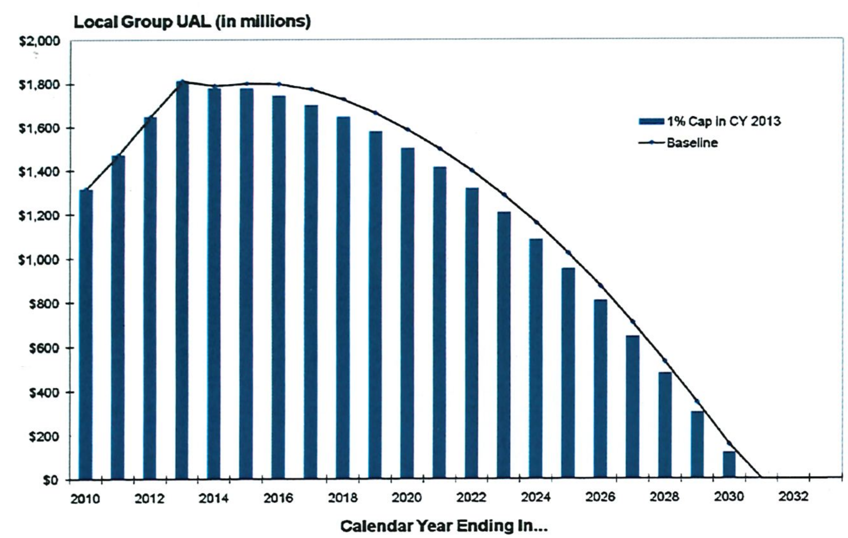
Attachment 3

# 2011 HB 2086 Projections: Local Group

**▪ Raise employer rate increase cap to 1.0%, effective FY 2013. Assumes average annual investment return of 8%.**



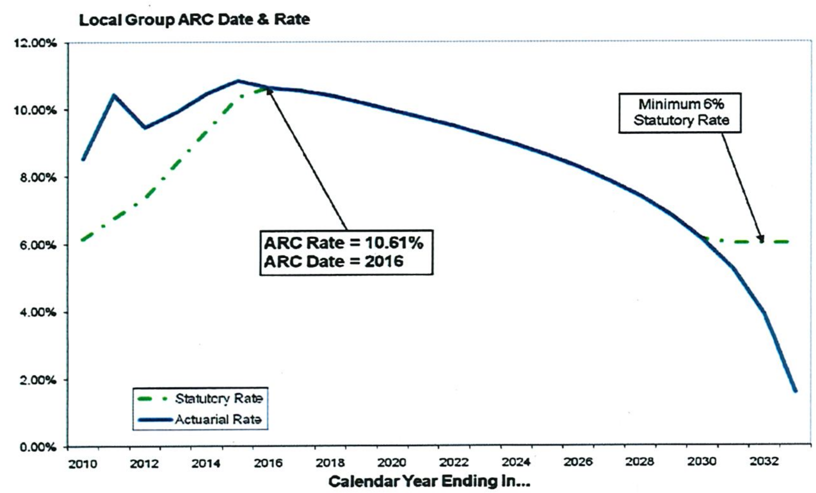



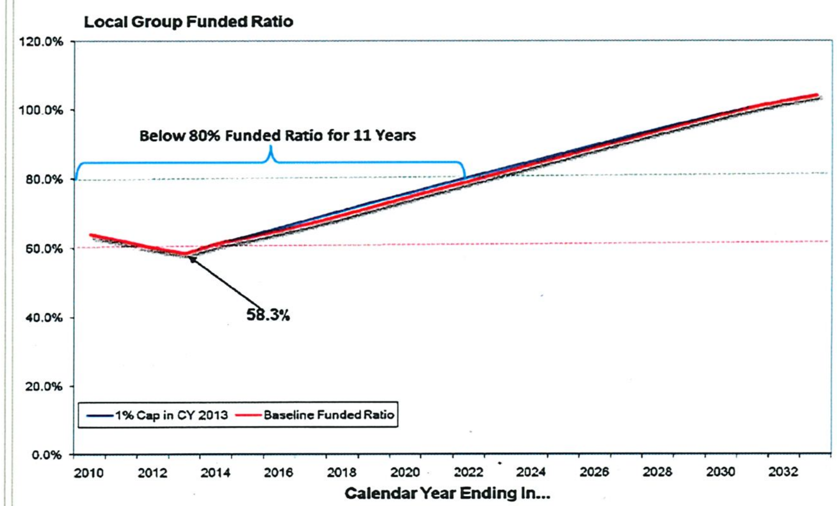



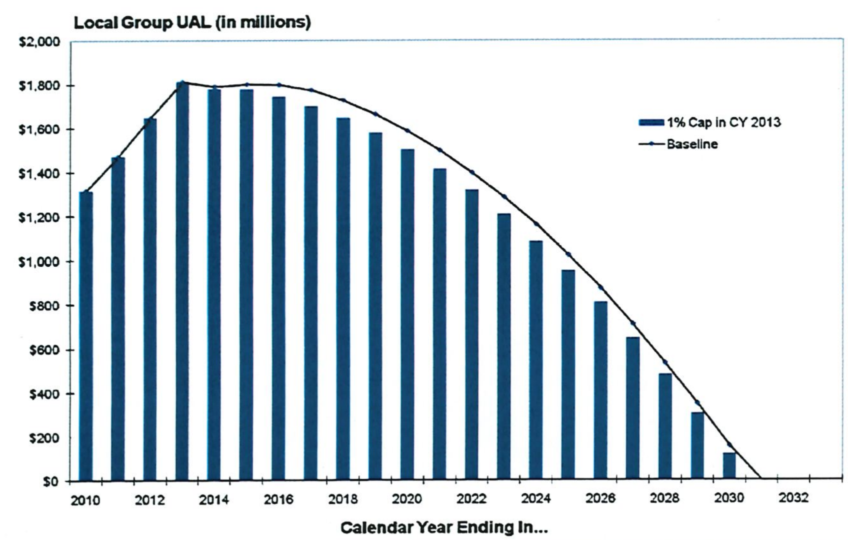

- The projected ARC rate of 10.61% is reached in CY 2016, which is two years earlier than under the Baseline.
- Funded ratios reach a low of 58.3% in CY 2013. They are projected to reach 80% in CY 2022.
- The projected UAL rises by 38% to $1.81 billion in CY 2013.

# 2011 HB 2086 Projections: Local Group

- **Raise employer rate increase cap to 1.0%, effective FY 2013. Assumes average annual investment return of 8%.**




- The projected ARC rate of 10.61% is reached in CY 2016, which is two years earlier than under the Baseline.
- Funded ratios reach a low of 58.3% in CY 2013. They are projected to reach 80% in CY 2022.
- The projected UAL rises by 38% to $1.81 billion in CY 2013.

STATE OF KANSAS
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*106th District*
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HB 2086

February 14, 2011

Chairman Holmes and Committee members:

Thank you for the opportunity to provide testimony in support of HB2086 which would raise the annual cap on employer contribution increases from the current 0.6 percent to 1.0 percent for the States' payments for the Kansas Public Employees Retirement System (KPERS) state, school groups and local groups.

The challenge of how to increase long-term funding to KPERS has long been confronting the Legislature. The interim committee on KPERS recommended introduction of legislation to raise the annual cap. The total long-term cost of promised benefits has yet to be funded in an adequate manner. Over the past 16 years the KPERS EMPLOYER CONTRIBUTIONS HAVE BEEN $2.5 BILLION LESS THAN THE ACTUARIAL CONTRIBUTION RATE WOULD HAVE BEEN TO FULLY FUND THE RETIREMENT BENEFITS PROMISED TO BE PAID. Employee contributions and investment earnings will be insufficient to make-up the long=term funding shortfall that currently is projected by the KPERS actuary, especially when focusing on the school group which reflects the greatest level of under-funding. Raising the annual cap from 0.6 to 1.0 percent is the first step in fixing long-term funding. Other legislative action also will be required as various alternatives are proposed.

I would be pleased to respond to any questions you might have regarding HB2086.

**House Pensions & Benefits**
Date: 2|14|2011
**Attachment #** 9

A New Day... A Better Way... For State Employees

Written testimony submitted to the
**House Pension and Benefits Committee**
On
**HB 2086**
By
**Jane Carter, Executive Director**
Kansas Organization of State Employees

Mr. Chairman and Members of the Committee:

Thank you very much for allowing me the opportunity to speak to you today on behalf of the 11,000 working men and women who are executive branch employees of the state of Kansas and represented by the Kansas Organization of State Employees (KOSE). My name is Jane Carter and I am the Executive Director of KOSE. As a spokesperson for an organization of workers whose retirement is exceedingly contingent of this committee's actions, I appreciate the chance to voice our concerns about the direction of the KPERs system.

At the outset, we agree that on its current course the KPERs system is unsustainable and will need a correction in order to protect the wellbeing of retirees and future retirees. That being said, we are looking for a solution that will impact the salaries and wages of state employees the least.

Since Kansas state employees, unlike social security recipients[i], have not received Cost of Living Adjustment in ten years and as many public employees from other states have no mandatory obligation to contribute their public retirement systems while Kansas state employees must contribute to KPERs per statute,[ii] we feel it is unconscionable to place the burden of making KPERs solvent on the backs of state employees. Furthermore, the state of Kansas does not afford its public retirees with healthcare benefits allowing it considerable flexibility when dealing with the KPERs system's liabilities.

HB 2086 is a positive step in the right direction by raising the employer contribution to KPERs from 0.6 percent to 1 percent of the State's annual payment. Comparing all so-called triggers, this option should be considered more heavily.

According to the Pew Center Report[iii], "Kansas is one of twenty one states that have failed to make its annual payments at the levels recommended by their own actuaries." State employees, on the other hand, are required to make their contributions whether the State lives up to its end or not. Therefore, it is encouraging to see this Committee taking initiative to live up to its obligations to retirees.

Additionally, it should be noted that KPERs Executive Director Glen Deck has previously testified in support of HB 2086, making it clear that raising the employer contribution rate is an action that will resolve KPERs long-term liability.

This is a meaningful step in the right direction and we urge this Committee to push this bill forward in order to reform our pension liabilities for future generations.

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[i] *Source Social Security Administration*

[ii] The Retirement Act requires that the State of Kansas participate, membership in the System is mandatory for all state employees in covered positions.

[iii] "The Trillion Dollar Gap: Underfunded Retirement Systems and the Road to Reforms." Feb. 18, 2010.

House Pensions & Benefits
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Attachment # 10

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February 14, 2011

Chairman Mitch Holmes
Pensions and Benefits Committee

Re: HB 2114 – Reducing the vesting period for KP&F members from 15 to 10 years

Mr. Chairman, thank you for the opportunity to provide supplemental testimony regarding HB 2114. As all conferees noted during the formal hearing, reducing the vesting period will be an incentive for persons to become police officers and fire fighters and has a minimal impact on KP&F contribution rates by police and fire fighters. Especially for the police, members of military police units; persons with accounting, computers, forensic, and other experiences are more likely to join police departments if the vesting period is shorter. As Det. Brown stated, young people can chase criminals on foot, Departments also need persons with skills to track computer crimes, evaluate evidence, and be more intellectual (my word) – persons who have acquired knowledge and skills though other employment.

The issue about vesting in 10 years and not being able to retire until after 15 years is not a significant issue to the Lawrence Police and Fire Department members (I checked). The retired Topeka Fireman brought up the issue of a 47 year old wanting to join the Department, but Topeka's mandatory retirement at age 60 requirement would mean that the applicant would be vested, but unable to ever draw retirement benefits. That person's situation is not "caused" by passage of HB 2114. Under the current statute, he will retire before he is vested. I do not believe that the Committee wants to become involved in "telling" Topeka or other communities at what age people should retire.

HB 2114 is simply a way to more easily attract qualified persons who learn beneficial skills (e.g., arson detection, "tracking" child pornographers) in other employment and educational settings and then wish to join a fire or police department. If Committee members have additional questions, I will be pleased to put them in contact with Lawrence Police and Fire Department officers. I also encourage Committee members to contact members of the police and fire departments in their own communities.

Thank you.