Approved: March 18, 2011

MINUTES OF THE HOUSE PENSIONS & BENEFITS COMMITTEE

The meeting was called to order by Chairman Mitch Holmes at 9:01 a.m. on March 4, 2011, in Room 142-S of the Capitol.

All members were present.

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
- Michael Steiner, Kansas Legislative Research Department
- Darla Conner, Committee Assistant

Conferees appearing before the Committee:
- Glenn Deck, Executive Director of KPERS

Others attending:
- See attached list.

Glenn Deck, Executive Director of KPERS, (Attachment 1), presented information regarding the impact of KPERS Plan design changes. The two changes addressed were: Change in the KPERS multiplier and Change in KPERS retirement age.

A general discussion followed.

School data based questions were fielded by Bill Reardon, Kansas City KS Public School District 500, Terry Forsyth, Kansas NEA, and Diane Gjerstad, Wichita Public Schools USD 259.

The next meeting is scheduled for March 7, 2011.

The meeting was adjourned at 10:03 a.m.

HOUSE PENSIONS & BENEFITS COMMITTEE GUEST LIST
DATE: March 4, 2011

NAME	REPRESENTING
Tom Krebs	KASB
Terry Forsyth	KNEA
Jane Carter	KOSE
RJ Wilson	KOSE
Dennis Phillips	KSCFF
Ed Redmon	KSCFF
Dennis Peerenboom	KDA
Stephanie Bunten	Judicial Branch
Mindy Brissey	AFT - Kansas
Ed Klumpp	KACP/KSA/KPOA
Melissa Ward	Hein Law Firm
Nicole Proulx Aiken	LKM

February 24, 2011

House Pensions and Benefits Committee
Questions Regarding Impact of KPERS Plan Design Changes

What is the impact of changes to the 85-point rule for active Tier 1 members?

95-point rule. HB 2333 would phase in a 95-point rule for Tier 1 employees by adding one point per year beginning in 7/1/2011 through 2021. By extending the time required for some KPERS members to reach eligibility for full retirement benefits, HB 2333 may reduce the total length of time those members and their beneficiaries receive benefits. As a result, the bill is projected to lower the actuarial liability for the KPERS plan and, ultimately, its unfunded actuarial liability and actuarially required contribution (ARC) rate, as detailed below.

	Decrease in Unfunded Actuarial Liability	Unfunded Actuarial Liability (As of 12/31/2009)	Decrease in Total ARC Rate	ARC Rate*	Statutory Contribution Rate*
State	$ 74 Million	$ 806.2 Million	0.65%	9.55%	9.37%
School	$374 Million	$4,998.8 Million	1.12%	14.69%	9.37%
State/School	$448 Million	$5,805.0 Million	1.00%	14.69%	9.37%
Local	$ 98 Million	$1,315.5 Million	0.62%	9.44%	7.34%
Total	$546 Million	$7,120.5 Million			

*Based on 12/31/2009 Valuation. Rate applies in FY 2013 for State and School Groups and CY 2013 for the Local Group)

Because of the statutory 0.6% cap on annual increases in employer contribution rates, the ARC rate is not being paid for any of the KPERS groups. The gap between the statutory rate and the ARC rate is larger than the projected decrease in the ARC rate that would result from the implementation of the 95-point rule. Therefore, the decrease in the actuarial contribution rate would not have an impact on employer contributions in FY2012 through FY 13.

90-point rule. Using the 12/31/09 valuation as the benchmark to measure the impact of changing to a Rule of 90 for anyone who is not already eligible for the Rule of 85, a 90-point rule is estimated to reduce the State/School UAL by $279 million, lower the normal cost rate by 0.20% and lower the ARC rate by 0.62%.

House Pensions & Benefits
Date: 3/4/2011
Attachment # 1

KPERS

What is the impact of changing the multiplier to 1.5% for future service for both Tiers 1 and 2?

Assuming a 1.5% multiplier, the current statutory 0.6% cap, and an 8% long-term investment return assumption –

- The School Group comes into actuarial balance, unlike the Baseline scenario.
    - The ARC date is in FY 2023 at a rate of 14.68%.
    - By way of contrast, under the Baseline (with the current 0.6% cap and no additional employee contributions or changes in benefits), the School Group is not in actuarial balance, despite a statutory rate of 21.37% in FY 2033.
    - When compared to projections of the impact of SB 49 (1% employer contribution cap, a phased-in 2% employee contribution rate, and a 1.85% multiplier for future service), the ARC date is in FY 2019 at a rate of 15.66%. Therefore, the 1.5% multiplier, without additional employer contributions, reaches the ARC rate more slowly than SB 49, but at a lower rate.

Attachment A provides additional detail regarding State/School employer contribution rates and amounts. These projections were modeled using the 12/31/08 valuation, with 12/31/09 investment returns. Therefore, this is a rough projection that would need to be rerun with 12/31/09 valuation data if it is to be further developed.

Attachment A

State/School Group

Assumptions: · Reduce Multiplier to 1.5% for Future Service · Existing .6% Employer Contribution Increase Cap · 8% Returns

		Employer Rate			Employer Contributions			Difference	
Fiscal Year	Total Payroll	Baseline	SB 49*	Multiplier to 1.5%**	Baseline	SB 49*	Multiplier to 1.5%**	SB 49 v Baseline	1.5% Multiplier v Baseline
2010					NA		NA	-	
2011	$ 4,461.03	8.17%	8.17%	8.17%	$ 364.5	$ 364.5	$ 364.5	$ -	$ -
2012	$ 4,579.02	8.77%	8.77%	8.77%	$ 401.6	$ 401.6	$ 401.6	$ -	$ -
2013	$ 4,699.49	9.37%	9.77%	9.37%	$ 440.3	$ 459.1	$ 440.3	$ 18.8	$ -
2014	$ 4,828.67	9.97%	10.77%	9.97%	$ 481.4	$ 520.0	$ 481.4	$ 38.6	$ -
2015	$ 4,966.13	10.57%	11.77%	10.57%	$ 524.9	$ 584.5	$ 524.9	$ 59.6	$ -
2016	$ 5,111.94	11.17%	12.77%	11.17%	$ 571.0	$ 652.8	$ 571.0	$ 81.8	$ -
2017	$ 5,266.12	11.77%	13.77%	11.77%	$ 619.8	$ 725.1	$ 619.8	$ 105.3	$ -
2018	$ 5,429.25	12.37%	14.77%	12.37%	$ 671.6	$ 801.9	$ 671.6	$ 130.3	$ -
2019	$ 5,601.68	12.97%	15.66%	12.97%	$ 726.5	$ 877.3	$ 726.5	$ 150.8	$ -
2020	$ 5,783.58	13.57%	15.79%	13.57%	$ 784.8	$ 913.0	$ 784.8	$ 128.1	$ -
2021	$ 5,975.84	14.17%	15.82%	14.17%	$ 846.8	$ 945.1	$ 846.8	$ 98.3	$ -
2022	$ 6,178.62	14.77%	15.75%	14.77%	$ 912.6	$ 973.4	$ 912.6	$ 60.8	$ -
2023	$ 6,391.81	15.37%	15.61%	14.68%	$ 982.4	$ 997.5	$ 938.3	$ 15.1	$ (44.1)
2024	$ 6,615.51	15.97%	15.41%	14.44%	$ 1,056.5	$ 1,019.6	$ 955.3	$ (36.9)	$ (101.2)
2025	$ 6,850.16	16.57%	15.17%	14.10%	$ 1,135.1	$ 1,038.9	$ 965.9	$ (96.2)	$ (169.2)
2026	$ 7,095.77	17.17%	14.87%	13.68%	$ 1,218.3	$ 1,055.4	$ 970.7	$ (163.0)	$ (247.6)
2027	$ 7,352.48	17.77%	14.54%	13.19%	$ 1,306.5	$ 1,068.8	$ 969.8	$ (237.8)	$ (336.7)
2028	$ 7,621.04	18.37%	14.12%	12.65%	$ 1,400.0	$ 1,075.9	$ 964.1	$ (324.1)	$ (435.9)
2029	$ 7,901.81	18.97%	13.63%	12.03%	$ 1,499.0	$ 1,076.9	$ 950.6	$ (422.1)	$ (548.4)
2030	$ 8,194.64	19.57%	13.01%	11.32%	$ 1,603.7	$ 1,066.2	$ 927.6	$ (537.5)	$ (676.1)
2031	$ 8,499.89	20.17%	12.23%	10.46%	$ 1,714.4	$ 1,039.5	$ 889.1	$ (674.9)	$ (825.3)
2032	$ 8,818.35	20.77%	11.17%	9.37%	$ 1,831.6	$ 984.6	$ 826.3	$ (847.0)	$ (1,005.3)
2033	$ 9,150.00	21.37%	9.57%	7.85%	$ 1,955.4	$ 875.7	$ 718.3	$ (1,079.6)	$ (1,237.1)
ARC rate and date			FY 2011-2033:		$ 23,048.8	$ 19,517.1	$ 17,421.8	$ (3,531.6)	$ (5,627.0)

*Modeled with 12/31/09 Valuation.

**Modeled using 12/31/08 Valuation, with 12/31/09 Investment Returns. Therefore, this is a rough projection that would need to be rerun with 12/31/09 valuation if it is to be further developed.