

MINUTES OF THE HOUSE PENSIONS & BENEFITS COMMITTEE

The meeting was called to order by Chairman Mitch Holmes at 9:05 a.m. on March 9, 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 KPERS

Others attending:

See attached list.

Discussion and action on:

HB 2333 - Normal retirement date under KPERS.

Representative Charlie Roth moved to pass HB 2333 favorably. Seconded by Representative Steven Johnson.

Back on the bill. Chairman Holmes informed the committee that the intent was to have balloons ready for the bill. Due to conflicts with other committee meetings in the Revisors office, these balloons were not ready. An outline of amendments was given to the committee (Attachment 1).

Representative John Grange move to amend HB 2333 to link KPERS normal retirement age to social security full retirement age, to be implemented July 1, 2016, and to strike language that creates a one point increase per year for ten years. This coupling would apply to both Tier I and Tier II. Those members eligible to retire prior to July 1, 2016, remain eligible. Early retirement rules would remain unchanged for both Tier I and Tier II. The Corrections sub group would be exempted from this change and would continue under their current rules. Seconded by Representative Louis Ruiz. Division was called. Five in favor and four opposed. Motion passed.

Representatives Geraldine Flaharty and Louis Ruiz requested their vote be recorded in opposition to this amendment.

Glenn Deck, Executive Director KPERS, (Attachment 2) discussed full retirement eligibility and early retirement eligibility. He also supplied information on Social Security frequently asked questions on full retirement age (Attachment 3). Discussion followed.

Representative Steven Johnson moved to amend HB 2333 to contain a provision that would increase the annual cap on employer contributions to .8% per year rather than the current.6% per year, for the 2013 fiscal year. Seconded by Representative Charlie Roth. The motion carried.

Representative Steven Johnson moved to amend HB 2333 to change the multiplier for future service from 1.75 to 1.4 This would apply to both Tier I and Tier II. This would be effective for service in the 2013 fiscal year and following. Seconded by Representative Charlie Roth. The motion carried.

Representative Geraldine Flaharty requested her vote be recorded in opposition to this amendment.

Representative James Kelly moved to amend HB 2333 to direct net proceeds from the sale of excess state real property to KPERS to pay down the state and school group unfunded liability. This would be effective starting in the 2013 fiscal year. Seconded by Representative Don Hill. The motion carried.

Representative James Kelly moved to amend HB 2333 to direct 50% of the annual net savings,limited to state general fund , generated by each department or agency be transferred to KPERS and 50% of year

CONTINUATION SHEET

The minutes of the House Pensions & Benefits Committee at 9:05 a.m. on March 9 , 2011, in Room 142-S of the Capitol.

end balances of each department or agency be transferred to KPERS to pay down the state and school group unfunded liability. Seconded by Representative Charlie Roth.

After discussion:

Representative James Kelly moved to amend his amendment to **HB 2333** by striking *and 50% of year end balances of each depart or agency be transferred to KPERS and adding commencing in FY 2012 for five years.* Courtesy second by Representative Charlie Roth. The motion failed.

Representative Steven Johnson, (Attachment 4), had an outline for another amendment for **HB 2333**.

Representative Steven Johnson moved to amend **HB 2333** to base the final average salary calculation on the highest seven years excluding any additional compensation for both Tier I and Tier II effective for the 2013 fiscal year. Seconded by Representative John Grange. The motion failed.

Representative John Grange moved to pass **HB 2333** favorably as a substitute bill. Seconded by Representative Charlie Roth. The motion carried.

Chairman Mitch Holmes directed staff to make **HB 2333** a substitute bill.

The next meeting is scheduled for March 14, 2011.

The meeting was adjourned at 10:28 a.m.

**HOUSE PENSIONS & BENEFITS
COMMITTEE GUEST LIST
DATE: March 9, 2011**

| NAME | REPRESENTING |
|---------------------|--------------|
| Nicole Proulx Aiken | LKM |
| Josh Anderson | Peak |
| DAVID LOWERY | KHRRS |
| Bill Layes | K CPR |
| Ron Gables | TIAA-CREF |
| Dennis Phillips | KSCFF |
| Ed Redmon | KSCFF |
| Ron GARDNER | K CPR |
| MINDY BRISSEY | AFT- Kansas |
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RETIREMENT AGE (Currently moving from 85 to 95 points)

1. Amend HB 2333 to couple KPERS normal retirement age to social security full retirement age, implemented July 1, 2016, and strike language that creates a one point increase per year for ten years. This coupling would apply to both Tier I and Tier II.

Early retirement rules would remain unchanged for both Tier I or Tier II.

The Corrections sub group would be exempted from this change and would continue under their current rules.

ADDITIONAL AMENDMENTS

2. Amend HB 2333 to contain a provision that would increase the cap on employer contributions to .8% per year rather than the current .6% per year, for the 2013 fiscal year.
3. Amend HB 2333 to change the multiplier for future service from 1.75 to the pre-1993 level of 1.4. This would apply to both Tier I and Tier II. This would be effective for service in the 2013 fiscal year and following.
4. Amend HB 2333 to direct net proceeds from the sale of excess state property to KPERS to pay down the state and school group unfunded liability. This would be effective starting in the 2013 fiscal year.

Full Retirement Eligibility

- The “normal retirement age” is the point at which a member is eligible to receive a retirement benefit without any reductions.
- The member’s age and the amount of service credit earned determines the normal retirement age.
 - **Tier 1**
 - Age 65 with at least one year of service credit.
 - Age 62 with at least ten years of service credit.
 - Any age, when age and years of service credit added together equal 85 (85 points.)
 - **Tier 2**
 - Age 65 with at least five years of service credit.
 - Age 60 with at least 30 years of service credit.
- Special retirement eligibility rules apply to certain correctional employees in both Tiers.
- Beginning at age 55 with 10 years of service, members may retire before their normal retirement age, with permanently reduced benefits. (See Appendix A.)

Early Retirement Eligibility

Members may choose to retire before their normal retirement age, but their benefits are permanently reduced.

▪ Tier 1

- Eligible for reduced benefits beginning at age 55 with ten years of service.
- The earlier the retirement, the more the benefit is reduced. Benefits are reduced a fixed per cent based on the member's age at retirement –
 - 0.6 percent for each month between age 55 and 60
 - 0.2 percent for each month between age 60 and 62.
- These reduction factors are set by statute.

| If a Tier 1 Member Retires Early... | | |
|-------------------------------------|---------------------------------|-----------|
| Age | Example | Reduction |
| 62 | Full benefit = \$1,500/month | 0% |
| 60 | Reduced benefit = \$1,425/month | 5% |
| 55 | Reduced benefit = \$885/month | 41% |

Early Retirement Eligibility (Continued)

▪ Tier 2

- Eligible for reduced benefits beginning at age 55 with ten years of service.
- The reduced benefit is to be determined on an actuarial basis established by the Board.
- The actuarial reduction is less for members retiring before age 60 if they have at least 30 years of service.

| If a Tier 2 Member Retires Early... | | | | |
|-------------------------------------|---|-----------|--|-----------|
| Age | Example - less than 30 years of service | Reduction | Example - at least 30 years of service | Reduction |
| 65 | Full benefit = \$1,500/month | 0% | Full benefit = \$1,500/month | 0% |
| 60 | Reduced benefit = \$975/month | 35% | Full benefit = \$1,500/month | 0% |
| 55 | Reduced benefit = \$636/month | 57.5% | Reduced benefit = \$1,068/month | 28.75% |

Social Security Online

Frequently Asked Questions

www.socialsecurity.govAre you an employer? See [FAQs about W-2 Reporting](#).

Full retirement age

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What age can I begin receiving full retirement benefits?

Full-retirement age has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. The following chart shows the steps in which the age will increase.

| Year of Birth | Full Retirement Age |
|-----------------|---------------------|
| 1937 or earlier | 65 |
| 1938 | 65 and 2 months |
| 1939 | 65 and 4 months |
| 1940 | 65 and 6 months |
| 1941 | 65 and 8 months |
| 1942 | 65 and 10 months |
| 1943--1954 | 66 |
| 1955 | 66 and 2 months |

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Attachment # 3

| | |
|----------------|------------------|
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |
| 1960 and later | 67 |

Note: Persons born on January 1 of any year should refer to the full retirement age for the previous year.

Call 1-877-476-7WEB (932)



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Amend HB 2333 to base the final average salary calculation on the highest 7 years excluding any additional compensation for both Tier I and Tier II effective for the 2013 fiscal year.

House Pensions & Benefits

Date: 3/9/2011

Attachment # 4