

# KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM 2008 LEGISLATIVE SUMMARY

## BILLS PASSED BY HOUSE AND SENATE

### **H Sub for SB 309 As Amended**

Removes the June 30, 2008, sunset provision for the current earnings limitation exception for state nurse retirees reemployed by certain SRS institutions. Expands the exemption to include state nurse retirees reemployed by state juvenile justice institutions.

Makes technical amendments addressing several transition and implementation issues relating to the new KPERS plan design (2007 SB 362), which will take effect July 1, 2009.

Makes technical amendments to the Retirement Act related to compliance with the Internal Revenue Code, IRS rules and regulations, and related guidelines for qualified plans.

Makes two technical amendments to the Retirement Act (K.S.A. 74-4901 *et seq.*) with regard to improper withdrawals and application of service credit between systems.

Provides an income tax exemption for pension benefits received by retired employees of Washburn University from the University's retirement plan.

**Sponsored by Committee on Public Health and Welfare (as introduced). House Substitute Bill Introduced by Committee on Appropriations.**

**Cost:** *Nurses Exemption* – Negligible fiscal impact.

*Technical amendments* – No cost.

*Tax exemption* – Reduction in revenue to the State General Fund of \$140,000 in FY 2009.

*Note:* *This substitute bill includes the provisions of HB 2673, SB 662 and SB 663, as introduced, as well as the two technical amendment provisions in HB 2077.*

## GENERAL ORDERS – HOUSE

### **H Sub for SB 385**

Makes technical amendments addressing several transition and implementation issues relating to the new KPERS plan design (2007 SB 362), which will take effect July 1, 2009.

Makes technical amendments to the Retirement Act related to compliance with the Internal Revenue Code, IRS rules and regulations, and related guidelines for qualified plans.

Makes two technical amendments to the Retirement Act (K.S.A. 74-4901 *et seq.*) with regard to improper withdrawals and application of service credit between systems.

**Sponsored by Committee on Ways and Means (as introduced). House Substitute Bill Introduced by Committee on Appropriations.**

**Cost:** No cost.

*Note:* *This substitute bill includes the provisions of SB 662 and SB 663, as introduced, as well as the two technical amendment provisions in HB 2077.*

**BILLS IN HOUSE APPROPRIATIONS COMMITTEE**

**HB 2076** Increases the annual earnings limit for disabled Tier II members of the Kansas Police and Firemen’s Retirement System to \$20,000 beginning in calendar year 2007.

**Sponsored by Joint Committee on Pensions, Investments and Benefits.**

**Cost: Additional KP&F Tier II disability benefits payments of approximately \$160,000 annually.**

*Note: The provisions of this bill were amended into HB 2077.*

**HB 2077  
As Amended**

Increases the annual earnings limit for disabled Tier II members of the Kansas Police and Firemen’s Retirement System to \$20,000 beginning in calendar year 2007.

Authorizes KPERS to implement the federal Pension Protection Act of 2006 provisions relating to federal tax-free distributions of health and long-term care insurance premiums from pension payments for about 5,000 to 10,000 qualified public safety officers.

Makes two technical amendments to the Retirement Act (K.S.A. 74-4901 *et seq.*) with regard to improper withdrawals and application of service credit between systems.

**Sponsored by Joint Committee on Pensions, Investments and Benefits.**

**Cost: KP&F Tier II disability earnings limit – Additional Tier II disability benefit payments of approximately \$160,000 annually.**

*Public safety officer insurance premium deductions – One-time cost of \$442,000 for information system changes with annual operating costs of \$35,000 for one additional full-time benefits processing position.*

*Technical amendments - No cost.*

*Note: HB 2077, as amended, includes the provisions of HB 2076 and HB 2078, as introduced.*

*Note: The two technical amendment provisions of this bill were amended into Substitute SB 662 and House Substitute for SB 385.*

**HB 2078** Authorizes KPERS to implement provisions of the federal Pension Protection Act of 2006 relating to federal tax-free distributions of health and long-term care insurance premiums from pension payments for approximately 5,000 to 10,000 qualified retired public safety officers.

**Sponsored by Joint Committee on Pensions, Investments and Benefits.**

**Cost: One-time cost of \$442,000 for information system changes with annual operating costs of \$35,000 for one additional full-time benefits processing position.**

*Note: The provisions of this bill were amended into HB 2077.*

**HB 2151** Increases the maximum retirement benefit for KP&F members to 100 percent of final average salary and provides for member contributions equal to 7 percent of compensation until that maximum is reached (beginning with payroll periods commencing on or after July 1, 2007).

**Sponsored by Committee on Appropriations.**

**Cost:** State – *Additional unfunded actuarial liability of \$1.1 to \$1.4 million for the State with additional first-year contributions of \$63,000 to \$90,000, depending on retirement rates.*

Local – *Additional unfunded actuarial liability of \$8.9 to \$11.6 million with additional first-year contributions of \$487,000 to \$695,000, depending on retirement rates.*

**HB 2238** Provides for membership in the Kansas Police and Firemen’s Retirement System for certain firefighters serving the 190<sup>th</sup> Air Refueling Wing, Kansas Air National Guard within the Adjutant General’s Department (future service only), effective July 1, 2007.

**Sponsored by Committee on Appropriations.**

**Cost:** FY 2008 – **5.95% of covered payroll** (approximately \$44,150).  
FY 2009 – **5.89% of covered payroll** (approximately \$45,000).

**HB 2428** Reduces KPERS vesting requirement to five years and eliminates annualized rates of compensation for members of the Legislature first appointed or elected on or after July 1, 2007.

**Sponsored by Representative Otto.**

**Cost:** To be determined.

*Note: 2007 SB 362, which will take effect July 1, 2009, provides a five-year KPERS vesting requirement for all new KPERS members.*

**HB 2497** Prohibits the investment of KPERS funds in companies with certain business operations in Iran and establishes standards and procedures for KPERS divestment from direct and indirect holdings in companies with such operations.

**Sponsored by Committee on Commerce and Labor.**

**Cost:** To be determined.

**HB 2558** Establishes new defined benefit plan design for KPERS-covered employees first employed on or after July 1, 2009. Plan design changes would not affect employees first employed before July 1, 2009.

**Sponsored by Committee on Appropriations.**

**Cost:** Employer contribution *savings* through 2033 of **\$2.6 billion for the State and \$1 billion for local employers.**

*Note: A Senate bill establishing the new defined benefit plan design (2007 SB 362) was enacted in 2007 and will take effect July 1, 2009.*

- HB 2574** Authorizes the University of Kansas Hospital Authority to sell the University of Kansas Hospital and provides that 50 percent of the sale proceeds (not less than \$400 million) would be credited to the KPERs fund.  
**Sponsored by Committee on Appropriations.**  
**Cost: Employer contribution savings through 2033 of \$1.3 billion for the State.**
- HB 2584** Provides for membership in the Kansas Police and Firemen's Retirement System for certain law enforcement officers employed by the Department of Wildlife and Parks (prior and participating service), effective July 1, 2007.  
**Sponsored by Committee on Appropriations.**  
**Cost: FY 2008 – 8.63% of covered payroll** (approximately \$643,035).  
**FY 2009 – 17.1% of covered payroll** (approximately \$1.3 million).
- HB 2673**  
**As Amended** Removes the June 30, 2008, sunset provision for the current earnings limitation exception for state nurse retirees reemployed by certain SRS institutions. Expands the exemption to include state nurse retirees reemployed by state juvenile justice institutions.  
 Raises the limit on compensation earned while working for the employer from which a retiree retired from \$20,000 to \$25,000 per year.  
 Allows KPERs members to purchase up to two years of service credit for journeyman-level work experience that is necessary to obtain certain technical or vocational teacher certifications under K.A.R. 91-1-39 and its predecessors.  
 Provides a one-time 3 percent cost-of-living adjustment (COLA) for members who retired before July 1, 2007, to be funded by the transfer to the Kansas Public Employees Retirement Fund of an amount equal to 30% of the revenues credited to the Expanded Lottery Act Revenues Fund (ELARF).  
**Sponsored by Committee on Appropriations.**  
**Cost: Nurses Exemption – Negligible fiscal impact.**  
**\$25,000 Earnings Limitation – To be determined.**  
**Service Purchase – No cost.**  
**COLA – Additional unfunded actuarial liability of \$222.2 million (\$170.6 million for the State and \$51.6 million for local groups). Assuming FY 2009 revenue to ELARF of \$81.8 million, \$24.5 million would be transferred to the KPERs Fund in that year to be applied toward amortization of the unfunded actuarial liability associated with the COLA. (The amortization period is not stated in the bill.)**  
*Note: HB 2673, as amended, incorporates the provisions of HB 2971, relating to purchase of service credit.*  
*Note: HB 2673, as introduced, also was amended into H Sub for SB 309.*

**HB 2977** Subject to appropriations, provides an employer match of 2% of compensation for KPERS, KP&F, and Judges' System retirees who are employed by a participating employer and who elect to participate in the Kansas Public Employees Deferred Compensation Plan.

**Sponsored by Committee on Appropriations.**

**Cost:** Would be paid directly by participating employers and could vary significantly depending on retiree reemployment and participation rates.

**State** – approximately \$28,840.

**Schools** – approximately \$353,219.

**Local** – approximately \$89,839.

**Sub for SB 662 As Amended** Makes technical amendments addressing several transition and implementation issues relating to the new KPERS plan design (2007 SB 362), which will take effect July 1, 2009.

Makes technical amendments to the Retirement Act related to compliance with the Internal Revenue Code, IRS rules and regulations, and related guidelines for qualified plans.

Makes two technical amendments to the Retirement Act (K.S.A. 74-4901 *et seq.*) with regard to improper withdrawals and application of service credit between systems.

Provides an income tax exemption for pension benefits received by retired employees of Washburn University from the University's retirement plan.

**Sponsored by Joint Committee on Pensions, Investments and Benefits (as introduced). Substitute Bill Introduced by Committee on Ways and Means.**

**Cost:** *Technical amendments* – No cost.

*Tax exemption* – Reduction in revenue to the State General Fund of \$140,000 in FY 2009.

**Note:** *This substitute bill includes the provisions of SB 662 and SB 663, as introduced, as well as the two technical amendment provisions in HB 2077.*

**BILLS IN HOUSE SELECT COMMITTEE ON KPERS**

**HB 2178** Provides a one-time 3 percent cost-of-living adjustment for members who retired or were disabled before July 1, 2006.

**Sponsored by Representative Lane et al.**

**Cost:** *For retired members* – Additional unfunded actuarial liability of \$148.15 million for the State and \$45.25 million for local groups. Additional first-year contributions of \$9.71 million for the State and \$2.93 million for local employers.

*For disability recipients* – Additional unfunded actuarial liability of \$3.7 million for the State and \$1.1 million for local group. Additional first-year contributions of \$616,000 for the State and \$174,000 for local employers.

- HB 2468** Prohibits the investment of KPERS funds in companies with certain business operations in Sudan and establishes standards and procedures for KPERS targeted divestment from direct and indirect holdings in companies with such operations.  
**Sponsored by Representative Davis et al.**  
**Cost:** Estimated one-time transaction fees of \$40,000 to \$185,000 to divest from separate and commingled accounts, plus estimated annual fees of \$455,000 to \$460,000 for investment monitoring service and additional account management fees.  
**Note:** 2007 HB 2457, which was amended to include a provision regarding KPERS investments in companies with business operations in Sudan, was enacted in 2007.
- HB 2557** Provides automatic, annual 2 percent cost-of-living adjustments beginning at age 65 to KPERS members retiring after July 1, 2009, and increases KPERS employee contribution rate from 4 percent to 6 percent.  
**Sponsored by Committee on Appropriations.**  
**Cost:** Additional unfunded actuarial liability of \$762 million for the State (State and School Groups) and \$182 million for local groups.  
*Additional first-year contributions of \$29.2 million for the State (State and School Groups) and \$5 million for local employers.*
- HB 2832** Lifts the earnings limitation on reemployment of KPERS retirees, and permits them to return to work for their former employers without restrictions. Requires the participating employer to make an actuarially required contribution on the rehired retiree's compensation plus the statutorially prescribed employee contribution.  
**Sponsored by Representative Otto.**  
**Cost:** State – Additional unfunded actuarial liability of \$96.4 to \$274.0 million, depending on the bill's impact on retirement and reemployment rates, with additional first-year contributions of \$11.9 million to \$34.4 million.  
 Local – Additional unfunded actuarial liability of \$30.9 to \$93.0 million, depending on the bill's impact on retirement and reemployment rates, with additional first-year contributions of \$3.6 million to \$12.2 million.
- HB 2833** Provides for an annual retirant dividend payable each December 1 beginning in 2009 to retirees who are age 65 or older and to disability benefit recipients. Thirty percent of the moneys credited to the Expanded Lottery Act Revenues Fund (ELARF) would be dedicated to fund the dividends. The retirant dividends would be allocated to recipients based on the proportion of the dedicated funds transferred from the ELARF to total retirement and disability benefits.  
**Sponsored by Representative Otto et al.**  
**Cost:** Based on FY 2009 projected revenues for the ELARF of \$81.8 million, \$24.5 million would be available for retirant dividends in that year.

**HB 2971** Allows KPERS members to purchase up to two years of service credit for journeyman-level work experience that is necessary to obtain certain technical or vocational teacher certifications under K.A.R. 91-1-39 and its predecessors.

**Sponsored by Committee on Appropriations.**

**Cost:** No cost.

**SB 335**  
**As Amended**

Prohibits the investment of KPERS funds in companies with certain business operations in Sudan, establishes standards and procedures for KPERS targeted divestment from direct and indirect holdings in companies with such operations, and requires KPERS to submit a report to the Legislature by January 15, 2008, regarding actions necessary to divest from companies identified as providing financial support or conducting business with a state sponsor of terror.

**Sponsored by Senator Betts et al.**

**Cost:** Estimated one-time transaction fees of \$35,000 to \$160,000 to divest from separate accounts with Sudanese-related holdings, and \$5,000 to \$10,000 annually for investment monitoring services.

*Note: The provisions of this bill were amended into 2007 HB 2457, which was enacted into law, effective July 1, 2007.*

**SB 371**  
**As Amended**

Allows KPERS members to purchase credit for service as law enforcement personnel in support of missions administered by the United Nations and modifies the KP&F Tier I service-connected disability maximum benefit amount for members with eligible children.

**Sponsored by Committee on Ways and Means.**

**Cost:** *United Nations' service purchases* – No cost.

*KP&F Tier I service-connected disability benefits - Total additional benefit payments of approximately \$42,000 annually to eight KP&F Tier I members receiving disability retirement benefits.*

*Note: The provisions of this bill were amended into 2007 HB 2457, which was enacted into law effective July 1, 2007.*

## **BILLS IN HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE**

**HB 2055** Provides that 25 percent of State revenue from expanded gaming be paid to the Kansas retirant obligation trust fund. Fifty percent of amounts deposited in the retirant obligation trust fund would be reserved to provide cost-of-living adjustments to KPERS retirees with the balance used to supplement the State's scheduled payments on KPERS' unfunded actuarial liability.

**Sponsored by Committee on Federal and State Affairs.**

**Cost:** To be determined.

*Note: Legislation authorizing expanded gaming was enacted in 2007, but did not contain provisions dedicating gaming revenues for these purposes.*

**BILLS IN SENATE WAYS AND MEANS COMMITTEE**

- SB 167** Provides a one-time 3 percent cost-of-living adjustment for KPERS school members who retired before July 1, 2006.  
**Sponsored by Senator Vratil.**  
**Cost: Additional unfunded actuarial liability of \$106 million with additional first-year employer contributions of \$6.9 million by the State for the KPERS School Group.**
- SB 263** Provides a one-time 3 percent cost-of-living adjustment for members who retired or were disabled before July 1, 2006.  
**Sponsored by Senator Hensley et al.**  
**Cost: *For retired members* – Additional unfunded actuarial liability of \$148.15 million for the State and \$45.25 million for local group. Additional first-year employer contributions of \$14.81 million for the State and \$4.25 million for local employers.**  
***For disability recipients* – Additional unfunded actuarial liability of \$3.7 million for the State and \$1.1 million for local group. Additional first-year employer contributions of \$616,000 for the State and \$174,000 for local employers.**
- SB 339** Allows participating counties that employ at least one detention officer to elect to have those officers covered under the same retirement age and early retirement provisions provided to the State correctional officers. These provisions would be effective January 1 following the individual employer’s election, provided that counties electing to participate have, combined, at least 500 covered detention officers.  
**Sponsored by Committee on Ways and Means.**  
**Cost: Local – Estimated additional unfunded actuarial liability for initial counties of \$2 million, and estimated additional first-year contributions for initial counties of \$200,000.**
- SB 364** Provides automatic, annual 2 percent cost-of-living adjustments beginning at age 65 to KPERS members retiring after July 1, 2009, and increases KPERS employee contribution rate from 4 percent to 6 percent.  
**Sponsored by Joint Committee on Pensions, Investments and Benefits.**  
**Cost: *Additional unfunded actuarial liability* of \$762 million for the State (State and School Groups) and \$182 million for local groups.**  
***Additional first-year contributions* of \$29.2 million for the State (State and School Groups) and \$5 million for local employers.**
- SB 372** Authorizes the University of Kansas Hospital Authority to sell the University of Kansas Hospital and provides that 50 percent of the sale proceeds (not less than \$400 million) would be credited to the KPERS fund.  
**Sponsored by Committee on Ways and Means.**  
**Cost: Employer contribution *savings* through 2033 of \$1.3 billion for the State.**

- SB 388** Provides for membership in the Kansas Police and Firemen's Retirement System for certain agents and investigators employed by the Attorney General's Office beginning on or after July 1, 2007.  
**Sponsored by Committee on Ways and Means.**  
**Cost:** FY 2008 – 5.95% of covered payroll.  
FY 2009 – 5.89% of covered payroll.
- SB 393** Provides that members who retired before July 1, 2006, would receive a permanent increase in their retirement benefits based on their years of service and years retired. Beginning July 1, 2007, eligible retirees and their survivors would receive increases equal to \$0.50 per month per year of service plus \$0.75 per month per year retired.  
**Sponsored by Committee on Ways and Means.**  
**Cost:** State – *Additional unfunded actuarial liability of \$77.4 million to be funded through appropriation to KPERs from State General Fund in FY 2008.*  
Local – *Additional unfunded actuarial liability of \$22.8 million to be amortized over 10 years and paid through increased local employer contribution rates.*
- SB 661** Provides a 1% increase in retirement benefits beginning on July 1 of each of the next three fiscal years for members who retired before the preceding July 1.  
**Sponsored by Committee on Ways and Means.**  
**Cost:** State – *A total additional unfunded actuarial liability of \$184.6 million, with each 1% increase amortized over a 15-year period (\$6.4 million payment in FY 2009, \$13.1 million payment in FY 2010, \$20.2 million payment in FY 2011), for a total of \$303 million over the entire 17-year repayment period.*  
Local – *A total additional unfunded actuarial liability of \$54.3 million, with each 1% increase amortized over a 15-year period (\$2.0 million payment in FY 2009, \$4.1 million payment in FY 2010, \$6.4 million payment in FY 2011), for a total of \$96.0 million over the entire 17-year repayment period.*
- SB 663** Makes technical amendments to the Retirement Act related to compliance with the Internal Revenue Code, IRS rules and regulations, and related guidelines for qualified plans.  
**Sponsored by Joint Committee on Pensions, Investments and Benefits.**  
**Cost:** No cost.  
*Note: The provisions of this bill were amended into Substitute SB 662 and House Substitute for SB 385.*
- SB 681** Provides for membership in the Kansas Police and Firemen's Retirement System for certain law enforcement officers employed by the Kansas Lottery (future service only), on or after July 1, 2008.  
**Sponsored by Committee on Ways and Means.**  
**Cost:** FY 2008 – 5.83% of covered payroll (approximately \$12,549).  
FY 2009 – 5.04% of covered payroll (approximately \$11,283).