Kansas Coalition of Public Retirees

Testimony to the Joint Committee on Pensions, Investments and Benefits
KPERS Cost of Living Adjustment
November 2, 2023

Chairman Hoheisel, Vice Chairman Longbine and Committee Members:

As an elected member of the KPERS Board of Trustees, the positions expressed in this testimony represent my views and/or the views of KCPR and KARSP. They do not in any way represent the views of the KPERS Board of Trustees, nor do I speak for them. My name is Ernie Claudel, and I am here today in my capacity as Lobbyist for KCPR (Kansas Coalition of Public Retirees) and KARSP (Kansas Association of Retired School Personnel) to speak regarding a benefit increase for KPERS retirees.

Thank you so much for letting us comment on the need for a KPERS retiree benefit increase. In the previous testimony, numerous points have been commented on and/or clarified. It is our desire to comment on some misunderstandings that have been discovered when talking to legislators this past session and make additional comments we believe support the need for a KPERS Retiree benefit increase.

1. The total cost of the identical COLA Bill from last year has been interpreted as the annual cost rather than the total cost of the benefit over time.
2. Defined benefits do have COLAs. Kansas and numerous other states provide for Ad Hoc COLAs, which Kansas has granted 16 over the years. (History of these COLAs attached.)
3. The last permanent COLA Bill was passed into law in 1998 with an effective date of 1997. As indicated earlier, in 1997 $100.00 would purchase what it would take $191.77 to purchase today.
4. The primary cause of the UAL (Unfunded Actuarial Liability) is the underfunding of the calculated actuarial. This underfunding took place for 25 years, 1994 until 2019.
5. We have heard more than once that the UAL should be taken care of first. The present UAL stands at $9.6 Billion. Excess contributions in

order to reduce this UAL since 2004 have been $3.328 Billion. Meanwhile there were 3,405 retirees who passed away in 2022.

6. When the KPERS Board reduced the expected return investment to 7%, they also chose to re-amortize some departments' contribution rates. This caused some governmental departments to also be allowed to reduce their contribution, additionally angering some legislators. If these reamortization had not taken place, the contribution rate of KP&F would have jumped from approximately 22% to 33% annually.
7. Some additional pressures on retiree's income:
   A. The federal government addresses this need by increasing the 'make up' amount which individuals are allowed to invest in the IRS beginning at 50 years of age. There are two concerns with that plan:
      a. Investment professionals will tell you that 50 years of age is too late.
      b. With the average annual salary of a KPERS employee being $51,381.00, the average employee cannot afford to increase their personal investment even though a 457 plan is also available through KPERS. This average salary is also the reason that a defined benefit retirement plan is always preferred over a 401K type retirement plan. Good benefits and retirement plans are a very important incentive for public service employment. Public workers understand that the salary will be less than the private sector.
   B. The average KPERS retirement benefit is $16,516.00. Many are living on this and social security. Because of the unique application of the laws throughout the state, some KPERS retirees do not qualify for Social Security Benefits on their State income.
   C. For many reasons, women are always under the greatest danger of falling short of the needed retirement income. [See attached information regarding this subject.]

Above we have commented and/or clarified why we believe it is imperative that a benefit increase for KPERS retirees and beneficiaries be enacted.

Thanks for allowing us to share our views on this subject.

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Kansas Public Employees Retirement System
History of Post-Retirement Benefit Adjustments

A. Permanent, Ad Hoc Cost-of-Living Adjustments (COLA)

Year	Percentage Increase		Eligibility-Retire Prior to Date
1972	5%		July 1, 1971
1973	**% Increase**	**Retired In**	1973
	32%	1962-1963	
	28	1964-1965	
	22	1966-1967	
	15	1968	
	9	1969	
	2	1970	
1978	Percentage increase as follows:		January 1, 1977
	% Increase	**Retired Prior to**	
	7.34%	January 1, 1973	
	5.5	1973	
	4.4	1974	
	2.2	1975	
	1.1	1976	
1982	10% (payable through 1987)		July 1, 1981
1984	Made 10% increase established in 1982 permanent		July 1, 1981
1985	5%		July 1, 1984
1986	3%		January 1, 1985
1987	2%		January 1, 1986
1988	3%		January 1, 1987
1989	4%		July 1, 1988
1990	4%		July 1, 1989
1991	Higher of 1% or $10 per month		July 1, 1990
1992	$15 per month increase		July 1, 1991
1993	Higher of 5% or $10 per month for retirees with less than 15 years of service. Higher of 15% or $50 per month to maximum of $200 per month for retirees with 15 or more years of service.		July 1, 1993
1994	Higher of 1.5% or combination of $.50 per month for each year of service and each year of retirement		July 1, 1993
1998	3%		July 1, 1997

KPERS

B. One-Time Benefit Payments

Year	Description
1976	One-time additional payment equal to 5% of total annual benefit, subject to a minimum of $20 and maximum of $200, for members who retired prior to January 1, 1975.
1977	One-time additional payment equal to 5% of total annual benefit, subject to a minimum of $20 and maximum of $200, for members who retired prior to January 1, 1975.
2000	One-time benefit paid in September equal to 50% of the monthly retirement benefit payment to members who retired prior to July 1, 1999.
2007	One-time benefit of $300 paid by October 1st to members who retired prior to July 1, 1997, with 10 or more years of service and disability recipients who had been receiving benefits since July 1, 1997.
2008	One-time benefit of $300 paid by October 1st to members who retired prior to July 1, 1998, with 10 or more years of service and disability recipients who had been receiving benefits since July 1, 1998.

C. Permanent Annual Retirant Dividend Payment

Starting in 1980, an extra monthly benefit ("13th Check") was paid to all members who retired prior to July 1, 1980. This check was conditional and based on a formula involving investment income. From 1981-1987, a new class of retirants was added each year to this group. In 1987, the group was closed so that it applied only to persons who retired prior to July 2, 1987. Because of negative investment returns that put this check in jeopardy, the Legislature issued bonds in 2003 providing funding that made this benefit permanent for the closed group. All members who retired prior to July 2, 1987, receive an extra one-month's benefit in September each year.

Kansas Coalition of Public Retirees

Updated September 20, 2021
Retirement Concerns Specifically for Women:

1. After studying pensions and observing the Kansas legislature over the last 17 years, combined with the study of US politics in general, I have determined that either intentionally or unintentionally much of our legislation turns out in the final analysis to be anti-female! This is particularly the case with pension and retirement related issues.

2. Ladies, before you vote the next time, please, please, evaluate the candidates and make sure you are not in fact voting against your own and your 'sisters' best interests!

3. KPERS retirees as of December 31, 2020, number 107,850. Of these retirees 69,048 are female. This number represents 64% of the total KPERS Retirees. The division when it comes to beneficiaries (surviving spouses), the percentage is 81.3% are female, while 18.7% are male.

4. FOLLOWING FACTS COMPARE MALE AND FEMALE IN RETIREMENT:
   A. Females in the health care, education, and public administration fields, where DB pension plans are more prevalent, have higher incomes in retirement and lower rate of poverty than in other industries.
   B. **In Kansas, however, ninety percent** (97,125) retirees and beneficiaries have **never received a permanent Ad Hoc cost of living adjustment**.
   C. As of December 31, 2020, the average annual KPERS benefit of all under the KPERS umbrella for retirees was $17,036.00 (Annual $20,443.00). Average Beneficiary benefit is $10,582.
   D. Tier III participation has risen to 42.7% of the KPERS membership. The total increase is 62,313. In KPERS school the total increase is 37,027, and 28,560 of those being female. This number represents 77% being female.
   E. Tier III retirement is comparable to Tier I and Tier II if one is employed under the KPERS umbrella for 30 years. When this is not the case, Tier III retirement in comparison to the other two does not favorably compare.
   F. Females are:
      a. More likely to work part time.
         1. This obviously leads to reduced income.
         2. Increases the likelihood of not qualifying for sponsored retirement plans.
      b. Females are more likely to quit work for caregiving. This, of course, impacts income. The care needed is often for the spouse.
      c. Separation and divorce more often negatively impact women more than men.
      d. Take off for child rearing and elder care.
      e. When there is no requirement to be involved in any kind of retirement program, only 40% of those eligible choose to be involved.

f. While females were more likely than males to work for employers that offered retirement plans in 2012, there was a gap in eligibility that limits females' participation in these plans.
g. Money saved by those participating employees will cover 9.7 years of retirement. (The calculation assumes you will need 70% of your working income including social security to live on in retirement.)
h. In general, CDC finds that in 2018, 50-year-old males could expect to live an average of an additional 29.8 years, and in 21.8 of those years would be capable of working.
i. Females expect to live an additional 33.6 years on average, and in 23.9 of those years they would be capable of working.

G. When there is no requirement to be involved in any kind of retirement program, only 40% of those eligible choose to be involved.
H. Without good planning, retirees will outlive their retirement savings.
I. Money saved by those participating employees will cover 9.7 years of retirement. (The calculation assumes you will need 70% of your working income including social security, to live on in retirement.)
J. Over a 40-year earning an average salary for the Gender, 401(k) balance can provide males $2,200 a month for the remainder of their life, whereas females receiving only $1,600 a month. Thirty percent less.

5. THESE ARE THE FINAL OUTCOMES:
   a. Females are 80% more likely than males to be impoverished at age 65 and older, while females between the ages of 75 to 79 are three times more likely than males to live in poverty.
   b. Labor force participation among females aged 55 to 64 climbed from 53 percent in 2000, to 59 percent in 2015, with a peak of 61 percent in 2010.
   c. The share of females working for employers that offered only defined contribution (DC) retirement plans shrank from 49 percent in 2009 to 46 percent in 2012.
   d. Social security is an important source of income for older households with incomes less than $80,000.

6. MALE AND FEMALE INCOME COMPARISON:
   A. Even though the median household incomes of individuals aged sixty-five and older has increased, females have 26 percent less income than males.
   B. White females' salaries, as compared to white males, on average make $400,000 less over a working life.
   C. Black females, $964,400 less.
   D. Latino females, $1,163 Million less.

Information presented above from the following sources:
   A. KPERS (Kansas Public Employees Retirement System)
   B. NIRS (National Institute on Retirement Security - nirsonline.org)
   C. NCTR (National Council on Teacher Retirement)
      a. Background on new Women's Retirement Security Legislation
      b. National Women's Law Center