



# Update

Dear Friends,

June 14, 2017

Since my election to the KPERS Board of Trustees I have a new disclaimer that I must include in these updates from now on: "The views expressed in this update represent my views and/or the views of the Coalition. They do not in any way represent the views of KPERS Board of Trustees nor do I speak for them." (Ernie Claudel)

The monthly KCPR meeting was held Wednesday, June 14th.

We are pleased to announce (if you have not already heard) that the winners of the KPERS Board election are as follows: Ryan Trader will be representing KPERS, and Ernie Claudel will once again be representing KPERS School. Ryan is an Olathe Firefighter.

It should also be noted that Marjorie Lee Webb, who served in the KPERS School position on the KPERS Board of Trustees for 12 years, was inducted into the Kansas Teachers Hall of Fame on Saturday, June 3<sup>rd</sup>. Ms. Webb is still going strong at 97 years young!

## WORKING AFTER RETIREMENT

The legislature passed and the Governor signed into law several items relating to Working After Retirement. Explanation of these changes can be found on the KPERS website, [www.kpers.org](http://www.kpers.org).

## TAX CHANGES

I am sure that you are all aware that the Governor vetoed the tax changes recommended by the legislature. The legislature then promptly overrode the Governor's veto.

## THE BUDGET

What is still up in the air is the budget for 2018, 2019. Legislation has been passed in this regard but as of 2:27 PM, Wednesday, June 14, 2017, the Governor has taken no action on this bill. The concern of KCPR is the final extent of KPERS underfunding in the final analysis. Further, this final bill was addressed in a conference committee. The "Senate" favored repaying the short funding imposed last year (as promised); the position of the "House" was they would absolutely not.

The employee contribution rate was set in the 2012 legislation. The contribution amount was not the ACR (actuarial required contribution rate) but, a calculated scheduled rate (so called statutory rate) established by legislation. (Note: The statutory rate is less than the ACR.) The 2012 legislation also set up a new retirement program (Tier III) referred to as a Cash Balance Program. So, as they say, 'from the jump,' the contribution rate is an underfunded rate. The proceeds of the 2015-billion-dollar bond issue are seen by some legislators as 'their payment' for a while. This is not correct! This bond issue is the same scenario as making a \$200 payment on a mortgage you are really \$1000 behind on.

Representative Steve Johnson stated at the 2017 Rally, in support of KPERS: "The trust fund has enough to pay for the benefits to the retired, but not their children." The obvious fact is that the payment of benefits will be required by law and without the proper contributions, in the many years to come, the benefits won't be available. KPERS is a prepaid system and in order to continue the system, we must plan on approximately 70% being accumulated by investment returns. In order to have investment returns, you must have funds to invest.

The present goal for employer contributions was derived from the extensive study of the KPERS Commission of 2011. Steps were taken to rescue the fund. These steps must be taken in order for the fund to remain healthy. Some have suggested that the retirement system should be changed in

numerous ways. Some are in denial, but the system must remain and be properly funded for at least six reasons:

1. The retirement system is a contract with the employee, therefore, promised benefits will be paid.
2. The least expensive outcome because of #1 is for the employer to contribute the necessary amount.
3. The major reason for the Unfunded Actuarial Liability is 23 years of legislative underfunding.
4. Pension systems are set up to 'work' on employee contribution, employer contribution, and investment income. Without the first two, you can't have the investment income.
5. In the Kansas retirement system, where employee contribution is required (even for employment) the underfunding is actually 'taking away' the value of the employee's contribution.
6. We would like to see the 'statutory' rate, as described above, paid in full. Promises to pay overtime has been and are being broken, sometimes by the very legislature that promised them. This needs to end! It has been stated many times that one legislature doesn't like 'to clean up after another' and this is what has been required and will continue to be if the scheduled amount is not paid!

Please continue to communicate with your elected representatives the necessity to 'keep their hands off' the KPERS contributions. Sighting an old commercial, "They will have to pay now or pay later!"

Have a great week!!

- 1) KCPR will meet on the second Wednesday of each month as we have done in the past. This seems to work well with the schedule of the legislature when it is in session. We meet at 9:30 in the basement of the AFT Offices at 1300 SW Topeka Blvd. During the legislative session the time may change! If you should plan to attend, check with Ernie or Ron about the time.
- 2) The KCPR Website is [www.ksretirees.org](http://www.ksretirees.org).

Ernie Claudel  
[eclaudel1@comcast.net](mailto:eclaudel1@comcast.net)