



# Update

Dear Friends,

March 6, 2023

*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 Claude!)*

## FIRST MARCH UPDATE

We will need to **postpone** our KCPR meeting scheduled for March 8, 2023, **UNTIL Wednesday, March 15! This schedule change is necessary because I will be testifying Tuesday and Wednesday for sure and possibly Thursday.**

### **Tuesday, March 7**

Senate Federal and State Affairs - 10:30 AM; 144-S

Bill hearing on SB 224 (ESG Investment Restrictions/Divestment)

### **Wednesday, March 8**

Senate Financial Institutions and Insurance - 9:30 AM; 546-S

Informational hearing on HB 2198 (KDWP, KP&F coverage)

Senate Federal and State Affairs - 10:30 AM; 144-S

Bill hearing on SB 224 (ESG Investment Restrictions/Divestment) continued

### **Tuesday, March 7**

Senate Financial Institutions and Insurance - 9:30 AM; 546-S

Informational hearing on HB 2196 (DROP Expansion)

Senate Federal and State Affairs - 10:30 AM; 144-S

Bill hearing on SB 224 (ESG Investment Restrictions/Divestment) continued, if necessary.

## **Updated Information You Should Know**

PLEASE READ THE INFO and if you have questions, please, please call.

I have included the summary of the KPERS bills as they stand. You will note that 4 bills were passed out of the House Committee on Financial Institutions and Pensions. Sadly, only two survived on the 'floor' of the house! Please note that the bill relating to our COLA (5,4,3,2,1,%), and moving Tier 3 to Tier 2, didn't even make it out of committee. The two Working After Retirement bills never made it off the 'floor' of the house. This info is all summarized in the attachment.

### **On to the Present Controversy!**

I had previously indicated that I was unsure of what strategy we should use for the remainder of the session. That Update was written on February 22<sup>nd</sup>. By the following Monday, I rapidly switched from offense (Trying to achieve a benefit increase) to defense (Trying to save/protect KPERS once again!)

I had not mentioned this previously because the concept was simmering in the background and had not come to the point of being presented in bill form. This latest concern regards the ESG issue, i.e., Environmental, Social, and Governance Legislation. If you are not familiar with all of this, "Black Rock Investment" is at the center of the controversy as a few weeks ago they announced that (Basically) they were not going to invest in any company that was not concerned about green issues (Global Warming). This led to an attack by many in Washington who don't see Global Warming as an issue. Whichever side of the Global Warming issue you are on, some of the bills opposing this position are causing me great concern. I am extremely scared about the potential direct/indirect effect on KPERS' ability to invest. The essence of the proposed Kansas legislation proposes that any investment managers and/or companies that espouse the ESG theory are not to be invested in and if there are present investments in these companies, those investments should be divested immediately. Some of the possible negative outcomes (and there are more) regarding KPERS as I understand it would be:

1. Being forced to divest in these companies.
2. Not invest in any company who espouses ESG.
  - a. This would obviously severely limit investment options.
3. Likely cause KPERS to lower the 7% expected return, instituted by the KPERS Board last year. This would result in:
  - a. A dramatic rise in the UAL.
  - b. Lower Funded KPERS ratio.
  - c. Raise, perhaps dramatically, the employer contribution.

Incidentally, it is my understanding that the KPERS director plans to testify against these bill(s). Since I have never seen a director take this position since 2004, I believe this illustrates the seriousness of these proposals.

The bills, if you are interested, are: SB224/SB2404 'sister bills' and rated as the most restrictive. HB2436 is less 'dangerous' to KPERS than the other two, HOWEVER, in their present form, the above 3 concerns listed are CERTAINLY possible.

### **ATTACHMENTS**

*I have attached the Senate and House Committee addresses that will hear these bills.*

- *The House Committee on Financial Institutions and Pensions*
- *The Senate Committee on Federal and State Affairs.*

*These address lists have also already been posted on [www.ksretirees.org](http://www.ksretirees.org).*

### **Present 2023 Bills of Interest:**

**These are non-exempt but can no longer be considered bills.**

**The concepts could be used, but the bills cannot.**

HB2025 – Self-Funded COLA for those not yet retired.

Better name would be a "benefit rationing" bill rather than a COLA.

I testified against this one. This was never “worked.” (Discussed by the Committee)

HB2252 & SB198 propose a 5,4,3,2,1% COLA -- Bills are similar if not identical. This approach was chosen because of potential cost and the fact that it provides for benefit levels, and more for those retired for a long time. Never Heard in Committee.

HB2365 -- Moving Tier III back to Tier II – Never Heard in Committee.

SB10 – Legislative Per Diam increase.

**Exempt KPERS Proposed Bills  
Meaning these can still be heard by A Committee**

SB23 -- Increase 15% Cap on Private Investment.

This was a request by the KPERS Board. The board deems this essential to be able to maintain maximum investment potential. Heard but never worked by the committee.

HB2193 – Restarting Unclaimed property funds to KPERS.

HB2498 Bill recommended by the Governor would move Corrections and KDWP (Kansas Department of Wildlife and Parks) to KCPR. Would seem to ‘cover’ recommendations in previous HB’s 2008, 2085 as well as 2198. HB2198 has already been passed by the House. (See Below)

SB230 -- Enacting the Kansas Thrift Plan. This would replace Tier III. We oppose it for many reasons. This is a reissue of last year’s SB553. You can research it, and the testimony against it from last year, if you like. In an exempt committee

SB172 -- Increasing KPERS Death Benefit from \$4K TO \$6K.

Have a concern about this proposal because it does nothing to enhance the income of the living. *It has an initial cost for the retired and living plus a considerable annual cost.*

*HB2252 and SB198 will likely cost \$108.2 Million initially (Back Payment) plus \$9.4 the first year and increase annually after that. The cost of this bill would pay for approximately 1/3 of the cost of the COLA and be a one-time cost.*

HB2404 and SB224 are Identical ESG Divestment bills. It would appear they have been replaced by HB2436. All three are really ‘SCARY’!

SB23 Remove 15% Cap on Alternate Investments by KPERS. This was recommended by the KPERS Board.

SB256 1% CY 2023 dividend interest credit for KPERS 3 Members. One year.

**Passed by the House now on to the Senate:**

HB2196 -- Expanding Drop Program to all KP&F. Presently offered to KBI & KS Highway Patrol. Our friends, especially the Fire Fighters, want this expansion.

HB2198 -- Moving 'Sworn' Fish and Game to KP&F

There are many corrections that need to be corrected regarding KPERS in general. All these above three groups are 'sworn' officers, i.e., have jobs that require them to be armed. The above proposes to move these officers to KP&F. Additionally, there are about a third of the police officers in Kansas who are not in KP&F because 'back in the day' there was local option and regular KPERS was cheaper for the employer than KP&F. Likely won't testify on behalf of these, but certainly are in support of the need.

**BILLS DEAD BY RULE**

These bills came out of committee and made it to the floor of the House and onto "General Orders" but were not worked before their time limit to be considered ran out!

**WAR BILLS (Working After retirement Bills)**

HB2272 Exempting WAR (Working After Retirement) Exemption/CDDOs [Community Development Disability Organizations]

HB2195 WAR (Working After Retirement) Bill Threshold to \$35K and suspending employer contribution until December 31, 2024. Increased by amendment to \$50K.

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