Kansas Coalition of Public Retirees

THE CRUX OF THE MATTER REGARDING LACK OF COLAs:

1. All state employees, which includes school staff, and local, state, and county employees must become part of KPERS when hired.
   A. The employees with options are Elected State Officials.
   B. Elected officials can refuse the offer.
2. None of these employees can enhance their KPERS retirement if they are already drawing KPERS retirement benefits.
3. Legal findings showed that if you are drawing retirement from KPERS or are a beneficiary of a retiree, you must receive the promised benefit. Any vested member of KPERS falls in this category as well.
   A. These legal rulings refer to contract law and the fact that KPERS is a retirement plan approved by the IRS.
4. Since all employees must be a part of KPERS by law, and their contributions are contributed through payroll deduction, all employees contributed the required amount to KPERS throughout their employment.
5. Local government entities are also legally required to contribute their employer's share to remain in KPERS.
6. Because of legislative funding practices for KPERS State and Schools, the employer funding for KPERS State and Schools has been short-funded.
7. When the original Kansas School Retirement System (KSRS) was combined into KPERS in 1971, it was not fully funded. When the two pension systems were combined the new actuarial calculated amount was not contributed for 25 years. Since 1997, the employees have not received any of the added value from investment returns that would have been available if the KPERS Trust Fund had been fully employer-funded. (The actuarial calculated contributions were not met for 25 years. This underfunding continues to be the primary cause of the present Unfunded Actuarial Liability.)
8. Calculations show that if the actuarially calculated amount had been contributed, the funded level of the KPERS Trust Fund would be over 80%. Additionally, the UAL (Unfunded Actuarial Liability) would be at least 50% less than it is today.
9. <u>The understanding of these facts is particularly important when the recent excuses for no COLA have been that KPERS is not funded at an 80% level.</u>
10. The recent rhetoric saying that no COLA can be given because Defined Benefit Pension Plans do not have COLA's is inaccurate. (The Kansas Legislature since 1972 has granted 16 COLAs, 5 bonus payments, and authorized a 13th check. Additionally, 37 states with defined benefit pension programs. 22 have permanent COLAs while 8 allow adjustments based on need and funding availability.)
11. When benefit increases for KPERS retiree proposals are calculated, the total cost of the benefit must be calculated. This requirement is in statute as well as 2022 KPERS Board recommendations.
    A. Two problems arise with this requirement:
       a. No other financial statements relating to bills are reported in this way. This leads the average reader of a bill's financial report to assume the cost listed is an annual cost, not an annuitized or endowed cost.
       b. The concept of annuitized or endowed funding is not common knowledge.

January 4, 2023