

# **Kansas Coalition of Public Retirees**

**A coalition of 40 KPERS retiree groups**

**“Working to improve the KPERS System”**

***Recommendations for the 2019 Kansas Legislative Session***



————— **Prepared by the Kansas Coalition of Public Retirees** —————

**Kansas Coalition of Public Retirees  
1109 W. Wabash Street  
Olathe, Kansas 66061  
(913) 481-6923  
www.ksretirees.org**

January 8, 2019

Greetings,

The Kansas Coalition of Public Retirees (KCPR) was formed in 2004 to call attention to a serious issue. For 26 years the Kansas Legislature granted periodic cost of living adjustments for KPERS recipients. However, in the past 21 years, no such adjustment has been made. During that same period of time, the cost of living (as measured by the Consumer Price Index, CPI) has risen by approximately **50.0** percent. This coalition strongly requests that the Kansas Legislature give serious consideration for a Cost-Of-Living adjustment (COLA) in the form of a permanent annual modification tied to the Consumer Price Index for the **97,547** retired KPERS members and survivors.

The attached report contains information regarding this serious disparity. An Executive Summary highlights information in the report as well as data supporting our request and reference materials. Members of the Coalition will be visiting with all members of the legislature during the upcoming session to answer questions.

On behalf of all KPERS retirees, we appreciate the support of the Legislature in this request.

Sincerely,

Dennis Phillips, Co-Chair  
Kansas Coalition of Public Retirees

Ernie Claudel, Co-Chair  
Kansas Coalition of Public Retirees

# Table of Contents

<u>Item</u>	<u>Page</u>
<b>Organization, Policy and Membership</b>	
Officers and Mission Statement .....	2
Executive Summary .....	3
Associations Officially Represented in Coalition .....	4
<b>KPERS Benefits Impact on Economy</b>	
Changes in the Cost-of-Living and a fixed KPERS Benefit .....	5
Impact of KPERS Retirees on the Kansas Economy .....	6
KPERS Payments by Area .....	7
KPERS Retirement Population Key Facts .....	8
KPERS Membership Profile .....	8
Number of KPERS Recipients by Monthly Benefit Amounts .....	9
Amount of Benefit Payments by County .....	10-12
<b>Retirement Plans and Coalition Recommendations</b>	
Changes Made to KPERS by 2012 Legislature .....	19
Retirement Plan Benefit Adjustment in Other States .....	20
Coalition Recommendations for a Benefit Increase .....	21
<b>Appendix A</b>	
History of KPERS Benefits .....	22
<b>Tables</b>	
1 Kansas Annual Average Employment CY 2017 .....	6
2 KPERS Payments by Area CY 2017 .....	7
3 KPERS Membership Profile CY 2006-2017 .....	8
4 Amount of KPERS Benefit Payments by County .....	10-12
5 Retirement Plan Benefit Adjustment in Other States .....	20
6 History of KPERS Benefits .....	22-23
<b>Graphs</b>	
1 KPERS Retirement Benefit Example .....	5
2 Total Private, State and Government Employment CY 2017 .....	6
3 KPERS Benefit Payments by Metropolitan Area .....	7
3A KPERS Benefit Payments by Metropolitan Area 2016 and 2017 .....	7
4 KPERS Membership Profile CY 2006-2017 .....	8
5 Number of KPERS Recipients by Monthly Benefit Amount CY 2016 .....	9
6 Percent of KPERS Recipients by Monthly Benefit Amount .....	9
7 Income Sources to the KPERS Fund Over Time (Last 20 fiscal years) .....	13
8 KPERS Investment Returns .....	14
9 CPI Changes, All items and Medical Care.....	15
10 Annual Percent Change in Social Security Cost-Of-Living 1975 – 2018 .....	16
11 Annual Percent Change in KPERS COLA 1974 – 2018 .....	17
12 Social Security Administration and KPERS COLA 1975 – 2017 .....	18

# **Kansas Coalition of Public Retirees**

## **Mission Statement**

*“To encourage the Kansas Legislature and Executive Branch to provide regular adjustments to KPERs pensions so that the buying power of those pensions is not diminished.”*

## **Coalition Officers for 2019**

Co-Chair: Dennis Phillips, retired firefighter  
djpiaff83@yahoo.com  
(785) 554-3442

Co-Chair: Ernie Claudel, retired educator  
eclaudel1@comcast.net  
(913) 481-6923

Join us on:

Facebook at: “Kansas Coalition of Public Retirees”  
and  
Twitter at: “@eclaudel1”

## Executive Summary

### INTRODUCTION

During recent Kansas Legislative sessions, attempts have been made to pass Cost-Of-Living (COLA) increases for retirees of the Kansas Public Employees Retirement System (KPERs). A group of 18 professional associations representing a broad range of KPERs membership, formed the Kansas Coalition of Public Retirees. While interested in all components of the KPERs retirement system, the Coalition overwhelmingly agreed that securing periodic adjustment in the level of retirement benefits would be the most beneficial to all KPERs retirees. The initial group of 18 associations has now grown to **40** organizations. Coalition membership consists of retirees formerly employed by State, Local and School units of government. This brief report is prepared by members of the Kansas Coalition of Public Retirees.

### INSIDE THIS REPORT

**KPERs Benefits are in need of an increase.** The general KPERs retired population desperately needs an upward adjustment in benefits. Even the most casual observer would agree that the cost of goods and services continues to rise and therefore periodic adjustment in retirement benefits is necessary. The KPERs retirement system needs adequate review to increase benefits when necessary.

**Inflation hits hard at purchasing power.** The level of inflation in the United States is usually measured by change in the Consumer Price Index, (CPI). The level of change in the CPI differs from year-to-year but has increased steadily since 1998, the year of the last KPERs benefit adjustment. In fact, the CPI index has grown by more than **50.0** percent since 1998. The significant growth in CPI translates into a dramatic loss of purchasing power by the KPERs retiree. Comprehensive CPI tables and graphs are included in this document as well as a means to calculate loss in purchasing power. KPERs sources report that of all current retirees (2017), a full 81 % have never received any post retirement benefit increase. This is a startling statistic when inflation is considered.

**KPERs retirees represent a powerful economic force in the Kansas economy.** Individuals covered by the KPERs retirement system (working and retired) have a significant impact on the Kansas economy. This paper examines the size of the KPERs workforce and how the KPERs payroll effects the Kansas economy.

**Historical KPERs increases have been eliminated.** During the long history of the KPERs program, several benefit adjustments have been made by legislation which recognized the effects of inflation and the need to adjust benefits accordingly. Some adjustments have taken the form of a cost-of-living increase while others offered a bonus. A complete history of these adjustments is contained in the report.

### CONCLUSION

The Kansas Coalition of Public Retirees believes an upward adjustment in benefits is long overdue and is desperately needed by the KPERs retiree. The membership believes a compelling case for an increase is contained in this paper. The Coalition also strongly supports continuation of the current Defined Benefit form of benefit calculation.

## **Members of the Kansas Coalition of Public Retirees**

AARP (American Association of Retired Persons)  
Association of Department of Education Employees  
Association of Retired City of Topeka Employees  
Association of Retired Highway Employees  
Association of Retired Insurance Department Employees  
Association of Retired KPERS Employees  
Fraternal Order of Police (Topeka Chapter)  
HERO (Health and Environment Retirees Organization)  
Johnson County Association of Retired School Personnel (JCARSF)  
KAEOP (Kansas Association of Educational Office Professionals)  
Kansas Association of Chiefs of Police  
Kansas Association of Community Colleges  
Kansas Association of Counties  
Kansas Association of District Court Clerks & Administrators  
Kansas Association of School Boards  
Kansas City, KS Retired Fire & Police  
Kansas Correctional Officers Association  
Kansas Counties and District Attorneys Association  
Kansas Department of Labor Retirees  
Kansas District Judges Association  
Kansas District Magistrate Judges Association  
Kansas Peace Officers Association  
Kansas Retiree's/Kansas Retired  
Kansas Sheriff's Association  
Kansas State Fraternal Order of Police  
Kansas State High School Activities Association  
Kansas State Troopers Association  
KAPE (Kansas Association of Public Employees)  
    dba AFT-Kansas (American Federation of Teachers-Kansas)  
KARSP (Kansas Association of Retired School Personnel)  
KNEA  
KNEA Retired  
KOSE (Kansas Organization of State Employees)  
KSCFF (Kansas State Council of Fire Fighters)  
Leavenworth Area Retired School Personnel  
Olathe District Schools Retired Employees Association  
SEAK (State Employees Association of Kansas)  
United Teachers of Wichita  
USA of KS (United School Administrators)  
Kansas AFL-CIO  
Teamsters Local 696

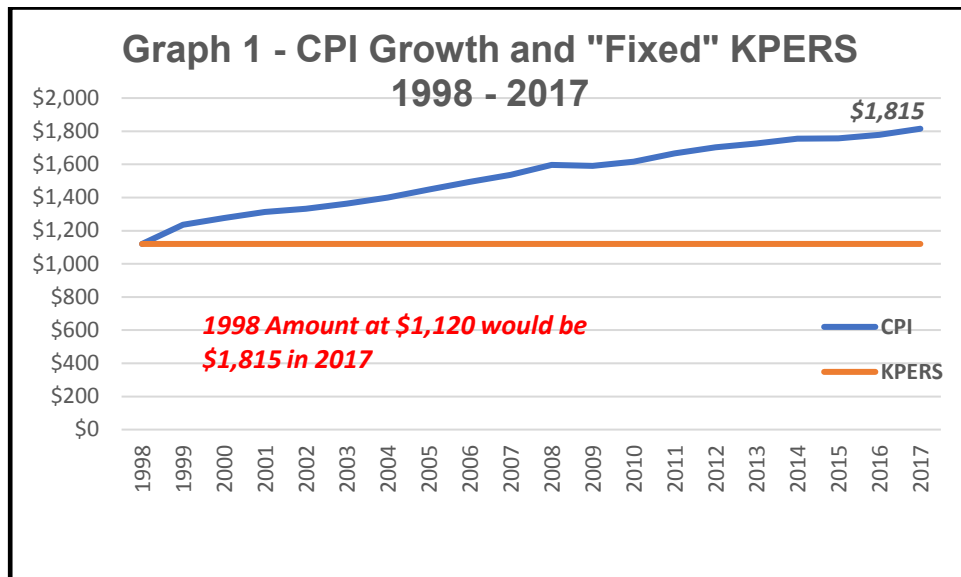
**“Even low inflation, over time, will significantly reduce the real value of all retirement benefits.”**

### **Changes in the Cost-of-Living and a fixed KPERS Benefit.**

Increases in the daily cost of living have a dramatic effect on KPERS retirees when no corresponding adjustment in benefits is granted. When an individual first retires, the increasing cost of goods and services can usually be met by using personal savings to limit the effects of inflation. However, as time goes on, the long-term retiree finds it increasingly difficult to meet the continued rise in the cost of everyday living and this is usually at a time in their life when they are least able to have other opportunities to augment their income.

Consider the example of an Administrative Assistant who retired in 1998. In this example the retiree benefit represents perhaps 50 percent of final salary (\$1,120). As the graph illustrates however, as time passes, the effects of inflation dramatically reduce the “effective benefit” of the retiree. For this reason, a KPERS COLA adjustment is needed.

### **KPERS Retirement Benefits for Administrative Assistant Retired in 1998**



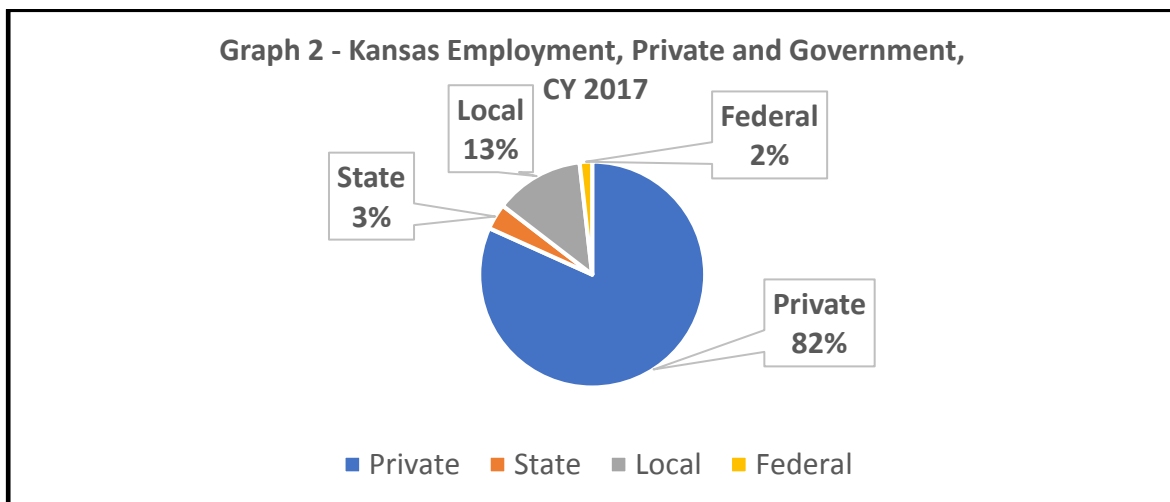
**“One in every 6 working Kansans is employed by State or Local Government. KPERS members are your neighbors.”**

**The Impact of KPERS Retirees on the Kansas Economy (2017)**

KPERS Public Employment represents a significant economic force in the Kansas Economy. State and Local Government employment (CY 2016) represents nearly 17 percent of statewide total employment (public and private). Law enforcement personnel, firefighters, judges, school teachers, State workers and most county and municipal workers are employed to insure the safety of our citizens and administer a wide variety of programs. Most of these workers are covered by the KPERS retirement program. The table and graph below illustrate the size of the State and local workforce compared to total Kansas employment.

**Table 1**  
**Total Kansas Nonfarm Wage and Salary Employment**  
**Annual Average CY 2017 (Rounded)**

Item	<u>Employment</u>	Per Cent
<b>Total</b>	<b>1,403,600</b>	<b>100.0</b>
<b>Private</b>	<b>1,147,400</b>	<b>81.7</b>
<b>Government</b>	<b>256,300</b>	<b>18.3</b>
State	52,000	3.7
Local	179,300	12.8
Federal	25,100	1.8

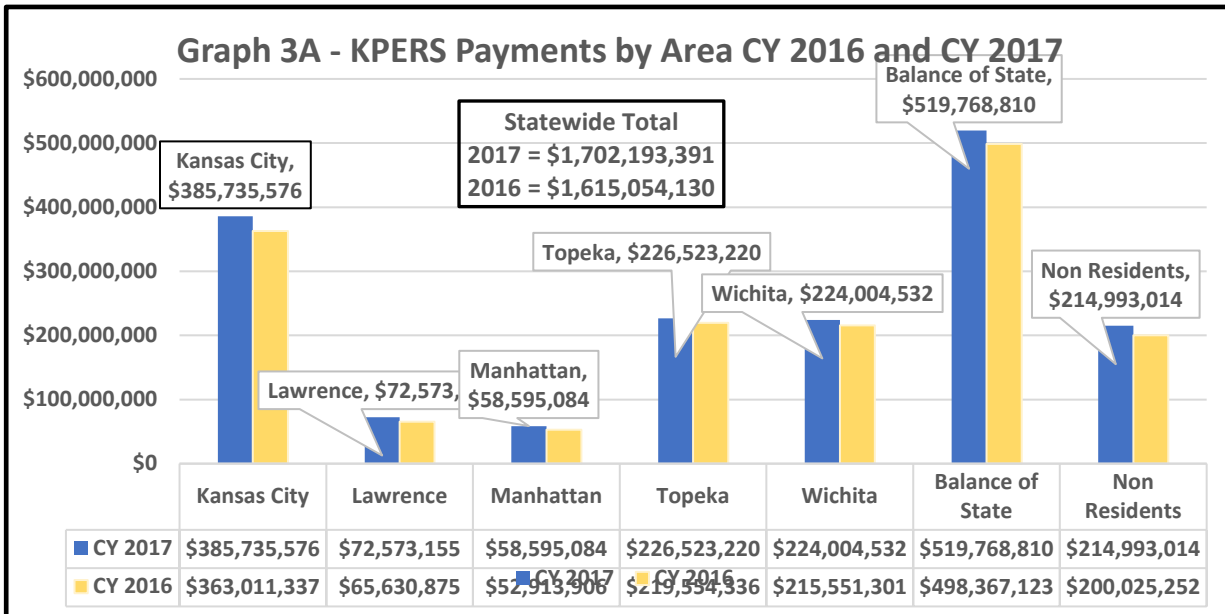
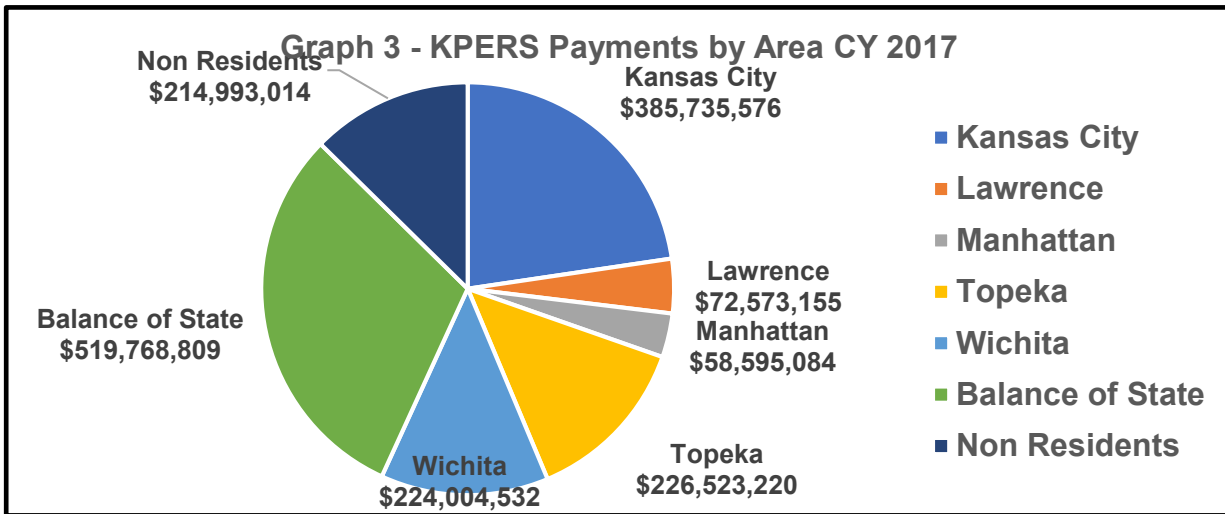




**Table 2 – KPERS Payments by Area CY 2017 1/**

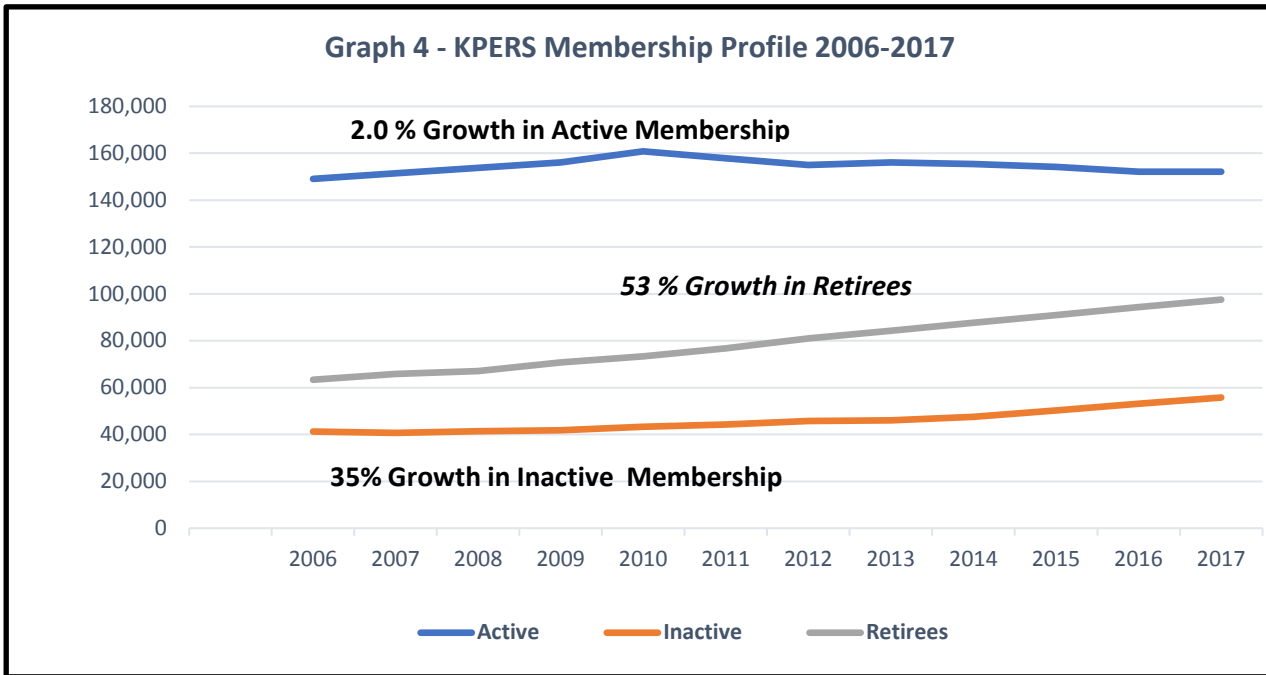
<b>Total all payments</b>	<b>\$1,702,193,391</b>
<b>Kansas Residents</b>	<b>\$1,487,200,377</b>
<b>Non-Residents</b>	<b>\$ 214,993,014</b>

<b>Area 1/</b>	<b>Amount</b>
Kansas City	\$385,735,576
Lawrence	\$72,573,155
Manhattan	\$58,595,084
Topeka	\$226,523,220
Wichita	\$ 224,004,532
Balance of State	\$ 519,768,810



1/ Area definitions contained in the glossary.

**KPERS Retirees grew by nearly 53 % since 2006**



**Table 3 – Number of KPERS Recipients by Membership Category**

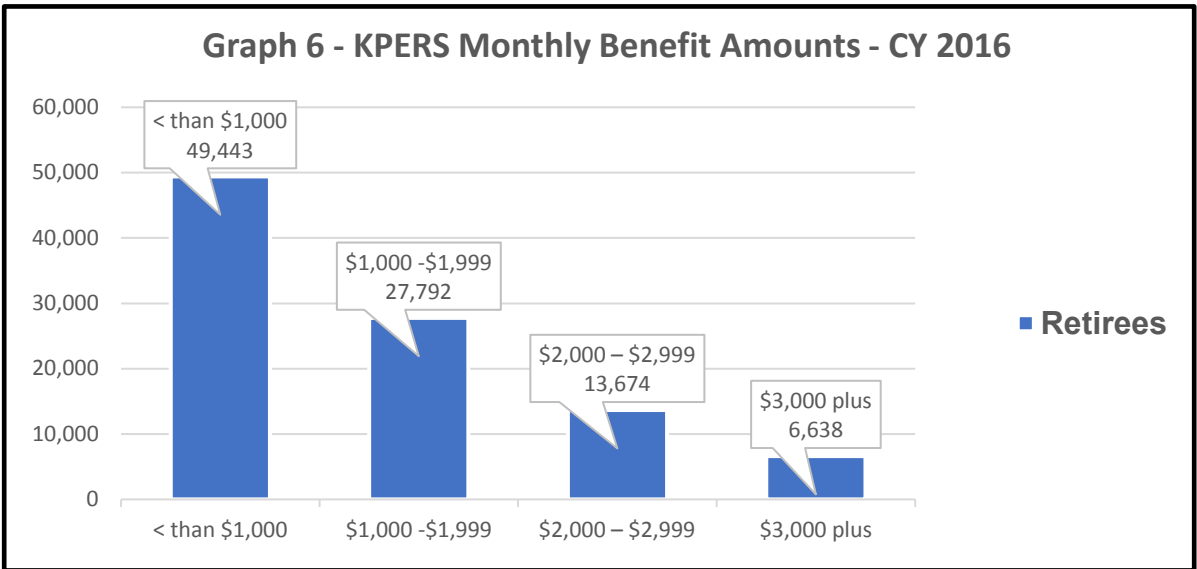
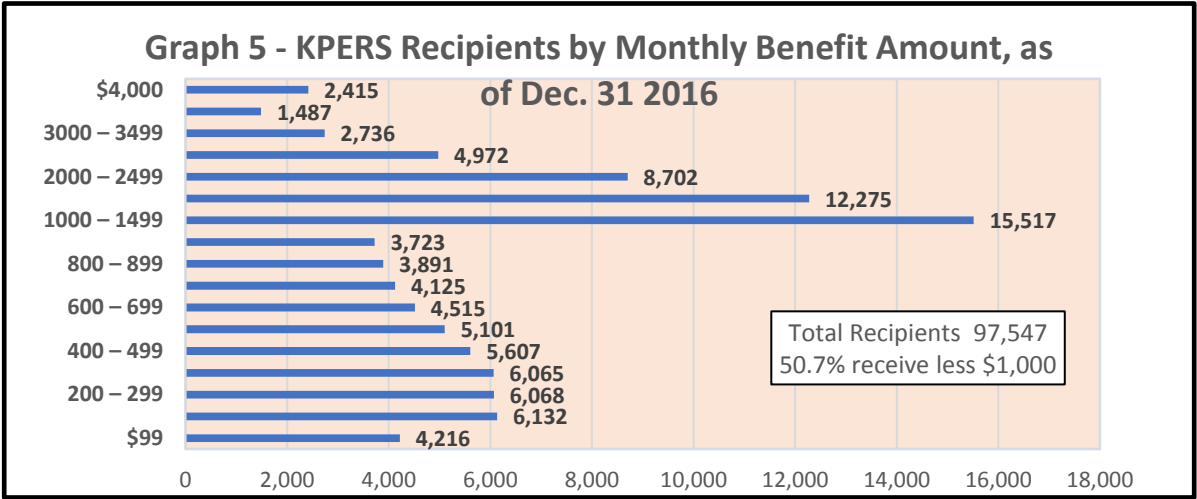
Year	Active	Inactive	Retirees
2006	149,073	41,232	63,348
2007	151,449	40,672	65,765
2008	153,804	41,383	67,102
2009	156,073	41,749	70,724
2010	160,831	43,324	73,339
2011	157,919	44,231	76,744
2012	155,054	45,678	81,025
2013	156,053	45,969	84,318
2014	155,446	47,484	87,670
2015	154,203	50,255	90,907
2016	152,175	53,159	94,333
2017	152,119	55,755	97,547

Kansas Coalition of Public Retirees

[www.ksretirees.org](http://www.ksretirees.org)

**“Nearly 30% of KPERS retirees receive less than \$500 in payments and**

**50% receive less than \$1,000 in KPERS benefits”**  
**“No retiree is getting wealthy from KPERS”**



**Table 4**  
**KPERS Benefit Payments from All Sources by County**  
**Calendar Years 2017 and 2016**

<b>County</b>	<b>CY 2017</b>	<b>CY 2016</b>	<b>Per Cent Change</b>
	<b>\$</b>	<b>\$</b>	
Total Payments	<b>1,702,194,014</b>	1,615,054,130	<b>5.4</b>
Kansas Resi-			
dents	\$ 1,487,200,377	\$ 1,415,028,878	<b>5.1</b>
Non-Residents	\$ <b>214,993,637</b>	\$ 200,025,252	<b>7.5</b>
Total All Coun-	<b>\$</b>	<b>\$</b>	
ties	<b>1,478,922,923</b>	<b>1,406,781,459</b>	<b>5.1</b>
Allen	\$ 8,277,454	\$8,247,418	<b>0.4</b>
Anderson	5,275,104	\$4,893,406	<b>7.8</b>
Atchison	8,751,124	\$7,958,830	<b>10.0</b>
Barber	2,933,581	\$2,750,497	<b>6.7</b>
Barton	13,680,085	\$12,761,557	<b>7.2</b>
Bourbon	7,761,600	\$7,579,632	<b>2.4</b>
Brown	5,579,632	\$5,496,373	<b>1.5</b>
Butler	29,525,108	\$29,594,061	<b>-0.2</b>
Chase	2,003,110	\$2,046,275	<b>-2.1</b>
Chautauqua	1,507,630	\$1,375,030	<b>9.6</b>
Cherokee	9,183,956	\$8,918,032	<b>3.0</b>
Cheyenne	1,689,654	\$1,570,803	<b>7.6</b>
Clark	1,390,414	\$1,275,963	<b>9.0</b>
Clay	5,116,200	\$4,631,561	<b>10.5</b>
Cloud	5,587,204	\$5,265,296	<b>6.1</b>
Coffey	5,913,960	\$5,494,788	<b>7.6</b>
Comanche	1,568,769	\$1,466,777	<b>7.0</b>
Cowley	25,291,208	\$24,701,720	<b>2.4</b>
Crawford	22,532,409	\$21,343,820	<b>5.6</b>
Decatur	1,930,836	\$1,657,111	<b>16.5</b>
Dickinson	10,950,581	\$10,746,697	<b>1.9</b>
Doniphan	4,098,474	\$3,462,010	<b>18.4</b>
Douglas	72,573,155	\$65,630,875	<b>10.6</b>
Edwards	1,842,363	\$1,899,707	<b>-3.0</b>
Elk	1,854,620	\$1,640,718	<b>13.0</b>
Ellis	18,025,099	\$18,720,929	<b>-3.7</b>

Ellsworth	4,520,559	\$4,326,460	<b>4.5</b>
Finney	12,688,616	\$11,748,854	<b>8.0</b>
Ford	12,142,266	\$11,494,016	<b>5.6</b>
Franklin	15,351,113	\$13,473,278	<b>13.9</b>
Geary	11,732,955	\$10,135,703	<b>15.8</b>
Gove	2,122,123	\$1,711,997	<b>24.0</b>
Graham	2,215,881	\$2,345,442	<b>-5.5</b>
Grant	3,107,867	\$2,821,334	<b>10.2</b>
Gray	2,383,037	\$2,641,794	<b>-9.8</b>
Greeley	589,991	\$586,756	<b>0.6</b>
Greenwood	4,224,690	\$4,225,076	<b>0.0</b>
Hamilton	1,311,659	\$1,163,582	<b>12.7</b>
Harper	4,254,920	\$3,871,560	<b>9.9</b>
Harvey	19,370,868	\$18,717,194	<b>3.5</b>
Haskell	1,431,048	\$1,351,524	<b>5.9</b>
Hodgeman	1,236,424	\$970,060	<b>27.5</b>
Jackson	9,389,826	\$9,666,656	<b>-2.9</b>
Jefferson	15,338,730	\$14,027,592	<b>9.3</b>
Jewell	2,389,757	\$2,019,966	<b>18.3</b>
Johnson	234,732,925	\$217,803,417	<b>7.8</b>
Kearny	2,282,240	\$1,937,715	<b>17.8</b>
Kingman	4,033,604	\$3,951,661	<b>2.1</b>
Kiowa	1,485,847	\$1,328,356	<b>11.9</b>
Labette	14,915,995	\$13,691,178	<b>8.9</b>
Lane	858,312	\$958,947	<b>-10.5</b>
Leavenworth	35,900,951	\$32,451,754	<b>10.6</b>
Lincoln	2,075,757	\$1,911,826	<b>8.6</b>
Linn	5,734,750	\$5,341,982	<b>7.4</b>
Logan	2,136,303	\$2,475,634	<b>-13.7</b>
Lyon	21,554,189	\$21,382,424	<b>0.8</b>
Marion	6,376,465	\$5,583,434	<b>14.2</b>
Marshall	5,129,536	\$4,668,589	<b>9.9</b>
McPherson	15,733,952	\$15,526,094	<b>1.3</b>
Meade	2,515,266	\$2,663,602	<b>-5.6</b>
Miami	18,694,904	\$17,702,370	<b>5.6</b>
Mitchell	5,325,376	\$4,890,809	<b>8.9</b>
Montgomery	18,720,912	\$17,074,189	<b>9.6</b>
Morris	4,142,407	\$4,069,932	<b>1.8</b>
Morton	1,642,170	\$1,266,664	<b>29.6</b>
Nemaha	5,366,637	\$4,845,830	<b>10.7</b>
Neosho	12,057,833	\$11,270,832	<b>7.0</b>
Ness	1,779,396	\$1,956,107	<b>-9.0</b>
Norton	5,569,336	\$4,983,808	<b>11.7</b>

Osage	13,465,128	\$12,519,905	<b>7.5</b>
Osborne	2,118,704	\$1,990,724	<b>6.4</b>
Ottawa	3,800,257	\$3,324,885	<b>14.3</b>
Pawnee	8,633,871	\$8,824,770	<b>-2.2</b>
Phillips	3,554,387	\$3,442,900	<b>3.2</b>
Pottawatomie	12,688,199	\$11,581,073	<b>9.6</b>
Pratt	7,952,014	\$7,081,093	<b>12.3</b>
Rawlins	1,812,207	\$1,704,534	<b>6.3</b>
Reno	39,692,198	\$39,108,150	<b>1.5</b>
Republic	4,202,367	\$3,930,092	<b>6.9</b>
Rice	5,879,415	\$5,190,794	<b>13.3</b>
Riley	34,173,930	\$31,197,129	<b>9.5</b>
Rooks	3,449,953	\$3,170,961	<b>8.8</b>
Rush	2,198,132	\$2,106,547	<b>4.3</b>
Russell	4,572,801	\$4,375,902	<b>4.5</b>
Saline	30,545,658	\$30,222,018	<b>1.1</b>
Scott	2,104,453	\$2,078,628	<b>1.2</b>
Sedgwick	160,252,015	\$152,598,049	<b>5.0</b>
Seward	6,215,507	\$6,238,333	<b>-0.4</b>
Shawnee	182,910,088	\$178,010,268	<b>2.8</b>
Sheridan	1,477,299	\$1,360,708	<b>8.6</b>
Sherman	3,350,984	\$3,148,000	<b>6.4</b>
Smith	2,262,310	\$2,304,456	<b>-1.8</b>
Stafford	3,033,396	\$2,698,208	<b>12.4</b>
Stanton	916,723	\$961,880	<b>-4.7</b>
Stevens	2,373,867	\$2,383,817	<b>-0.4</b>
Sumner	14,856,541	\$14,641,997	<b>1.5</b>
Thomas	4,078,035	\$3,896,774	<b>4.7</b>
Trego	1,922,491	\$1,796,770	<b>7.0</b>
Wabaunsee	5,419,448	\$5,329,914	<b>1.7</b>
Wallace	859,326	\$941,434	<b>-8.7</b>
Washington	3,575,769	\$3,521,151	<b>1.6</b>
Wichita	696,610	\$697,734	<b>-0.2</b>
Wilson	5,599,166	\$6,391,357	<b>-12.4</b>
Woodson	1,825,471	\$1,853,500	<b>-1.5</b>
Wyandotte	75,320,933	\$76,238,537	<b>-1.2</b>

***Tracking KPERS Fund Performance***

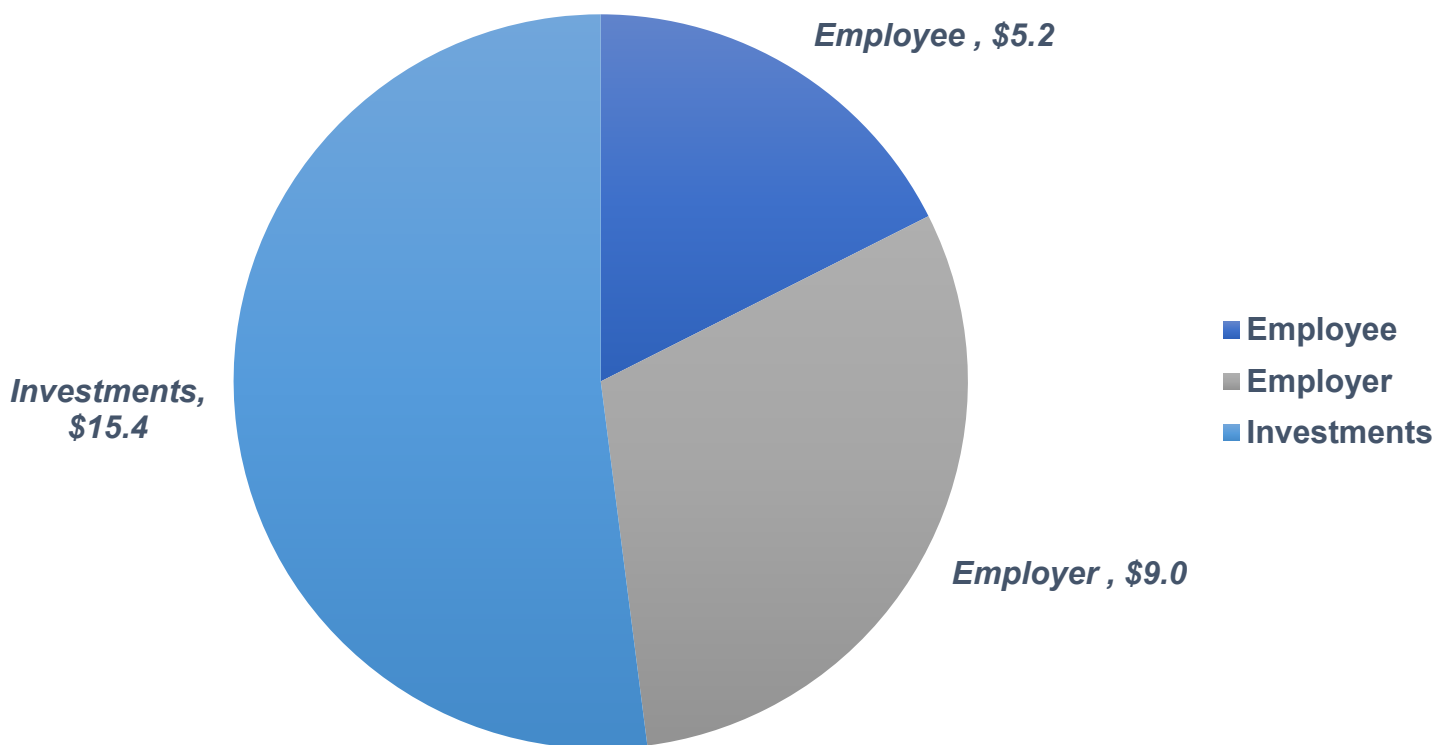
***“During the last 20 State Fiscal Years the KPERS fund has seen income growth of \$29,605,000,000. Most income growth (52.0 %) is from investments, a result of prudent and successful KPERS fund management practices.***

***Employers contributions accounted for 30 % and the employee contribution represents the remaining 18% in growth”***

***“It should be noted that income derived from a 2016 \$1.0 B bond issuance is included in employer contributions.***

***“Unfortunately, the growth could have been significantly stronger had the State of Kansas honored their commitment and made contributions at statutorily recommended levels.”***

**Graph 7 - KPERS Income by Source in Billions  
Last 20 Years**

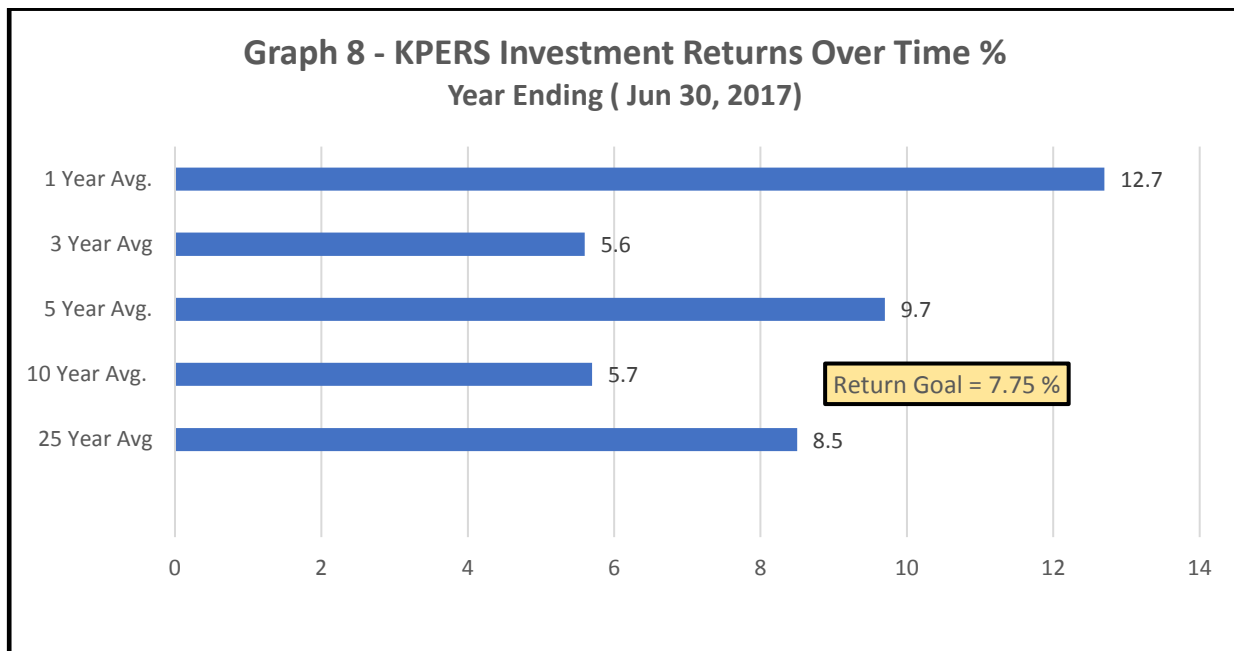


**KPERS financial success has not been shared with retirees!!**

**“KPERS retirees are not participating in the financial success of the KPERS fund. While above average returns have consistently been recorded, that success has not been shared with retirees.”**

**“For the 25 - year period ending June 30, 2017, the System’s assets have produced an average return of 8.5 percent. The expected return assumption is 7.75 percent.”**

**“We ask, if no COLA with this record then WHEN??”**

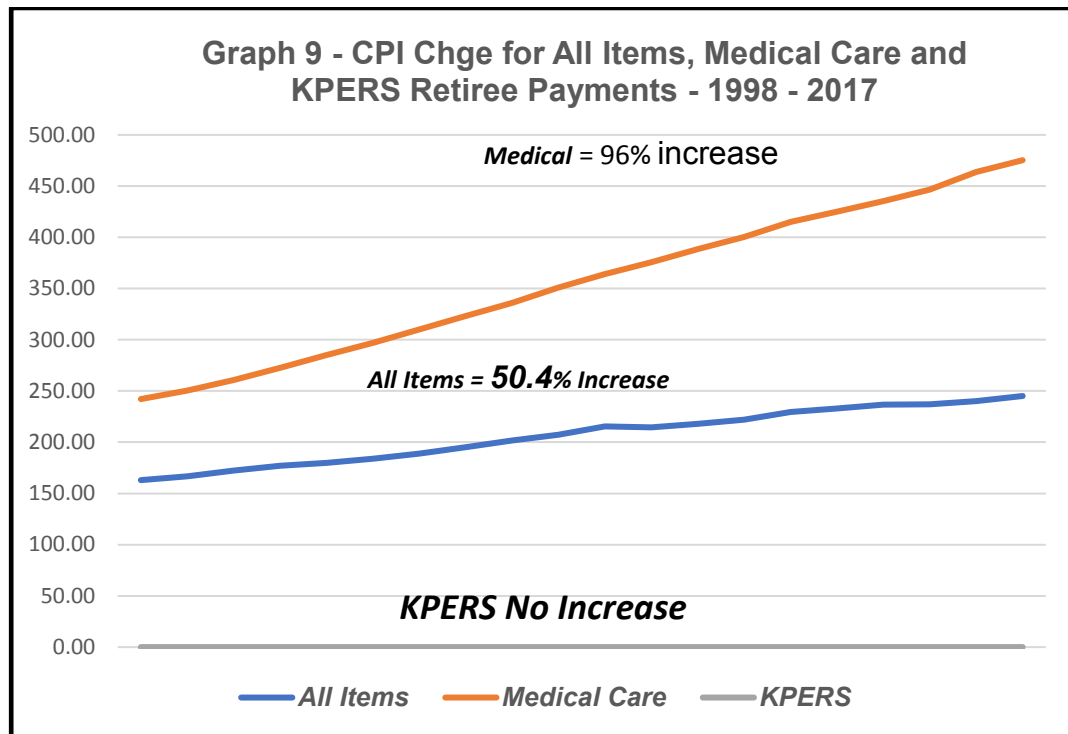




**“Most KPERS retirees face significant additional expenses at retirement, yet income remains fixed and no provision for even the smallest Cost-Of-Living adjustment in the last 21 years”. .....NONE!!**

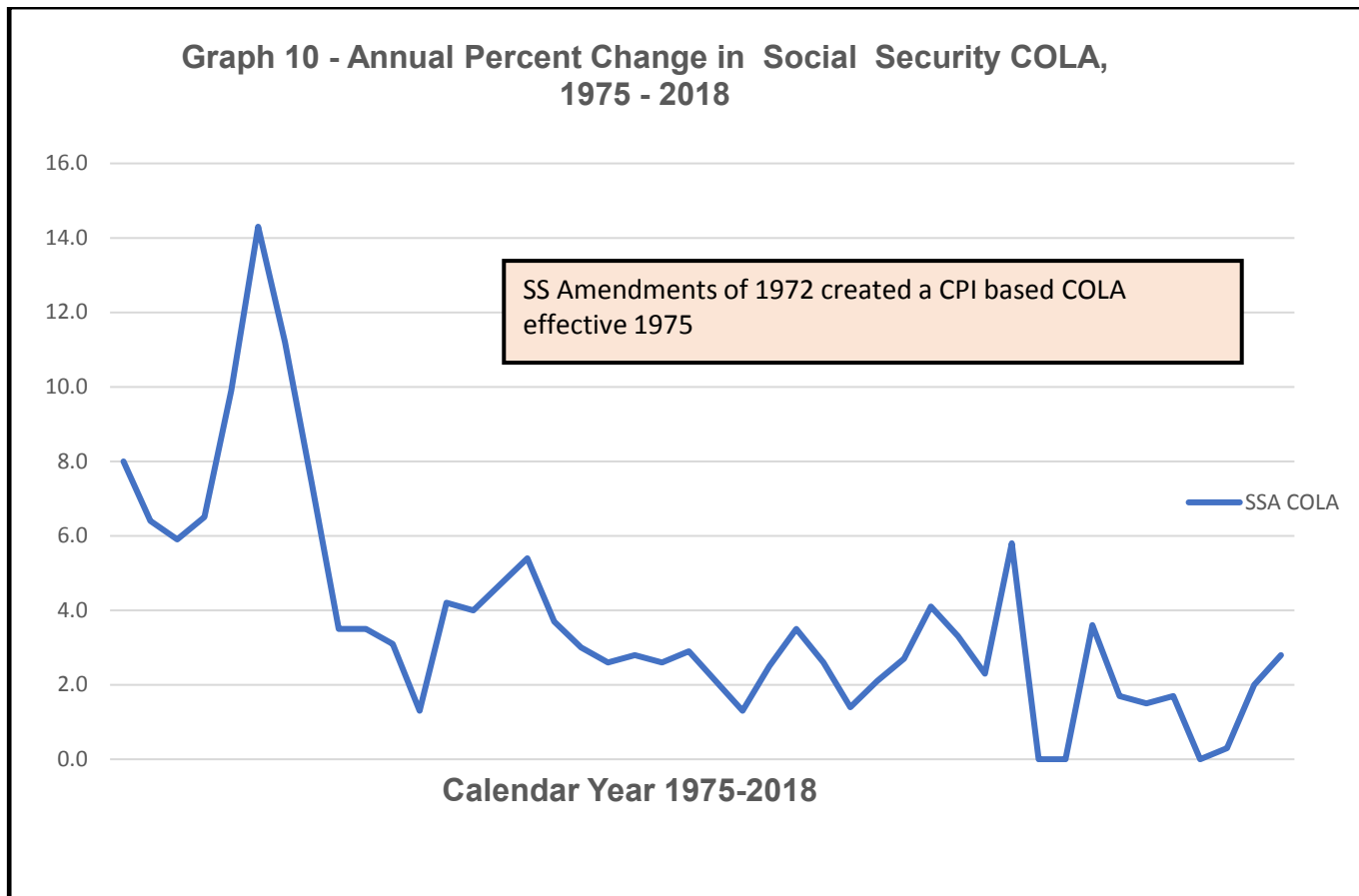
Retirees including KPERS participants, face increased and uncontrollable costs for **Medical Expenses** as the years pass. And of course, the largest users of **Medical Services** are seniors. For many years the Kansas Legislature acknowledged these trends with a small but very welcome COLA. **And yet, the KPERS fund remained solvent.**

Consider the graph below which illustrates the rising Consumer Price Index (CPI) for medical services. In this example the CPI increase during 1998-2017 for all items is 50.0 percent. However, during that same period the increase for **Medical Care** was roughly double the cost of all goods and services at a staggering **96.0 percent**.



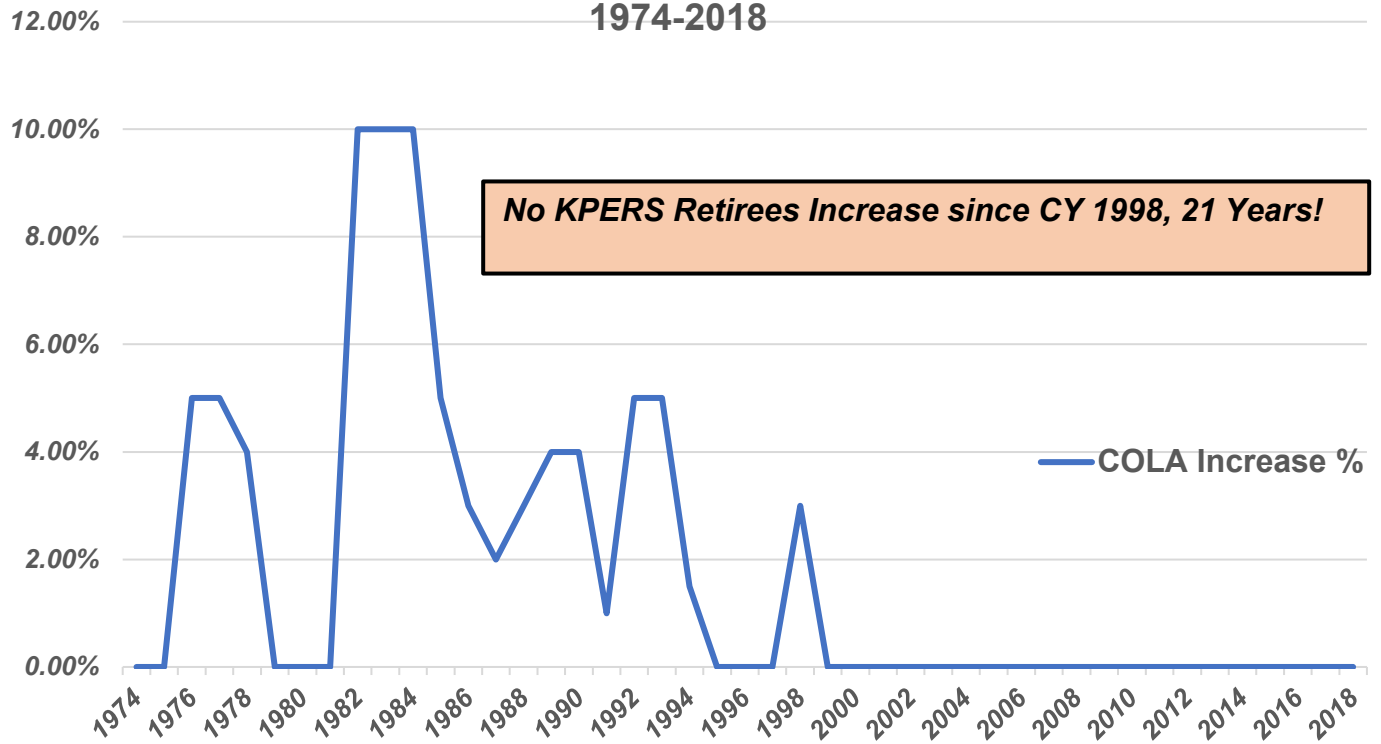
**Simply stated, the average price of an item at \$100.00 in 1998 has now risen to \$150.00 in 2017. On the other hand, the cost of Medical Care in 1998 at \$100.00 is now a staggering \$196.00. And, Medical Care continues to rise at about 4.0% each year with no reduction or limit in sight!**

**“Many, but not all, KPERS retirees are covered by the Social Security Act and at retirement may receive some level of defined benefit from SSA. Yet, some KPERS retirees have no protection from the Social Security Program and must rely totally on KPERS as a retirement income source.”**



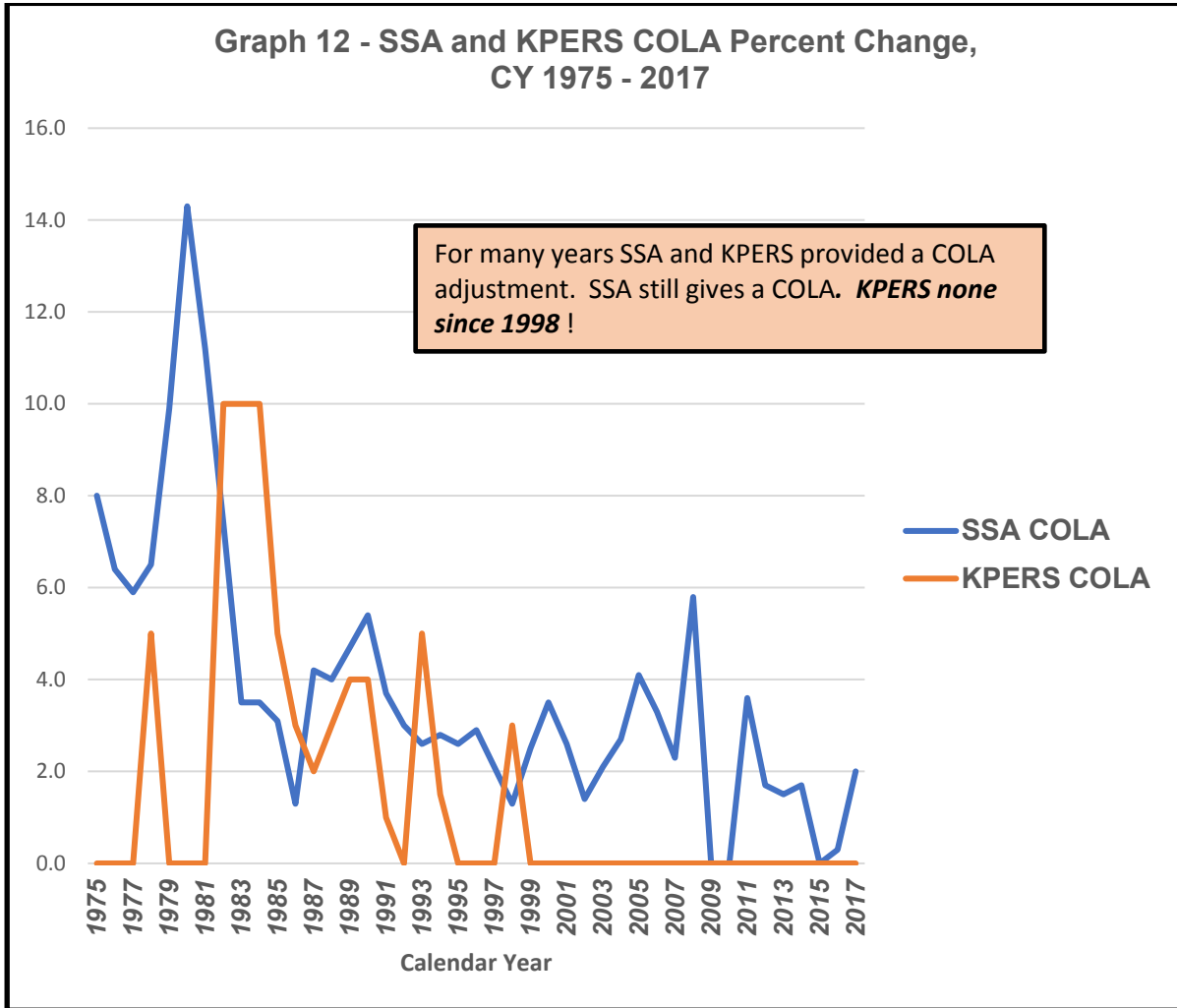
**Both the U. S. Social Security Act and KPERS are *defined benefit retirement programs*. However, the SSA recognizes the need for periodic COLA adjustments to keep pace with inflation. KPERS does not. During the early 1980’s unusually high rates of inflation were recorded and SSA payments were adjusted accordingly. In recent years annual inflation rates, while low, continue to threaten the long-time KPERS retiree.**

**Graph 11- Annual Percent Change in KPERS COLA, History  
1974-2018**



A history of KPERS COLA increases is shown in graph 11. And at one time the COLA increases, while usually less than those of the SSA, did at least acknowledge that such adjustments were in the best interest of the KPERS employer, employee, retiree and the State of Kansas. The COLA was also useful in attracting talented and qualified employees. Usually legislation was considered during each Kansas Legislature to provide such an adjustment. **However, the last increase was enacted in 1997 to become effective in 1998.**

**Graph 12 - SSA and KPERS COLA Percent Change, CY 1975 - 2017**



**The Social Security Act continues to adjust benefits for inflation. KPERS does not. The last Kansas KPERS COLA Legislation was enacted in 1997 and became effective in 1998.**

**Retirement costs are similar to all other costs in the economy. Would it be reasonable to ask a contractor to supply cost estimates for work to be completed in 2018 using 1998 prices for materials and labor? Of course not.**

## **Changes Made to KPERS by 2012 Legislature**

The 2012 session of the Kansas Legislature passed a bill to establish Tier 3 within the Kansas Public Employees Retirement System (KPERS). Tier 3 is a Cash Balance plan for new hires beginning on January 1, 2015. This plan is a type of defined benefit plan which includes some elements of a defined contribution plan. Each member will pay 6 percent of his/her salary into an account, while the employer makes a quarterly payment based on the member's years of service. The account earns interest and will be annuitized at the employee's retirement for a guaranteed lifetime benefit.

Under the current defined benefit plan, most KPERS retirees receive about 50 percent of their salary in retirement benefits. According to KPERS staff, it is estimated that a retiree under the new Cash Balance plan will receive 34-43 percent of their salary as a retirement benefit. More recently as actual experience with the system has been recorded, that estimate has been reduced to 28 – 40 percent. The Coalition believes that this will have a significant negative impact on future retirees and recommends that no further changes to the detriment of employees be made to the system.

The positive element of the new legislation is that employers are to begin paying a higher contribution rate into the KPERS system. Since the inception of the KPERS system, employee contributions were set by statute at 4 percent of pay. Beginning in FY 2009, that amount was raised to 6 percent of pay. Employer contributions during this period of time were 'capped' by statute; however, the 2012 legislation removed the cap and specified larger amounts which are to be contributed by employers.

## Public Retirement Plan Benefit Adjustments in the Other States

This discussion centers on State employee retirement plans in other states. Because most states recognize that inflation reduces purchasing power, the overwhelming majority of states provide some means to adjust retirement benefits to take account of inflation. Some plans provide automatic increases based on a fixed percentage or tied to changes in the Consumer Price Index, CPI. Other state plans base adjustments on a combination of these factors. Some increases are ad hoc and periodic.

The National Association of State Retirement Administrators reviewed 126 public retirement plans covering all 50 states and the District of Columbia in their "2012 Public Fund Survey". Because the survey covers plans that include State employees, teachers, municipalities, local government sub-divisions, local police, fire and EMS and others that KPERS may not cover, only the State plan for each State is included below.

**Table 5**

<u>Retirement Plan Adjustment Provision</u>	<u>Number</u>	<u>Percent</u>
<b>Total</b>	<b>51</b>	<b>100%</b>
Adjustments indexed to CPI	21	42.7%
Automatic percentage increase	13	25.5%
Based on investment performance or	3	5.9%
Ad Hoc increase	11	21.6%
No Increase (Includes Kansas)	3	5.9%

## **Coalition Recommendations for a Benefit Increase**

### **The Cost-of-Living Adjustment (COLA):**

One measure of an effective retirement system is the ability to counter the damaging impact of inflation on retirement benefits. During the 1998 Legislature a 3 percent COLA was granted to those who retired prior to July 1, 1997. The increase recognized the long-term career public servant with 25 years or more of service under the old School Retirement System (KSRS). Since that date the consumer price index has risen appreciably and the purchasing power of the retiree dollars has decreased. Thus, the Kansas Coalition of Public Retirees is recommending a permanent annual benefit increase to recover some of the lost purchasing power.

### **Reasonable Cost-of-Living is Recommended:**

The coalition believes that a permanent annual across the board increase is appropriate. The increase would include the retirees of the Kansas Public Employees Retirement System (KPERs), the Kansas Police and Fire system (KP&F), the retirement system for Judges and the Kansas School Retirement System (KSRS).

To counter inflation, a modest increase is reasonable when you consider cost of living increases, inflation, health care costs, health insurance premiums and increased costs to everyday living over the past years. The Coalition has included Consumer Price Index (CPI) information in this report. During the period 1998 to 2017 the annual monthly average CPI increased by approximately 50.4 percent.

### **A Permanent Solution to the Inflationary Problem:**

The coalition further recognizes that a permanent solution to the damaging effects of inflation will not be an easy problem to solve. We believe however, that serious consideration should be given to the problem and a compromise can be reached. The solution may be a COLA tied to future consumer price index measures. As the situation presently exists, if a retiree lives an extended period in retirement, the fixed benefit is severely reduced and in many cases the recipient becomes a burden to the State through welfare or other social support system.

## History of KPERS Benefit Increases (1974-2018)

2018	No Benefit Increase
2017	No Benefit Increase
2016	No benefit increase
2015	No benefit increase
2014	No benefit increase
2013	No Benefit Increase
2012	No benefit increase
2011	No benefit increase
2010	No benefit increase
2009	No Benefit Increase
2008	\$300 One-time payment for all retirees who retired <u>on or before</u> July 1, 1998 with 10 or more years of service.
2007	\$300 One-time payment for all retirees who retired <u>prior to</u> July 1, 1997, with 10 or more years of service.
2006	No benefit increase
2005	No benefit increase
2004	No Benefit Increase
2003	Annual Retirant Dividend Payment (13 <sup>th</sup> Check) made permanent for retirees who retired prior to July 2, 1987. (This legislative action put an end to all the remaining 13 <sup>th</sup> enhancements.)
2002	No Benefit Increase
2001	*KSRS recipients with 20 years of service will have their benefit increased to \$500 effective July 1, 2001. Retired members may name funeral homes as a beneficiary for the \$4000 death benefit. (*approximately 66 members – small closed group)
2000	One-time benefit to be paid in September equal to 50% of the retirement benefit payment to those who retired prior to July 1, 1999. Any Federal withholding will be ½ of the tax table amount of the full benefit amount.
1999	No Benefit Increase
1998	Increase of 3% for those who retired prior to July 1, 1997. Increase of \$100 to those who retired prior to January 1, 1971 who have at least 25 years of service, and 3% will be added to this.
1997	No Benefit Increase
1996	No Benefit Increase – Effective August 20, 1996, \$4000 death benefit became taxable.
1995	No Benefit Increase –
1994	An increase of the higher of either 1.5%; or a combination of \$.50 for each year of service and \$50 for each year of retirement. Applies to those who retired before July 1, 1993.



## History of KPERS Benefit Increases - Continued

- 1993 Increase of 5% or \$10, whichever is greater, to retired members with fewer than 15 years of service, increase of 15% or \$50, whichever is greater, to a maximum of \$200, to retired members with 15 or more years of credited service. Retired death benefit increased to \$4000 for \$2,500.992 Increase of \$15 for those who retired prior to July 1, 1991. (disability recipients included\*\*)
- 1991 Increase of 1% or \$10, whichever is greater, for those who retired prior to July 1, 1990. \*\*
- 1990 Increase of 4% for those who retired prior to July 1, 1989.
- 1989 Increase of 4% for those who retired prior to July 1, 1988.
- 1988 Increase of 3% for those who retired prior to July 1, 1987.
- 1987 Increase of 2% to those who retired prior to January 1, 1886. Death benefit increase from \$2,000 to \$2,500 for deaths after July 1, 1987.
- 1986 Increase of 3% to those who retired prior to January 1, 1985. Retired death benefit increased to \$2000 for those who died after July 1, 1986.
- 1985 Increase of 5% to those who retired prior to July 1, 1984. Death benefit increased from \$1,000 to \$1,500 for those who died after July 1, 1985.
- 1984 Increase of 10% to those who retired prior to July 1, 1981. Made permanent the 10% increase established in 1982.
- 1983 BMs-10% increase to retired members who retired prior to July 1, 1981, and a 50% increase in the savings annuity portion. Death benefit increased to \$1000 for deaths after July 1, 1983.
- 1982 Increase of 10% to those who retired prior to July 1, 1981, payable through 1987. July 1, 1982, pop-up option was established. If a spouse died prior to the 7-1-82 date, there is no pop-up.
- 1981 No Benefit Increase
- 1980 Thirteenth check increase equal to regular monthly benefit for those who retired prior to 1987 – July 1, 1980, and before July 1 in each subsequent year, to be paid annually through 1987.
- 1979 No Benefit Increase
- 1978 Permanent increase for all who retired prior to January 1, 1997, as follows: Those who retired prior to January 1, 1973 - 7.34%  
1973 – 5.5%  
1974 – 4.4%  
1975 – 2.2%  
1976 – 1.1%
- 1977 Same Provision as the 1976 Legislature
- 1976 Thirteenth Check – One-time additional payment for those retired prior to January 1, 1975, equal to 5% of total annual retirement benefit. In no event shall the additional benefit be less than \$20 or more than \$200.
- 1975 No Benefit Increase
- 1974 No Benefit Increase

**KPERS originated in 1962 and merged with the Kansas Teachers Retirement System in 1971.**

Total Count – 5 Bonus –

Permanent increases – 16

2001 Entry not counted because it only impacts 66 members.

## GLOSSARY

**Active Member** - An employee with a participating employer who is currently employed in a KPERS-covered position. All members become active members immediately.

**Cash Balance Plan – (KPERS 3)** – A retirement plan that is a type of defined benefit plan that includes some elements of a defined contribution plan and shares risk between employer and employee. A member makes contributions to his or her account. Employer credits and interest are also added to this account. Employer credits represent dollars instead of years of service. At retirement, the account balance is annuitized and funded from the KPERS trust to create a lifetime monthly benefit. Unlike other benefit plans at KPERS, cash-balance plan benefits are based on the account balance, not a formula. KPERS 3 members are those who were hired January 1, 2015 and after.

**Consumer Price Index (CPI)** – An index of the variation in prices paid by typical consumers for retail goods and services.

**Cost of Living Adjustment (COLA)** – An increase in monthly pension benefits given at the direction of the Legislature in an effort to help benefits keep pace with inflation. No KPERS retirement plan includes an automatic COLA.

**Defined Benefit Plan** – A retirement plan (like **KPERS 1 and 2**) that bases retirement benefits on a formula including age, years of service and final average salary. Benefits are guaranteed. KPERS 1 members were hired before July 1, 2009. KPERS 2 members were hired July 1, 2009 to December 31, 2014.

**Defined Contribution Plan** – A retirement plan (unlike KPERS, like a 401K) that bases retirement income entirely on the performance of investment choices selected by the member.

**Inactive Member** - A member who is no longer employed with a KPERS-affiliated employer, but chose to leave his or her contributions with the Retirement System when he or she ended employment.

**Retiree/Retirant:** The member, once employed by a KPERS participating agency, who has retired and currently receives a monthly benefit.

**COLA** – Cost of Living Adjustment  
**CPI** – Consumer Price Index  
**CY** – Calendar Year  
**DB** – Defined Benefit

**DC** – Defined Contribution  
**MSA** – Metropolitan Statistical Area  
**SFY** – State Fiscal Year

**Metropolitan Statistical Areas - MSA** definitions and counties included:

Kansas City – Johnson, Wyandotte, Miami, Leavenworth, Franklin, Linn  
Wichita – Butler, Sedgwick, Harvey, Sumner  
Topeka – Shawnee, Jefferson, Osage, Jackson, Wabaunsee  
Lawrence – Douglas  
Manhattan – Geary, Pottawatomie, Riley

