



Update

Dear Friends,

February 9, 2022

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)

Friends,

We supply the following information on what is going on at the Capitol regarding KPERS in the 2022 Kansas Legislature.

1. HB2584 and SB402 are identical bills purposing a 1, 2, 3, 4, 5 % COLA. Full explanation and cost is included below. These are obviously our primary focus!!
2. HB2561 calls for \$ 1 Billion of the surplus Kansas revenue to be transferred to the KPERS Trust Fund. This bill would cover an earlier layered approach to funding plus an additional contribution to the KPERS Trust Fund. (Layering cost \$253.9 Million plus \$746.1 Million in Trust Fund Contribution.) KPERS will testify in favor of this bill.
3. When the Joint Committee on Pensions, Investments, and Benefits met in December, they asked the KPERS Board to weigh in on the idea of a COLA. In response, the Board responded that they thought a COLA was appropriate, but that it needed to be funded up front, therefore, **not** increasing the Unfunded Actuarial Liability. In the analysis of the bill, you will note that these suggestions are met. The cost for a one-time COLA increase listed above is \$317.4 Million. This is a one-time permanent benefit increase paid for upfront.
(In our meeting this morning it was pointed out that there may be a misunderstanding about the cost. Many think that COLAs are bad because they are an additional draw of pension funds. IF PROPERLY FUNDED, this is not the case! The actuarial calculation is the listed figure of what the COLA will cost. Enough investment income on this amount will cover the cost WITHOUT increasing the Unfunded Actuarial Liability.)
4. SB421 is like #1 above, but only purposed to just pay off ONLY the \$253.9 Million explained above.
5. HB2612 would offer an option to choose to purchase a COLA as one of the retirement option offered when a KPERS member retires. KPERS has no cost analysis on this because it is a new proposal.
6. HB2509 expands the DROP retirement option. Presently the KBI and Kansas Highway Patrol are offered this program. This was established to encourage retention of employees. The bill would extend the offer to all KP&F. Anyone who is interested in more particulars on this email me. I will not go into more detail at this time.
7. We just received information from KPERS regarding the CPI related COLA we mentioned briefly in the previous update. The cost would be in the \$4.8 Billion range.

Our Sense of Where we Stand in this Legislative Session

First let me say that we have put together an extensive plan of attack (strategy) to advance this bill. We must be honest here. Many of the House members, either party, that we talk to are positive about a COLA. In both the House and the Senate enough interest has been noted, as we have been asked about other options, etc. HOWEVER, among the leadership, particularly in the Senate, there is little interest in hearing the bill(s). (The steps in progressing a bill are as follows: 1) A hearing on the bill. Testimony is given pro and con. 2) The bill is 'worked.' This means that the committee discusses to vote on sending it to the floor of the body (House or Senate) represented by the committee. 3) The floor battle begins in that house. 4) If it passes out of that body, it is on to the other body. 5) If it passes both houses, it is on the Governor for final signature or veto.

1. OKAY, so the first step is a hearing on the bill in both houses of the Legislature.
2. We need to put pressure on the appropriate committee House and Senate.
3. We also need to put pressure on the Majority Leadership of both the House and Senate. (The Senate leadership is pressuring the committee chair not to hear the bill. There is some indication that this may be happening on the House side to some degree. (We will know more later this week, but you need to fire up the communication system as soon as you get this, i.e., email and telephone calls.)

What we would ask you to do!

1. Address the following:
 - A. Ask your Senator and Representative to insist (to their leadership) that HB2584 and SB402 be heard.
 - B. Rationale for this COLA is as follows:
 - a. It has been 24 years since a COLA.
 - b. It takes \$170.00 to buy today what it cost \$100.00 to buy at the last COLA in 1997.
 - c. The excuse that there was no COLA built into KPERS is an insult. This excuse has resurfaced now that there appears to be money available. (The excuse that we can't afford it is no longer valid.)
 - d. 90% of the 107,850 KPERS Retirees and Beneficiaries have never received a COLA.
 - e. 85% of the KPERS Retirees and Beneficiaries have Kansas Addresses.
 - f. In the retiree's behalf, KCPR has been formally asking for a benefit increase of some type since 2015.
2. We would also appreciate it if you would contact the members of the following two committees. Their addresses are on the KCPR website.
 - A. House Committee on Insurance and Pensions, Representative Steven Johnson is Chair.
 - B. Senate Committee on Financial Institutions, Senator Jeff Longbine is Chair.
3. Contact any and all elected representatives at the Kansas Capitol that you have time to contact!

Information Provided Below

We have provided at the end of this document the following:

1. Analysis of COLA Bill SB402 and HB2584.
2. Ideas on how to compose an effective email.
3. Information on the need for a COLA.
4. How to find your legislators if you do not know who they are.

If you have questions, call me! Time is of the essence! (Just trust me on this one! The next time I speak somewhere I will explain!)

Thanks in advance for your help in this matter!

Ernie Claudel
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KPERS COLA Bill Analysis
HB 2584/SB 402 (aka 1,2,3,4,5% Bill)

+ The Senate and House Bills listed above are identical. If passed, the COLA effective date would be June 30, 2022.

- Individuals in their first five years of retirement will not receive a benefit increase. According to KPERS the number of retirees and beneficiaries in this category is approximately 19,114.
- Anyone who retired on or before July 1, 2017, shall receive a 1% permanent increase. According to KPERS the number of retirees impacted by the 1% COLA is approximately 16,967.
- Anyone who retired on or before July 1, 2014, shall receive a 2% permanent increase. According to KPERS the number of retirees that will be impacted by the 2% COLA is approximately 16,310.
- Anyone who retired on or before July 1, 2011, shall receive a 3% permanent increase. According to KPERS the number of retirees that will be impacted by the 3% COLA is approximately 13,709.
- Anyone who retired on or before July 1, 2008, shall receive a 4% permanent increase. According to KPERS the number of retirees that will be impacted by the 4% COLA is approximately 11,408.
- Anyone who retired on or before July 1, 2005, shall receive a 5% permanent increase. According to KPERS the number of retirees that will be impacted by the 5% COLA is approximately 30,342.

+ This KPERS COLA would be a one-time permanent benefit increase based on time-since-retirement as indicated above.

+ The maximum benefit increases any retiree would receive would not exceed \$200.00 **per month**.

+ This purposed benefit increase accounts for every retiree or beneficiary in the KPERS system.

+ Estimated total number impacted 88,736, or about 82% of the 107,850 included in the cost study.

The financial estimate now includes the 689 permanently disabled number of 689.

The latest TOTAL cost estimate for these identical bills is \$317.4 Million.
This is a reduced number from the previous calculation by the actuary.

Facts Related to the Need for KPERS COLA
February 2, 2022
Created by KCPR

1. 50% of KPERS retirees receive less than \$1,000 in monthly benefits. The average monthly retirement benefit provided by KPERS is \$1,580.00 or \$18,960 annually. The average retirement and survivor benefit is \$1,528.00 or \$18,336.00, and the average KPERS Survivor Benefit is \$900.00 or \$10,800.00 annually. Compare these to the 2021 US poverty level for a 2-person household of \$17,420.
2. 35 states have defined benefit retirement plans, and 29 of those (83%) provide annual benefit increases.

3. 88% of the KPERS retirees and beneficiaries have never received a COLA.
4. KPERS retirees have not received a benefit increase for 24 years, since 1997. In the 25 years prior to 1997, KPERS provided 16 permanent cost of living adjustments, an average of one every year-and-a-half.
5. Today it takes \$170 to buy what \$100 would buy in 1997, a 70% increase in the CPI. *
6. Over 85% of KPERS Retirees are still in Kansas. This means about 150,000 Retirees are helping the local economy.
7. Pensions are essential for the recruitment and retention of public employees.
8. Now is the time to address this issue. All KPERS funds combined are now funded at above 72% without including the \$500M bond payment to KPERS. State income from tax revenue was reported to be \$758 Million above estimates for the 2021 state fiscal year (July 1 - June 30). In FY2022, through October, revenues were \$438 Million over the estimates. **[As of today, the revenue excess is roughly \$2.9 Billion. This amount is overage received in tax revenue plus moneys received from the Federal Government as a result of COVID.]**

ONE LAST POINT:

The question to ask your legislator is: Will you vote for a COLA? (Not do you support the idea of a COLA, or do you support KPERS?)

SOURCES:

1. a. KPERS Annual Report dated December 31, 2020
b. <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/prior-hhs-poverty-guidelines-federal-register-references/2021-poverty-guidelines>
2. NASRA Briefing Dated 2019 - National Association of State Retirement Administrators.
3. KPERS Annual Report dated December 31, 2020.
4. Compiled list for KPERS historical data.
5. US Bureau of Labor Statistics dated September 14, 2021.
6. KPERS Annual Report dated December 31, 2020.
7. National Institute of Retirement Security (NIRS) study released on November 18, 2019.
a. KPERS supplied information.
b. Hawver's Capitol Report 7/2/21, 8/2/21, 9/2/21, 10/1/21, 11/1/21.

EMAIL IDEAS

Jerry Henn, KARSP Executive, and I recently attended an AARP/NRTA (National Retired Teacher Association) conference virtually. One of the presentations was on effective emails. I found it personally very helpful. I am sharing it with you because I believed it would be very helpful to you as well, but also because the emphasis on brevity may relieve some of your communication fear with your representative in Topeka. This information is very compatible with my comments, "Remember a dissertation is not necessary!" 😊

The Subject Line

- A. A subject line should be limited to about **30 characters**.
- B. Make it time sensitive/urgent if possible.
- C. "Will you please vote [or take some other action] for _____."
a. "Will you please voice your support for a COLA now!"
b. Hopefully, you will be able to use this suggestion later! "Please vote for Bill _____ which provides the KPERS retired with a COLA."

Email Body

- A. Make the first sentence and certainly the first paragraph a summary of the rest of the body of the email.**
- B. Remainder of the email body:**
 - a.** Second Level: In some more detail, **3 to 5** sentences explain in more detail (IF NECESSARY).
If possible, communicate to the recipient what the problem is, the solution and the action needed.
 - b.** Third Level: An option might be to enclose a link to something you want them to look at in greater detail. One example might be: List our website, www.ksretirees.org and what you want them to read on the site.

Three Cautions:

- 1.** Do not try to prove your knowledge of the vocabulary of the English language. 😊
- 2.** Keep the statistics to a minimum!
- 3. Be brief and concise!!**

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Rationale for a COLA are follows:

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- b. It takes \$170.00 to buy today what it cost \$100.00 to buy at the last COLA in 1997.
- c. The excuse that there was no COLA built into KPERS is an insult. This excuse has resurfaced now that there appears to be money available. (The excuse that we can't afford it is no longer valid.)
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- e. 85% of the KPERS Retirees and Beneficiaries have Kansas Addresses.
- f. In the retiree's behalf, KCPR has been formally asking for a benefit increase of some type 2015.

Prepared by Ernie Claudel, KARSP Legislative Chair and KCPR and KARSP Lobbyist

Find Your Legislator

If you do not know, or are not sure, who your Kansas Senator and Representative is, go to OpenStates.org. It will ask you what you are looking for enter legislators. It will next ask for your address, and your Senator and Representative will pop up!!