



Update

Dear Friends,

March 11, 2020

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)

Today's Meeting

Today's meeting was extremely interesting for several reasons!

1. COLA Update: As you are likely aware, the House Committee allowed a hearing on our COLA Bill last year but refused to work it last year or this year. It then died in committee in the House.
 - A. Next, Representatives Frownfelter and Benson attempted to add COLA amendments to existing KPERS Bills on the floor of the House. As previously reported, those failed.
 - B. Our next plan was to approach the Ways and Means Committee of the Senate and ask them to hold a hearing on SB74, which was identical to HB2100. The excuse offered was there is not enough time left to hold a hearing on your bill.
 - C. We will have more to say about this in late communication, but obviously those Representatives who voted no are not concerned about a COLA, because they do not fear losing votes on this subject. You will note in a further section of this 'Update', a "website index". If you look at these attachments, you will note the relatively small percentage cost of these improvements.
 - D. The final 'shot' at the bill came with the handy excuse that the economy is tanking because of the *virus*!
2. Even though we are retirees, the KCPR mission, for many reasons, has morphed into having concern for all KPERS and KP&F. This is honestly as much a reason of compassion as it has been a necessity. KPERS Director Alan Conroy was, therefore, invited to explain Tier III to us. We wish to thank him for his time and fine presentation. We will not try to go into detail, but here are some highlights of the facts presented today.
3. **Some Tier III Facts:**
 - A. Has No multiplier
 - B. Today's KPERS Membership makes up 1/3 of the active KPERS members. (48,621 of 146,000)
 - C. Tier III does not use a final average salary calculation.
 - D. PLSO Maximum is 30% vs 50% in Tier I. (Tier II PLSO max is also 30%)
 - E. It takes 5 years to determine the 'dividend credit'. (75% of the five-year average net compound rate.)
 - F. Any new employee who was employed on or after January 1, 2015, is enrolled in Tier III.
 - G. KP&F and the Judges were not changed to Tier III.
 - H. HOWEVER, 77 % of the Law enforcement agencies are not in KP&F – This equates to 1/3 of the officers who are enrolled in regular KPERS rather than KP&F. No figures are available

for Firefighters because KPERS only has classification information (KP&F or KPERS) and salary, not job descriptions.

4. **BEST- AND WORST-CASE SCENARIO on Benefits for TIER III:**

- A. Not enough have retired to get an overall picture of the benefits, however, these figures are the best we have at this time. (I am trying to say that so far there is a very small sample size.)
 - B. These estimated figures are based on 30 years of service.
 - C. Tier I & Tier II Benefits are equal to 50 to 55% of the employee's final average salary.
 - D. Tier III has a conditional dividend credit built in! Therefore, there is a BEST CASE & WORST CASE (BC/WC) Scenario.
 - E. Estimated Benefit Calculations: [The use of final average salary comparison in these examples is a comparison of the benefit amount to a final average salary. There is no Final Average Salary calculation used in Tier III benefit determination.]
 - a. Original 2012 Legislation – Cash Balance Plan Benefit BC/WC 43% to 34% of final average salary.
 - b. Change Legislation after 2013 Session - Cash Balance Plan Benefit BC/WC 40% to 28% of final average salary.
 - c. Latest Calculation - Cash Balance Plan Benefit BC/WC 38% to 27% of final average salary
5. A committee will be appointed to research more fully some Tier III improvement ideas that were discussed.

SUGGESTED REBUTTAL

I am often asked what response/rebuttal should be used when excuses are offered for no final action on a COLA. **Suggested responses to these excuses are as follows.** KPERS never had a COLA built into the statute. (In my opinion, this response is a condescending answer and I will indicate those thoughts to those who use it!) Response: Nor did the Statute have a prohibition against a COLA.

- 1. KPERS benefit are 'earned benefits'. Benefits are paid an amount calculated using a formula, therefore the benefit is in proportion to what was paid in.
- 2. ALL employees have paid in every dollar they were required. They have received not contribution variance; in fact, the employee contribution was raised from 4 to 6% per the 2012 legislation.
- 3. KPERS is not like Social Security! The KPERS Trust Fund balance is derived from three sources: Employee Contribution, Employer Contribution and Investment Returns. Without out the proper employer contribution, proper investment returns are not possible!
- 4. All US retirement systems are approved by the IRS, therefore the KPERS retirement system is NOT a Ponzi scheme!

Website Update

This is not meant to be a total index of the website (ksretirees.org), but a reminder of where some items you may want to see are located as well as identifying some new entries. These also relate to some of your recent questions!! [This is not, of course, meant to lessen any of the other entries available on the website! 😊] We would call your attention to the following:

- 1. The KCPR 2020 Report to the Legislature:
 - A. This contains all manner of information regarding the effects of the economy and inflation on the buying power of KPERS Retirees.

- B. In the back of this document there is a year by year rundown regarding the 16 COLAs and other benefit increases.
- C. [This is located on the left of the home page under **KCPR Annual Report.**]
2. At the top of the left side of the website is a new entry entitled, KCPR Status Updated Oct. 2019. [This is a 6-page review of KPERS which is up to date with the beginning of the 2020 Legislative Session.]
 3. In the column on the right is an item referred to as 'One Pager' from NPPC. This is a review of the economic impact of COLAs.
 4. In the very middle of the home page is a section labeled, **HB2100 & SB74 Costs Outlined and COLA Amendments.**
 - A. The first four items, which should be read in order, detail the costs of the COLA Bill mentioned above. They detail the % of the cost of the bill as it relates to several items. The final of the four is a graph displaying one of the % of cost.
 - B. The 3 maps cover letter explains what the maps in the final entry display. [Much information regarding each county in Kansas is displayed here.]
 5. The **COLA Amendment Vote** section detail Representative Frownfelter and Representative Benson's attempt to enter a COLA as an amendment rather than a total bill. The final entry is the votes on the two amendments by party.

If you have any questions, please call me at the number listed at the end of the Update.

- Remember to send us your updated email address...also if for any reason you should no longer wish to receive this update, let me know at the address(es) listed at the end of this "update," and we will contact you and remove you from the official mailing lists.
- Just a reminder, that this email is an official report of the Kansas Coalition of Public Retirees. If I editorialize, I will indicate that fact.
- Remember that we want you to forward this to other retirees and the "working" who will benefit from this information.
- The KCPR website is www.ksretirees.org

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