



Update

Dear Friends,

March 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)

COLA BILL STATUS

The first question we are asked is obviously: "How are things going? Are we going to get a COLA?" All we can answer is with our best guess! The emotions I feel as I talk to legislators and the others on the steering committee can best be described as a roller coaster ride! One of the steering committee has said, "At least they are telling us 'No,' rather than 'Hell No!'" Our guess is that your communication is having considerable impact on the legislators, it just depends on whether it is enough. It should be noted that the excess state revenue has risen to \$5 *Billion*. It should be noted that one positive is mentioned by several of the legislators, that a COLA may be possible in the future. We have not heard this type of talk before.

Today, there was an attempt made to attach our COLA Bill to the Billion-dollar contribution to the KPERS Bill. Representative Rui Xu introduced our bill as an amendment to the contribution bill. The amendment failed 79-38. It would be fair to say that Representative Steven Johnson spoke against the bill. His objections were along conservative economic lines. Representative Landwehr spoke against it as well. One would question the accuracy of several of her assertions. I will provide you with the vote as soon as it is published. Fortunately, the 1 Billion Dollar contribution to KPERS did pass the House. The votes are attached!

It must be noted that the Senate is the hardest sell. Their excuses are: 1) Financial conservatism, i.e., we need KPERS funded at 80% before we consider a COLA. 2) At least a few want to go to a 401K type plan. 3) I have also heard that our retirement plan is 'too good.'

The rumor that if the "secret company" accepted the Kansas offer, it would cost \$2 Billion of the \$5 *Billion*. I have been assured that the final offer to the company was \$1.2 *Billion* over 10 years, not \$2 *Billion* immediately. Assuming this is correct, there is still a huge amount of money out there to spend and additionally set up a 'rainy day' fund.

The excuse that the 'majority' is using is that KPERS was established w/o a COLA, an excuse which is blown out of the water because of the history of 16 past COLA's. When this rebuttal is used, not much more is said about the excuse. [A detail rebuttal can be found below.] Additionally, I have been telling them that this is an 'excuse,' not a reason, and that it is a repeated 'excuse' fact is that we have been unable to get an appointment with the Governor's office. I cannot find anyone who is willing to tell me what the reason is for her apparent opposition to a COLA. One positive side, we do have legislators, who are not in leadership roles, who cannot understand why a COLA cannot be discussed. BTW, that is likely the result of your communication with them.

We have emphasized this before, but it should be emphasized when you communicate with your legislator, the cost of HB2584 is calculated by the KPERS actuary to be \$317.4 Million. This is a one-time cost. This endows the COLA, i.e., the contribution and the investment returns pay for the COLA without increasing the UAL (Unfunded Actuarial Liability). *[An almost universal*

'flawed thought' that a COLA is bad for a pension plan exists. This is UNTRUE, the correct concept is that a COLA which is not properly funded is the problem, an actuarially calculated COLA properly funded COLA is NOT a problem.]

Another positive which is apparently a very real possibility is that a billion dollars will be transferred to the KPERS Trust Fund to reduce the UAL. This concept is presently masquerading under the 'name' SB421. It is being addressed on the House Floor today.

What we would ask you to do!

We believe that there is still a chance to get movement on the COLA. This continues until the House Appropriations Committee sends its budget to the full House. Until that time, as Johnny Carson used to say, "Keep those cards and letters coming!" Once that happens, 'all bets are off.' At that point, our communications need to pick back up until the next session and the election. This breather is simply to reduce the possibility that we have stopped requesting and started harassing. Because of your attachment, you can see how your Representative voted.

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 all elected representatives at the Kansas Capitol that you have time to contact!

Defined Benefit Rebuttal

The leading excuse against a COLA this year by many is, "Defined Benefit Plans Don't have a COLA."

Rebuttal:

1. 35 states have defined benefit retirement plans and 29 of those (83%) provide annual benefit increases.
2. Social Security is a defined benefit, and it regularly authorizes a COLA.
 - A. "But SS is going broke!" Response, "Only because of the way it is funded." Our proposed COLA is funded with a one-time payment. That payment, plus the investment return on the contribution, endows the COLA. (The UAL is NOT affected.)
 - B. Regarding Kansas in particular:
 - a. Since 1972 there have been 16 COLAs enacted.
 - b. In addition, from 1980-1987 there was a 13th check authorized.
 - c. There have also been 6 bonuses enacted.

- C. Further, from 2010-2019, there were 15 contribution delays or reductions by the legislature.

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 affected 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 affected 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 affected 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 affected 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 affected 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 shown above.

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

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

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

The financial estimate now includes the 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 earlier 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 annually, 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 \$5.0 Billion. This amount is overage received in tax revenue plus moneys received from the Federal Government because 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!!**

Rationale for a COLA are as follows:

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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 and enter legislators. It will next ask for your address, and your Senator and Representative will pop up!!