



Update

Dear Friends,

January 30, 2017

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)

This is the Second Rally Update!! There will be at least one more RALLY Updates released!

Please read this update carefully. The final updates will contain updated information and specific directions. Some of the basic information offered here and in the last Update will be omitted. So you are not reading the same info over and over again, you may want to print this off as a guide!

I apologize for the length of this document. As you will note, there is much extremely important information to communicate with you!! Grab a coffee and a comfortable chair!! You will find within:

- A. The latest concerns of KCPR as detailed by Ernie.
- B. A list of much requested talking points to choose from.
- C. The previous Rally directions have not been repeated. Check your files or the website for the January 11th 'Update'.

The final Update which should be released Friday will additionally contain:

- a. Specific Bill information and bill numbers.
- b. A map of parking adjacent to the Capital
- c. Any updates on what has been happening at the Capitol this week!

**Many of you have become aware of the new concerns I will list below.
Please read carefully!!**

Shawn Sullivan came to the KPERS Board of Trustee Meeting on January 20th to speak to the Board, regarding the Governor's latest budget recommendations on KPERS. First, let me say that these comments were made in a public meeting. Further, my interpretations and opinions on this presentation are mine and mine alone!

As usual, no reporters were present for this presentation and following the meeting my investigation, all be it brief, could find no one who had heard such things said or requested prior to that date. My interpretation of what he asked and suggested and the comments of the KPERS advisors which followed, caused my level of frustration, anger and worry to rise considerably! Briefly, a few of the Budget Directors comments and the comments of the KPERS advisors are detailed from my point of view below:

1. The budget director used the word "unsustainable" regarding KPERS funding. I have not heard this term used since the KPERS Commission of 2011. This also appears to be an additional attempt to try to find a way not to have to fund this program. This suggestion is not a responsible one! By law, the funding of KPERS is required as part of an employment contract. The IRS wouldn't stand for not funding the retirement program, combined with the fact it is the "employee's money" because they contribute, are required to contribute, and have always contributed their share.
2. We were asked, as a board, to find a way to alter KPERS in some way so that the size of the contribution from employers would be reduced. (Such action is not possible, as I understand it, because of the board's sworn fiduciary responsibility.)

3. He suggested that perhaps "KPERS School" should be separated from regular KPERS for funding purposes. (This one makes no sense to me because the educational funding comes from the State anyway.)
4. The recommendation, in the Governor's Budget, is not to pay the KPERS contribution in full as stated by KPERS: "The Fiscal Year 2017, Fiscal Year 2018 and Fiscal Year 2019 recommended employer contribution amounts would each exclude the equivalent of the fourth quarter payment. Therefore, the reductions are, in total, roughly equivalent to the loss of a year's worth of School Contributions (KPERS School portion of KPERS)." This again begins the cycle of the last 23 years of underfunding! I pointed out to the budget director in our meeting that the billion dollar bond issue does not represent additional monies; it was just a down payment on the debt.
5. Following the presentation of the budget director, Allen Emkin of PCA (Pension Consulting Alliance), who is the head pension advisor hired by KPERS, who had been asked to assess what the suggested short funding would mean, did not have good news! Even though with \$17.4 billion dollars in KPERS, the fund would become tenuous if not funded as presently statutorily directed (promised) because of the cash flow need and other considerations. Here are just a few, probably understated and oversimplified:
 - A. The KPERS plan is a long term plan. People paying into KPERS are going to be contributing in many cases 20, 25, 30 years. The whole idea of retirement funds is to make money on money. The idea is to invest a lesser amount now, but through investment have more (receive more) later. Actuarial 'estimates' are attempting to calculate the needs for 20-30 years and can only be calculated on funds available and funds promised. For example, if the missed \$99 million dollar contribution from last year, with its promised additional 8% interest pay back is not paid back, that amount will have to be removed from the calculation and so it goes. If the assumed contributions are not made, the present actuarial calculations are of no value.
 - B. One of the reasons KPERS has done so well with interest income (Interest income makes up 57-60% of the KPERS Trust fund) is that all possible monies available are invested as quickly and prudently as possible.
 - C. The Board action to move the expected rate of return from 8% to 7.75% means that it will take more investment dollars to provide the same amount of return.
 - D. I believe the annual beneficiary contribution is \$1.3 billion annually. This must be accounted for in cash flow annually. If the promised amounts are not being contributed annually, more monies will have to be held out of investment to cover for the cash flow necessary to pay the benefits.
 - E. It must be pointed out that a national economic down turn, which of course, cannot be predicted but must be taken into consideration, could really "toss a wrench" into the cash flow problem mentioned earlier!

Much more could be listed, but it is not necessary as the picture drawn by the above commentary is in my opinion scary enough! I haven't even touched on all the promises broken, misinformation given, position changes, and outright lies made by the Governor and in his behalf regarding KPERS! My thought processes, have in the past, and now have returned to the simple question: Does the Governor not understand the law, the meaning of fiduciary responsibility, the massive responsibility for and promises made to 300,000 Kansan's, or is he simply purposefully trying to drive KPERS into the ditch and does not care about the people covered by KPERS?

The Benefits must legally be paid, so KPERS must be funded!!

MANY OF YOU HAVE ASKED FOR TALKING POINTS. WE OFFER THE FOLLOWING!

1. If you choose to speak or attempt to speak to your House or Senate representative, be sure to indicate that you are in fact one of their constituents.
2. Since the last (1998) COLA (Cost of Living Allowance) 45% of the buying power has been lost. To this date, 87% of the KPERS retired have NOT received a COLA or a Bonus.
3. Present some reasonable explanation you feel you personally are in need of a COLA.
4. Since the last official numbers, the total involved in KPERS has increased from 281,000 to 295,151.
5. The Local employees, KP&F participant and the Judges (all of which are funded locally) are properly funded. The only underfunded employee groups are those whose employer is the State, i.e., school and state employees.
6. Urge the Kansas Legislature and the Governor to fully fund all Kansas Public Employees Retirement System obligations (KPERS), including the interest at 8% on the bonds passed this past legislative session.
7. The Governor has apparently become desperate enough that he has now resumed his, what we consider, aggressive anti pension talk. The suggestions of basically short funding KPERS the equivalent of only contributing three years for the next four, suggesting he is going to take the reamortization power away from the KPERS Board, separating KPERS school from the system for funding purposes, using terminology "unsustainable" to describe KPERS funding (terminology we haven't heard since 2011) to name a few.
8. The number one suggestion of the State efficiency study from 2015 was: Make required employer contributions to KPERS as specified under current law. (Once again...KPERS interpretation is that this means Actuarial, not Statutory!) It is extremely important that this plan be followed!
9. KPERS is not like Social Security, it is and NEEDS to be pre-funded! (60% in the KPERS Trust Fund today comes from investment income!)
10. General Pension concern is certainly enhanced because 90% of KPERS retirees have Kansas mailing addresses...without proper pension funding, the responsibility for the care of many in retirement will fall on the State.
11. KPERS Normal Cost ratio is \$1, with UAL is approximately \$5. (Normal Cost is the funding needed if KPERS was instituted without the UAL (Unfunded Actuarial Liability) which was caused by underfunding.
12. From 1971 to 1997, 17 different times, the Legislature addressed the effect of inflation on retirees. During that 26 year period, the Legislature, although not required by law to do so wanted to do the right thing. For the past 19 years, from 1998 to 2017, the Legislature has abandoned their retirees.
13. In fact, according to the National Association of State Retirement Administrator, Kansas has the dubious honor of abandoning their retirees (20 Years) longer than any State with a state-wide pension plan.
14. Our bill has 5 year intervals with 1%, 2%, and 3%, thus pushing an increase in the Monthly Benefit Amount to the older retirees. The excuse repeatedly (year after year) offered by the legislature is that they can't afford such a raise, but it seems unwise of us not to make the request. **Obviously, if the retirees don't make the request, no one else will!** It is the position of KCPR that "If KPERS is financially healthy enough that the State does not have to make full employer contributions, then it is surely healthy enough to give retirees a COLA." To this date, 87% of the KPERS retired have NOT received a COLA or a Bonus. **(This does not have a number yet, but likely will by next Monday!)**

Have a Wonderful Week!

Kansas Coalition of Public Retirees ® www.ksretirees.org

- Remember to send us your updated email address...also if for any reason you should no longer wish to receive this update, let us 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 Ron and I editorialize, we 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

Ernie Claudel
eclaudel1@comcast.net
913-481-6923

Ron Gardner
rongardner1811@comcast.net
913-782-8175