



Update

Dear Friends,

June 8, 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)

REPORT ON THE JUNE MEETING

I must first offer an apology for not sending out an 'Update' in May. KCPR ended up canceling our May meeting as there were toooooo many things up in the air. Out of frustration, disappointment, and fatigue, I failed to publish that fact.

So where are we?

1. Representative Xu (pronounced shoe) introduced our COLA bill in the house as an amendment to another bill. This amendment was defeated. Representative Helgerson, Eastborough, District 83, a Democrat, voted against the amendment. The remainder of the Democrats in the house voted for it. Four House Republicans voted for the amendment: Representative Helmer, Mulvane, District 79, Rep. Neelly, Tonganoxie, District 42, Representative Proctor, Leavenworth, District 41 and Representative Resman, Olathe, District 121.
2. Our bill, as you recall, had been introduced in both the Senate and the House. We did not get a hearing in either house. An attempt in the Senate to pass a 13th check bill failed. There was also a COLA-related measure introduced in the House Appropriations Committee near the end of the session but went nowhere.
3. Senate bill 421 did finally pass. This was the donation for the KPERS Trust Fund.
 - A. As provided for in Senate Bill No. 421 from the last legislative session, the KPERS Trust Fund received a deposit from the State General Fund for a total of **\$853.9 million** to date.
 - B. The final two payments are scheduled for August 1, 2022, in the amount of \$146 million, and then on December 1, 2022, in the amount of \$125 million, assuming the State Finance Council does not stop these payments. (The rules say that if the funds are available, these will be paid.) [Because of some contentiousness on the part of some of the legislators, we hope and suspect that these payments will be made.]
 - C. Assuming all of the scheduled payments are made, the total for Senate Bill No. 421 is **\$1.125** billion for the Trust Fund.
4. The contention mentioned above originated when the KPERS Board of Trustees, on the advice of their financial advisers, lowered the assumed rate of return on the KPERS investments from 7.75% to 7%. The angst arose because some of the legislators, especially in the Senate, saw no logical reason for this to happen. I voted against the above mainly since the legislature has been so agreeable to proper funding and more, I didn't think we should risk discouraging this practice. Sadly, there are some in the legislature that does not understand KPERS in general and investments in particular.
5. The good news is that all the remaining bills, good and bad, relating to KPERS, have been thrown out as this is not a 'carry-over year' because of the election.
6. On to the upcoming primary elections. The absolute deadline for registration is Friday, June 10th at noon. Following that date and the KARSP convention, I will share the information I have compiled with you. If you are interested in knowing the final

candidate list before I can get it to you, the Kansas Secretary of State website has that information. This is where I get the official information.

7. The frustration is that the present legislative leadership refuses to reasonably discuss a benefit increase. Our information and observations tell us the following:
 - A. Even after your numerous cards and emails, the vast majority is reluctant to vote for the majority. Hence, they vote the way the majority leadership prefers, not the way their constituents wish them to vote. Don't be afraid to tell them you didn't vote for leadership, you voted for them!
 - B. The idea that a defined benefit retirement plan, which KPERS is, does not have a COLA built-in is very popular among many legislators. As we have discussed before, this argument makes no sense! Sadly, many legislators who agree with this statement, still vote with the majority.
 - C. *My theory has long been that the reason that many of the legislators keep getting reelected is that we tend to think it's our neighboring district that is the problem, it is not. In most cases, the voting records prove that they have little problem voting against you if it is in their interest. Also, many of these folks exhibit themselves at home differently than in Topeka and particularly in their votes.*

Some Additional Information Regarding the Reduction to 7% is listed above.

With the reduction of the assumed interest from 7.75% to 7%, numerous calculations regarding the entire KPERS system come into play. In my mind the three main concerns are the following:

- A. The Unfunded Actuarial Liability will be impacted. Without going into the gory details, this will be less negatively impacted to some extent because of some of the other complicated actions the KPERS Board took.
- B. More temporarily impacted will be the fund level of the Trust Fund. These two items will be better known at the end of July when the KPERS Board will receive the final figures.
- C. The most concerning is the Tier III component. Anyone who has been hired since January 1, 2015, is in this program. We have shared our concerns about the level of retirement provided by this program. It is definitely not as robust as Tier I & Tier II. (All KPERS members are under this program except KP&F and the Judges. The reason for this is a discussion for another day!) Tier III is tied to the assumed rate of return in a more direct and negative way than Tier I and II.
- D. A committee chaired by Senator Tyson put forth a bill which would replace the present Tier III option with a facsimile of the Federal Thrift Retirement Program. [Please note that this bill 'died' at the end of session like all the bills, but it will be back!] Senator Tyson is running for State Treasurer along another Republican Steve Johnson as well as Lynn Rogers a Democrat who is the incumbent. We suspect that the inadequacy of the present Tier III will be used as an election ploy! A Defined Contribution (DC) type plan is NOT a better retirement system than a Defined Benefit program such as KPERS. You may recall that under a DC program the accounts must be held individually. We agree that Tier III needs to be strengthened, but a 401K is not a better approach.

What we would ask you to do!

We have been meeting via zoom, first because of COVID and secondly because of present gas prices. At the convention, several of us will be in attendance and will put together a 'brochure' for you to use and/or for you to attach to your emails or letters when communicating with your candidates. You need to talk to them even if they are running unopposed! I have left the following DB Rebuttal below, as this is definitely something that needs to be hammered on! We

will have updated COLA Rationale in this document which we will provide you with in printable form!

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 was to be 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.

ADDITIONAL INFORMATION PROVIDED BELOW

1. Email ideas
2. Find your legislator
Find these three attached:
3. KPERS Bill Analysis
4. A history of KPERS COLAs and benefit increases.
5. KPERS State/School Employer Contribution Delays and Reductions

We are also back to closing with 'Stay Warm'! 😊

Ernie Claudel

eclaudel1@comcast.net

913-481-6923

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?)

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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Prepared by Ernie Claudel, KARSP Legislative Chair and KCPR and KARSP Lobbyist, and members of the KARSP executive board and KCPR Steering Committee.

Find Your Legislator

If you do not know or are not sure, who your Kansas Senator and Representative are, 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!!