Kansas Coalition of Public Retirees

KCPR has been providing comments in support of a Cost of Living Allowance for Kansas Public Retirees. Many questions have been asked on these social media outlets and few if any answers are being provided except for me on a few occasions. I thought it was time that some of these questions be answered.

Why would I choose to or be chosen to provide the answers?
Allow me to introduce myself: While I do not represent the KPERS Board of Trustees, or speak for them, I am an elected member of the KPERS Board. For some 15 years I have been closely following KPERS as have my colleagues on the KCPR Steering Committee.   I am a founding member of KCPR and serve as their Co-Chair as well as serve as Legislative Chair for my local KARSP unit and the State Organization as well as lobby for KARSP. The facts and figures within are taken from KPERS information which is public knowledge.

Here is a brief summary of answers of at least some of the questions I have seen plus information needed to educate people on some flawed understanding. With 1500 employers and 300,000 plus active and retired members, it is extremely hard to keep up with current information. I will also offer some educated observations on these questions:

1. Most but not all of those who receive KPERS Benefits receive or will be eligible for social security at retirement age.
2. Since the effective date of 1997, no one is or has received a COLA. If your benefit varies, it is because of changes in Federal Income Tax deduction rates.
3. The concern often posed by the legislators is the size of the Unfunded Actuarial Liability (UAL). Here is some background information:
   A. If there was no UAL, the cost to the State of Kansas for their share of employer funding would be $135 Million annually. (This includes State employees as well as all public-school employees. The State has always and continues to provide the school employer contribution. The only change has been the accounting style instituted by Governor Brownback.)
   B. Because of the UAL, the 2021 actuarial recommended contribution amount is $676.5 Million not the $135 Million listed above.
      a. Over 90% of this UAL is legacy debt.
      b. Most of this debt is due to years of actuarial underfunding.
      c. Prior to the budgetary allotment for 2020, according to the KPERS actuary the last time the State met the actuarial recommended amount was 1994.
      d. Of the some 1500 <u>employers</u> in our state, the legislature is the only employer that has not annually contributed the actuarial recommended amount.
      e. 100% of the <u>employees</u> in the KPERS system have contributed their required amount.
      f. In order to work for the above listed organizations, one must belong to KPERS.
      g. Please read #10 below.
4. KPERS, as every retirement system, private and public, is approved by the IRS. It is, therefore, not a Ponzi scheme!!

5. Unlike Social Security, KPERS draws its funds from three sources:
   a. Employee contribution
   b. Employer contribution
   c. Investment income
6. While the retired KPERS & KP&F members and their beneficiaries are receiving their benefit payment, they are not receiving their "value added" share through a COLA. This is because the legislators have indicated that 70 to 80% funding is needed before a COLA can be discussed. Prior to the 'virus downturn' the funding level was 68.4%.
7. The other oft used excuse for no COLA is "there is no provision in the KPERS statute requiring a COLA". We consider this excuse a 'condescending remark' for two reasons.
   A. There have been 16 COLAs or benefit increases over time.
   B. The statute referred to DOES NOT prohibit a COLA.
8. Prior to the present 'fall off' of the markets, KPERS Trust Fund had a record high and in the final quarter recorded a 17.5% investment income rate. The value of the Trust Fund had reached a new high prior to the stock market collapse corresponding with the corona virus outbreak. Of course, when the devaluing of the market ends, anyone knows.
9. According to the public economic report given to the KPERS Board on March 19, 2020 by an economic advisor, the only cause for this downturn is the virus and a reduced oil demand. There is no underlying cause for the downturn of the type we have seen in the past.
10. Regarding the short funding and amortization discussions:
    A. By law, money cannot be removed from the Trust Fund. Therefore, any "governor is not and never did take money from KPERS" is incorrect.
    B. What has been done as indicated above, is that the Trust Fund has been underfunded/short funded by the Kansas legislature, you choose the terminology. This has, as indicated earlier, happened between 1994 and 2020.
    C. The outcome has been that additional investment income has not been available. Because of that short funding it is not making any investment income on the 'missing contribution'.
    D. For years the Legislative contribution was set by state statute. The amount set was not the actuarial recommended amount, so it was essentially a planned and continued short funding.
    E. In my view, amortization not only adds considerably to the cost, but it is also a planned short funding once again.
11. Finally, the years of being interested and involved in KPERS has led to research in numerous aspects of retirement, pensions and public employees. Here are some brief comments regarding that research: Pensions and salaries paid to public employees prop up the economy, especially in the areas of lower population. When the local economy is in "the tank", the public employees and retirees continue to be paid so there is always a base spending level to the local economy. This is to say nothing regarding the pensions ability to recruit and retain qualified and talented personnel to serve the public. If you are in the group that downplays or even attacks the public employee concept, nationwide studies indicate that you are in the minority.

Be Safe,
Ernie Claudel, KCPR Co-Chair