Kansas Coalition of Public Retirees

Testimony to the Joint Committee on Pensions, Investments and Benefits
KPERS Cost of Living Adjustment
November 2, 2023

Chairman Hoheisel, Vice Chairman Longbine and Committee Members:

As an elected member of the KPERS Board of Trustees, the positions expressed in this testimony represent my views and/or the views of KCPR and KARSP. They do not in any way represent the views of the KPERS Board of Trustees, nor do I speak for them. My name is Ernie Claudel, and I am here today in my capacity as Lobbyist for KCPR (Kansas Coalition of Public Retirees) and KARSP (Kansas Association of Retired School Personnel) to speak regarding a benefit increase for KPERS retirees.

Thank you so much for letting us comment on the need for a KPERS retiree benefit increase. In the previous testimony, numerous points have been commented on and/or clarified. It is our desire to comment on some misunderstandings that have been discovered when talking to legislators this past session and make additional comments we believe support the need for a KPERS Retiree benefit increase.

1. The total cost of the identical COLA Bill from last year has been interpreted as the annual cost rather than the total cost of the benefit over time.
2. Defined benefits do have COLAs. Kansas and numerous other states provide for Ad Hoc COLAs, which Kansas has granted 16 over the years. (History of these COLAs attached.)
3. The last permanent COLA Bill was passed into law in 1998 with an effective date of 1997. As indicated earlier, in 1997 $100.00 would purchase what it would take $191.77 to purchase today.
4. The primary cause of the UAL (Unfunded Actuarial Liability) is the underfunding of the calculated actuarial. This underfunding took place for 25 years, 1994 until 2019.
5. We have heard more than once that the UAL should be taken care of first. The present UAL stands at $9.6 Billion. Excess contributions in

order to reduce this UAL since 2004 have been $3.328 Billion. Meanwhile there were 3,405 retirees who passed away in 2022.

6. When the KPERS Board reduced the expected return investment to 7%, they also chose to re-amortize some departments' contribution rates. This caused some governmental departments to also be allowed to reduce their contribution, additionally angering some legislators. If these reamortization had not taken place, the contribution rate of KP&F would have jumped from approximately 22% to 33% annually.
7. Some additional pressures on retiree's income:
   A. The federal government addresses this need by increasing the 'make up' amount which individuals are allowed to invest in the IRS beginning at 50 years of age. There are two concerns with that plan:
      a. Investment professionals will tell you that 50 years of age is too late.
      b. With the average annual salary of a KPERS employee being $51,381.00, the average employee cannot afford to increase their personal investment even though a 457 plan is also available through KPERS. This average salary is also the reason that a defined benefit retirement plan is always preferred over a 401K type retirement plan. Good benefits and retirement plans are a very important incentive for public service employment. Public workers understand that the salary will be less than the private sector.

   B. The average KPERS retirement benefit is $16,516.00. Many are living on this and social security. Because of the unique application of the laws throughout the state, some KPERS retirees do not qualify for Social Security Benefits on their State income.
   C. For many reasons, women are always under the greatest danger of falling short of the needed retirement income. [See attached information regarding this subject.]

Above we have commented and/or clarified why we believe it is imperative that a benefit increase for KPERS retirees and beneficiaries be enacted.

Thanks for allowing us to share our views on this subject.

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