

Kansas Coalition of Public Retirees



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)

2nd disclaimer: Please note that these numbers are from the last actuarial validation and can literally change daily. The percentage of Tier III active members to KPERS is 51.1%. For the purpose of this document 50% was used to determine the approximate numbers.

Bills that originated in both the House and Senate during the 2024 legislative session, which purposed moving just the 'Teachers in KPERS School' to Tier II from Tier III would result in the following if they became law.

Presently, here are the Numbers: Of the 143,849 active KPERS members, 73,557 of which 51.1% are in Tier III (KPERS III).

- A. PLEASE NOTE: In all these calculations 50% is used not 51.1%.
- B. There are two large groups of employees involved in KPERS and KPERS School.
 - a. State and Local KPERS employees number 73,557. [None of these in Tier III would be included in the present proposal.]
 - b. KPERS School employees number 87,207. Of these 43,954 are not certified. (The terminology used by the State Department of Ed is 'licensed'.) [Yes, both groups are nearly equal.]
 - c. The estimated total number of active State and Local KPERS employees who are in Tier III is 28,321. (Not KPERS School) None of these are included in the proposal.
 - d. Of KPERS School, the estimate number in Tier III is 43,983. Of this number approximately 29,574 KPERS School that are not certified (licensed).
 - e. Of the approximate certified (licensed) employees 21,626. Because of the way the original bills terminology, the proposal to move teachers to Tier II DOES NOT INCLUDE 5157 licensed staff without 'teacher' in their title as well as 3264 of those with administrator or supervisor titles. [None of these in Tier III would be included in the present proposal.]
- C. ***Therefore, under the wording (terminology used in the 2024 proposed bills), the conservative estimate would be that only 17,410 of the 73,557 of those enrolled in KPERS and KPERS School would qualify to be moved to Tier II.***

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Brief Review of Tier III Proposals 2024

In 2022 & 2023 The Joint Committee on Pensions, Investments, and Benefits (which meet off session) recommended a Joint Committee be appointed in both the 2023 & 2024 Legislative Sessions to study Tier III. The Senate Leadership did not approve the committee's suggestions. There was also at least one request for such a study of Tier III called for by a legislative committee during the 2024 session.

In addition to the two bills discussed in the attachment, there was a Senate Bill introduced that would have moved all Tier III to Tier II. This bill never received a hearing. Two reasons for this were likely because a Democrat introduced the Senate Bill, and/or the President of the Senate likely blocked it from being heard.

Finally, I should report that the feeling on both sides of the aisle and both chambers wanted the Tier III situation to be addressed. This fact was widely reported in the press as well. It was reported by the many legislators that the leadership in both houses blocked their desire to form a special committee to study Tier III or even get bills about the subject to be heard.

There was a study filed by the Legislative Post Audit Committee that reported how poor Tier III was. Sadly, because of some political maneuvering, Tiers I & II were not included in the comparisons.

TIER RETIREMENT COMPARISONS

KPERS has provided a comparison between KPERS 1, 2 & 3 (Tier I, II, & III) retirement benefits. While this is not an 'apples-to-apples' comparison, because of the difference in plans, it is about as close as one can calculate. These figures were received in December 2021. The relative differences in the benefit levels of the three Tiers are still the same as in 2021.

1. The KPERS 1 and KPERS 2 retirement benefits are calculated on a \$50,000 final average salary, and the KPERS 3 benefit is calculated on an average salary of \$51,250.
2. Note that the retirement ages are not the same. KPERS 1 estimated retirement benefit is calculated at a retirement age of 60. KPERS II & III estimated benefits are calculated using 65 as the retirement age.
3. The KPERS 1 benefit (\$22,375) is payable at age 60 with 25 years of service.
4. The KPERS 2 benefit (\$23,125) is payable at age 65 with 25 years of service.
5. The KPERS 3 benefit (\$17,670) is payable at age 65 with 25 years of service and assumes the years of service are from age 40 to age 65. Another pattern could produce higher benefits because the accounts would continue to accrue interest credits until retirement.
6. The other difference would be that the KPERS 1 and KPERS 2 calculations assume the maximum monthly benefits vs. the KPERS 3 calculation which assumes the 10-year certain default option.
7. Note that KPERS I retirees contributed 4% of their salary during their working years, while KPERS II & KPERS III contributed 6%. This calculates a 50% increase in contribution rate.

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