



# Update

Dear Friends,

August 12, 2020

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)

## Today's Meeting

Today's meeting was held on Zoom! We will stay with Zoom meetings for a while, and we are changing the time to 10:00. Unless further Legislative action would suggest another additional meeting, the next meeting will be regularly scheduled on Wednesday, September 9<sup>th</sup>. *Please note the new time of 10:00 AM.* If you are interested in being involved in this way, please let me know and I will make sure you are included!

General discussions were held on several topics. Following is a summary and some suggestions that came out of the meeting: **(Note that some of the suggestions at the end of this document have not changed. The information and the need for sharing this info still stands.)**

### **Elections Discussions:**

This topic will be clear at the next meeting. Several races are very keenly contested, and the election is not yet official. It should be noted that some of the moderates apparently did lose their primary contests. It has also been noted that considerable money has been contributed to the election from sources outside of Kansas.

**COLA Bill:** We are putting together further rationale for a benefit increase. We do know that the election will provide us with large numbers of newly elected officials come January. *So please continue to communicate with the candidates regarding your concerns and need for a benefit increase. It would be immensely helpful to KCPR to know their position, especially if they favor a benefit increase.* In your discussions, especially if you find those who are supportive, let us know who they are. We will have further discussions on this next meeting and be able to share some of our strategy at that time. A new acronym was suggested, "CORM". Meaning 'Cost of Retirement Maintenance'. The concept behind this thought is exciting. As will be suggested, be sure and talk to the candidates now. We follow these concepts in pursuit of a COLA: 1) The cost of the COLA concept must be kept on the 'stove'! 2) The retired KPERS members are the best carriers of this message. 3) We are at 23 years w/o a COLA NOW! Oklahoma was our nearest competitor in the years without 'category' at 13 years, and they were granted one this year!! Kansas has to have a benefit increase!!

### **PLEASE NOTE**

The recently completed actuarial annual report to the KPERS Board has noted several facts that they will discuss in more detail at a later date, however, here are some brief observations:

1. We have stated before that at the present time the most common excuse for no benefit increase is that "we can't afford to give you one".
2. Several have stated that the funded ratio should be at 80% before a COLA can be considered. (We are presently at 70% funding.) More explanation will come later, but if

they hold out for 80%, unless a 'fountain of youth' is discovered, we will not likely be around to enjoy it.

3. You will recall that the cost of a benefit increase earlier proposed was percentage wise, rather low.
4. As retirees, because of no benefit increase, we are not receiving any 'added value' regarding our personal, required contribution.

**KPERS BOARD ELECTION:** Ernie announced that he will run for a third term on the KPERS Board representing KPERS School.

### **LATEST DEVELOPMENTS**

At the KCPR meeting this morning, the following actions were taken after much discussion:

1. We would ask that you become active in the upcoming elections! We must elect representatives that will vote for a COLA. **START TALKING TO THE RETURNING INCUMBENTS NOW!** This will hopefully keep us ahead of the game.
2. As you talk to the candidates and incumbents regarding the upcoming elections, primary and general, we provide you, once again, with the following information:

### **Update on KCPR Releases**

You will recall that two areas of interest I have written about in the past are as follows:

1. It is noted that women are more negatively impacted by negative pension legislation and lack of a COLA, than men. We are working on putting this updated article together, but here is a partial Update.
2. The preliminary count of KPERS total participants, as of December 31, 2019, was approximately 326,450. This includes approximately 156,400 active members, 1,850 disabled, 105,600 retired or beneficiaries and 62,600 inactive. Of the retired, 62% are female, while 38% are male. Of the beneficiaries, about 80% are female, while 20% are male.
  - A. The count will be finalized as part of the actuarial valuation process, which was presented to the Board in July. So, these membership numbers might change once we have the final numbers. KPERS does not expect the final numbers to reflect any difference in the proportion of male and female members.
3. Note the following related and useful study findings:
  - A. Although not related directly to retirement, please note that the studies consider any income under \$40,000 as a level where retirement savings of any kind are not generally available. (Note D Below)
  - B. As of December 31, 2019, the average annual KPERS *benefit* of all under the KPERS umbrella was \$15,863.00.
  - C. The average annual income of all under the KPERS Umbrella was \$45,754.
  - D. The average annual income of the KPERS only group was \$44,404.
4. Votes against pensions and COLAs are arguably votes against women.
5. We have nearly completed the release relating to this topic of women and retirement which further details and supports the conclusions made here. When completed, it will be available to all.

6. The promised information on small towns and rural areas are more heavily dependent on pension benefits than metropolitan areas, which has proved much more difficult to compose. We are still working on it. Capital cities are also often positively impacted by pension benefits because of the large number of State employees who live locally and remain in the area in retirement.

### **Suggested Rebuttal for COLA or Funding Push Back**

I am often asked what response/rebuttal should be used when excuses are offered for no final action on a COLA. **Suggested responses to these excuses are as follows:** KPERS never had a COLA built into the statute. (In my opinion, this response is a condescending answer, and I will indicate those thoughts to those who use it!) Response: Nor did the Statute have a prohibition against a COLA.

1. KPERS benefits are 'earned' benefits'. Benefits are paid an amount calculated using a formula, therefore, the benefit is in proportion to what was paid in.
2. ALL employees have paid in every dollar they were required. They have received no contribution variance; in fact, the employee contribution was raised from 4 to 6% per the 2012 legislation.
3. KPERS is not like Social Security! The KPERS Trust Fund balance is derived from three sources: Employee Contribution, Employer Contribution, and Investment Returns. Without the proper employer contribution, proper investment returns are not possible!
4. Approximately 87% of KPERS retirees still reside in Kansas.
5. As of July 1, 2020, it will be 23 years without a COLA.
6. All US retirement systems are approved by the IRS; therefore, the KPERS retirement system is NOT a Ponzi scheme!

If you have any questions, please call me at the number listed at the end of the Update.

- Remember to send us your updated email address...also if for any reason you should no longer wish to receive this update, let me 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 I editorialize, I 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](http://www.ksretirees.org)

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