



# Update

Dear Friends,

April 13, 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)*

## COLA BILL STRATEGY REPORT

The good news is that your communication efforts have had an impact! Those of us who are in regular contact with our legislators have much antidotal evidence which strongly indicates the validity of this observation. My plea is that you don't stop! I promise I won't stop the pursuit of a benefit and you need to have the same resolve! The primary improvement is that when we meet with the legislators, they are not nasty, and they do politely listen.

- A. While many believe that the chance of a benefit increase is slim this year, I was reminded the other day by a friend that strange things happen at 'o-dark thirty' at the end of a legislative session! True!
- B. The prominent position taken by the majority party is that DB (Defined Benefit pension plans don't have a COLA.) As I have discussed before, this is the throwback excuse from several years ago. This excuse was previously used before the long standing 'we can't afford it' and now it is back. 😞
  - a. I have included at the end of this document two lists that will give you knowledge to argue this point. One is the number of times the legislature has changed the KPERS system in the last few years and the official list of COLAs provided in the past.
- C. One of my main frustrations is the number of legislators who 'say' they support a COLA or benefit increase and then don't vote for it when the issue comes up. I have previously provided you with the list of the four Republicans who voted for our COLA bill when Representative Xu introduced it as an amendment. All but one Democrat voted for that amendment.
  - a. When they say they support a COLA, be sure you get an 'iron clad' commitment!
- D. In one case ignorance (lack of fact or knowledge) may well have played an important part. We discovered that at least some did not understand that the cost of our COLA bill was a one time cost. The cost figure on the so called 1,2,3,4,5% COLA was \$17.4 Million.
  - a. This is an endowed cost calculated by the actuary which funds a one time forever cost for the COLA. Some did not understand that this was NOT a recurring annual cost! (Be sure you explain this when talking to your legislator.)
- E. One of the steering committee say we should be using the terminology, 'we are suffering from a disappearing income.' NOTE, this is particularly true with 8.5% inflation!
- F. Statistics indicate that the three main concerns Kansans have are:
  - a. Public Education
  - b. The Economy
  - c. The availability of affordable health care.
  - d. Certainly, for the KPERS Retirees, it is a benefit increase.
    1. It should be noted that many of the folks we elect are not supporting these issues. Please determine where the folks you are voting for are voting as you would like them to.
- G. It should be noted that the excess state revenue has risen to \$5 *Billion*. It should be noted that another positive is mentioned by several of the legislators, that a COLA may be possible in the future. We have not heard this type of talk before. We have often

thought that if the investment in the 'secret company' (Panasonic?) is resolved, we might have a better chance at a COLA. An experienced KC area reporter indicates that on this issue, not immediate news may be a good thing.

### **What we would ask you to do!**

We believe that there is still a chance to get movement on the COLA. Continue to write and communicate the need for a COLA through the remainder of the legislative session and use the included material as base information for requesting a positive vote from your Representative candidates. *The entire Kansas House is up for reelection.*

1. The legislature reconvenes on April 25<sup>th</sup>.
2. Address the following:
  - A. Rationale for this COLA is as follows:
    - a. It has been 24 years since a COLA.
    - b. It takes \$170.00 to buy today what it cost \$100.00 to buy at the last COLA in 1997.
    - c. The excuse that there was no COLA built into KPERS is an insult. This excuse has resurfaced now that there appears to be money available. (The excuse that we can't afford it is no longer valid.)
    - d. 90% of the 107,850 KPERS Retirees and Beneficiaries have never received a COLA.
    - e. 85% of the KPERS Retirees and Beneficiaries have Kansas Addresses.
    - f. In the retiree's behalf, KCPR has been formally asking for a benefit increase of some type since 2015.
    - g. Recent inflation rates are reported at 8.5%.

### **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 is 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 13<sup>th</sup> 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. KPERS Bill Analysis
2. Facts related to need for a COLA
3. Email ideas
4. Find your legislator  
Find these three attached:
5. A history of KPERS COLAs and benefit increases.
6. Retirement Benefit Payment Types
7. KPERS State/School Employer Contribution Delays and Reductions

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

Ernie Claudel

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### **KPERS COLA Bill Analysis HB 2584/SB 402 (aka 1,2,3,4,5% Bill)**

+ The Senate and House Bills listed above are identical. If passed, the COLA effective date would be June 30, 2022.

- Individuals in their first five years of retirement will not receive a benefit increase. According to KPERS the number of retirees and beneficiaries in this category is approximately 19,114.
- Anyone who retired on or before July 1, 2017, shall receive a 1% permanent increase. According to KPERS the number of retirees affected by the 1% COLA is approximately 16,967.
- Anyone who retired on or before July 1, 2014, shall receive a 2% permanent increase. According to KPERS the number of retirees that will be affected by the 2% COLA is approximately 16,310.
- Anyone who retired on or before July 1, 2011, shall receive a 3% permanent increase. According to KPERS the number of retirees that will be affected by the 3% COLA is approximately 13,709.
- Anyone who retired on or before July 1, 2008, shall receive a 4% permanent increase. According to KPERS the number of retirees that will be affected by the 4% COLA is approximately 11,408.
- Anyone who retired on or before July 1, 2005, shall receive a 5% permanent increase. According to KPERS the number of retirees that will be affected by the 5% COLA is approximately 30,342.

+ This KPERS COLA would be a one-time permanent benefit increase based on time-since-retirement as shown above.

+ The maximum benefit increases any retiree would receive would not exceed \$200.00 **per month**.

+ This proposed benefit increase accounts for every retiree or beneficiary in the KPERS system.

+ Estimated total number affected 88,736, or about 82% of the 107,850 included in the cost study.

The financial estimate now includes the permanently disabled number of 689.

**The latest TOTAL cost estimate for these identical bills is \$317.4 Million.  
This is a reduced number from the earlier calculation by the actuary.**

### **Facts Related to the Need for KPERS COLA February 2, 2022 Created by KCPR**

1. 50% of KPERS retirees receive less than \$1,000 in monthly benefits. The average monthly retirement benefit provided by KPERS is \$1,580.00 or \$18,960 annually. The average retirement and survivor benefit is \$1,528.00 or \$18,336.00 annually, and the average KPERS Survivor Benefit is \$900.00 or \$10,800.00 annually. Compare these to the 2021 US poverty level for a 2-person household of \$17,420.
2. 35 states have defined benefit retirement plans, and 29 of those (83%) provide annual benefit increases.

3. 88% of the KPERS retirees and beneficiaries have never received a COLA.
4. KPERS retirees have not received a benefit increase for 24 years, since 1997. In the 25 years prior to 1997, KPERS provided 16 permanent cost of living adjustments, an average of one every year-and-a-half.
5. Today it takes \$170 to buy what \$100 would buy in 1997, a 70% increase in the CPI. \*
6. Over 85% of KPERS Retirees are still in Kansas. This means about 150,000 Retirees are helping the local economy.
7. Pensions are essential for the recruitment and retention of public employees.
8. Now is the time to address this issue. All KPERS funds combined are now funded at above 72% without including the \$500M bond payment to KPERS. State income from tax revenue was reported to be \$758 Million above estimates for the 2021 state fiscal year (July 1 - June 30). In FY2022, through October, revenues were \$438 Million over the estimates. **[As of today, the revenue excess is roughly \$5.0 Billion. This amount is overage received in tax revenue plus moneys received from the Federal Government because of COVID.]**

### 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?)

### SOURCES:

1. a. KPERS Annual Report dated December 31, 2020
  - b. <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/prior-hhs-poverty-guidelines-federal-register-references/2021-poverty-guidelines>
2. NASRA Briefing Dated 2019 - National Association of State Retirement Administrators.
3. KPERS Annual Report dated December 31, 2020.
4. Compiled list for KPERS historical data.
5. US Bureau of Labor Statistics dated September 14, 2021.
6. KPERS Annual Report dated December 31, 2020.
7. National Institute of Retirement Security (NIRS) study released on November 18, 2019.
  - a. KPERS supplied information.
  - b. Hawver's Capitol Report 7/2/21, 8/2/21, 9/2/21, 10/1/21, 11/1/21.

### 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](http://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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**Rationale for a COLA are as follows:**

- a. It has been 24 years since a COLA.
- b. It takes \$170.00 to buy today what it cost \$100.00 to buy at the last COLA in 1997.
- c. The excuse that there was no COLA built into KPERS is an insult. This excuse has resurfaced now that there appears to be money available. (The excuse that we can't afford it is no longer valid.)
- d. 90% of the 107,850 KPERS Retirees and Beneficiaries have never received a COLA.
- e. 85% of the KPERS Retirees and Beneficiaries have Kansas Addresses.
- f. In the retiree's behalf, KCPR has been formally asking for a benefit increase of some type since 2015.

Prepared by Ernie Claudel, KARSP Legislative Chair and KCPR and KARSP Lobbyist

**Find Your Legislator**

If you do not know, or are not sure, who your Kansas Senator and Representative is, go to [OpenStates.org](http://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!!

**Kansas Public Employees Retirement System  
History of Post-Retirement Benefit Adjustments**

**A. Permanent, Ad Hoc Cost-of-Living Adjustments (COLA)**

<u>Year</u>	<u>Percentage Increase</u>	<u>Eligibility-Retiree Prior to Date</u>
1972	5%	July 1, 1971
1973	<b>% Increase</b>	<b>Retired In</b> 1973
	32%	1962-1963
	28	1964-1965
	22	1966-1967
	15	1968
	9	1969
	2	1970
1978	Percentage increase as follows:	January 1, 1977
	<b>% Increase</b>	<b>Retired Prior to</b>
	7.34%	January 1, 1973
	5.5	1973
	4.4	1974
	2.2	1975
	1.1	1976
1982	10% (payable through 1987)	July 1, 1981
1984	Made 10% increase established in 1982 permanent	July 1, 1981
1985	5%	July 1, 1984
1986	3%	January 1, 1985
1987	2%	January 1, 1986
1988	3%	January 1, 1987
1989	4%	July 1, 1988
1990	4%	July 1, 1989
1991	Higher of 1% or \$10 per month	July 1, 1990
1992	\$15 per month increase	July 1, 1991
1993	Higher of 5% or \$10 per month for retirees with less than 15 years of service. Higher of 15% or \$50 per month to maximum of \$200 per month for retirees with 15 or more years of service.	July 1, 1993
1994	Higher of 1.5% or combination of \$.50 per month for each year of service and each year of retirement	July 1, 1993
1998	3%	July 1, 1997

## **B. One-Time Benefit Payments**

<b>Year</b>	<b>Description</b>
1976	One-time additional payment equal to 5% of total annual benefit, subject to a minimum of \$20 and maximum of \$200, for members who retired prior to January 1, 1975.
1977	One-time additional payment equal to 5% of total annual benefit, subject to a minimum of \$20 and maximum of \$200, for members who retired prior to January 1, 1975.
2000	One-time benefit paid in September equal to 50% of the monthly retirement benefit payment to members who retired prior to July 1, 1999.
2007	One-time benefit of \$300 paid by October 1 <sup>st</sup> to members who retired prior to July 1, 1997, with 10 or more years of service and disability recipients who had been receiving benefits since July 1, 1997.
2008	One-time benefit of \$300 paid by October 1 <sup>st</sup> to members who retired prior to July 1, 1998, with 10 or more years of service and disability recipients who had been receiving benefits since July 1, 1998.

## **C. Permanent Annual Retirant Dividend Payment**

Starting in 1980, an extra monthly benefit (“13<sup>th</sup> Check”) was paid to all members who retired prior to July 1, 1980. This check was conditional and based on a formula involving investment income. From 1981-1987, a new class of retirants was added each year to this group. In 1987, the group was closed so that it applied only to persons who retired prior to July 2, 1987. Because of negative investment returns that put this check in jeopardy, the Legislature issued bonds in 2003 providing funding that made this benefit permanent for the closed group. All members who retired prior to July 2, 1987, receive an extra one-month’s benefit in September each year.

**Kansas Public Employees Retirement System**

All Retirement Benefit Payment Types

Calendar Year 2020

**UNAUDITED**

	<b>Number of Benefit Payments</b>	<b>Amount of Benefit Payments</b>
<b>Total All Payments</b>	1,305,115	\$ 1,927,444,741
<b>Total Non Residents</b>	193,636	\$ 251,936,670
<b>Total Kansas Residents</b>	1,111,479	\$ 1,675,508,071 *

<b>County</b>	<b>Total Payments</b>	<b>Gross Amount</b>	<b>County</b>	<b>Total Payments</b>	<b>Gross Amount</b>
Allen	7,222	8,623,615	Linn	5,232	6,856,312
Anderson	4,311	5,408,493	Logan	2,206	2,453,919
Atchison	6,807	8,957,738	Lyon	18,685	25,937,603
Barber	2,758	3,169,362	Marion	6,128	7,134,385
Barton	12,002	15,285,102	Marshall	4,839	6,179,919
Bourbon	7,020	8,836,163	McPherson	13,379	18,172,863
Brown	5,264	6,854,253	Meade	2,213	2,934,977
Butler	24,726	35,150,711	Miami	13,287	21,655,273
Chase	1,777	2,126,172	Mitchell	4,400	5,812,689
Chautauqua	1,582	1,593,806	Montgomery	15,296	19,856,980
Cherokee	7,660	9,846,284	Morris	3,590	4,571,805
Cheyenne	1,598	1,884,299	Morton	1,280	1,244,953
Clark	1,376	1,475,934	Nemaha	4,587	5,335,505
Clay	4,597	5,440,098	Neosho	9,629	13,886,139
Cloud	5,455	6,517,220	Ness	1,854	1,867,941
Coffey	5,217	6,428,635	Norton	4,469	5,764,457
Comanche	1,507	1,443,296	Osage	10,381	14,959,951
Cowley	19,822	26,414,627	Osborne	2,070	2,505,261
Crawford	18,135	25,570,363	Ottawa	3,248	4,050,477
Decatur	1,993	2,275,006	Pawnee	7,139	8,736,200
Dickinson	10,198	13,130,996	Phillips	3,329	3,858,564
Doniphan	3,566	3,922,276	Pottawatomie	10,962	15,923,707
Douglas	48,322	83,394,777	Pratt	5,497	8,786,142
Edwards	2,121	2,359,205	Rawlins	1,506	1,887,438
Elk	2,010	1,795,941	Reno	32,575	46,330,057
Ellis	14,984	19,646,799	Republic	3,664	4,204,903
Ellsworth	3,853	4,740,896	Rice	5,754	6,724,026
Finney	9,862	13,791,575	Riley	25,717	38,006,641
Ford	10,012	14,456,986	Rooks	3,383	3,501,299
Franklin	12,073	17,210,759	Rush	2,144	2,371,132
Geary	9,189	13,901,126	Russell	4,149	4,461,386
Gove	1,910	1,949,139	Saline	23,392	34,222,636
Graham	2,157	2,922,460	Scott	1,758	2,242,121
Grant	2,622	3,118,071	Sedgwick	121,153	183,769,693
Gray	2,286	2,913,481	Seward	4,845	6,161,571
Greeley	650	604,454	Shawnee	119,064	201,473,349
Greenwood	4,023	4,544,625	Sheridan	1,432	1,879,567
Hamilton	1,043	1,295,235	Sherman	2,709	4,111,977
Harper	4,037	4,604,242	Smith	2,263	2,426,368
Harvey	16,245	23,169,652	Stafford	2,944	3,228,721
Haskell	1,300	1,592,733	Stanton	1,115	1,187,181
Hodgeman	1,113	1,203,438	Stevens	1,955	2,431,594
Jackson	7,537	10,480,546	Sumner	13,269	17,391,711
Jefferson	11,622	17,251,257	Thomas	3,828	4,683,919
Jewell	2,272	2,555,994	Trego	1,850	2,355,911
Johnson	141,770	270,018,366	Wabaunsee	4,766	6,667,912
Kearny	1,927	2,477,619	Wallace	1,006	929,542
Kingman	3,514	4,721,111	Washington	3,365	3,667,384
Kiowa	1,346	1,569,016	Wichita	872	1,321,589
Labette	11,552	15,327,824	Wilson	4,819	5,757,014
Lane	920	1,076,237	Woodson	2,220	2,563,405
Leavenworth	25,834	42,296,164	Wyandotte	45,787	81,766,646
Lincoln	1,776	1,951,181	<b>TOTAL*</b>	<b>1,111,479</b>	<b>1,675,508,071</b>

\*Totals may not add due to rounding.



## KPERS State/School Employer Contribution Delays and Reductions

FY 2010 - FY 2021\*

Fiscal Year	Payment	Amount (in millions)	Paid	Days Delayed
2010	January quarterly School contribution	\$ 55.1	July 2010	173
2010	April quarterly School contribution	\$ 53.0	July 2010	84
2011	October quarterly School contribution	\$ 48.3	December 2011	56
2011	January quarterly School contribution	\$ 75.6	February 2011	27
2011	April quarterly School contribution	\$ 64.5	July 2011	88
2012	April quarterly School contribution	\$ 9.5	June 2012	54
2015	Employer contribution rate changed mid-year from 11.27% to 8.65%.	\$ 47.0	Unpaid	--
2016	Special allotment of 4th quarter contributions	\$ 97.4	March 2019 <sup>1</sup>	3 years
2016	Employer contribution rate changed in 2015 SB 228 from 12.37% to 10.91%. <sup>2</sup>	Not Calculated	--	--
2017	Employer contribution rate changed in 2015 SB 228 from 13.57% to 10.81%. <sup>2</sup>	Not Calculated	--	--
2017	January quarterly School contribution	\$ 96.7	June 2017	162
2017	April quarterly School contribution	\$ 28.6	June 2017	72
2017	School employer contributions delayed, paid over 20 years	\$ 64.1	Four \$6.4 million payments received	20 years
2018	April quarterly School contribution	\$ 12.0	June 2018	50
2019	School employer contributions delayed, paid over 20 years	\$ 194.0	Two \$19.4 million payments received	20 years

<sup>1</sup>2019 SB 9 appropriated \$115 million in additional contributions to the KPERS Trust Fund, which was the approximate principal and interest cost of the contributions allotted in 2016.

<sup>2</sup>The State/School employer contribution rates in FY 2016 and FY 2017 were lowered in the same 2015 legislation that approved the sale of \$1.0 billion of bonds for deposit in the KPERS Trust Fund (2015 SB 228).

\*FY 2020 and FY 2021 total employer contributions have equaled the actuarial required amount.