

Kansas Coalition of Public Retirees



KCPR-EB3-2021

COLA RATIONALE

KCPR has been following KPERS related issues in the Kansas Legislature since 2004. It has been 23 years since Kansas retirees and beneficiaries have received a permanent benefit increase. Unfortunately, Kansas has the worst track record in the nation.

Other than the one-time bonuses of \$300.00 in both 2008 and 2009 payable to a select group, no changes in benefits have been enacted for the 100,000 retirees of the KPERS program.

There have been many attempts to introduce a COLA bill but there has been little legislative support. The absence of meaningful COLA legislation is usually traced to the concern over additional cost. However according to estimates supplied by KPERS, enactment of a COLA bill such as HB 2100 would increase annual total KPERS payments by only \$17.3 M or 1.8% (see attached graph). In addition, most of the increased payments would go directly into the Kansas economy (nearly 90%). A 3%, 2%, or 1%, COLA, depending on the length of retirement may sound like a significant cost until viewed relative to the total costs of KPERS retirement program.

Projected costs are as follows:

- If the COLA were amortized over 15 years, the first-year cost of the COLA would be 0.22% of the entire State General Fund budget.
- The increase in the unfunded actuarial liability to pre-fund the COLA would be 2.0% of the current unfunded actuarial liability.
- The first-year payment on a 15-year amortization of the COLA does not change the impact of the COLA on the unfunded actuarial liability. However, dividing the first-year cost by the total unfunded actuarial liability is 0.19%.

This situation likely led to a contribution of more than the actuarial contribution authorized by the 2019 legislature and the actuarial contribution authorized by the 2020 legislature. (Note that the excess contribution authorized in 2019 was the first time in 25 years that the actuarial suggested amount had been approved.)

KPERS retirees and beneficiaries desperately need a Cost of Retirement plan Maintenance (CORM) which will provide retirees with a fair return on their working life contributions. KPERS retirees are guaranteed calculated benefits but without any means to adjust for inflation. KPERS is an approved 401a, defined contribution retirement plan approved by the IRS. Employees and employers both contribute to the KPERS retirement plan which will be invested to the KPERS trust. Investments help supplement the KPERS Trust Fund, the more money contributed the higher the investment potential return. If payments are not made timely or investments do not reach the intended goals, a shortfall will occur. Reduced KPERS payments provide a shortfall that must be recovered in the future usually with added interest.

We urge the Kansas Legislature to adopt a COLA or CORM plan for KPERS retirees. After 24 years of no increase, some adjustment is desperately needed.

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**Graph 1 - Total Annual KPERS Pmts, FY 2021 (est. by KPERS)
Current Law and with HB 2100**

