

Kansas Coalition of Public Retirees



REGARDING HB 2659 HOUSE FINANCIAL INSTITUTIONS & PENSIONS COMMITTEE NEUTRAL TESTIMONY March 6, 2024

Chairperson Nick Hoheisel and Members of the House Financial Institutions & Pensions Committee:

As an elected member of the KPERS Board of Trustees, the positions expressed in this testimony represent my views and/or the views of the KCPR (The Kansas Coalition of Public Retirees) and KARSP (The Kansas Association of Retired School Personnel). 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 to speak for a neutral position on SB479, which looks to move employed Kansas teachers presently enrolled in KPERS Tier III to Tier II.

These organizations could not in good conscious, oppose an improvement in Tier III for any group *however*, the facts are that all of those enrolled in Tier III are in a far worse retirement plan than those KPERS members in Tiers I and II. In fact, the Tier III group is essentially contributing twice as much while they are likely to receive half as much in benefit at retirement as Tiers II and III.

As of December 31, 2022, 50% of KPERS and KPERS School were enrolled in Tier III. To be exact, 54,245 of the 107,200 individuals enrolled in KPERS. It should be noted that this sudden rise in the percentage was an unexpected surprise in how quickly the number rose.

The approximate benefit paid to Tiers I and II is 50 to 51% for their final average salary. Because of the nature of the Cash Balance type of plan that Tier III is, there is a best-case/ worst-case scenario. The most recent calculation is the worst-case scenario could be that the retirement benefit could be as low as 28% of their final average salary.

The argument continually heard over time for not correcting the several ills of the retirement system is the cost necessary to make the corrections. It should be pointed out that the reason for the *less* than desired funding level of KPERS and the *larger* than desired level of the unfunded actuarial liability is not the fault of the employee. The employees have been required to constitute the statutory required amount of overtime. The employer has not contributed the actuarially calculated amount for 25 years (1994-2019) and has only been providing funding at or above the actuarially calculated amount since 2019.

KARSP and KCPR would totally support a plan by which all of those in Tier III be moved to Tier II.

KPERS does have a program entitled KPERS 457, which allows members to contribute additionally to a 401K type of program to enhance their retirement. The argument can be easily made that most of the members do not have the income to support additional investment.

The following has been heard as a legitimate concern. If the Federal Government fails to correct social security and the retirement level of Tier III is not improved and benefit should reach the 28% level, KPERS retirees would indeed be in real financial straits.

I would like to thank the committee for the opportunity to express the position of KCPR and KARSP on this bill. I would stand for questions.

Ernie Claudel
eclaudel1@comcast.net
913-481-6923