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TESTIMONY IN SUPPORT OF SENATE BILL 256
Providing KPERS III members an additional interest credit of 1% for calendar year 2023

Presented to the Senate Committee on Financial Institutions and Insurance
By Kansas State Treasurer Steven Johnson

March 1, 2023

Chair Longbine and Members of the Committee:

Thank you for the opportunity to present this testimony in support of Senate Bill 256, which would add an interest credit in lieu of the formulaic credit paid to KPERS tier III members.

When legislation was before the legislature to create the cash balance plan in 2012, efforts were made to provide a minimum guaranteed dividend and an additional dividend that would capture a part of the portfolio return for the participants. The formula used for the additional dividend was set with information from the actuary to target a total return of just over 6%. Variance of the dividend was expected.

Actual dividends have fallen short of this target for employees. Further, the reduction in the expected return on the KPERS portfolio from 7.75% to 7.00% may require re-evaluating the formula to provide the benefit desired over time.

The bill is written to provide a 1% credit which the committee may adjust in their wisdom based on the fiscal note provided and fit within the current year's budget. I believe the bill's intention is to provide a credit in 2023, assuming our five-year performance through 2022 was adversely impacted enough by the last calendar year to eliminate the payment of a formulaic dividend.

I support the initiatives of the legislature to consider other approaches to KPERS III. As we work toward making our total compensation package of better value for these employees, this bill provides helpful equity.

Thank you for your consideration and attention to this important issue

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