Standing House Committee on Pensions and Benefits and HB2545
Testimony by the Kansas Coalition of Public Retirees
Mr. Ernie Claudel, Vice-Chair
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Mr. Chairman and members of the House Committee on Pensions and Benefits, thank you for allowing me to appear today and comment regarding the Cash Balance proposals being considered. My name is Ernie Claudel, and I represent the Kansas Coalition of Public Retirees, KCPR.

The major problem we see with any of the present proposals is that the main challenge, which is the UAL, is not the main focus of the solution. The actual impact of a Cash Balance Plan on the UAL cannot be projected at this point. Additionally, the present Cash Balance ideas do not address, with any certainty, employee benefits. You will recall that Nebraska, after six years, will do a study this year to see how their plan is working. Many questions!

The employees will be asked to contribute at 50% higher rated and the best guess from the KPERS actuary is that their final benefit will be reduced approximately 50%. The devil, of course, is in the final details.

It would appear that the recommended "fixes", that have been selected as "good ideas" to pursue, are selected first and then an attempt has been made trying to craft them into a plan that will fit the Kansas situation! We believe that some of these plans are looked at from ground zero beginning, not at being combined in a present plan as with KPERS today. Remember Nebraska fully funded their plan from the very start with a UAL of zero. It is easy to show positive results when the plan is fully funded!

It might have been better to decide what is needed to correct the present problem rather than decide what a new retirement plan for the State of Kansas should look like.

Some of our suggestions for Individual Economic Impact:

1. Reasonable retirement benefits to off set reduced pay for public service.
2. Some cost of living increase.
3. A plan that addresses all State employees fairly.
4. A guarantee that the State will honor its commitments. It is only morally right and just to do so. Any plan requires that both entities do their contractual part.

Some thoughts for the State's part:

1. A plan that attracts a qualified work force.
2. Ability to retain that work force.
3. Keep the population in the state then and now.
   (Present plan is accomplishing this at the rate of 90%.)
4. Portability may not be so good - stay home and spend your money!
5. A plan that is affordable.
6. Reasonable economic impact to the State.

Some Realities:

1. With 90% of the employees staying in the state for retirement, "Pay me now, or Pay me later," most certainly seems to apply.
2. Make sure the ideas and plan that are responded to are not just rhetoric, that they are based on fact and applicable to the KPERS situation.

Cash Balance Plans we suspect, may qualify as a good idea which doesn't fit the Kansas situation! Here are some figures which we believe illustrative our concerns.

All State and School, Actual (Normal) Cost, without the UAL, is also 8.03%.

a. The average contribution of Tier 1 & Tier 2 for the employee average (6% & 4% combined) contribution is 4.17%, the State contribution is 3.86%.

Actual Contribution 2012 because of the UAL:

a. Tier 1 & Tier 2 average is 4.17 + 8.77 = 12.94
b. The actuary says the total contribution should be 18.00%. This is because of the UAL. The total employer actuarial rate would need to be 13.83% rather than the present 8.77%. (A difference of 5.06%.)

The Present Proposal is:

The Employee contributes 6% and State contributes 4% for a total 10%.

In Conclusion:

How is this different from the present system?
What is it that you are proposing will be different?
It appears that the UAL is still going to be dramatically under funded!

Mr. Chairman, thank you for the opportunity to appear today and provide these comments.

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