

The House Standing Committee on Pensions and Benefits
Testimony by the Kansas Coalition of Public Retirees
Mr. Ernie Claudel, Vice-Chair
February 11, 2013

Mr. Chairman and the House Committee on Pensions and Benefits, thank you for allowing me to appear today and comment regarding our observations on the present status of KPERS. My name is Ernie Claudel, and I represent the Kansas Coalition of Public Retirees, KCPR.

Members of our Coalition represent a total of 39 employee organizations of KPERS retirees. Our group consists of retirees from all levels of State, County, and Municipal Government. The Coalition occupations include retired firefighters, police, municipal safety workers, judges, school personnel, professional and clerical workers. In recent months we have closely followed KPERS developments including formation of the KPERS Study Commission.

The Key to Solving the KPERS Problem

The Coalition believes the extreme complexity of KPERS must be considered when our pension system is evaluated. A limited time to investigate the entire system can be dangerous. This argument over KPERS must not be allowed to become a political and ideological argument. While the KPERS pension system is highly complex with hundreds of moving parts, the focus must center on the problem. From testimony you have heard this session, as well as testimony from previous sessions, the focus must be on the UAL. The pension funding retirement equation which is $C + I = B + E$. (Reference 2, Page 3.) Simply stated, when contributions are increased, the potential for investment income is compounded. If the investment income is heightened and expenses are retained at a low level, then the UAL is reduced and the health of the system to pay benefits is increased. If contributions, investment income, and expenses are altered in any way, the UAL is affected. The only parts of this equation that can be controlled are the contributions and the expenses. The higher the contributions and the lower the expenses the more stable the KPERS Trust Fund. Thus, by focusing on the UAL, through contributions and keeping expenses as low as possible, the UAL problem will be eventually solved.

To review:

1. The reason for the ugly UAL is under funding. The Trust Fund is not broke or broken. When examined long term and focusing on the problem as indicated by the actuary, the UAL will be reduced to an acceptable level. We submit that controlling contributions and expenses, which are the only things we can control, the KPERS Trust fund will remain healthy.
2. Employee contributions have been increased by 50%. The contribution by the employer has also been increased. This increase in funding must be maintained for the UAL to be reduced.
3. A DC will only contribute to the problem. A DC would stop the influx of employee and employer contribution going into the Trust Fund. The employee share has been the only constant supply of funds over time. (A 401k type plan would require all contributions to be placed in individual accounts. This would

dramatically increase the UAL. The increased expenses for investment would be shouldered by the employee as well.)

4. It is our contention that the problem is eventually solved by placing as many funds in the trust fund as possible and keeping the expenses as low as possible.
5. ELARF funds were also designated to the KPERS Trust Fund over and above the employer contribution to reduce the UAL. Now it appears that as a practical matter, while ELARF funds are still purposed for funding KPERS, that they are no longer being added to the contribution, only supplanting general funds monies in order to reduce the proposed State Budget shortfall.

While this committee has more access to information than the Coalition, we are still learning things after 8 years. KPERS involves 281,000 plus (Reference 1, Page 5) Kansas public employees from all different job descriptions. As you have learned, with the exception of the Judges and the legislators, the classification lines are blurred because not all police and fire belong to KP&F, as many are covered by KPERS. We caution making any decisions in haste! The UAL is the primary problem and MUST be appropriately addressed! Once again, the best way to address this is to keep the contributions to the KPERS Trust Fund as high as possible.

Other Complexities

In the interest of time we would provide the following additional points we believe should be considered since no one else is apparently thinking about them. This is based on our long standing belief that this KPERS debate is an ideological and political argument. We believe the lack of the Kansas Retirement System being a priority over the years has led to the large UAL number.

1. Since a majority of the employees covered under KPERS are not highly paid individuals, if the retirement system is not sustained, aren't many likely to end up needing some other type of state assistance?
2. A good pension system provides the ability to hire and retain qualified individuals.
3. How are we going to keep the highly competent public employees we are educating and training from leaving the State once they have reached a high level of skill?
4. A number Kansas Firefighters do not qualify for Social Security.

Legal Issues

We believe that there are legal questions and obligations which need to be addressed. Often mentioned here in the Capitol are the IRS considerations. We believe that the following also must be considered: 1) Contract Law. 2) The legally allowed length of time to pay off the UAL. 3) Finally, there is Fiduciary Responsibility. A fiduciary responsibility is a legal responsibility to act in the best interest financially and otherwise for someone else. It is an obligation to act honestly and responsibly in another person's best interest. As was indicated last week, the only group covered under KPERS who has an option in participating in either KPERS School, KPERS or KP&F are legislators. Not only are others required to contribute as a condition of being employed, our contracts indicate that the sponsoring agency will be required to contribute as well. We also know that over the last twenty years, 57% of the KPERS Trust Fund (Reference 1, page 8) has been realized through investment returns. The KPERS Trust Fund was established for

the sole use and benefit of its members. This is the point where the question of Fiduciary Responsibility comes into play. The Coalition believes that the obligation of properly funding the KPERS Trust Fund is a legislative obligation that cannot be ignored. The debt is their legal responsibility.

Fair and equitable

All KPERS retirees have paid in every dime they were required, and they have all met the requirements necessary to receive KPERS benefits as outlined by the Kansas Legislature!

The state is contributing and has contributed 8.5% as employer to the regency retirement plan (Employees contribute 5.5%) (University faculty & administrators) for years. We have heard the same inferences that Director Conroy testified to regarding this program. It is considered such a good retirement system that rules are being bent to include as many employees as possible under the regency retirement plan rather than KPERS. Also, we have recently discovered there is a DC retirement plan available for certain state officials (hired and elected). We have learned that upon employment a one time offer is made to either choose KPERS or this DC plan. This plan is funded at an 8% level by the state w/no mandatory employee contribution.

Comparing other Pension Systems Design

Extreme caution should be used when comparing what other states do with their pension systems. This is often like comparing – “Apples to Dump Trucks”. “Not everyone is doing things with their pension systems”, many are evaluating and talking about it but little action has been taken. Systems differ greatly.

1. Some states offer Social Security, others don't.
2. States with properly funded pension systems are not in financial trouble. “A fundamental principle of sound funding for a defined benefit plan is to consistently pay the full ARC rate.” (Reference 1, page 27)
3. The excuse that every state is making changes in their retirement system is not correct. Much discussion has taken place, little action has been taken.
4. This lack of change is likely due mainly to legal issues, plan complexity and their UAL.
5. The states of which we are most familiar that have changed to a hybrid system, i.e., Utah and Nebraska, were able to begin their plans with what is essentially a UAL of 0.00. Any switch is complicated by the size of the UAL!

Economic Impact

Economic Impact is one area that has never been publicly discussed in committee to our knowledge. Some consider public employees, “tax takers not tax payers”. We would disagree. Presently 100% of the current actively working KPERS employees presumably live in Kansas as do 90% of the retirees. They pay Kansas sales tax, property tax, and state income tax on income not derived from KPERS benefits. KPERS employee contributions are taxed when earned, not when benefits are paid out. We might call KPERS retirement benefits a “Kansas Roth IRA”. The contribution made by KPERS retirees to the Kansas economy in the way of benefits is significant. We have included two pieces of information which come from KPERS. They are the annual benefits received by the KPERS retirees living in Kansas as well as the monthly benefits by total and by county. You will note that in 2011, benefit payments to Kansas residents equal

\$1,100,700,246.00 (\$1.1 billion). (Reference 3, Page 11) In June, 2011, a total of \$77,124,754.00 (\$77 Million) was paid to KPERS retirees living in Kansas Counties. (Your county totals are attached. The attachments show an annual as well as a monthly total.) Knowledge we receive from our contacts is that this money is being "recycled" into the local economy monthly to offset living expenses, medical bills and to pay their taxes.

Our Fear

Our trepidation around "tinkering" with the KPERS retirement system is, and will continue to be in the future, around the UAL for the following reasons:

1. Already listed is the fact that the KPERS Board of Trustees does a wonderful job with the investments. One of the reasons these record returns are possible is because of the large investment pool available for them to invest. With huge sums to invest, opportunities are made available to the investor in terms of investment options and guarantees.
2. The concern in many legislators' voices is centered on the cost of the pension system and in some extreme cases; the absolute question of affordability is raised. Taking actions that increase the UAL and reduce the funding ratios are scary and may be illegal because a large percentage of the Trust Fund is our money, and arguably all of it is. Concern for the future of the KPERS retiree is very real!

Income Replacement

We previously opposed a change from the previous KPERS program. The Cash Balance plan is preferable to a DC plan only because in the documented expenses, DC will be more expensive and will also put the potential benefits (income replacement) in question. Income replacement under the current KPERS system works out to be about 50% of the final salary. The projected best case scenario under the CB system which is to take effect in July 1, 2014, is estimated to be 43%, worst case scenario, 34%. (Reference 2, page 42) DC options are available in the way of 457 and 403B options, often referred to by state employees as deferred compensation. With the required contribution of the individual increased from 4% to 6% (a 50% increase), the ability of many of the public employees to invest in one of these in addition to their pension comes into even more question.

Working After Retirement

We know that working after retirement will again surface. We would like to offer another perspective. When requirement qualifications have been reached by a KPERS employee, and they desire to continue working, why should their retirement benefit be negatively affected? Why should it make any difference if someone goes back to work after retiring from KPERS? Retirees have fulfilled all the requirements set forth for receiving retirement benefits.

Benefit Enhancement

No one under the KPERS umbrella is presently receiving an annual COLA. The last COLA was enacted in 1998, authorized for those who retired prior to July 1, 1997. If a retiree retired prior to July 1, 1997, that retiree also received a \$300 bonus in 2007 and if a retiree retired on/or before July 1, 1998, that retiree also received a \$300 bonus in 2008. Of those presently receiving KPERS benefits, **67% do not/have not received** any of the above listed enhancements. Since the last permanent benefit adjustment, which was enacted 14 years ago, according to the CPI (Consumer Price Index), the cost of living has risen by approximately 40 percent. For those under the entire KPERS umbrella there are 1.1% of benefit recipients that receive over \$4000 monthly, while 34% receive \$499 or less and 5% receive \$99 or less.

In Conclusion

The KCPR believes that the current system is superior to the Cash Balance System and far superior to a DC Plan. The present system costs less and brings the system into ARC balance more quickly and has superior benefits. "A fundamental principle of sound funding for a defined benefit plan is to consistently pay the full ARC rate." (Reference 1, page 27) The conversion to Cash Balance increases the employee contribution 50% and represents not only a funding shift but a degree of risk to the employee. DC does not solve the primary KPERS funding problem, which is the UAL, but does reduce the growth of the KPERS Trust Fund and costs the employee much more in individual fees. Total investment risk would be placed on the shoulders of the employee.

Our fear is that mistakes will be made because of misunderstanding of the KPERS system.

We are particularly concerned since the money in the KPERS Trust is either our personal contribution or contributions promised to us upon employment, or investment income made off of the two. It is essential that as large a sum for investment as possible be kept in the Trust Fund. Please act with responsibility and with compassion in our behalf so as not to set the system up for failure, because the retired and near retirees will have no way to recover.

References:

- (1) Kansas Public Employees Retirement System report to the House Pensions and Benefits Committee Dated, January 16, 2013
- (2) The Basics of a Cash Balance Plan Design Presentation to the KPERS Board, Dated October 18, 2012
- (3) Recommendations for the 2013 Legislative Session by the Kansas Coalition of Public Retirees

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Kansas Public Employees Retirement System
Monthly Retirement Benefit Payments to Kansas Residents by County
Ranked by Number of Benefit Recipients in June 2011

Rank	Kansas County	Benefit Recipients		Monthly Retirement Benefits	
		Number	Percent of Total	Amount	Percent of Total
1	Shawnee	7,610	11.17%	\$ 10,017,088	12.99%
2	Johnson	7,363	10.81%	\$ 10,750,610	13.94%
3	Sedgwick	7,178	10.54%	\$ 8,238,624	10.68%
4	Wyandotte	3,140	4.61%	\$ 4,283,053	5.55%
5	Douglas	2,598	3.81%	\$ 3,359,873	4.36%
6	Reno	2,087	3.06%	\$ 2,240,836	2.91%
7	Riley	1,514	2.22%	\$ 1,655,961	2.15%
8	Saline	1,512	2.22%	\$ 1,746,176	2.26%
9	Leavenworth	1,405	2.06%	\$ 1,680,128	2.18%
10	Butler	1,374	2.02%	\$ 1,519,280	1.97%
11	Cowley	1,368	2.01%	\$ 1,394,830	1.81%
12	Crawford	1,125	1.65%	\$ 1,191,654	1.55%
13	Lyon	1,082	1.59%	\$ 1,125,964	1.46%
14	Montgomery	1,034	1.52%	\$ 1,046,209	1.36%
15	Harvey	972	1.43%	\$ 1,039,807	1.35%
16	Ellis	870	1.28%	\$ 890,816	1.16%
17	McPherson	866	1.27%	\$ 875,012	1.13%
18	Labette	808	1.19%	\$ 809,893	1.05%
19	Miami	799	1.17%	\$ 936,911	1.21%
20	Sumner	784	1.15%	\$ 783,471	1.02%
21	Barton	709	1.04%	\$ 699,926	0.91%
22	Jefferson	696	1.02%	\$ 751,252	0.97%
23	Franklin	687	1.01%	\$ 739,404	0.96%
24	Dickinson	653	0.96%	\$ 604,764	0.78%
25	Osage	635	0.93%	\$ 683,846	0.89%
26	Neosha	632	0.93%	\$ 671,982	0.87%
27	Pottawatomie	620	0.91%	\$ 626,753	0.81%
28	Ford	596	0.88%	\$ 577,099	0.75%
29	Finney	558	0.82%	\$ 580,635	0.75%
30	Cherokee	543	0.80%	\$ 547,569	0.71%
31	Geary	516	0.76%	\$ 522,264	0.68%
32	Pawnee	512	0.75%	\$ 505,005	0.65%
33	Allen	499	0.73%	\$ 509,139	0.66%
34	Jackson	490	0.72%	\$ 531,798	0.69%
35	Atchison	466	0.68%	\$ 479,224	0.62%
36	Bourbon	441	0.65%	\$ 424,180	0.55%
37	Marion	415	0.61%	\$ 355,012	0.46%
38	Rice	374	0.55%	\$ 316,691	0.41%

Rank	Kansas County	Benefit Recipients		Monthly Retirement Benefits	
		Number	Percent of Total	Amount	Percent of Total
39	Coffey	351	0.52%	\$ 356,288	0.46%
40	Cloud	351	0.52%	\$ 313,094	0.41%
41	Pratt	343	0.50%	\$ 373,001	0.48%
42	Linn	340	0.50%	\$ 333,319	0.43%
43	Russell	338	0.50%	\$ 274,192	0.36%
44	Marshall	327	0.48%	\$ 285,728	0.37%
45	Wilson	326	0.48%	\$ 287,389	0.37%
46	Anderson	320	0.47%	\$ 285,204	0.37%
47	Clay	318	0.47%	\$ 307,951	0.40%
48	Seward	308	0.45%	\$ 287,418	0.37%
49	Brown	306	0.45%	\$ 287,203	0.37%
50	Norton	298	0.44%	\$ 298,521	0.39%
51	Nemaha	296	0.43%	\$ 257,455	0.33%
52	Wabaunsee	291	0.43%	\$ 309,787	0.40%
53	Harper	284	0.42%	\$ 254,598	0.33%
54	Greenwood	278	0.41%	\$ 270,805	0.35%
55	Mitchell	277	0.41%	\$ 294,892	0.38%
56	Ellsworth	252	0.37%	\$ 266,308	0.35%
57	Rooks	251	0.37%	\$ 209,479	0.27%
58	Kingman	239	0.35%	\$ 238,648	0.31%
59	Morris	238	0.35%	\$ 236,857	0.31%
60	Republic	237	0.35%	\$ 208,750	0.27%
61	Thomas	234	0.34%	\$ 217,708	0.28%
62	Washington	233	0.34%	\$ 189,188	0.25%
63	Doniphan	223	0.33%	\$ 193,929	0.25%
64	Ottawa	212	0.31%	\$ 193,684	0.25%
65	Sherman	210	0.31%	\$ 205,313	0.27%
66	Barber	200	0.29%	\$ 180,989	0.23%
67	Phillips	193	0.28%	\$ 190,969	0.25%
68	Grant	190	0.28%	\$ 185,727	0.24%
69	Stafford	185	0.27%	\$ 149,886	0.19%
70	Graham	161	0.24%	\$ 142,453	0.18%
71	Woodson	158	0.23%	\$ 110,709	0.14%
72	Elk	157	0.23%	\$ 101,398	0.13%
73	Meade	154	0.23%	\$ 138,880	0.18%
74	Jewell	153	0.22%	\$ 133,191	0.17%
75	Osborne	153	0.22%	\$ 126,782	0.16%
76	Smith	150	0.22%	\$ 142,391	0.18%
77	Logan	147	0.22%	\$ 117,543	0.15%
78	Ness	146	0.21%	\$ 111,575	0.14%
79	Rush	143	0.21%	\$ 123,566	0.16%
80	Gray	133	0.20%	\$ 129,975	0.17%

Rank	Kansas County	Benefit Recipients		Monthly Retirement Benefits	
		Number	Percent of Total	Amount	Percent of Total
81	Chase	133	0.20%	\$ 113,232	0.15%
82	Edwards	131	0.19%	\$ 101,619	0.13%
83	Gove	130	0.19%	\$ 110,980	0.14%
84	Decatur	130	0.19%	\$ 97,418	0.13%
85	Kearney	123	0.18%	\$ 136,324	0.18%
86	Lincoln	122	0.18%	\$ 104,316	0.14%
87	Chautauqua	122	0.18%	\$ 85,467	0.11%
88	Stevens	119	0.17%	\$ 115,094	0.15%
89	Rawlins	118	0.17%	\$ 112,320	0.15%
90	Trego	117	0.17%	\$ 111,314	0.14%
91	Scott	108	0.16%	\$ 80,455	0.10%
92	Cheyenne	106	0.16%	\$ 77,220	0.10%
93	Morton	100	0.15%	\$ 83,314	0.11%
94	Comanche	98	0.14%	\$ 70,812	0.09%
95	Sheridan	95	0.14%	\$ 78,620	0.10%
96	Clark	93	0.14%	\$ 70,828	0.09%
97	Hodgeman	86	0.13%	\$ 75,092	0.10%
98	Haskell	81	0.12%	\$ 93,097	0.12%
99	Kiowa	81	0.12%	\$ 71,204	0.09%
100	Hamilton	79	0.12%	\$ 75,117	0.10%
101	Stanton	75	0.11%	\$ 54,721	0.07%
102	Lane	71	0.10%	\$ 67,276	0.09%
103	Wallace	54	0.08%	\$ 35,847	0.05%
104	Wichita	52	0.08%	\$ 35,144	0.05%
105	Greeley	44	0.06%	\$ 32,437	0.04%
	Totals	<u>68,103</u>	<u>100.00%</u>	<u>\$ 77,124,754</u>	<u>100.00%</u>

Note: Totals may not add due to rounding.

Retirement Benefit Payments to Kansas Residents by County Calendar Year 2011

Total All Payments \$1,246,391,982

Total Non-Residents \$145,691,736

Total Kansas Residents \$1,100,700,246

<u>County</u>	<u>Amount</u>	<u>County</u>	<u>Amount</u>	<u>County</u>	<u>Amount</u>	<u>County</u>	<u>Amount</u>
AL	7,185,887.88	FI	8,719,339.66	LV	23,223,641.70	RO	2,891,247.71
AN	4,655,499.54	FO	8,457,577.92	LY	16,123,353.02	RP	2,852,545.91
AT	6,419,144.05	FR	10,427,427.50	MC	3,721,551.33	RS	3,422,886.05
BA	2,478,894.78	GE	8,714,371.29	ME	1,853,033.76	SA	25,487,023.04
BB	5,800,028.45	GH	2,034,184.99	MG	14,583,141.85	SC	1,355,661.79
BR	3,921,729.27	GL	405,198.77	MI	14,426,751.00	SD	978,304.46
BT	9,749,216.37	GO	1,609,305.88	MN	4,874,937.07	SF	2,033,407.26
BU	21,757,261.29	GT	2,542,558.79	MP	12,770,537.58	SG	117,908,477.05
CA	892,803.50	GW	3,524,805.23	MR	3,171,554.16	SH	2,841,656.88
CD	4,370,229.77	GY	2,306,920.15	MS	3,766,409.73	SM	1,849,476.57
CF	4,912,074.58	HG	996,032.76	MT	1,262,156.30	SN	148,829,441.05
CK	7,328,376.99	HM	1,123,621.70	NM	3,464,767.92	ST	900,547.30
CL	19,759,091.45	HP	3,313,254.13	NO	9,951,050.52	SU	11,765,682.05
CM	913,405.46	HS	1,400,236.62	NS	1,390,493.06	SV	1,623,990.46
CN	1,017,737.12	HV	13,728,115.67	NT	4,289,628.43	SW	5,066,587.04
CQ	1,285,086.74	JA	8,292,022.30	OB	1,731,539.56	TH	2,780,402.50
CR	16,244,586.07	JF	10,771,764.45	OS	9,379,206.90	TR	1,377,645.98
CS	1,419,265.43	JO	150,102,160.60	OT	2,628,423.77	WA	449,536.78
CY	4,692,420.91	JW	1,727,736.08	PL	2,608,580.91	WB	4,613,938.43
DC	1,556,273.26	KE	1,617,766.27	PN	8,373,226.90	WH	493,843.71
DG	46,219,791.41	KM	3,174,137.03	PR	4,795,182.81	WL	3,890,600.59
DK	8,337,789.98	KW	943,233.00	PT	8,864,700.07	WO	1,558,190.40
DP	2,734,023.62	LB	11,162,849.84	RA	1,290,922.94	WS	2,668,841.06
ED	1,624,046.20	LC	1,779,235.36	RC	4,495,405.66	WY	60,960,147.23
EK	1,486,213.55	LE	910,310.89	RH	1,798,834.40		
EL	13,236,251.70	LG	1,623,991.53	RL	23,712,314.39		
EW	4,315,170.62	LN	5,062,858.35	RN	32,765,511.91		

KPERS Truths
(Updated Jan. 17, 2013)

1. No one under the KPERS umbrella is presently receiving an annual COLA. The last COLA was enacted in 1998, authorized for those who retired prior to July 1, 1997. If you retired prior to July 1, 1997, you also received a \$300 bonus in 2007 and if you retired on/or before July 1, 1998, you also received a \$300 bonus in 2008.
2. Of those presently receiving KPERS benefits, **67% do not/have not received** any of the above listed enhancements.
3. Since the last benefit adjustment, which was enacted 14 years ago, according to the CPI (Consumer Price Index) the cost of living has risen by approximately 40 percent.
4. The legislature has not met its actuarial obligations for at least 18 years.
5. There are 1500 local units of government that pay the employer's share into KPERS every month, plus the State. All will be affected by the new Cash Balance (Tier 3) changes in KPERS.
6. The **myth** is that KPERS is like Social Security i.e., Contributions from current employees pay benefits of current retirees. The **FACT is that KPERS benefits are pre-funded**. Current contributions are invested to pay benefits down the road. The KPERS Trust Fund is our money!
7. The greatest concern regarding KPERS financial security is the Unfunded Actuarial Liability (UAL). The present KPERS system and the newly approved Cash Balance system allow all contributions made to KPERS (by employee or employer) to be placed in the KPERS Trust Fund. If further changes were to be made in KPERS to a 401K type plan, the funds deposited in behalf of each employee (whether by the employee or the employer) in such a system would be required by law to be held in separate individual accounts. This would greatly reduce the potential money available in the Trust Fund to be used for investment purposes to reduce the UAL. A change to a 401K type of plan would therefore actually increase the UAL rather than reducing it.
8. All KPERS retirees have paid in every dime they were required, and they have all met the requirements necessary to receive KPERS benefits as outlined by the Kansas Legislature!
9. No one under the KPERS umbrella makes more in KPERS retirement benefits than they did working! This would be a mathematical impossibility!!
10. The average KPERS benefit is presently approximately \$1,100.00 monthly.
11. Under the entire KPERS umbrella, less than 1.22% receives over \$50,000 annually in KPERS benefits. (KPERS benefits are presently equal to approximately 50% of the retiree's final average salary.)
12. KPERS pays to retirees living in Kansas counties a total of \$77,124,754 a MONTH in benefits! (90% of KPERS retirees still live in Kansas)
13. The Legislature, for the fiscal year 2013, approved \$2.75 million from the KPERS Trust Fund for operating costs for KPERS implementation of the new cash balance plan
14. Under the new Cash Balance retirement plan, new legislators, after January 1, 2015, will be allowed to once again annualize their total pay (legislative compensation, daily expenses and non-session expenses) just like under the present system. The only change in the legislature made in their own retirement plan was to reduce the number of annualized days from 372 (31 days x 12 months) to 365!

(Marked changes represent the latest information being used by KPERS as of January 16, 2013.)

Basic KPERS Facts

(Revised 2/9/2013)

1. No matter what part of the umbrella from which you retired, you are a Kansas Public Retiree.
 - a. All for one/one for all.
 - b. Three groups: Retired, Working, Not Yet Hired
 - c. As of September 2010: 277,000 total, which includes 73,000 retirees, 161,000 active, 43,000 inactive. (School Personnel include 50%+ of retirees and active.)
2. KPERS is made up of the following groups
Law Enforcement Personnel, Firefighters, Judges, All Public School Personnel, State Workers (This includes all college employees who are not professors.), Most county and municipal workers, and Legislators.
3. KPERS Originated in 1962 and Merged with the Kansas Teachers Retirement System in 1971.
4. The primary cause for any deficit was and is improper funding by the legislature. We recently discovered that in the Fiscal years 1962 -1976 and 1978-2003 the legislature put in less than the 4% the KPERS employees contributed. In 2004 the bond pension obligation bonds were issued and the contribution rate was raised to match the employee rate of 4% with an additional .6% increase annually. The .6% cap has kept the contribution from reaching the actuarial suggested rate.
5. If the State had matched the employees' 4% it would have contributed an additional \$910,716,537. Accounting for lost earnings on these contributions, the KPERS fund would have been \$2.89 billion better off than it was at the end of Fiscal year 1997. These calculations equate to KPERS State and School only.
6. Contribution Record (all figures in percentages)
Date/Legislative Contribution/KPERS Employee Contribution
 - a. 2009 – 6.97% + 4% = 10.97%
 - b. 2010 – 7.57% + 4% = 11.57%
 - c. 2011 – 8.17% + 4% = 12.17%
 - d. 2012 – 8.77%Proposed Actuarial Amount (these are projected three years ahead)
 - a. 12/31/2006 projection for 2009 was 14.98% (Actual 10.97%)
 - b. 12/31/2007 projection for 2010 was 15.30% (Actual 11.57%)
 - c. 12/31/2008 projection for 2011 was 18.04% (Actuarial 12.17%)If not charges are made in funding the difference between the contributed and the received are approximately as follows:
 - a. 2009 approximate negative contribution is 4.01%
 - b. 2010 approximate negative contribution is 3.73%
 - c. 2011 approximate negative contribution is 5.87%Funded Ratio is 64%. Unfunded actuarial liability \$7.7 Billion, Assets \$11.8 Billion.
7. The last COLA was effective July 1, 1997. There have been a total of 17 Base Raises (COLAs) & 5 Bonuses including \$300 in 2007 & 2008. For the 26 years from 1971 to 1997. In the 13 years between 1998 and 2011, the KPERS retirement check has increased \$ 0.00. In both 2007 and 2008 some retirees

received a one time (bonus) payment of \$300. To date less than one half of the present retirees have ever received any type of COLA or Bonus.

8. Effective July 1, 2009, new employees will contribute 6% (instead of 4%) and have a 2% COLA at retirement. These are referred to as Tier II adjustments. The Coalition testified in support of this bill because it addressed the COLA issue. (KP&F and the judges have never been addressed.)
9. BOND ISSUE
 - a. "In February, 2004, the State of Kansas issued \$500 million in pension obligation bonds, and KPERS received net proceeds of \$440.2 million in March of 2004. The proceeds have been invested to assist with financing the State and School group's unfunded actuarial liability. The debt service on the bonds will be paid by the State of Kansas in addition to the State's regular employer contribution."
 - b. Following this action the legislature voted to begin funding the UAL at an increased rate of .6% annually. The goal was to reach the actuarial number at some future date. This plan was derailed by economic down turn once again leaving the trust fund in financial stress.
10. Approximate Benefit Expenditure Annually is \$1.1 Billion, Receipts \$765 Million. According to the Kansas Secretary of Treasury and KPERS board member, Dennis McKinney, May 2, 2010, the average monthly benefit for a retiree under KPERS is \$990. If you remove the highest 10 percent and the lowest 10 percent of monthly benefits (take out those who held high rank and those who were of short term employment) the average monthly benefit is \$883.
11. For those under the entire KPERS umbrella there are 1.1% of benefit recipients that receive over \$4000 monthly, while 34% receive \$499 or less and 5% receive \$99 or less.
12. The state is contributing and has contributed 8.5% as employer to the regency retirement plan (University faculty & administrators) for years. Also, we have recently discovered there is a DC retirement plan available for certain state officials (hired and elected). We have learned that upon employment a one time offer is made to either choose KPERS or this DC plan. This plan is funded at an 8% level by the state w/no mandatory employee contribution.
13. The reason the KP&F and the Judges are more actuarially sound is because the different rates of contribution. The Judges contribute 6%. The counties and municipalities contribute 21.28%. For KP&F: Employees contribute 7%, with counties and municipalities contributing 14.57% and for State KP&F the State contributes 14.44%. (State statute mandates that counties and municipalities contribute the actuarial recommended amount for local KP&F and the judges.)