Testimony before the
Committee
On
Pensions and Benefits
By
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Mr. Chairman and Members of the Committee:

My name is Mike Marvin, and I am the Executive Director of the Kansas Organization of State Employees (KOSE), which represents the working men and women who are executive branch employees and on whose behalf I am privileged to appear today. I thank you for the opportunity to speak with you today about the latest effort to change the plan design for KPERS and potentially moving it to a more costly defined-contribution plan.

There are several important and undeniable facts you should not overlook as you once again consider this proposal.

Kansas Has Already Taken Steps To Address Challenges Facing KPERS:

- During the prolonged KPERS debate over the last two years, one fact has been made very clear: a defined contribution plan will cost hardworking Kansas taxpayers more in their hard earned money while failing to address the system's unfunded actuarial liability (UAL).

- The new cash balance reform measure signed into law by the Governor in 2012, puts KPERS on a path to stability while also addressing the unfunded liability issue. As the Executive Director of KPERS recently testified before the House Appropriations Committee, the cash balance plan shores up the system and positions Kansas to extinguish the unfunded liability by 2033.

- A defined contribution approach, whether it is similar to the one promoted on Monday by Dimensional Advisors or some other organization, does not adequately address the UAL. If addressing the UAL is supposedly one of the top priority issues facing the Legislature regarding KPERS, why turn to a design plan that does absolutely nothing to solve the existing problem.

Real-World Examples Underscore High Costs Inherent With Defined Contribution Plans:

- As a result of the KPERS Study Commission in 2011, we know the administrative costs for defined contribution plans are much higher than defined benefit plans. While KPERS administrative costs were reported to be $44 per member, the State of Nebraska showed administrative costs for its defined contribution plans reaching $92 per member. More than double the administrative cost of KPERS.

Public employers, public employees and local taxpayers deserve better:

- Kansas ranked 49th amongst the states in total compensation (wages and benefits) according to a February 2011 study by the Bureau of Economic Analysis. That same study indicated Kansas was one of only nine states where total compensation for public employees is below total compensation for private sector employees working in the state.
- Despite stagnant wages, public employees have consistently met their obligation to pay into the system, while the state has failed to meet its obligations. Yet now we are asking employees to assume ALL the risk under this proposal.

- All 1,500 KPERS contributing employers, ranging from cities to counties to libraries to many others, will need to expend precious resources they don't have to make changes to their payroll and accounting systems. For many local taxpayers, this may translate into higher property taxes.

If the true purpose of this plan design discussion is to simply get the state out from under any risk or fiduciary responsibility to public employees while severely limiting an adequate standard of living in their retirement, then the DC styled plan advanced by Dimensional Advisors meets those goals. However, to the thousands of KPERS members they believe the goals must be more than that.

On behalf of KOSE, I ask that you fulfill the vision the legislature began with the cash balance reform measure passed last year and oppose any change to plan design that creates unnecessary and unaffordable costs to the State. Thank you.