



Date: March 20, 2013
To: House Committee on Pensions and Benefits
From: Nicole Proulx Aiken, Legal Counsel
Re: Define Contribution Plan

Thank you for allowing the League of Kansas Municipalities to appear and present testimony as a stakeholder in the ongoing discussions about the KPERS system. LKM's involvement in KPERS goes back to its inception when LKM participated as one of the stakeholders involved in the creation of KPERS. Our investment in the system has been longstanding, and the funding of KPERS has been discussed yearly during LKM's legislative policy process.

During this year's legislative policy process, LKM members amended our Statement of Municipal Policy to support the cash balance plan passed by the 2012 Legislature. Moreover, LKM's Statement of Municipal Policy advocates that any changes to the KPERS system should consider the impact on cities' ability to hire and retain qualified public employees.

It is LKM's position that this plan would severely hinder a city's ability to hire and retain qualified public employees. Cities cannot compete with salaries paid by private entities. Total compensation, including retirement benefits, help cities to hire and retain qualified employees that are essential to our local governments. A retirement plan that requires new employees to put money in a defined contribution plan does not attract the type of essential employees local governments need to operate smoothly and efficiently.

Moreover, LKM is concerned that this plan has not been properly vetted. Many questions still need to be answered. What is the cost? How does this plan address the unfunded actuarial liability? In this economy, local government budgets are stretched thin and passing this plan before truly studying the effects could have huge negative consequences on local government budgets. It is too much, too fast, too soon, for such a huge change in the KPERS system, which in the past has shown would affect 1 in 10 Kansans.

LKM urges this committee to not pass this plan and continue with the cash balance plan passed by the 2012 Legislature. At the very least, we respectfully request that this committee hold an interim study in the summer and fall to determine the effects of this plan. Thank you again for allowing me to speak today.