KANSAS POLICY INSTITUTE
ADVOCATING FOR FREE MARKETS AND THE PROTECTION OF PERSONAL LIBERTY

Testimony to House Pension and Benefits Committee
HB 2095 KPERS Bonding Proposal
January 28, 2015
Dave Trabert, President

Chairman Johnson and members of the Committee:

We appreciate this opportunity to testify as an opponent to HB 2095. Bonding a portion of the KPERS unfunded liability could be a viable option but ONLY IF done concurrently with placing all new state and school hires in a defined contribution plan AND retaining the current amortization schedule for unfunded liability.

Currently, new hires are placed in a 'cash balance' plan; the cash balance plan has less risk in long term liability exposure for taxpayers than the defined benefit plan but the State and taxpayers are still exposed to risk of future liability. Defined contribution plans, however, have no future risk while still providing government employees with very good retirement benefits that meet or exceed those of most citizens in the private sector. We believe that bonding should only be done if there is no additional liability that could accrue from new hires.

Extending the amortization period of the unfunded liability by adding another ten years before KPERS will achieve solvency is simply an accounting maneuver that reduces near-term costs but significantly increases costs overall. We believe the amortization period should not be changed.

We acknowledge that our position creates a short-term budget shortfall but we believe that reducing the cost of government and making better use of existing resources is the prudent way to balance the budget without tax increases.

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