KARSP

For strength, we need you!

Kansas Association of Retired School Personnel

515 South Kansas Avenue, Suite 201

Topeka, Kansas 66603

785.232.8788

karsp@karsp.org

www.karsp.org

Chairman Johnson, Vice-Chairman, Thompson, Minority Member Trimmer, and committee members, thank you for giving me the opportunity to appear before you today. My name is Harvey Ludwick and I represent the Kansas Association of Retired School Personnel. As retirees we may have used different vehicles with different requirements to get to the door of KPERS but once we stepped inside we simply became retirees. The monthly benefit amount (MBA) is what is common to each KPERS retiree.

For the past 8 years, we have tried to give reasons why an increase in the monthly benefit amount is overdue and we have been given reason why there shouldn't be an increase. HB 2250 addresses the reasons given in the past as to why there shouldn't be an increase. I understand that after today, we may receive additional reasons why we should not receive an increase.

1. Reason against an increase.

The flat 3% to all retirees of the past was opposed because they wanted to see a more positive effect on older retirees.

Reason for the increase

H.B. 2250 was composed to do just that. When folks retire their "three legged stool" should be solid. Therefore there is no increase for the first six years of retirement. As years go by, on a fixed income, inflation and unknown surprises cause a need for financial assistance. In this bill, the percent is an arithmetic progression increasing every 5 years. The percent multiplier increases the longer the individual has been retired.

2. Reason against an increase.

The Fund ratio is below the 60% threshold. Wait until the Trust Fund is more stable and it gets on its feet.

Reason for the increase.

We have waited and waited and waited. The Trust Fund has exceeded the 60% fund ratio and even given the financial crash of 2008-2009, the fund has recorded nearly unprecedented levels of return. Retirees are not being allowed to share in the KPERS fund performance.

3. Reason against an increase.

It will contribute to the Unfunded Actuarial Liability (UAL).

Reason for the increase.

The UAL is a legacy debt that estimates the benefit cost of "not yet hired", working, and retired through 2033. It is estimated that future increases in employees, future raises in pay, etc. will be a major contribution to the UAL. Granted retirees are living longer but that is the only unknown contributing to the UAL. Their benefits are set and are not estimates. The botton line is that each retiree paid what was asked of them and had the State paid its portion to the Trust Fund for the past 20 years the fund ratio and UAL would be more than acceptable.

4. Reason against the increase.

According to Statute, once the monthly benefit amount is determined it is guaranteed for life. Legislatures are not required to increase the monthly benefit amount.

Reason for the increase.

Illustration: Two folks move next door to a retiree. The first neighbor is 1971-1997. During the 26 years living next door he helps the retiree 17 times. He shovels snow, runs errands for him, just trys to be a good neighbor. He is not required to do these things but wants to do the right thing. It wasn't easy. For example, in 1982, Kansas experienced a recession and had the highest unemployment since 1942. The State continued its annual payment of $10 million transfer from SGF to KPERS for the old SSRS; it paid its employer contribution to KPERS for state employees and an increase was given to each retirees monthly benefit amount.

The second neighbor moves next door to the retiree and he is 1998-now. He says he is not required to help so he doesn't.

Neither neighbor is required to help but which one does the right thing and is the good samaritan?

5. Reason against the increase.

How do you suggest we pay for in increase in the monthly benefit amount?

Reason for the increase.

In September 2003, 13th check revenue bonds were issued. As I understand the last payment of $3.2 million was made in 2014. The exposure to the SGF and/or Trust Fund would be diminished by replacing the 13th check payment for in increase in the monthly benefit amount.

KPERS retirees are the good folks. For example, in our association of just over 4000 members, for school year 2012-13, 452,206 hours were spent volunteering with 99,074 being spent with youth. These are your neighbors who for 18 years have waited their turn. We believe this is the year that a caring Legislature recognizes the hardship and helps.

I will stand for questions.