Kansas Coalition of Public Retirees

Testimony Regarding HB2250
By Ernie Claudel
Co-Chair of the KCPR
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Chairman Johnson, Vice Chairman Thompson, and Minority Member Trimmer, and members of the committee: The KCPR wishes to speak in favor of HB2250. The beginning of the Coalition took place 10 years ago. Since that time we have been listening, learning and been allowed to share our thoughts and ideas.

My name is Ernie Claudel, Co-Chair of Kansas Coalition of Public Retirees. I am also the KPERS school elected Trustee to the KPERS Board of Trustees. The views expressed in this testimony do not represent the views of the KPERS Board of Trustees, of which I am an elected member, nor do I speak for them.

Members of our Coalition represent a total of 38 employee organizations of KPERS retirees. Public employees include law enforcement personnel, judges, public school personnel, firefighters, state workers (including college and university staff, but not professors), county and municipal workers, and legislators. When these folks retire, their pension is paid from the Kansas Public Employees Retirement System (KPERS). Approximately 289,000 Kansans now participate in KPERS (Retired, Active and Inactive).

The population figures indicate that 10% of the state's population is directly involved with KPERS and arguably one could conclude that the number should be 20% when family members are included. This makes the total number affected by the Kansas Public Employees Retirement System to be between 1 and 6 and 1 in 5 Kansans directly impacted by our retirement system.

Once every KPERS member retires they are no longer a retired teacher, fire fighter, police officer, judge, etc., they are all retired Kansas Public Employees. They have all qualified for their retirement and while working never missed a contribution, 4% of their salary to the KPERS Trust Fund. (This figure relates to KPERS & KPERS School Personnel.)

The normal cost to the states employers as computed under the newly adopted cash balance plan is as follows: Employees are now contributing 6% and if were not for the UAL (Unfunded Actuarial Liability), the employer would be contributing 2.22%. The reason that the ACR (Actuarial Contribution Rate) is presently 14.85% and the Statutory Employer Contribution rate is 13.57% is because of the UAL. The reason for the increased positive funding ratio is because of the reduced benefit under the cash balance system and the increased contribution by the employer and employee. In the years following 100% funding level under the present system, the employer contribution is projected to fall below 1.0%.

The reason that has been given in the recent past for not passing this type of bill is not because the retirees don't need it or it is not overdue, it is because the State cannot afford a benefit increase. Two points should be made: The present administration isn't opposed to extending the UAL, and secondly, it is very difficult to try to explain why when the retiree has done everything they were required to do, they are being punished with no benefit increases because the legislature failed on its part to properly fund the system. Since inception there have been 17 benefit increases and two $300 bonuses. Most of the retirees see the years of no benefit increase as a broken promise and cannot understand why their needs have been ignored for three reasons: 1) They have to take part in this retirement program as a requirement of employment, and 2) They have contributed every penny they have been requested to contribute, and 3) Over 60% of the resources in the KPERS Trust Fund in the last 20 years have come from investment returns. There is $1.2 billion not in the UAL that could more than adequately fund a $50 million increase.

The numbers indicate that 53% (46,787 of 87,670 total retirees) of our retired peers receive less than $1000 in retirement benefit per month, while 30% (27,130 of 87,670 total retirees) receive less than $500 per month. We contend that these benefit amounts (combined with social security payments) almost certainly assure that this benefit money is being spent to boost the Kansas economy because it is needed for living expenses.

Additionally, if one of our retirees had retired 18 years ago, it is calculated that they have lost approximately 45% of their purchasing power. As you are aware, 17 years marks the last benefit increase. Including the two $300 bonuses in 2007 and 2008, (because of the activation dates in the legislation) *70% of these service minded retirees have never received a benefit enhancement or a bonus of any kind!*

In closing, it is clear from several years of testimony, with this committee and others, that many public retirees, who have been retired 18 years or longer are in dire need for some financial relief. When they have to make a choice between medicine, utilities or food because their buying power has been eroded away by inflation, it becomes a huge problem. These proud Kansans, who served the State well, and without hesitation, performing their duties and doing everything asked of them, and in most cases more, some even heroically, must now depend on relatives or go on public assistance. Mr. Chairman and members of this committee, we are asking you for help with this problem that the legislature admittedly should have solved long ago.

Thank you, Mr. Chairman, and with that I will stand for questions.
Ernie Claudel

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