AARP Real Possibilities in
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The Honorable Steven Johnson
Chair, House Pensions and Benefits Committee

Reference: HB 2250, providing a Cost-of-Living Adjustment (COLA) for Kansas Public Employees Retirement System Retirees

Good Morning Chairman Johnson and Committee Members. My name is Gerald Schmitt and I am a lead volunteer for AARP Kansas. We represent more than 320,000 members in Kansas. Thank you for this opportunity to express our *written* comments in support of HB 2250.

More than 30 million Americans participate in some form of public pension plan. This number includes federal, state, and local government employees; military personnel; teachers, police, and firefighters; and others entitled to a pension through employment by a government entity. These thousands of plans vary enormously in every aspect: coverage, benefit levels, vesting rules, employee contributions, early retirement provisions, integration with Social Security, inflation protections, and funding soundness.

Compared with private pension plans, public plans provide higher benefit amounts, greater benefit adequacy, better inflation protection, and lower ages of pension eligibility. Disparities between women's and men's pension benefits and between minorities' and whites' pension benefits tend to be smaller in the public sector than in private plans. Because most public plans require worker contributions, participants tend to be better informed about their plan's status and anticipated benefits than are private pension participants, although an important exception exists in the area of how public pensions can affect Social Security benefits.

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A cost of living adjustment (COLA) is a change in one's monthly retirement benefit to account for increasing prices. For Kansas retirees in the KPERS retirement system, COLAs:

- help to ensure that the retiree's purchasing power remains the same no matter how long he or she may live and how quickly prices might rise. Rising prices can quickly erode the value of retirement income. Even a low inflation rate can significantly impact purchasing power over time, if one's benefit does not include a COLA.
- may be even more important to retirees who do not receive Social Security, because without their pensions COLA they may have no other retirement income that increases with inflation.

The KPERS retirement system last saw a COLA over fifteen years ago.

AARP supports public retirement systems that provide prefunded, annual, automatic, and full cost-of-living adjustments based on an accurate inflation index. The basic principle underlying efforts to increase the solvency of pensions should be avoiding changes that harm and implementing changes that aid the most vulnerable.

AARP will continue to fight for solutions that keep the retirement promises made to older Americans. Therefore, we support HB 2250 and respectfully request that this committee vote favorably for passage of HB 2250.

Respectfully,
Gerald Schmitt

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