



Neutral Testimony on SB 479
For the Senate Education Committee
March 5, 2024
Sarah LaFrenz, President
Kansas Organization of State Employees (KOSE)

Chair Baumgardner and members of the Senate Education Committee:

I am Sarah LaFrenz, President of KOSE (the Kansas Organization of State Employees) and I appreciate the opportunity to provide neutral testimony on SB 479. We believe improving the public retirement benefit structure is a high-priority issue for Kansas public workers at all levels of government. KOSE and its members appreciate the Legislature focusing on this important priority over the last couple of years, and now taking steps to consider improvements as this hearing demonstrates today.

KOSE believes that the concept of moving current KPERS Tier 3 members to KPERS Tier 2 is perhaps the most efficient and effective manner in which to significantly improve the retirement benefit for public sector employees. However, KOSE is neutral on SB 479 because it targets only a portion of the public workers currently trapped in the inadequate retirement plan known as KPERS Tier 3. We believe all KPERS Tier 3 members should be moved to KPERS Tier 2.

The new cash balance retirement plan that took effect for new workers hired starting in 2015, known as KPERS Tier 3, provided essential elements to ensure long-term sustainability and stability for the retirement system as well as the state budget. Now that KPERS Tier 3 has been in effect for almost ten years, we can clearly see that KPERS Tier 3 does not measure up.

As you know, state facilities that serve our most vulnerable and protect our communities by housing our most dangerous have been plagued by chronic understaffing. Obviously, part of this can be attributed to stagnant wages that have failed to keep pace with similar job markets. We appreciate the Legislature taking critical steps in the last few years to address this issue.

However, we also believe that the inadequacy of KPERS Tier 3 has also played a significant role in the difficulty of recruiting and retaining skilled employees not only in our 24/7 facilities, but across state government.

Consider for a moment the replacement ratio of Tier 3 — the ratio of a person's pre-retirement income that will be replaced by retirement benefits. According to information provided by KPERS, Tier 3 will provide a career employee with 30 years of service a benefit that yields a replacement ratio in the range of 27-35%. That compares with a 51% replacement ratio for the same career employee with the same years of service under KPERS Tier 2. As you can see,

the benefit provided under Tier 3 will not contribute to a stable retirement for workers as originally hoped.

I can't tell you how many conversations I have had with employees thinking about leaving public service and the jobs that they love. The conversations inevitably come down to "I've got to think about down the road. What will my life look like in retirement if I stay."

We encourage you to take positive steps to provide a fair and reasonable retirement benefit for Kansas public employees once again. Moving all KPERS Tier 3 members to KPERS Tier 2 is the way to do just that.

I thank you for this opportunity to provide neutral testimony on SB 479 and would be pleased to stand for questions at the appropriate time.