

Kansas Coalition of Public Retirees



TESTIMONY Opposing HB2025 Financial Institutions and Pensions February 8, 2023

Chairperson Representative Hoheisel and Members of the Financial Institutions and Pensions Committee:

As an elected member of the KPERS Board of Trustees, the positions expressed in this testimony represent my views and/or the views of the KCPR and KARSP. They do not in any way represent the views of the KPERS Board of Trustees, nor do I speak for them. My name is Ernie Claudel, and I am here today in my capacity as Lobbyist for KCPR (Kansas Coalition of Public Retirees) and KARSP (Kansas Association of Retired School Personnel) to speak in opposition to HB2025, which seeks to establish a Self-Funded COLA for the members of KPERS Tier I and II who have not yet retired.

Information presented before this committee verifies the fact that the primary cause of the UAL (Unfunded Actuarial Liability) is the 25 years of the underfunding of the KPERS Trust Fund. I mention this because in the last few years the reason for not allowing a COLA is the fact that the KPERS Trust Fund is not funded at the 80% level. All employees have contributed the statutory contribution throughout their employment. This employer side underfunding is what we refer to as the lack of added value.

This bill contains 'no added value', is vague and unpredictable, and seemingly devalues the value of the benefit.

Our objection to this bill begins with the very name, 'Self-Funded' Cost of Living Increase. This demonstrates that the lack of the 'added value' is not acknowledged.

In the past it should be noted that high inflation or a rising CPI has been the reason for granting several of the past 16 COLA's as well as the need to increase the benefit of those who retired at a much less salary level. This bill offers no further protection against either. It in fact reduces buying power over time.

One of the advantages with a Defined Benefit Retirement Plan such as KPERS is its predictability and the lack of resources when you outlive your saved and invested money.

We mention predictability as this bill is filled with uncertainty.

There are no additional funds being contributed to boost the purchasing power of the retiree's benefit. If this election is made, the retiree must take a cut in their present benefit to get the same amount later when the buying power of that benefit may be reduced. The difference with this and a 'Christmas Fund' is that you receive the money you saved in the fund at the end of the year before inflation can reduce the buying power. With this proposal there is no way of knowing the value of the money when it finally gets to your pocket.

For these reasons we would urge the defeat of HB2025.

Thanks for allowing us to share our views on this bill. I would be happy to stand for questions.

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