



900 SW JACKSON ST., STE 201
TOPEKA KS 66612-1235

Steven Johnson
KANSAS STATE TREASURER

PHONE: 785-296-3171
FAX: 785-296-7950

PROPONENT TESTIMONY ON HOUSE BILL 2025
Authorizing a self-funded cost-of-living adjustment retirement benefit option
for certain KPERS members.

Presented to the House Committee on Financial Institutions and Pensions
By Kansas State Treasurer Steven Johnson

February 8, 2023

Chair Hoheisel and Members of the Committee:

Thank you for your consideration of HB 2025.

This bill would provide a self-funded Cost of Living Adjustment option to retirees in Tiers I and II of KPERS in line with what is currently available for our employees retiring in Tier III.

Our KPERS actuary and investment professionals remind us of the equation:

$$C + I = B + E$$

We saw this year how a change in the assumed rate of return ("I") changed our unfunded liability. Any change in one variable requires a change in another for the equation to continue to balance. It is imperative that we address impacts on each variable as we discuss changes. Under this bill, the total value of the benefit is the same, so we do not have an additional cost.

Planning for retirement is very challenging. Some people are able to plan fairly well for their first year of retirement, the challenge is planning for our last year. Managing multiple risks over two decades is a big challenge.

This bill would allow employees more options to plan what income stream is best suited to their retirement needs. It may also help with planning to see what impact a 1% or 2% increase has on benefits over time.

If this additional option can be implemented with few issues across the KPERS Tiers, it might be appropriate to further consider offering the choice to members of KP&F and Judges' plans.

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