

**Written Testimony before the House Pensions & Benefits  
Committee  
Defined Contribution Plan Design  
Submitted by J. Kent Eckles, Vice President of Government Affairs  
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The Kansas Chamber appreciates the opportunity to express our support for transitioning KPERS from a defined benefit (DB) plan to defined contribution (DC) plan.

For our private sector members, several factors have combined over the past decade to make sponsorship of defined benefit (DB) pension plans less attractive to employers. Low interest rates, falling equity values, a deep economic recession and an uneven recovery have lowered pension funding ratios and led to large employer contributions at a time when they can least afford it. Moreover, the legislative and regulatory climate has added uncertainty to the mix, which has erased the economic basis of offering such a plan.

As a result, a large number of private sector employers have made changes to their retirement plans and, in general, are increasing their reliance on defined contribution (DC) plans as the primary source of employer-sponsored retirement income for employees. As part of this transition, some companies have frozen or closed their DB plans to all or newly hired employees, or switched to a hybrid DB plan to reduce cost and perceived cost volatility.

We believe this transition is an instance where the public sector can follow private sector practices.

As you are well aware, state pension liabilities across the United States have surged to unprecedented levels in recent years and Kansas is no exception. Historically, periods with higher levels of unfunded state pension liabilities have been associated with slower economic growth and restructuring of pension programs. Again, Kansas is no exception.

Reform of KPERS is critical because outdated defined benefit plans are proving costly to taxpayers and the costs cannot be carried forward during stagnant economic times. In addition to their high total costs—as evidenced by total contribution rates that exceed 20 percent per dollar in most public programs—defined benefit programs are less predictable when it comes to future funding costs and outlays.

The Chamber encourages government reform aimed at lowering the overall cost of state government so it is more affordable to Kansas businesses and residents. Transition of the State’s pension plan (KPERS) from a defined benefit plan to a defined contribution plan will no doubt help accomplish goal.

We urge the Committee to pass legislation that transitions KPERS toward a DC plan.

*The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.*

