

Kansas Coalition of Public Retirees



TESTIMONY IN SUPPORT OF HB 2100 HOUSE FINANCIAL INSTITUTIONS AND PENSIONS COMMITTEE FEBRUARY 11, 2019

Chairman Kelly and Members of the House Financial Institutions and Pensions Committee:

My name is Ernie Claudel, and I am here today in my capacity as Legislative Chair of KARSP, the Kansas Association of Retired School Personnel, and Co-Chair of the Kansas Coalition of Public Retirees, to support the passage of HB 2100, which seeks to provide a long overdue cost-of-living adjustment (COLA) for KPERS retirees. 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 Coalition and KARSP. They do not in any way represent the views of the KPERS Board of Trustees, nor do I speak for them.

I would very much like to thank Chairman Kelly for granting this hearing today and also thank Rep. Weigel for requesting the introduction of this bill.

The last bonafide cost of living adjustment was passed by the Legislature in 1997. For the record, that COLA was authorized by statute in 1998, but the effective date was July 1, 1997, 22 years ago. Prior to that time, between 1971 and 1997, the Legislature and the Governor authorized 16 cost of living adjustments and at least 5 bonus payments for retirees.

In the last 19 years we have seen medical care costs increase by 96% and have experienced the Consumer Price Index increase by over 50%. These cost increases take a toll on retirees with fixed incomes.

As you know, roughly half of KPERS retirees receive less than \$1,000 in monthly benefits. The average monthly benefit provided by KPERS is \$1,296 or \$15,555 annually. While individual monthly benefits are modest in nature, collectively they generate significant economic impact in every Kansas County and from corner to corner of our State.

HB 2100 is intended to provide the greatest benefit for those who have gone the longest without any kind of cost of living increase.

- A. Those retirees who retired on or before July 1, 2004 would receive a 3% COLA.
- B. Retirees who retired on or before July 1, 2009 would receive a 2% COLA.
- C. Retirees who retired on or before July 1, 2014 would receive a 1% COLA.
- D. The bill also seeks to be fiscally prudent and reasonable by capping any monthly benefit increase from exceeding \$150.

We believe the fiscal note on this proposal is reasonable and realistic given the current budget climate.

This COLA is long overdue and would be good, not only for public retirees, but for all of our communities and our entire state.

A sound pension system and responsible pension system will also assist in the recruitment and retention of public employees, especially educators. Unlike many States, Kansas retirees were required to pay 4 or now 6 percent to their retirement. Most financial institutions give a value added increase for the use of the money they receive. Kansas does not. While KPERS provides a consistent retirement benefit, it would be greatly enhanced by adding a COLA. The consistent retirement benefit was never intended to replace the need for an increase in the monthly benefit amount but to compensate for the pay differential between the private and public sectors.

With all of the above in mind, I respectfully request the committee give favorable consideration to HB 2100 and support advancing it to the full House of Representatives. Thank you again for allowing me the opportunity to testify today and for providing a public hearing on HB 2100.