



**TESTIMONY**  
**Opposing HB 2503**  
**HOUSE FINANCIAL INSTITUTIONS AND PENSIONS COMMITTEE**  
**February 3, 2020**

Chairman Kelly and Members of the House 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 Coalition 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 KARSP and Co-Chair of the Kansas Coalition of Public Retirees, and the Kansas Association of Retired School Personnel, to speak in opposition to HB 2503, which seeks to re-amortize the KPERS Unfunded Actuarial Liability.

The opposition to HB2503 comes from the understanding that the following would occur:

- A. The bill would increase the amortization period by 10 years.
  - B. The UAL would be increased \$4.4 Billion.
  - C. The 80% funding goal of KPERS would be increased from the year 2029 to the year 2036.
1. List of Re-amortization concerns:
    - A. The moving of the 80% funding date from 2029-2036.
    - B. Increasing the cost of paying off the UAL \$4.4 Billion.
    - C. This bill would extend the payment period for UAL payoff 10 more years.
    - D. The retirees have been asking for a COLA for approximately 15 years. The final argument against such a benefit increase has been that it is unaffordable. The delaying of the 80% target date would seem to add 'fuel' to the use of this argument. It appears that this bill continues the attempt to fund the UAL on the backs of the retired.
    - E. After 25 years, the actuarial recommended payment 2020 contribution has been authorized and has been exceeded by \$51 Million. The last time the suggested amount was authorized was 1994.
    - F. Re-amortization once again reduces the contribution, starting the repeat of the pattern of underfunding.
    - G. The reason for the large UAL is not the lack of investment income. The reason is the pattern of underfunding KPERS.
  2. Positive reasons for not re-amortizing:
    - A. The solution to reducing the UAL is regular and recommended employer contribution.
    - B. The larger the balance in the KPERS Trust Fund the more investment income is possible.
    - C. KPERS over time has been highly successful in its investments. The investment income has never been the problem. The problem has been not having enough revenue to invest.
    - D. If an economic downturn does take place, the larger the KPERS Trust Fund balance, the better.
    - E. Contributing the present actuarial suggested amount boosts the total Trust Fund balance.

We would therefore urge the defeat of HB2503.