

Kansas Coalition of Public Retirees



TESTIMONY IN SUPPORT OF HB 2405 HOUSE FINANCIAL INSTITUTIONS AND PENSIONS COMMITTEE

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

My name is Ernie Claudel, and I am here today in my capacity as Lobbyist for both the Kansas Association of Retired School Personnel, and the Kansas Coalition of Public Retirees, in support of HB2405 authorizing the issuance of \$1,000,000,000 of pension obligation bonds to finance a portion of the unfunded actuarial liability of KPERS. 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.

We would support this HB2405 for the following reasons:

1. The standard goal for a retirement system funding level is 80% on the way to 100%.
2. After 25 years of underfunding, the legislature in 2016 began an increased contribution regiment. At that time, the Trust Fund funded level of 56.7%. The funding improvement combined with wise investment have elevated the present funding level to 70%.
3. Even with the level of funding reached, the KPERS Trust Fund is... "*Not yet in a solid funding position!*"
4. According to the information provided by KPERS, this additional infusion of funds into the Trust Fund reduces the projected date of 80% funding from the present 2026 to 2023.
5. The previous issues are doing very well:
 - A. BOND ISSUE # 1. "In February 2004, the State of Kansas issued \$500 Million in pension obligation bonds, and KPERS received net proceeds of \$440.2 Million in March of 2004. The proceeds have been invested to assist with financing the State and School group's unfunded actuarial liability. The debt service on the bonds will be paid by the State of Kansas in addition to the State's regular employer contribution." The present positive return is \$461.7 Million (Jan. 31, 2020).
 - B. BOND ISSUE # 2. Again in 2015, underfunding became such a concern that the Legislature approved the issue of \$1 Billion in revenue bonds. The cost of the bonds is required to be paid by the General Fund, not the KPERS Trust Fund. The present positive return is \$272.3 Million (Jan. 31, 2020).
6. Considering all the above information and the present bond rate, this appears to be an ideal time to attempt an issuance of the proposed bonds.

7. Further, it would also seem to be the proper time to use part of this purposed funding for a modest benefit increase for your KPERS retirees and beneficiaries.
 - A. According to KPERS, 1 in 10 Kansans are directly affected by KPERS. This figure *does not* include any dependents.
 - B. 85% of retirees and beneficiaries have a Kansas address in the KPERS database.
 - C. 87% (92,118) retirees and beneficiaries have never received a cost-of-living adjustment of any kind.
 - a. There were 11,536 retirees and beneficiaries who have received at least one permanent, ad hoc cost of living adjustment (retired before 7/1/1997). This represents 11% of the 105,620 total retirees and beneficiaries.
 - b. 89% (94,084) retirees and beneficiaries have never received a permanent Ad Hoc cost of living adjustment.
 - c. There were 13,502 retirees and beneficiaries who have received at least one, one-time cost of living adjustment payment (retired before 7/1/1998). This represents 13% of the 105,620 total retirees and beneficiaries.
 - d. The permanent benefit increase was authorized by a 1998 bill which authorized those retiring prior to July 1, 1997 to receive a COLA. This makes Kansas the state leader in years without a benefit increase. *This equates presently to 23 years. As of July 1, 2021, the total will reach 24.*
8. The enactment of this bond issue and an additional benefit increase would be an extremely positive economic boost to the entire State of Kansas.

I would be happy to stand for questions.