



Neutral Testimony on HB 2659
For the House Financial Institutions and Pensions Committee
March 6, 2024
Keeping the Kansas Promise Coalition

Chairman Hoheisel and members of the House Financial Institutions & Pensions Committee:

The Keeping the Kansas Promise Coalition appreciates the opportunity to submit written neutral testimony to HB 2659, a proposal to move teachers from KPERS Tier 3 to KPERS Tier 2. While we are grateful the Legislature is starting to address the issue of improving KPERS Tier 3, we are not able to fully support this legislation because it singles out only one group within Tier 3 leaving thousands of other members in an inadequate retirement plan.

The Kansas public sector workforce has been through a lot in the last decade... from enduring COVID to experiencing high staff turnover and wages that have fallen far short of keeping pace with inflation. Like most Kansans, their concerns about the future not only transcends the challenges they face day to day on the job, but also what their lives will look like as their careers end and they head into retirement.

Historically, the Kansas Public Employees Retirement System (KPERS) has been viewed as a "Gold Standard," that provided a reasonable and dignified retirement benefit for public sector workers in Kansas. Knowing a public worker could build a career and retire with an adequate pension that would allow them to retire in dignity rather than poverty was important to attracting and maintaining a high-quality public workforce. However, that once Golden Standard has lost its luster.

Over a decade ago, State policymakers were compelled by both financial and political reasons to establish a new cash balance retirement plan that took effect for new workers hired starting in 2015. That plan, known as KPERS Tier 3, provided essential elements to ensure long-term sustainability and stability for the retirement system as well as the state budget. Now that KPERS Tier 3 has been in effect for almost ten years, we can clearly see that KPERS Tier 3 does not measure up.

One key measurement for policymakers to consider is the KPERS Tier 3 replacement ratio. A replacement ratio is a measure of a person's pre-retirement income that will be replaced by retirement benefits. According to information provided by KPERS, Tier 3 will provide a career employee with 30 years of service a benefit that yields a

replacement ratio in the range of 27-35%. That compares with a 51% replacement ratio for the same career employee with the same years of service under KPERS Tier 2.

This information plainly highlights that the benefit provided under Tier 3 will not contribute to a stable retirement for workers as originally hoped. Something needs to be done to truly get to a reasonable and dignified retirement standard for ALL Tier 3 public workers, while still protecting the KPERS system and taxpayers.

Thankfully, we have a record state budget surplus to work with this session that affords the Legislature the opportunity to fix the inadequacy of KPERS Tier 3 for all members. We encourage state policy makers to take strong steps to provide a fair and reasonable retirement benefit for Kansas public employees once again. Moving all KPERS Tier 3 members to KPERS Tier 2 is a simple and efficient way to achieve that objective.

Again, we thank you for this opportunity to submit written neutral testimony on HB 2659.

Keeping the Kansas Promise is a coalition of public employee organizations including teachers, public safety workers, state, city, and county employees, formed to collectively advocate for fair and affordable reforms to the Kansas Public Employees Retirement System to ensure its long-term solvency.