

Kansas Coalition of Public Retirees



Testimony Opposing HB2436 House Committee on Financial Institutions and Pensions March 8, 2023

Chairperson Representative Hoheisel and Members of the 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 KCPR 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 KCPR (Kansas Coalition of Public Retirees) and KARSP (Kansas Association of Retired School Personnel) to speak in opposition to HB2436.

I would add that my first principal informed me of the weak original Kansas Teachers Retirement System in 1969. While I was in the service that system was merged with KPERS. I have been what I call 'chasing KPERS' since 2003.

The present Membership in KPERS numbers approximately 333,098. I use the word approximately because this number can change daily. This number was official on 12/31/2021. On that date there were 152,288 active members, 70,224 inactive, 101,802 retirees, and 8,784 beneficiaries. (These numbers included all under the KPERS Umbrella: KPERS, KPERS School, KP&F and the Judges.) The 333,098 number includes only those who receive a benefit payment and no dependents. I believe you can easily double this number and still be shy of the total number of Kansas citizens directly impacted.

The concern that we retirees have regarding this impact is the passage of this bill in its present form could have on KPERS investments, particularly if KPERS was required to divest the present long-range investments. Early

withdrawal of investments would invariably cause losses and in some cases even cause penalties to be paid for early withdrawal of investments.

Since the KPERS Trust Fund did not receive the actuarially determined annual contribution for 25 years, the unfunded actuarial liability would likely be increased even more. The gracious contributions by the Kansas Legislature, which has amounted to catch-up funds of \$ 3 Billion, 328 Million, and the fact that since 2017 the actuarial calculated contribution has been paid, ending the 25 years of underfunding, we fear all this positive effort may be for naught.

The KPERS Trust Fund presently remains near \$25 Billion in value. In these questionable economic times, if KPERS was faced with forced divestiture, a negative impact on the trust fund would occur. This would likely cause the unfunded actuarial liability to rise considerably and negate the positive make-up contributions authorized back as far as 2004 and particularly those since 2015.

We would ask that you oppose the contents of this bill for fear that the outcome would significantly harm the KPERS Trust Fund, thus endangering the entire KPERS retirement system. It should be pointed out that one of the findings of the 2011 KPERS commission was that anyone who was presently receiving retirement or benefits as a beneficiary and those vested in KPERS would have to be paid their retirement benefits, thus making the unfunded actuarial liability legitimate state debt. These conclusions were reached because the KPERS retirement system is governed by IRS regulation and contract law.

Thanks for allowing us to share our views on this subject.
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