



TO: House Pensions and Benefits Committee  
FROM: Sandy Jacquot, Director of Law/General Counsel  
DATE: February 13, 2012  
RE: HB 2545

Thank you for allowing the League of Kansas Municipalities to appear and present testimony in the ongoing discussions about the KPERS system. LKM's involvement in KPERS goes back to its inception when LKM participated as one of the stakeholders involved in the creation of KPERS. Our investment in the system has been longstanding, and the funding of KPERS has been discussed yearly during LKM's legislative policy process. The position of LKM has been that KPERS should be a fully funded system that provides for a livable retirement for our employees. In addition, the Statement of Municipal Policy also advocates that the local system should remain separate from the state and school system. Each year when LKM policy committees meet in August, the KPERS executive director has been a speaker and presented an update on the system. The last update was in 2011. The portion of the update devoted to the local government system is attached to this testimony.

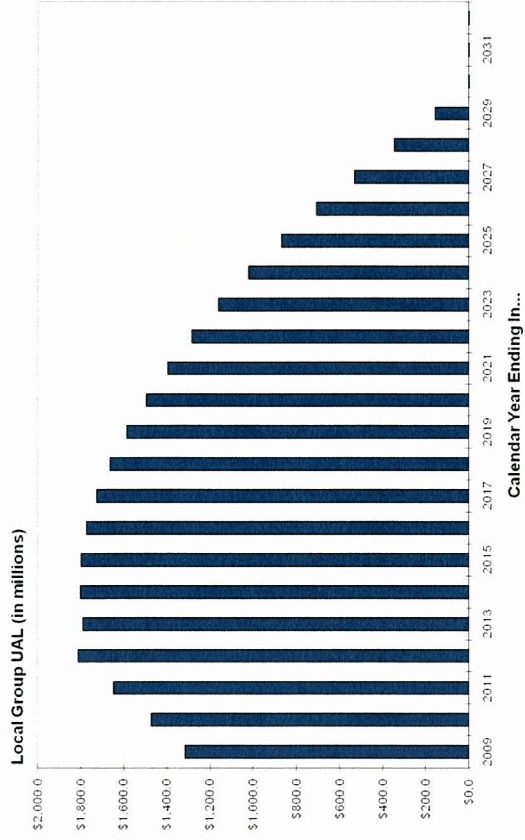
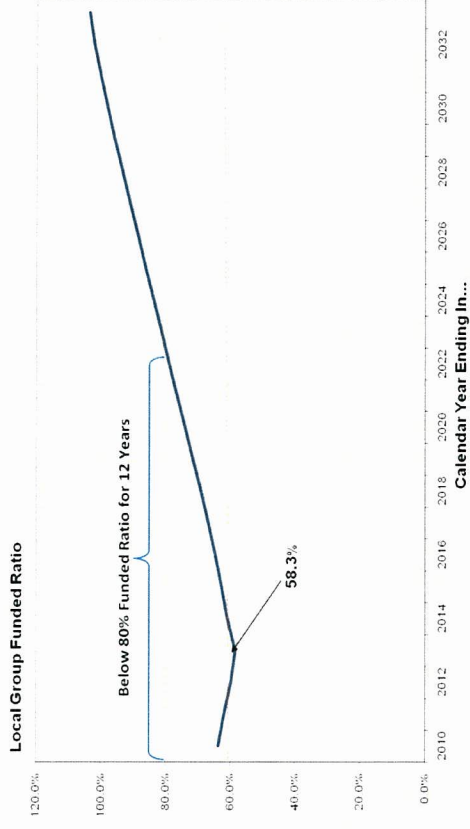
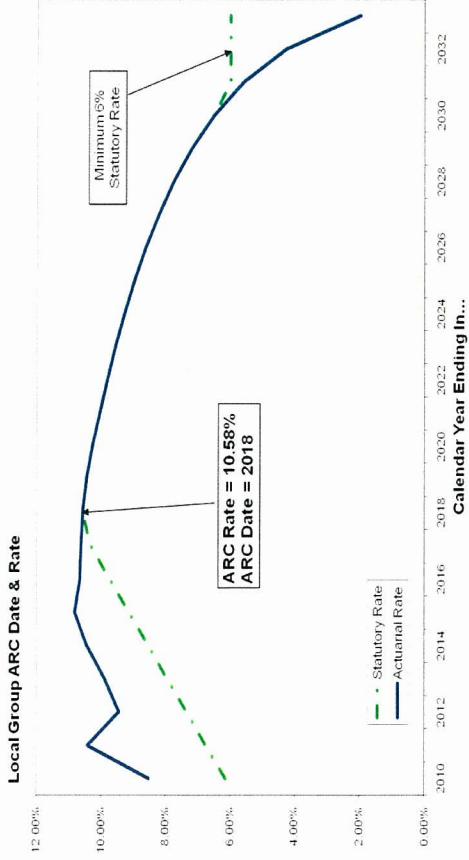
In December, and again about a week ago, the LKM Governing Body, made up of city officials, elected and appointed, from across Kansas took its first specific plan design position on KPERS. LKM, on behalf of its member cities, respectfully requests that any changes to the KPERS system not be applied to local governments. Thus, the local group would continue to consist of Tier I and Tier II employees in a defined benefit plan. The basis for this request is the result of how differently situated the local government portion of the system is from the state and school systems. First, at the current yearly increase in the employer contribution rate of .6%, and considering the actuarially assumed average annual investment return of 8%, the local government system contribution rate will be in equilibrium in 2018. Thus, the actuarial rate cities and counties should be paying will be the rate they actually are paying at that time. The rate then begins to drop off as the plan becomes better funded. Second, the projected funded ratio for the local group in 2023 will be 80%. This is just nine short years after HB 2545 is proposed to take effect.

There is no urgency to make any changes to the local government KPERS group, as the above numbers indicate. The funding stability of the local KPERS group is within reach, assuming no changes to the system. LKM certainly supports the Legislature making a policy decision for the groups it funds as to how the retirement benefit should be structured and how it should be funded. Local governments, however, should have input into the retirement program for its employees. There was a motion made during the study commission's final meeting to do just what LKM is proposing and it was a tie vote, ultimately decided by a negative vote of the chair. LKM is now respectfully requesting that this position be considered and adopted in any version of HB 2545 that is advanced by the committee.

Thank you for your consideration of LKM's position and I will be available for any questions the committee may have.

# Local Group: Baseline Projections

▪ **No change in the .6% employer rate increase cap. Assumes average annual investment return of 8%.**



- The Local Group ARC rate is projected to rise by 72% to 10.58% in CY 2018.
- The projected funded ratio will fall to 58% by CY 2013, regaining 60% the next year.
- The funded ratio is projected to reach 80% by CY 2023.
- The UAL is projected to increase by 38% to \$1.8 billion in CY 2013.