In-Person Oral Testimony by Ed Klumpp
Opposing SB553
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Testimony to the Senate Committee on Assessment and Taxation
In Opposition to SB553

March 16, 2022

Chairperson Tyson and Committee Members:

Our associations are opposed to SB553. The basis for our opponent position is the lack of any detail of how this bill will benefit (or harm) our employees' retirement benefits.

We recognize that as this plan is presented it only replaces the Tier III KPERS with a defined contribution plan. Our interest in this bill is because about 3/4 of our law enforcement agencies are under regular KPERS, not KP&F. Those agencies employee about 1/3 of the officers in the state.

We know there are some who want to shift the entire risk of the retirement system onto the employees. We believe that is ill advised and will only further create challenges for hiring and retaining law enforcement officers in the state. We all know the Tier III retirement program which attempted to shift a significant part of the risk to the employees and away from the employers is a disaster that is anticipated to significantly reduce the retirement benefits at the end of a dedicated employee's career.

Until we can see scenario calculations comparing the projected retirement benefits between the proposed plan, the Tier III plan and the Tier II plan, there is absolutely no way to evaluate the impact of this plan on the employees and their ultimate retirement income. We ask you to consider the difficulty you will have without answers to a myriad of questions about this plan and the impact it will have on the employees.

Just looking at what is revealed in the proposal causes us to be very concerned about those things that aren't revealed. For example,

- Members currently contribute 6% of salary to their retirement. The plan appears to mandate a 7% starting contribution rate, potentially going up to 16% after 10 years service. We know that at the low income levels of many state and local employees, these rates will be devastating on their ability to provide for their families and will result in them opting to lower their contributions resulting in even worse retirement outcomes.
- The employer contribution rate is 4.5% or 5%. A savings to the state compared to the current Tier III rate which is higher than this proposed rate.

- More cost to the employee, less cost to the state, and an unknown change to the benefits the employee would have upon retirement.
- The existing UAL remains and still has to be paid off.
- The rate of investment charges will likely be higher for the new plan and will increase for the remaining KPERS fund investments since the total being invested will go down.
- Cities and Counties will be losing the current benefit plan and forced to go to the new defined contribution plan. Most likely there is no option for them to leave the KPERS plan and find their own defined contribution plan while leaving the remaining employees already in KPERS II or III in their existing plan. We see a high potential of no benefits to cities and counties or their employees in staying in this plan and could (we don't know the facts yet) result in a worse outcome for both the employers and the employees.

What is sad and frustrating about this effort to minimize the employee's financial future is that there really isn't any reason a defined benefit plan cannot be viable for both the employer and the employees. The only reason we are in the mess we are in is that over many years the state declined to pay what the actuaries told them they needed to pay into the fund. A good share of the current employer contribution rate is because of the large deficit those underpayments created in the system. Over the past few years, the current legislators have recognized these short comings and have made significant advancements to catch up on those payments. But the lost earning on those skipped payments are gone forever. We are in this mess that even makes this new plan seem viable because of the past lack of action by the state while the employees have paid every dime they were told to pay.

Perhaps when more is known about this proposal and there is an effort to get the data on expected results for what the retirees will actually receive, there will be something to consider. But at this point, there is no way for rational people to evaluate it. That must happen before passing it. Otherwise, it is like our US congress passing bills they acknowledge they won't know what it does until after they pass it. That is not the way Kansas should operate. We should value our employees and we should be looking out for their financial future and not just how we can cut the cost to the state. This should be accomplished through a well-studied and solid plan. That does not exist in this bill.

We urge you to not move the bill forward.

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