

Jarold W Boettcher, former KPERS TRUSTEE, House Insurance and Pensions Committee

Consideration of House Bill 2399, Room 218-N, February 24, 2021

1. My name is Jarold Boettcher. I live in Manhattan but have called several different towns and regions home. I am a KSU Graduate B.S. Degree in Nuclear Engineering, magna cum laude. I went to Graduate School at MIT, then took a job in New York City in the Investment Business, in Kansas City, Missouri in the investment business, and post 1979, a family business in agriculture headquartered in Beloit, in Mitchell County. That business was sold in 2007. I have been Chair of the KSU Alumni Association and Chair of the KSU Foundation and Chair of the KSU Foundation Investment Committee. A side note on use of my spare time – I have gone back to school at K-State, taking advantage of a program authorized by the Board of Regents years ago to create educational opportunities for senior citizens, defined as being over 60 years of age. So far, I have taken 17 different college courses on a variety of issues offered by the University.
2. I have had many volunteer activities, relating to higher education and to investments. I served 17 years as a KPERS Trustee. Appointed by 4 different Governors, time of service 1991 to 2008. In 1991, KPERS had no investment person on staff. The Board and staff largely did what they were told by consultants and lawyers. We hired an investment person in my second year as a Trustee – She is the current person responsible, adjusting for a multiple year absence to get her Doctorate. I also served on the Kansas Board of Regents from 2008 to 2011 – with one year of overlap. In 2008, I served as Chairperson of the Audit Committee for the Regents. I was not reappointed in 2011 by Governor Brownback. I did serve as Regents representative to the KANSAS BIOSCIENCE AUTHORITY, until KBA was extinguished by administrative action, by withholding appropriated funds through no fault of the organization. Misbehavior did not occur. There was no mis-appropriation of funds. There were no conflicts of interest, in my opinion, other than one board member relating that he was responsible to the Governor, and not to KBA. This is a long story and there is nothing constructive that could be done now.
3. Reaction of many people to introduction of HOUSE BILL NUMBER 2339 is similar in the Legislature and by the public – simply put, here we go again. In addition, we are dealing with the covid-virus with multiple possible outcomes ahead of us. Uncertainties abound.
4. A sense of history is required to deal with the on-going KPERS funding dilemma. Needs have exceeded resources over a long period of time. The KPERS story today is NOT a new one. It is OLD one, but unfortunately, it continues – a historic failure to deal with large, increasing long-term obligations which were largely created by short term decisions. Save a dollar today and create the obligation to repay eight to ten dollars down the road, someday.
5. In the State of Kansas, the history dates to the 1960's and 1970's. The State system merged with the Teachers system in 1971.
6. The Teachers system was already underfunded at the time of the combination and is likely the cause of at least the beginning of the KPERS funding dilemma in the 1990's, which continues.
7. The Actuary and KPERS Staff could do a much better job than I on the numbers – benefit revisions have been made as well as funding decisions. Outcomes are very dependent upon assumptions of general interest rates and investment performance.
8. If you want to know WHY KPERS faces these, and seemingly recurring crises, you must look back more than a few years and then look through to the future – that exercise takes time and some results, favorable or unfavorable. The later outcomes cannot be determined in the short term.

9. Policy and actions on funding have relatively little impact for a few years but major impacts out several years, or more likely out 15 to 20 years, or more, in the future. By consideration of House Bill 2399, you might rationalize short term about money “saved”. It will not be saved – the money will just be spent elsewhere, with the impact of compound interest only becoming obvious with the passage of time. So called “saving” of \$100 million or so creates a deferred obligation to make required payments which will not appear for a long period of time. Does anyone believe that school funding, highways, health care obligations, higher education, etc., are going to need less funding in the future? I do not believe that and given life spans, I will not be around to tell you “I told you so” when there is evidence of a decision to again defer KPERS obligations –yet another funding crisis 10, 15, 20, or 25 years out. It’s called compound interest.
10. The time horizon of some legislators is short. Many will not admit that simple fact. We have a two and a four-year election cycle, two for representatives, four for Senators. Elections are never that far away, either the last one or the next one coming. History takes longer to unfold.
11. The public, even those not so well informed, are slowly becoming aware of the annual funding crisis, the futile attempts to solve, debate and finally by Legislative actions. Members of the public do not recognize the impact of short term decisions upon long term funding issues.
12. Currently, the status is a path set in 2012 that was legislation which reflected realistic and responsible thinking, given the circumstances. I urge that you allow progress to proceed on the big picture - which may not be obvious for several years. This funding crisis and others to follow, cannot be resolved in the short term by diversion of funds elsewhere.

Conclusion: I urge you to vote “NO” on House Bill 2399.

Jarold W Boettcher, February 24, 2021