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Neutral Testimony to the House Insurance and Pensions Committee On HB2612

February 14, 2022

Chairman Johnson and Committee Members:

We do not oppose this bill. However, for the reasons explained below, we do not believe the bill goes far enough. There is a clear need for both the KPERS and KP&F retirement systems to have a benefit adjustment after retirement. This is desperately needed to overcome the buying power eroded over the years by inflation. For many years the legislature granted such adjustments every few years. But it has now been 24 years since such an adjustment has been made. We do recommend the committee consider adding KP&F to the bill also.

We support a mechanism to allow this benefit. While HB2612 addresses this for those who have not yet retired, the mechanism for this benefit is to allow the retiree to reduce their retirement benefit as a requirement to accept an option to have some level of annual benefit adjustment. However, unlike the other option decisions a retiree must decide whether to accept or not, there is nothing in this bill to indicate the degree of the reduced benefit or the amount of benefit to be gained. This makes it very difficult to analyze if it will be meaningful or unintentionally thwart future attempts to create a more meaningful benefit adjustment provision. We do not see anything in this bill that assures balance between what would be offered as an annual adjustment benefit and the benefits given up to opt-in to the annual adjustments. While not clearly stated, it does not appear to provide an added benefit as the entire cost is likely to be borne by the retiree through the reduction in benefits. While it may be better than nothing, which is what KPERS 1 and 2, and KP&F currently offer for annual benefit adjustments, it is far from ideal.

This becomes more troubling when we know the City of Wichita operates their own retirement program that is very similar to the KP&F and Local KPERS plans offered by KPERS. Some of the differences in the plan include: 1) Wichita's plan includes a DROP program for all employees, KPERS does not; 2) Wichita's plan includes an annual adjustment after the first year of retirement of 2% of the base retirement benefit (without a reduction in the base retirement benefit); 3) the employee contribution rates are lower in Wichita than in KPERS; and 4) the Wichita plan maintains a funded ratio over 90%. This begs the question why can't KPERS do the same thing?

Also, this bill does nothing to help those already retired. The bill that would do that, HB2584 has yet to be scheduled for a hearing. 24 years since the last permanent benefit adjustment for those already retired is long enough. Consideration should also be given to how we help those already retired as well as those who will retire in the future.

Ed Klumpp
Legislative Liaison