

Jarold W Boettcher, KPERS TESTIMONY, MONDAY, FEB 3, 2020, House FI&P Committee, Room 112-N, 9 am

1. My name is Jarold Boettcher. I live in Manhattan but have called several different towns and regions "home". I am a KSU Graduate. I went to Graduate School at MIT, took a job in New York City in the Investment Business, in Kansas City, Missouri 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. 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 over 60 years of age.
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, 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 Served on the Board of Regents from 2008 to 2011 – one year of overlap In 2008. Served as Chairperson of the Audit Committee. I was not reappointed in 2011 by Governor Brownback. I did serve as Regents representative from KANSAS BIOSCIENCE AUTHORITY until KBA was extinguished by administrative action, by withholding appropriated funds through no fault of the organization. Misbehavior did not occur. No mis-appropriation of funds. No conflicts in my opinion other than one board member relating that he was responsible to the Governor, not to KBA. This is a long story and there is nothing constructive to do now.
3. Reaction of many people to introduction of HOUSE BILL NUMBER 2503 is similar in the Legislature and by the public – simply put, here we go again. After the Brownback years, revenue problems continue and expectations are high.
4. A sense of history is required to deal with the dilemma. Needs exceed resources over a long period of time. This story is NOT a new one. It is old but unfortunately, it continues – a simple failure to consider large, increased long-term obligations created by short term decisions.
5. The history goes back all the way to the 1960's and 1970's. The State system dates to 1961 and merged with the Teachers system in 1971.
6. The Teachers system was underfunded at the time and is likely to be at least the beginning of the KPERS funding dilemma.
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 general interest rates and investment performance.
8. If you want to know WHY KPERS faces these, seemingly recurring crises, you must look back more than a few years and then look through to the future – it takes time and results, favorable or unfavorable, 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 BILL NUMBER 2503, you might think short term about money "saved". It will not be saved – the money will 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 don’t believe that and given life spans, I won’t be around to tell you “I told you so” when there is evidence of a decision to again defer KPERS obligations – created even more of a funding crisis 10, 15, 20, or 25 years out.

10. The time horizon of many legislators is short. Most 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 just over or the next one coming.
11. The public, even those not so well informed, are slowly becoming aware of the annual funding crisis, attempts to solve, debate and by Legislative actions, do not recognize the impact of short term decisions upon long term funding issues.
12. The current status is a path set in 2012 with a plan that was a fairly realistic and responsible plan, 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 cannot be resolved in the short term by diversion of funds elsewhere.

Conclusion: I urge you to vote “NO” on House Bill 2503.

Jarold W Boettcher 2/3/2020

JWB/jb