



Retirement in focus: KPERS needs help, not attacks

A conspiracy of anti-government, anti-union individuals and their “think tanks” want to destroy public employee retirement. So they hired Barry Poulson of Colorado to write a “report” calling KPERS “bankrupt.” Everyone knows that after years of legislative underfunding, KPERS needs help. But responsible legislators know it can be fixed.

KPERS does have an unfunded actuarial liability (UAL).

- This is a common condition for retirement plans. There are many reasons why the UAL exists. In Kansas, prior to the economic crisis from which we are now slowly emerging, the UAL was impacted by a number of short-sighted legislative decisions.
- The Kansas legislature has never met the actuarial rate for the employer contribution. In good times, when investments were doing very well, the legislature did not feel any particular urgency to make appropriate contributions. In bad times, when the state was short of funds, it was easy to delay or suspend payments to KPERS to save money.
- The UAL has increased due to the recent economic collapse. KPERS investments were not immune to the stock market decline any more than 401-K investments. One would have to have been living on a desert island not to have heard stories of retirees whose 401-K “nest eggs” lost 40 to 60 percent of their values and were now desperately seeking employment.

Active KPERS employees have never acted like the legislature.

- When the legislature created KPERS, they established certain requirements. Among those requirements was a set employee contribution rate. It is important to remember that employees – unlike the state – have NEVER delayed or reduced their contributions to the system. Teachers, fire fighters, state employees and all other KPERS participants have met every requirement put on them. The state has not.
- In addition, since KPERS does not have a built in cost of living adjustment (COLA) for retirees, the level of one’s benefit is set at the time of retirement and does not increase. One might live 20 or more years after retirement but would not see an inflation adjustment in their retirement benefit. In essence, the COLA that is granted in some other retirement plans is kept in the system and helps protect the fiscal integrity of the system.
- KPERS benefits are good for the Kansas economy. Over 85 percent of KPERS retirees stay right here in Kansas and spend every dime of their retirement benefit in the Kansas economy. Every dollar of retiree money has a multiplying effect in the Kansas economy keeping other Kansans employed.
- Those who want to see employees pay the price for the legislature’s failings want you to believe that these public employees are enjoying a lavish retirement benefit. This is simply not true. The only thing remotely “lavish” about public employee retirement is that it lasts as long as the retiree does. The average KPERS monthly retirement benefit is \$1100. These retirees do not get health insurance or inflation adjustments. The benefit will not grow to meet inflation during the employee’s retirement.
- Employees in public service jobs – teachers, fire fighters and police, correctional officers, etc. – sacrifice in salary over their private sector counterparts. In exchange, they have been promised a stable retirement. It is this promise that promotes long-term service to the public.



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Who is really behind the “study?”

- Barry Poulson, the study’s author, is considered the “father” of TABOR – the initiative that has devastated public services in Colorado. Poulson helped Americans for Prosperity promote TABOR in Kansas.
- The defender of the study in Kansas is Art Hall, the Koch-endowed chair in economics at KU.
- The Koch brothers of Wichita, Kansas are very well known in anti-government, anti-union circles. They have used their vast wealth to establish a number of conservative “think tanks” including Americans for Prosperity (AFP) and the Cato Institute. Fred Koch, their father, was a co-founder of the John Birch Society.
- Other Koch-funded Americans for Prosperity initiatives¹ that are organized from their M Street address in Washington, D.C. are these so-called “grassroots” movements:
 - AFP organized the tax “tea parties” last April.
 - AFP has organized a campaign to stop environmental protection and global warming initiatives through their “hot air balloon tour.”
 - AFP is organizing anti-health care reform efforts at congressional town hall meetings through their “Patients United Now” front group.

Why have these groups targeted public employee pensions?

- Public employee pensions are paid for in part with tax dollars. These groups do not want to pay taxes, pure and simple.
- They hate unions. Public employees are unionized. The more workers there are in unions, the greater the pressure is on their own employees to unionize.
- A defined benefit pension plan, like KPERs, is generally considered to be better for retirees than other plans. A good pension plan for one group puts pressure on them to provide a good pension plan for their own employees.

What to tell your legislators, the media, and your neighbors

- The time has come for the state to honor its part of the KPERs contract just as the employees have done.
- A small but dependable source of income in retirement is an appropriate reward for a career in public service.
- Public servants such as teachers, public safety officers, and fire fighters earn less than private sector employees in exchange for a defined benefit retirement system and retirement security.
- It is wrong to demand that the employees who have honored their end of the contract shoulder the responsibility for solving this issue.
- KPERs retirement is not a lavish benefit. The average monthly KPERs payment is \$1100.
- If you want to fix KPERs, fund it.

¹ From 2003 to 2006, AFP received \$1,181,000 from conservative foundations. \$1 million of that came from the Claude R. Lambe Charitable Foundation – one of the Koch Family Foundations. Before 2003, when AFP was still named Citizens for a Sound Economy Foundation, it received \$18,460,912 – 84% of that came from the Koch Family Foundations. (source: Media Transparency and desmogblog.com)