

To: Chairman Ron Ryckman
Members of the House Committee on Appropriations

From: Representative Jerry Lunn

Re: House Bill 2725

Chairman Ryckman and Members of the Committee,

Thank you for the opportunity to present testimony to the committee regarding HB 2725 and its provisions that would limit the use of "Pension Spiking" practices for KPERS members with membership dates before July 1, 1993. Pension spiking is a method used by many public employees to significantly inflate their final average compensation and thereby receive a larger pension.

Under current Kansas law, some employees/KPERS members in this class have the ability to accumulate **sick leave, vacation or annual leave, severance pay, longevity or any other payments, such as 409A and 457(f) plans (deferred compensation)** to spike their final average salary. In situations where an employee's final average salary increases by more than 15% due to these payouts at retirement, employers (tax payer funded entities) are required to pay the System's actuarial cost/liability for the benefits attributable to the excess over 15%. Pension spiking practices can significantly increase lump sum retirement benefits and compound annual pension payouts.

There are more than 22,000 active Pre-1993 members. Some members in this class could potentially take advantage of pension spiking practices for another 25 years. The KPERS Board of Trustees, at its March 20, 2015, meeting, adopted language that "strongly supports specific action that improves the funding ratio of the KPERS Retirement System and lowers the unfunded actuarial liability." Passage of HB 2725 would help meet both of these goals, and does not reduce any member's accumulated value as of July 1, 2016, that could be used to calculate final salary at any point in the future.

KPERS has stated it does not have access to vacation and sick leave data for its members, thus making it difficult to assess current/future liability attributed to the potential of pension spiking. Despite economic challenges, Kansas is committed to policies that keep our retirement system on a sustainable path.

As legislators, we have the duty to strengthen KPERS by lowering our future unfunded liability. I urge your consideration to pass HB 2725 that will help protect the integrity of KPERS.