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**Testimony to the House Appropriations Committee
Opposing HB2725
March 11, 2016**

Chairman Ryckman and Committee Members,

We must oppose HB2725, based on the final average salary accrual provisions of section 1. We are not opining on the 409A or 457(f) issues. Our opposition is on behalf of our non-sworn employees who are KPERS members and those sworn law enforcement officers who are members of regular local KPERS. About 1/3 of all law enforcement officers in Kansas are under KPERS and not KP&F. Our local law enforcement agencies are currently struggling to retain and hire staff. We are convinced this bill will result in a large number of officers who are KPERS members and non-sworn staff and currently eligible to retire retiring now instead of continuing to work for potentially several more years. This will not only create a hardship on our agencies, it will negatively affect the level of law enforcement services to our communities. This also includes critical areas of non-sworn positions such as dispatchers. We know of one large jurisdiction whose dispatchers are KPERS members that is currently over 50% below their authorized strength. This accelerated retirement will not only affect our agencies but it will also negatively affect KPERS funding since those employees will pay into the system for fewer years and draw retirement payments for a longer period of time.

We are convinced these accelerated retirements will occur because we have had many employees who are eligible to retire who have been preparing the calculations and retirement applications so they can act quickly if a bill on this topic passes. In fact, I personally have recently talked to two KPERS members of law enforcement agencies who tell me they will retire before the end of this month so in the event any limitations on final average salary calculation occurs it will not affect their retirement benefits.

As has been stated in several hearings on the final average salary matter, the July 1, 1993, split was based on case law saying that KPERS is a contract under the constitution and a benefit cannot be taken away without giving something of equal value in return. While HB2725 “freezes” the accruals as of July 1, 2016, it still is changing the benefits since it will limit future accruals counting toward retirement and change the rate of pay for the accruals that would be used under the current rules.

We also have a concern with the first sentence on page 1, line 12 which limits earnings of vacation time beyond 240 hours. This sentence does not appear to be necessary to limit the FAS calculations to that limit, but dictates to cities and counties they cannot allow employees to accumulate more than 240 hours of vacation accrual at any time. We believe this is a local control issue and the amount of accrual caps should be left to the local governing body. This can also create a conflict between this provision and labor contracts or local benefit provisions already in place.

As repeatedly reported by KPERS, this is a diminishing problem that, without change, will be gone in the not too distant future. Only a small percent of retirees currently receives a benefit boost from the payment for accruals. And we should not forget that under current law, if that benefit boost is over 15% the employer must pay the additional actuarial cost to KPERS. We encourage you to review the data from KPERS on the numbers of pre-1993 members and the trends on how many are retiring each year and how many actually have a boost to their retirement benefits due to accrual payments.

We encourage you to consider removing the provisions from this bill relating to the effect of accruals on Final Average Salary, or at least to add a public safety exception that covers KPERS members as well as KP&F members.

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