

State of Kansas
House of Representatives

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Committee Assignments

Chair: Water
Member: Commerce, Labor and Economic
Development
Member: Taxation
Member: Rules and Journal

March 14, 2022

SB 553 Proponent Testimony:

Madam Chair and members of the Committee:

Thank you for the opportunity to appear as a proponent of the Kansas Thrift Savings Plan. Often, we hear from retirees and in some cases, current employees of the state that the current defined benefit plan is inadequate. Specifically, they want cost of living adjustments that, by the way, are not a function of defined benefit plans. A thrift plan on the other hand will give employees an option that has been unavailable to date.

Defined benefit plans are an anchor on states leading some states to consider bankruptcy. In Kansas, in 2011 we were only 56% funded and our bond rating was downgraded. During my time in the legislature, we borrowed \$1 billion to fund the KPERS system and we have another bill this year to fund the plan with an additional \$1 billion. If this bill passes, it is reported that the plan will be funded at 80+% and will be classified as fully funded. The problem is that that level will not be maintained without further infusion of billion-dollar payments. The question is, how long can we as a state continue to do this.

The plan structure is similar to a traditional 401K plan that many of us have who worked elsewhere before being elected. This bill in its simplest terms is a plan giving state employees a choice. I have visited with several state employees about a thrift savings plan and if they would be interested. The responses generally fell into two groups. The first group made up of younger new employees definitely wanted the opportunity to sign up for the plan. The other group made up of more seasoned employees stated that when close to retirement they preferred to remain in the defined benefit plan

At some point, we in the legislature must think of the future of our state and the financial stability if a defined benefit plan remains in force. It is our responsibility to design a meaningful alternative to the current system to ensure our state is financially sound for future generations.

For further reading, I would suggest the following:

1. Major Structural Deficits Looming in Kansas by Arthur P. Hall, Ph.D., December 2011 from the Kansas Policy Institute
2. Kansas Legislature's Authority to Modify the Kansas Public Employees Retirement System (KPERs) by, John L. Utz, September 2011
3. Preventing Public Employees Retirement System, by Barry W. Poulson, Ph.D. from the Policy Institute

Respectively,

Ronald L. Highland, D.V.M., Ph.D.

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Dist. 51

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