



PENSION CRISIS

Credit to KFTC Member
Taylor Bright



PENSION CRISIS

BEVIN KEEPS HIS “PROMISE”

Credit to KFTC Member
Taylor Bright

3 retirement systems – 8 retirement plans

Kentucky Retirement System – KRS

Kentucky Employees Retirement System – KERS

Non-hazardous employees plan – KERS-NH

Hazardous employees plan – KERS-H

State Police Retirement System – SPRS

County Employees Retirement System – CERS

Non-hazardous employees plan – CERS-NH

Hazardous employees plan – CERS-H



Teachers' Retirement System of Kentucky – TRS

Kentucky Judicial Form Retirement System – KJFRS

Legislators' Retirement Plan – KLRP

Judicial Retirement Plan – KJRP



Pension liabilities are severely underfunded

PFM Report #2 – 22 May 2017

Plan	KERS-NH	KERS-H	SPRS	CERS-NH	CERS-H	TRS	KLRP*	KJRP*
Active Members	37,779	3,959	908	80,664	9,084	71,848	101	237
Inactive Members	10,399	481	65	14,357	775	9,240	42	18
Retirees Receiving Benefits	44,004	3,966	1,515	56,339	8,563	51,563	200	330
Unfunded Actuarial Liability (\$ in Millions)	\$11,112.4	\$377.2	\$540.6	\$4,541.1	\$1,565.3	\$14,531.3	\$15.2	\$115.0
Funded Ratio	16.0%	59.7%	30.3%	59.0%	57.7%	54.6%	85.1%	72.1%

Source: Commonwealth of Kentucky valuation reports for KRS, TRS, KJFRS, as of 6/30/2016

Pension liabilities are severely underfunded

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1.

Governor's Pension Proposal

The Governor's Proposal



3% of employee's salary as additional contribution



Benefit cap: Move into DC plan after reaching full retirement in current DB plan



Reduction in the ability to use sick leave and comp time to determine retirement benefit and/or eligibility

The Governor's Proposal



5-year COLA freeze for current retirees and future retirees



Move to 401k-style defined contribution plan



Requires full payment of ARC and creates a new funding formula

The Governor's Plan

Change	No Change
KERS-NH CERS-NH TRS Legislative Judicial	KERS-H CERS-H SPRS
Current	
Retirees Tier 1 Tier 2	
Future	
Tier 3 Future Hires	

3.

Current
Plan
Participants

The Governor's Plan

Change	No Change
KERS-NH CERS-NH TRS Legislative Judicial	KERS-H CERS-H SPRS
Current	
Retirees Tier 1 Tier 2	
Future	
Tier 3 Future Hires	

K/CERS proposal – Current



No reduction in COLAs or change in retirement age

DC (401(k) style) plan (estimated) – max combined contribution of 14%

Employee contribution will be 3% with the option to invest an additional 6%

Kentucky's Public Pensions: Bevin Keeps His "Promise"
Employer contribution will be 2% with 50% match up to additional 3%

The Governor's Plan

Change	No Change
KERS-NH CERS-NH TRS Legislative Judicial	KERS-H CERS-H SPRS
Current	
Retirees Tier 1 Tier 2	
Future	
Tier 3 Future Hires	

TRS proposal – Current



No reduction in COLAs or change in retirement age or Social Security

DC (401(k) style) plan (estimated) – max combined contribution of 18%

Employee contribution will be 9% with the option to invest an additional

Current system in the balance



4.

Future
Plan
Participants

The Governor's Plan

Change	No Change
KERS-NH CERS-NH TRS Legislative Judicial	KERS-H CERS-H SPRS
Current	
Retirees Tier 1 Tier 2	
Future	
Tier 3 Future Hires	

K/CERS proposal – Future



DC (401(k) style) plan (estimated) – max combined contribution of 14%

Employee contribution will be 3% with the option to invest an additional 6%

Employer contribution will be 2% with 50% match up to additional 3%

The Governor's Plan

Change	No Change
KERS-NH CERS-NH TRS Legislative Judicial	KERS-H CERS-H SPRS
Current	
Retirees Tier 1 Tier 2	
Future	
Tier 3 Future Hires	

TRS proposal – Future



* Optional for Tier 3

DC (401(k) style) plan – max combined contribution of 18%

Employee contribution will be 9% with the option to invest additional 3%

Employer contribution will be 6%

state's portion being 4%

local school district employer's contribution at 2%

No Social Security coverage

5.

Judicial,
Legislative,
and Hazardous

The Governor's Plan

Change	No Change
KERS-NH CERS-NH TRS Legislative Judicial	KERS-H CERS-H SPRS
Current	
Retirees Tier 1 Tier 2	
Future	
Tier 3 Future Hires	

Judicial and Legislative Plans



Stops defined benefits plan for all legislators, moving them into the same plan as other state employees under the jurisdiction of the KRS Board

Existing legislative defined benefit members and current retirees will have their benefit calculation based solely on their legislative salary

The Governor's Plan

Change	No Change
KERS-NH CERS-NH TRS Legislative Judicial	KERS-H CERS-H SPRS
Current	
Retirees Tier 1 Tier 2	
Future	
Tier 3 Future Hires	

Haz Plans: KERS-H, CERS-H, SPRS



NO COLA reduction

NO change in retirement age

Current plan remains open

6.

Take Action

Don't Cut it, Fund It

The governor's plan breaks the promise made to state employees, lowers their wages, and devalues their public service and the essential programs we all rely on.



**KENTUCKIANS FOR THE
COMMONWEALTH**

(502)369-2815

This number will connect you directly to your state representatives. Tell them how you feel about proposals to do away with the public pension system instead of making corporations and millionaires pay their fair share of taxes.

#dontcutitfundit



The KCEP Responsible Approach

Bailey, J. *Pensions Need Responsible Funding Plan, Not Exaggerated Claims.* 5 Sept 2017

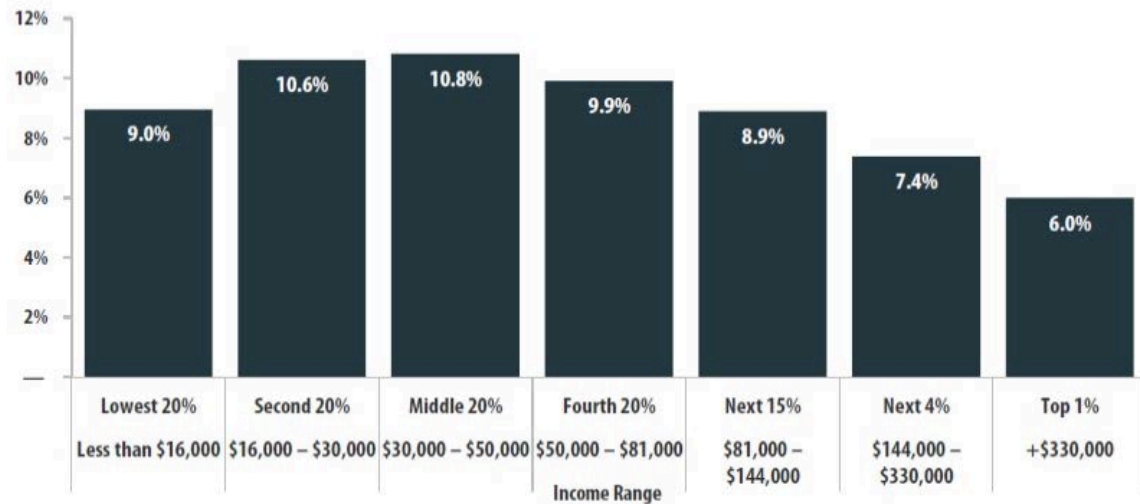
- **KEEP** a Defined Benefit Pension plan for State and County workers and Teachers
Incentivize the next generation of dedicated public servants
- **PAY** the Actuarial Required Contribution using reasonable assumptions
Keep your promise!
- **PROVIDE** remedial funding for KERS-NH and SPRS
Prevent further deterioration of assets

Don't Cut it, Fund It

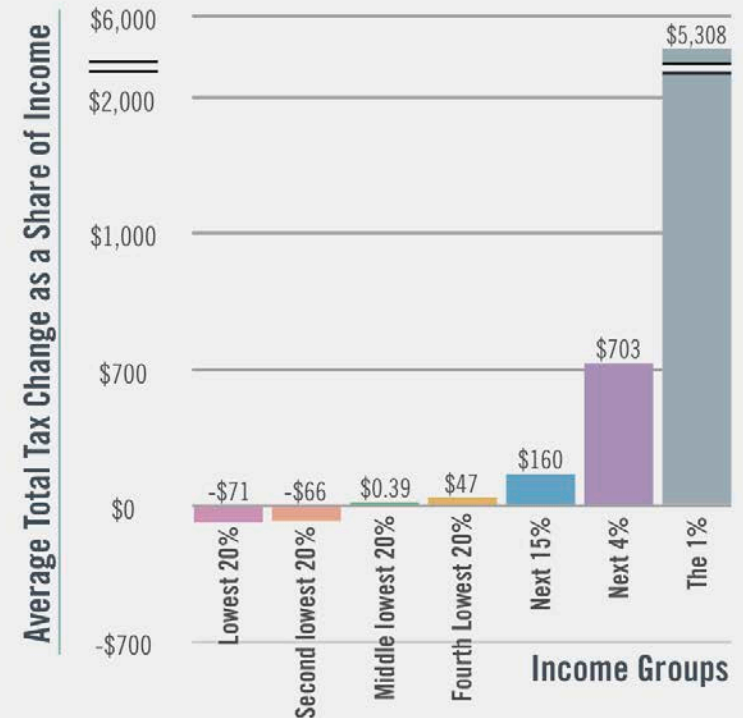
Tax reform should be key part of Kentucky pension reform | Wayne

State & Local Taxes in 2015

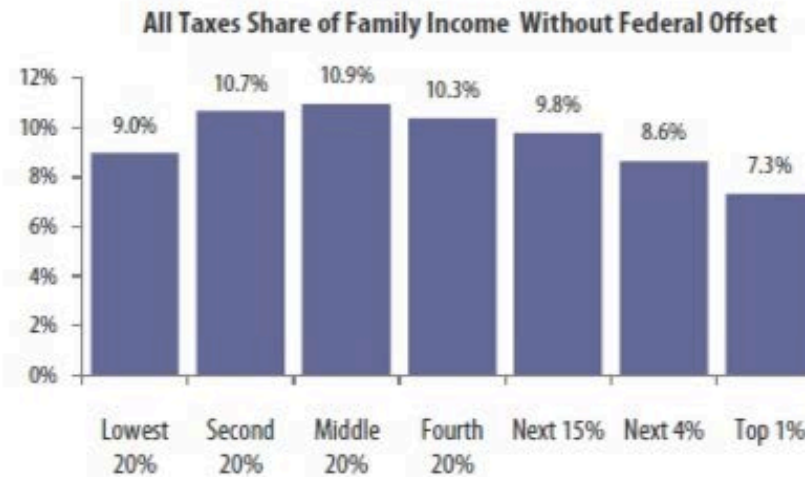
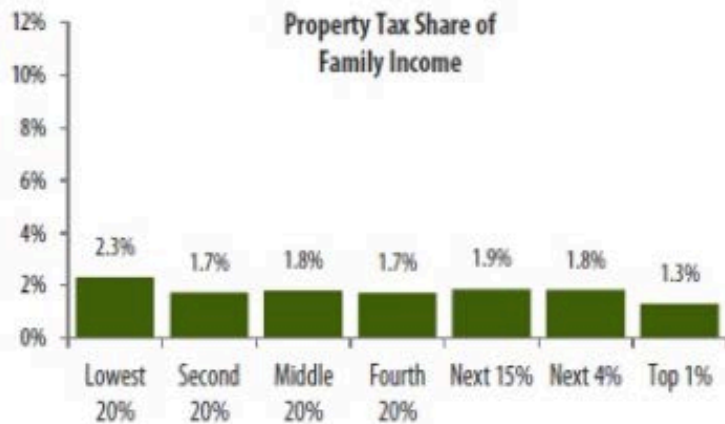
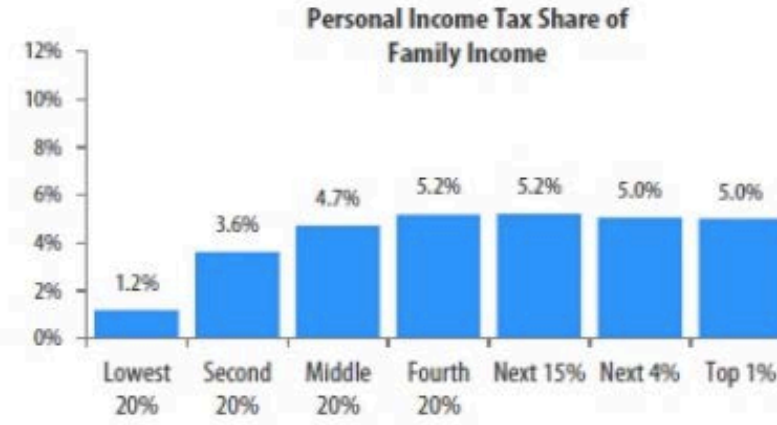
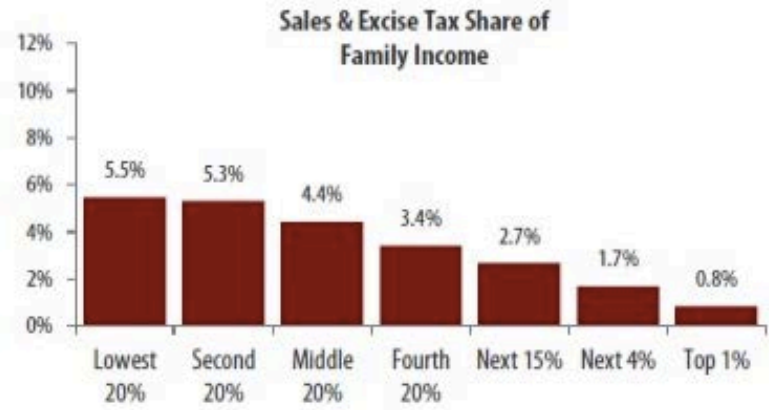
Shares of family income for non-elderly taxpayers



Kentucky Forward Plan

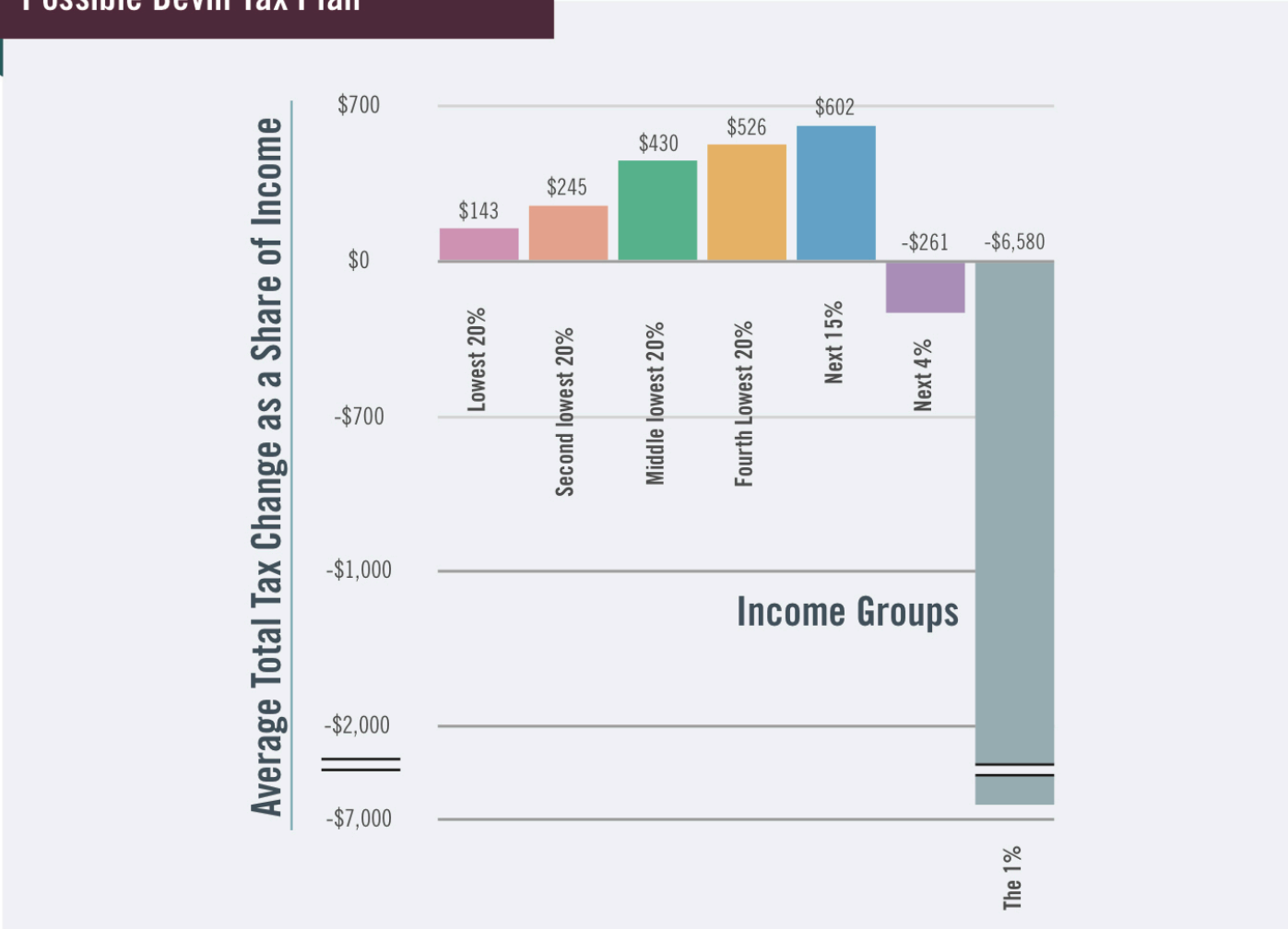


Don't Cut it, Fund It



Don't Cut it, Fund It

Possible Bevin Tax Plan



Don't Cut it, Fund It



NOV
1

Fund Our Pensions Rally

Public · Hosted by United We Stand: KY Government

✓ Going ▾

➔ Share ▾

⋮



Wednesday, November 1 at 5 PM - 7 PM

Next Week · 45–57° Partly Cloudy



Kentucky State Capitol

Show Map

#UnitedWeStand All public employees are invited to join United We Stand - Kentucky Government Employees, Together We Will Bluegrass, the Kentucky Initiative, The New Kentucky Project, Save Our Schools KY, Kentucky Public Retirees, Kentuckians for the Commonwealth, Together Frankfort, and KY United as we rally on the steps of the capitol. Speakers TBA.

We reject the proposed changes to our systems and the challenges to our inviolable contracts, and we demand full funding of our systems.

*This rally is an immediate response to public employees who have been voicing a desire to rally. There will be more. Employees have partnered with grassroots groups and other new organizations who support our cause. We are open to more and many rallies. We stand UNITED. Divided we fail.

Solidarity!

Resources

Resources

Review of pension issues

<http://kypolicy.org/pension-legislation-solve-real-problems-avoid-harmful-consequences/>

Review of Governor's proposal

<http://www.kentucky.com/news/local/news-columns-blogs/tom-eblen/article180001851.html>

<http://www.kentucky.com/opinion/editorials/article180116176.html>

<http://kypolicy.org/pension-framework-makes-harsh-benefit-cuts-adds-costs-without-new-revenue/>

Review of 401(k) consequences

<http://kypolicy.org/kentucky-will-face-transition-costs-switches-401ks/>

<http://kypolicy.org/proposed-401ks-cost-kentuckys-existing-pension-plans/>

<http://www.kentucky.com/opinion/op-ed/article178123441.html>

Level dollar funding explained

<http://kypolicy.org/level-dollar-approach-shifts-enormous-burden-upcoming-budget/>

Questions