

2020 REGULAR SESSION

HOUSE STANDING COMMITTEE ON APPROPRIATIONS & REVENUE  
BUDGET REVIEW SUBCOMMITTEE ON POSTSECONDARY EDUCATION

2nd Meeting

January 30, 2020

The Budget Review Subcommittee on Postsecondary Education of the House Standing Committee on Appropriations & Revenue held its 2nd meeting of the 2020 Regular Session on January 30, 2020, at 10:00 AM, in Room 131 of the Capitol Annex. The Chair called the meeting to order, and the secretary called the roll.

Members Present: Representative James Tipton, Chair; Representatives Jim Glenn, C. Ed Massey, Bobby McCool, and Rob Rothenburger.

Guests: David Eager, Executive Director, Kentucky Retirement Systems (KRS); Dr. Aaron Thompson, President, Council on Postsecondary Education (CPE); Dr. Jay Morgan, President, Morehead State University (MoSU); Dr. David McFaddin, Interim President, Eastern Kentucky University (EKU)

LRC Staff: Nick Peak, Chuck Truesdell, Amie Elam, Jim Thornton, Dillard Collier

**Impact of 2019 Special Session House Bill 1 on Postsecondary Education**

David Eager, Executive Director, KRS, discussed the effects of 2019 Special Session House Bill 1, including the financial impact and decision making process postsecondary institutions must consider. Mr. Eager provided an overview of the current circumstances at KRS and detailed the four exit scenarios and the considerations of each. Dr. Thompson, President, CPE, centered his changes on the problems facing postsecondary education while at the same time making clear that CPE looked forward to working with the legislature. Dr. Morgan and Dr. McFaddin discussed the particular implications of the bill for MoSU and EKU.

In response to a question from Chairman Tipton, Mr. Eager said 11 percentage points of the 93.01 percent Actuarially Required Contribution is for normal costs, and the balance is what is due to pay off the unfunded liability. Mr. Eager answered that all of the universities and half of the quasi agencies requested data from KRS regarding payment options. GRS Retirement Consulting said if the contribution rate is frozen at 67 percent, KRS will lose roughly \$83 million.

In response to a question from Representative Rothenburger, Mr. Eager said that active members recently declined from 43,000 to 33,000. He did not know how much of the decline was due to terminations, outsourcing, et cetera.

In response to a question from Chairman Tipton, Dr. Morgan answered that moving from a percentage of payroll to a fixed cost allocation would be just as crippling for MoSU. However, he said he would reserve judgment until more data is obtained. Dr. McFaddin answered that a fixed cost allocation approach would be an “astronomical” number for ECU as well.

In response to a question from Chairman Tipton, Dr. Morgan stated that out of roughly 900 full-time employees, several hundred are enrolled in the Teacher's Retirement System (TRS), and approximately 200 employees are enrolled in KRS. He said many employees, especially new hires, are opting to join 401(k)-style plans or Optional Retirement Plans (ORPs). He explained that many employees are attracted to this style of plan due to portability. Dr. McFaddin said approximately 30 percent of ECU employees are enrolled in KRS, and 30 percent are in TRS. He agrees that there was a movement toward the ORP approach due to its flexibility.

There being no further business to come before the subcommittee, the meeting was adjourned at 10:52 a.m.