

PENSION STRATEGY 2021

Public Pension Oversight Board

September 22, 2020

CMHC PENSION MESSAGE

AFFORDABILITY

MISSION BEFORE PENSION

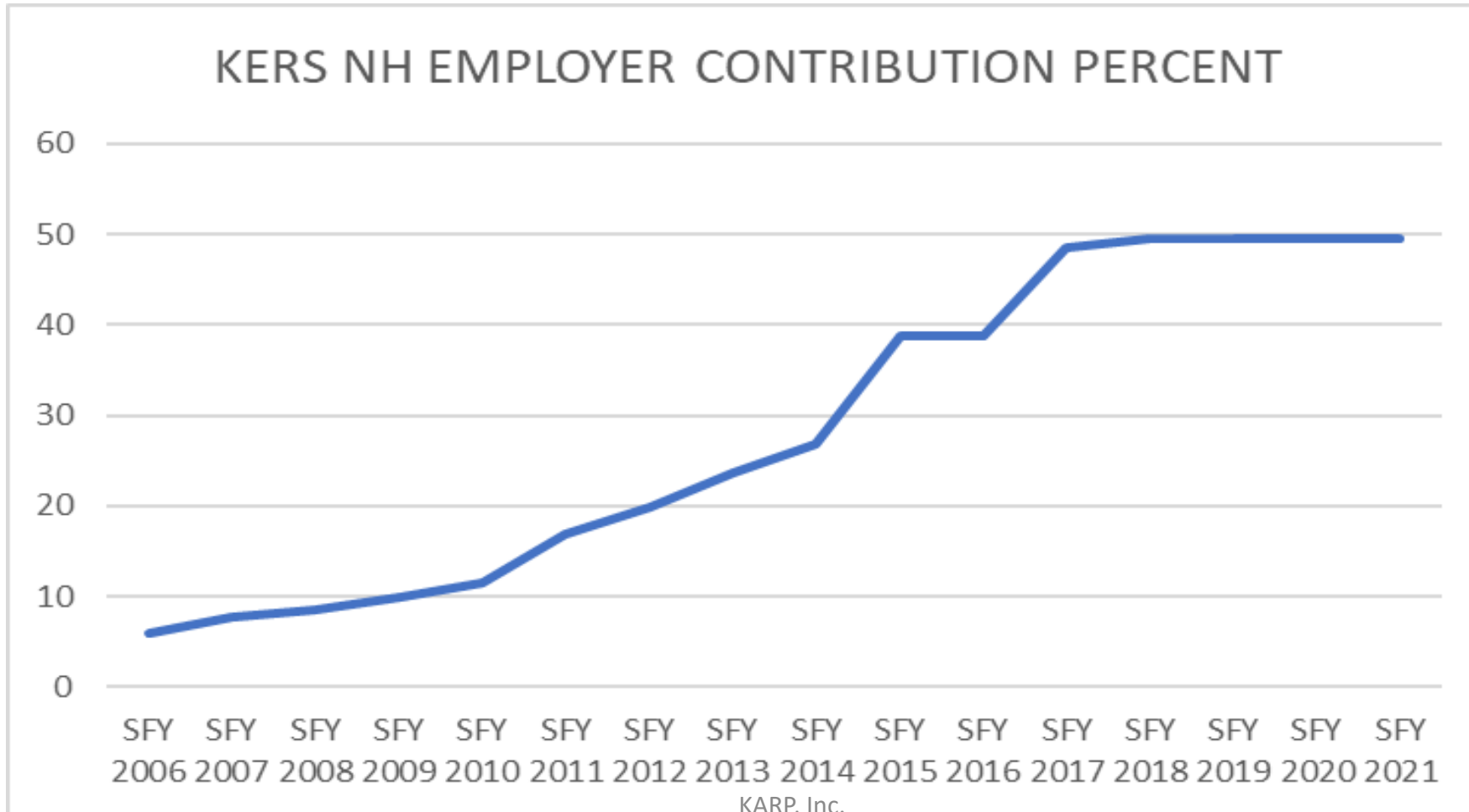
CMHC KERS NH PROPOSAL

- This is not an actuarial model/solution **this is a compromise solution which accomplishes:**
- **Paying off the revised unfunded liability attributed by KRS to the CMHCs in 30 years**
- Meeting the CMHC objective of **AFFORDABILITY** and **MISSION NOT PENSION**
- Maintains current employees in KERS NH Tier 1, Tier 2 & Tier 3

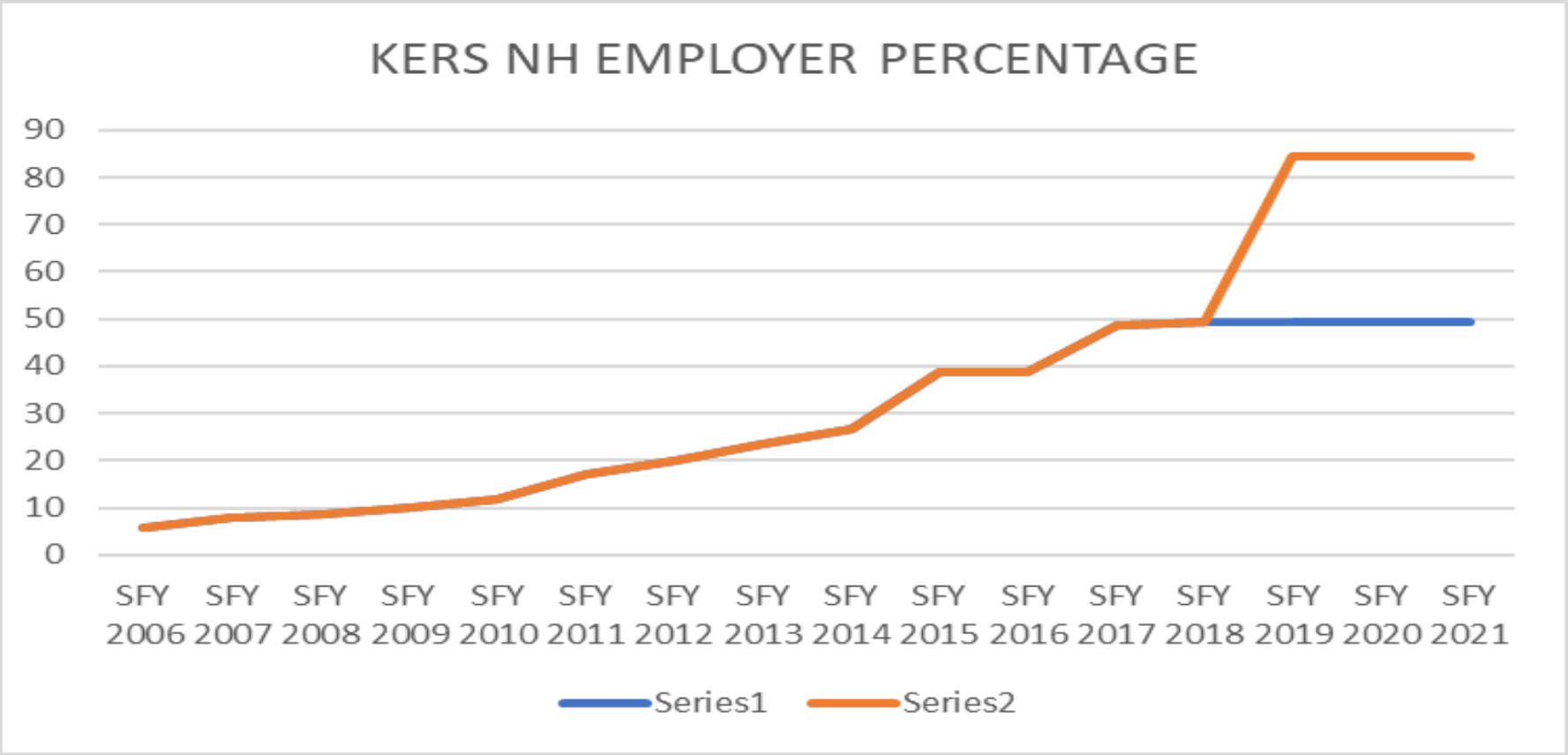
KERS NH Employer Contribution Rate

| | | | |
|-----------|--------|-----------|--------|
| SFY 2006: | 5.89% | SFY 2014: | 26.78% |
| SFY 2007: | 7.75% | SFY 2015: | 38.77% |
| SFY 2008: | 8.50% | SFY 2016: | 38.77% |
| SFY 2009: | 10.01% | SFY 2017: | 48.59% |
| SFY 2010: | 11.61% | SFY 2018: | 49.47% |
| SFY 2011: | 16.98% | SFY 2019: | 49.47% |
| SFY 2012: | 19.82% | SFY 2020: | 49.47% |
| SFY 2013: | 23.61% | SFY 2021: | 49.47% |

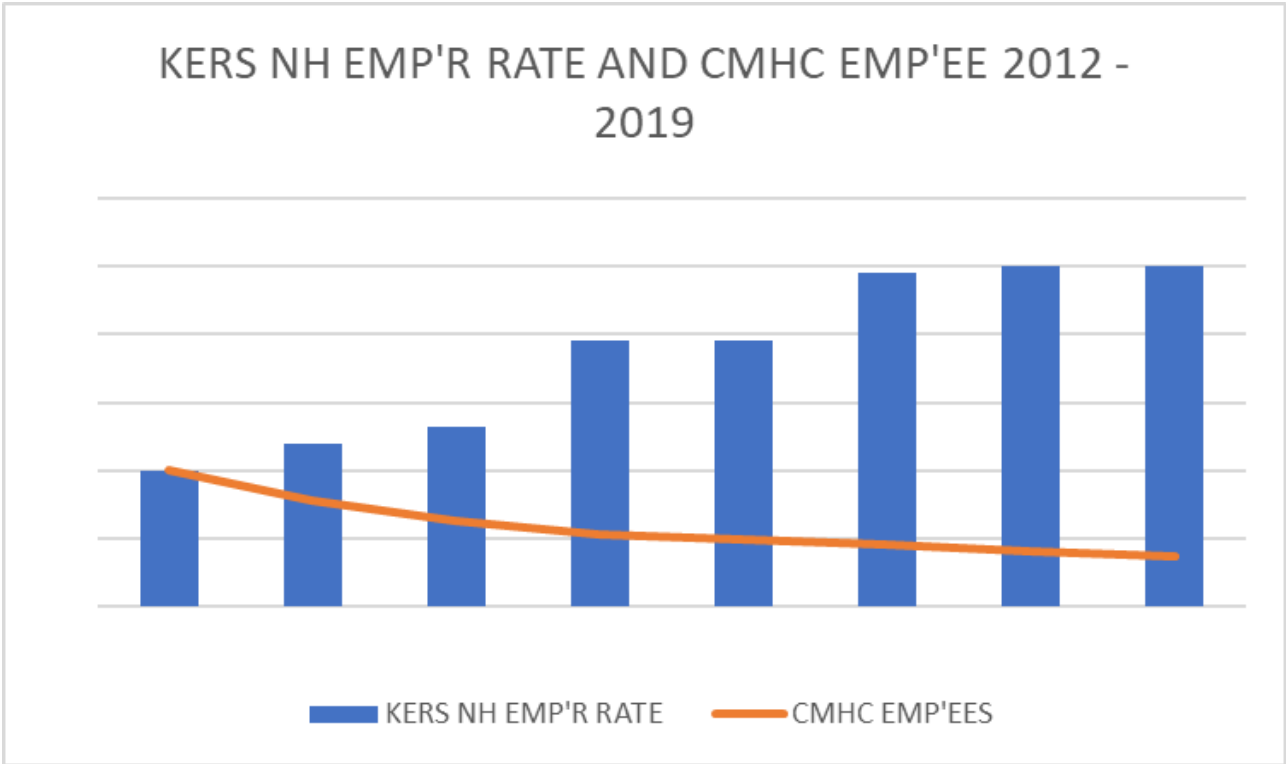
KERS NH Employer Contribution Rate



KERS NH Employer Contribution Rate



ACTION BY PARTICIPATING CMHCs



Top Three Expense

1. Payroll
2. KERS NH Employer Cost
3. Other Benefits

CMHC Request 1

- The actual or estimated aggregate dollar amount of all contributions paid into the Kentucky Employees Retirement System (“KERS”) by or on behalf of the CMHCs and its current and former employees from the date they were first determined to be eligible for participation in KERS to the present date.
- The actual or estimated aggregate dollar amount of all earnings attributable to investments or contributions made to KERS by or on behalf of the CMHCs and its current and former employees.
- The actual or estimated aggregate dollar amount of all payments made by or on behalf of KERS to current and former employees of the CMHCs to date.
- The estimated aggregate dollar amount of all payments to be made by or on behalf of KERS to current and former employees of the Corporation after the date hereof.

CMHC Request 2

- The CMHC share of the unfunded liability should not include any portion of the unfunded liability attributable to individuals hired by the CMHC on behalf of state agencies, including the Cabinet for Health and Family Services, or hired to work at facilities previously operated by the state and now operated by a CMHC on behalf of a state agency
- The impacted CMHCs did receive an administrative cost associated with the personnel or facility operations but long-term payments are not typically an administrative cost.

CMHC Request #3

- The CMHCs pension liability should be calculated on a 30-year payment period with 0.0% interest for the payment period.
- This is the pay-off calculation included in HB 362 2018 General Assembly which was passed by a large majority, vetoed and the veto was overridden by a large majority. During the 2018 General Assembly, both chambers and both parties endorsed this model.
- The current appropriation for SFY '20 and funded for SFY '21 be appropriated to the KRS and credited to the unfunded liability of the participating CMHCs.
 - The appropriation included in HB 352 for SFY '21 is \$23,274,100.

HB 362 2018 General Assembly

- **“The cost of ceasing participation as provided by this subsection shall be financed over a thirty (30) year period by the system beginning July 1, 2019, with no interest payable by the employer ceasing participation . . .” (page 7 of 21, lines 4 – 6)**
 - **Passed Senate 35 – 3**
 - **House concurred 90 – 2 – 8**
 - **Vetoed by Governor**
 - **Veto Overridden by House 94 – 2**
 - **Veto Overridden by Senate 34 – 4**

CMHC Employer Contribution Rate Assumptions

Assumption 1: 30-year payment period with 0.0% interest

Assumption 2: \$23,274,100 is appropriated to KRS and credited to the unfunded liability of each participating CMHC on a pro rata basis.

Assumption 3: The three CMHCs which has hired state employees or operate facilities unfunded liability will be reduced to determine their actual unfunded liability.

Assumption 4: The CMHC employer contribution rate includes net unfunded liability cost plus the normal cost for participating employees.

CMHC Employer Contribution Rates with \$23m Appropriation to CMHCs

| <u>CMHC</u> | <u>Employer Contribution Rate</u> |
|------------------|-----------------------------------|
| Four Rivers | 32.93% |
| Pennyroyal | 45.86% |
| RiverValley | 55.18% |
| LifeSkills | 31.15% |
| Communicare | 39.56% |
| NorthKey | 1285.51% |
| Comprehend | 20.81% |
| Mountain | 28.97% |
| Cumberland River | 29.15% |
| Adanta | 59.01% |
| New Vista | 51.03% |

CMHC Employer Contribution Rates with \$23m Appropriation to KRS Directly

| <u>CMHC</u> | <u>Employer Contribution Rate</u> |
|------------------|-----------------------------------|
| Four Rivers | 12.72% |
| Pennyroyal | 13.65% |
| RiverValley | 14.33% |
| LifeSkills | 12.59% |
| Communicare | 13.20% |
| NorthKey | 102.98% |
| Comprehend | 11.85% |
| Mountain | 12.44% |
| Cumberland River | 12.45% |
| Adanta | 14.60% |
| New Vista | 14.03% |

Conclusion

This is not an actuarial model/solution this is a **compromise solution which accomplishes:**

1. Paying off the revised unfunded liability attributed by KRS to the CMHCs in 30 years
2. Meeting the CMHC objection of AFFORDABILITY and MISSION NOT PENSION
3. Maintains current employees in KERS NH Tier 1, Tier 2 & Tier 3

Why Not 30 years, 0.0% Interest?

- Maintain the Behavioral Health Public Safety Net and while fully funding the attributed CMHC Unfunded Liability
- Meets CMHC objective and KRS objective
- Thank you, any questions?