

STATEMENT FROM KENTUCKY GOVERNMENT RETIREES

On behalf of the 15,000 members of Kentucky Government Retirees, I express our support for BR 424. We believe this bill represents the best opportunity to resolve the funding issue related to quasi-government agencies participating in the Kentucky Employees Retirement System.

The current method of allocating employer contributions by percentage of payroll will lead to chronic underfunding in an environment in which payroll is declining. Employers are incentivized to turn to contract labor to reduce contributions. But those payroll reductions are simply a cost-shifting scheme, as other employers are forced to pay down accrued liabilities.

It is unacceptable to maintain the status quo in which quasi-government employers enjoy an indefinite rate freeze that produces chronic underfunding for the nation's worst funded state pension plan.

BR 424 provides an equitable solution in which employer liabilities are pro-rated among all participating agencies. As the Kentucky Retirement Systems actuary points out, BR 424 will provide "an improved and sustainable funding policy." We appreciate that the fiscal impact of this new policy will vary by employer; for those that would experience an increase in contributions, Kentucky Government Retirees supports a supplemental funding mechanism.

We request that the Public Pension Oversight Board approve BR 424 as one of its recommendations for the 2021 session. Thank you.