

Senator Higdon, Representative Johnson, and members of the Public Pension Oversight Board –

My name is Larry Totten and I am a retiree in the KERS Non-Hazardous plan, having spent over 36 years with Kentucky State Parks. I am the current President of the retiree group Kentucky Public Retirees (KPR). I appreciate the opportunity this afternoon to address the issue of a pension supplement for public retirees.

Please note that I am not using the acronym “COLA” and I do so purposefully. There is no way that the Legislature can provide an actual cost-of-living adjustment to cover the twelve years since our last COLA—that’s a 36% bump through August according to the Bureau of Labor Statistics. Also, COLA has an implication of being an annual adjustment, which we also can’t afford, and is tied to 1.5% in the last legislation that dealt with this.

Instead, KPR is proposing a one-time “13th check”, equivalent to that received by retirees every month. You may ask, “Why?”. We believe a payment of this sort would have a more meaningful impact on a retiree’s life style than spreading it out over years.

Two-thirds of KPPA’s retirees have a pension of less than \$20,000/year. So, using this \$20,000 as an example, a retiree would receive \$1,667 each month. A 1.5% increase would amount to \$25. What can they do with this additional money? Buy a few more groceries; or buy six or seven gallons of gas; or dine at a not-very-expensive restaurant. Yes, they would have this each and every month but is there something better?

If they received a “13th check” for \$1,667, they could put new tires on their car; buy eyeglasses for themselves and their spouse; get some dental work done; or perhaps get a hearing assistance device. It is

recognized that this money would be gone when spent, but we also believe that being able to do any of these things would be more impactful to the retirees day-to-day. It would take almost 67 months – over five and a half years – for a 1.5% COLA to match that \$1,667 single payment.

It's been fourteen months since we've last done these presentations before this committee. Now, like then, I am asking for your understanding of our retirees' needs and your support for a solution. The material that was presented before this committee at its October 2021 meeting cited an estimated cost of \$188 million for a "13th check" option based on June 2020 data. Now, three years later and with about 130,000 retirees, and based on FY23 benefits paid out, that cost is now more likely to be about \$200 million - \$98 million for K- and S- retirees and \$101 million for C- retirees. Also recall from that presentation, that a one-time, permanent increase of 1.5% would cost at least \$352 million.

Providing the required pre-funding for a pension supplement for K- and S- retirees is a pretty straightforward proposition. Pre-funding is approved, money goes in, checks go out. It is not so easy for our friends in the CERS pension because of how they are funded. Any plan that asks for additional dollars to be paid out of those pension trusts could well be met with strong opposition. I do understand this. But I truly believe that someone who has worked for a city park or county road crew is no less deserving of consideration than someone who worked at a state park or a state highway garage. The C- retirees in my group certainly believe this. The average pension for a C-Non Haz retiree is just over \$12,000. It will take creativity, understanding, and compromise but I have to believe that a solution is possible if we all can at least agree that one is.

We believe there is money available to do this as the fiscal environment is favorable. Not only is there a record amount in the Budget Reserve Trust Fund, but all ten KPPA pension and insurance funds handily exceeded their assumed rates of return for the year just ended. As a K-Non Haz retiree, I appreciate Senator McDaniels' comments at last week's A&R Committee meeting about providing funding beyond the ADEC for that pension. We have the financial winds at our backs and have before us what I see is a "Window of Opportunity", one which may not pass our way ever again. Our state obviously has many needs requiring funding and there will be many voices out there looking for their share, just as we are doing here today. Public retirees, like public employees, have no unified voice to speak for us. We retirees rely on our past service to the Commonwealth to do the talking. We are also relying here on your realizing, just as was done with the active state work force, that 12 years is far too long to go without some help.

My hope is that we can take action in the coming months, through this Committee and in the General Assembly, in the budget or by statute, to make something good happen in 2024. KPR stands ready to assist in any way we can.

Thank you.