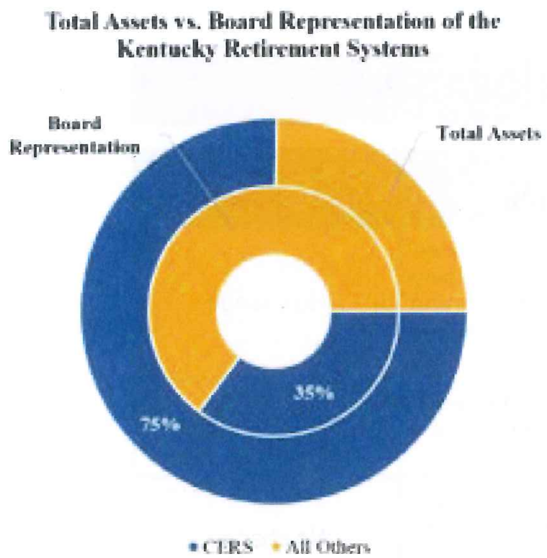
SEPARATE AND SUSTAIN CERS PENSIONS

Employers and employees are calling for the separation of the governance and administration of the County Employees Retirement System (CERS) from the Kentucky Retirement Systems (KRS) to allow for local control of the local tax dollars that fund the local pension system.

CERS is the largest system in KRS, with more than 236,000 members and $10.05 billion in pension assets, but it has only six of the 17 seats on the board that oversees the funds.

Unlike the upward mobility that CERS displays, the **Kentucky Employees Retirement System** (KERS) has had a decrease in its funding ratio. KRS admin expenses increased 245% from FY 2000-2016. At this stage, KERS is the worst-funded system in the country.

The chart below shows the unequal representation CERS has on the KRS Board of Trustees. CERS is 75 percent of the assets and 63 percent of the membership but only has 35 percent representation on the board.



* Separation would create a new 9-member CERS Board of Trustees. Three would be required to have 10 years of retirement management experience, three would be required to have 10 years of investment experience and the three elected CERS representatives on the KRS Board would transition to the new CERS Board.

* The state does not directly appropriate any revenue from its budget toward the CERS ARC, or actuarially required contribution.

HELPING CERS CONTINUE TO GROW

A coalition is calling for local control of local pensions. Separating CERS from KRS strenghtens the future of the pension system by addressing the lack of adequate representation on the KRS Board of Trustees and the lumping of the higher funded CERS into reforms proposed for the Kentucky Employees Retirement System (KERS) that is funded at a crisis level.

CERS STABILITY IS SUPPORTED BY...

KMUA · KCJEA · KGFOA · KLC LEGISLATIVE ADVOCACY · KACo · KSBA · Kentucky County Clerk · KCCMA · KMCA · KEA · FOP · KRPS

WHAT CERS SEPARATION WOULD MEAN

WHAT HAPPENS IF THINGS GO WRONG...

Possible Scenarios	Under Current Law	After Separation
One employer leaves CERS:	Liability is shared with other 1,139 CERS employers.	No change
Multiple CERS employers cease to participate (dissolution or bankruptcy):	Liability is shared with other 1,139 CERS employers.	No change
Almost all CERS employers cease to participate (dissolution or bankruptcy):	Commonwealth is responsible for ensuring that benefits associated with the inviolable contract are paid to	No change
Cost of Living Adjustment (COLA):	1.5% cap; remains suspended unless the General Assembly enacts legislation to provide for prefunding.	No change
CERS Nonhazardous unfunded liability dramatically increases quickly:	Smoothing spreads investment loses over five years, pushing employer contribution rates slightly higher.	No change
CERS Hazardous unfunded liability dramatically increases quickly:	Smoothing spreads investment loses over five years, pushing employer contribution rates slightly higher.	No change
Change in benefits for CERS members:	Changes must be made through legislation enacted by the General Assembly.	No change

IMPACT TO ELEMENTS OF CERS...

CERS Components	Under Current Law	After Separation
CERS structure:	Cost-sharing, multiple-employer defined plan covering all regular full-time employees of each participating county, city and school board, and any additional eligible local agencies	No change
Inviolable Contract:	Benefits cannot be reduced or impaired for members who began participation prior to January 1, 2014.	No change
Hybrid cash balance plan:	Personal accounts are maintained for members that first participated on or after January 1, 2014, and include automatic crediting.	No change
Proportion of all CERS members in retirement system:	63%	100%
Proportion of CERS representatives on Board of Trustees:	35%	100%: 9 members – 3 with 10 yrs' retirement experience, 3 with 10 yrs' investment experience & 3 CERS elected representatives.