



*American Federation of
State, County and Municipal Employees, AFL-CIO*

Distinguished lawmakers,

Thank you all for the opportunity to give testimony on behalf of the hard-working public employees that AFSCME represents across the State of Kentucky. Our members are **(example of job titles)** who deserve to work and retire in dignity.

While, Kentucky's pension systems are underfunded, KRS and TRS are not underfunded because of our hard-working membership, who have been contributing to their pensions with each and every paycheck. Our systems are underfunded because the legislature and previous governors refused to fully fund the systems in the budget. Over the last decade, lawmakers, deferred, skipped, or made only partial payments into the systems.

Due to a lack of funding discipline by previous lawmakers, the unfunded liability has been used by this legislative body to make or attempt changes to the benefits public employees receive. In 2013, all future employees in the KRS system were moved into a riskier and less secure cash balance system. Then, last year, led by Governor Bevin, the legislature attempted to do the exact same thing to teachers – twice, including during a failed special legislative session.

Unfortunately, the same changes proposed to the TRS have failed the KRS system. Ever since new employees in KRS were switched to the new cash balance plan the funding level has worsened, but for teachers, who were not changed, the funding status has gotten better. This is for two reasons. First, the KRS unfunded liability has grown, and will continue to grow, because new employees are not contributing to the pension plan. Second, the TRS system has improved because of the state making a fully payment last year.

And we commend the legislature and Governor Bevin for making the full payments to both pension plans and making an extra payment into KRS.

Kentucky cannot afford to change TRS which will make our situation worse. Making the full payments to the system and implementing long term funding discipline is the smartest solution.

Lastly, I'd like to caution the legislature about the use of the Reason Foundation as a legislative resource. The Reason Foundation's involvement in this debate is politically motivated. Reason does not provide experts that know the ins and outs of our pension systems, rather they use biased data and flawed logic to achieve their political goals. I'd encourage all lawmakers in attendance today to take their "advice" with a grain of salt.

Thank you again for allowing me to testify and I'm happy to take questions if you'd like.

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