

**Public Pensions Working Group Testimony
9:30 am Tuesday February 5, 2019
Room 154 Capital Annex**

From the LRC Website

Review, examine, and analyze the state’s public pension systems, including but not limited to the structure, costs, benefits, and funding of the systems.

The working group, which was created by co-chairs of the Legislative Research Commission (LRC), pending ratification of the full LRC, will conduct a review of the systems’ structure, costs, benefits, and funding.

The working group is authorized to meet as often as necessary at the discretion of the co-chairs during the current General Assembly session, up to March 30, 2019, and if necessary, can meet monthly during the 2019 legislative interim through December 30, 2019.

The group is charged with making recommendations for General Assembly action by Feb. 15, 2019, although the group’s co-chair can request an extension until March 1, 2019, if needed. If even more time is needed to gather information before making recommendations, the co-chairs can submit an additional request for an extension by December 1, 2019.

Members

Member	Counties Represented	CMHC
Sen. Schroder, Co-Chair	Bracken, Campbell & Pendleton	NorthKey & Comprehend
Rep. Miller, Co-Chair	Jefferson & Oldham	Centerstone
Sen. Higdon	Casey, Jefferson, Marion, Nelson & Spencer	Communicare, Centerstone & Adanta
Sen. McDaniel	Kenton	NorthKey
Sen. McGarvey	Jefferson	Centerstone
Sen. Stivers	Clay, Knox, Lee, Owsley, Whitley & Wolfe	KY River & Cumberland River
Sen. Thayer	Grant, Kenton & Scott	NorthKey & Bluegrass
Sen. Turner	Floyd, Harlan, Knott & Letcher	Mountain, KY River & Cumberland River
Rep. Brenda	Garrard, Madison & Rockcastle	Cumberland River & Bluegrass
Rep. DuPlessis	Hardin	Communicare
Rep. Graham	Franklin	Bluegrass
Rep. Scott Lewis	Daviess & Ohio	RiverValley
Rep. St. Onge	Boone & Kenton	NorthKey
Rep. Wheatley	Kenton	NorthKey

Good Morning, thank you for the opportunity to testify today. My name is Steve Shannon and I am the executive director of KARP, an association of ten (10) Community Mental Health Centers (CMHCs), nine (9) of which participate in KERS Non-Hazardous. The one (1) member which does not participate is Pathways which has never participated.

The CMHCs serve and support approximately 180,000 of our family members, friends, neighbors, classmates and co-workers annually – this is about one (1) out of every twenty-five (25) Kentuckians. In addition, CMHCs employ in excess of 8,000 individuals including direct support professionals, therapist, accountants and physicians: last data indicated approximately one (1) of two hundred (200) working Kentuckians are employed by a CMHC. The CMHCs are led by over 300 voluntary board members.

CMHCs make all KY communities better through excellent services & supports, good jobs and voluntary community leadership.

Today we are discussing how the KERS non-hazardous public pension system impacts the participating CMHCs. I would prefer to highlight success stories, CMHC response to local community crises and service delivery challenges and opportunities. However, these topics all are impacted by participation in KERS. Each decision made by CMHC boards and executive leadership first runs through the KERS filter: how will KERS impact this action? The scope of KERS cannot be underestimated.

We greatly appreciate the two (2) sources of relief we received last session by the governor and the General Assembly. The CMHCs receive approximately \$23.27 million to help offset the cost of the employer contribution and all the Quasi's employer contribution rate remained at 49.47% for SFY 2019 as opposed to increasing to 83.43%.

The increase to 83.43% was and still is projected to cost the participating CMHCs an additional \$30.55 million. KRS has reported maintaining Quasi's at 49.47% resulted in the loss of approximately \$132 million in employer contributions. While acknowledging the system needs additional funding the CMHCs are unable to contribute the approximate \$30.55 million. If the CMHCs are required to contribute 83.43% of payroll in SFY 2020 (effective July 1, 2019) they will need to make tough management decisions to meet the escalating cost. The decisions will most likely result in less access to services and supports for the most vulnerable Kentuckians who rely upon the behavioral health public safety net.

Therefore, our first request is to maintain the Quasi's, including the CMHCs, at the current employer contribution rate of 49.47% for SFY 2020.

Next, we would like to respond to some of the testimony and questions we have heard regarding KRS.

For the CMHCs the message is simple and direct: the system must be affordable – AFFORDABILITY is our primary concern. We have heard and understand the rationale for level dollar funding as a strategy to address the unfunded liability. Therefore, the

question is how can the participating CMHCs achieve their objective of affordability during the implementation of level dollar funding over a fixed time period?

Therefore, our second request is to rate the CMHCs based upon their pension experience.

We believe that if the CMHCs are rated based upon their own experience the dual objectives of affordability and the implementation of level dollar funding over a fixed time period can be accomplished. The rationale to rate CMHCs as a distinct group is based upon the following five factors:

1. CMHCs experience a higher turnover rate than traditional state positions
2. CMHCs have many lower wage positions which participate in KERS but most of the employees in these positions do not become vested; thereby never receiving the retirement benefit
3. Many CMHC employees work to gain the necessary experience for independent licensure and then leave the CMHC to enter private practice.
4. Some CMHCs have operated facilities and hired staff for state agencies and those retirement costs belong to the state agency.
5. KRS data indicates the CMHC retirement benefit is less than the average benefit

It should be noted we are not opposed to level dollar funding over a fixed period contingent upon the CMHC experience is used to determine the level dollar funding level needed from the CMHCs. We neither support the shared cost model being discussed nor the proposed calculation based upon current level of participation since that would result in the CMHCs subsidizing the cost of other participating employers.

When we meet with an individual accessing services for the first time we try to learn as much about their experience as we can. This information directly impacts the services and supports which best meets the individual's needs. We value this information since it imperative to fully understand where the person has been to help them get to where they want to be. This is a sound therapeutic approach therefore it is recommended the same approach be taken with the implementation of level dollar funding. Know what the CMHCs experience have been before determining what is the best course of action.

In conclusion, our requests are twofold: maintain the current employer rate of 49.47% for Quasi's in SFY 2020 and when implementing level dollar funding during a fixed time period rate the CMHCs based upon their experience.

The CMHCs are mission driven organizations whose mission is to provide those needed behavioral health public safety net services. The management decisions forced by KERS employer contribution rates clearly do not further the mission. Our message remains the same as last session – MISSION NOT PENSION!

Thank you.