



Pension Presentation for PPWG

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Who We Are



KTEA

- Open to all employees of the Transportation Cabinet
- Around 2,000 members
- KERS-NH members, only a handful KERS-H



KATE

- Open to all current and retired Engineers in the Transportation Cabinet
- Around 500 members
- KERS-NH members

KERS-NH Pension Reforms

2008 Tier 2

- Rule of 87
 - Minimum Age 57
 - Age + years of service = 87
- Limits on Sick leave service credit
- Up to 2% factor for 30+ years
- Employee pays 5% to Pensions + 1% for health insurance

2013 Tier 3

- Rule of 87
 - Minimum Age 57
 - Age + years of service = 87
- Retirement Annuity based on Accumulated Cash Balance
- Guaranteed 4% return on investments, with upside sharing
- Employee pays 5% to Pensions + 1% for health insurance

Past Pension Reforms

- Bipartisan
- Stakeholders were engaged
- Actuarial Data drove changes
- Line in the Sand
- No Inviolable Contract issues
- Long Game – changes required full funding

“This is a shining example of how government should tackle pressing problems facing the state. Public pension reform was accomplished through a bipartisan, bicameral and collegial way.”

- Sen Robert Stivers

River City News 3/26/2013

Effects on Recruiting and Retention

- Hiring Challenges

- Highway Maintenance Crews
- Engineering Staff

- Retention Issues




- Costs associated with Hiring
- Training Costs
- Minor leagues

Effects on Recruiting and Retention

- Boone / Kenton / Campbell Maintenance Crews
 - 26 employees left since 2013
 - Most senior employee has 12 years experience
- Unstable staffing leads to unnecessary outsourcing of routine work
- Contractors / Consultants perform work at higher costs



2018 KRS MEMBER BREAKDOWN

				TOTAL
		Initiated 2008	Initiated 2014	
ACTIVE	63,547	26,589	43,283	133,419
INACTIVE	88,274	27,297	19,392	134,963
RETIRED	110,553	352	1	110,906
TOTAL	262,374	54,238	62,676	379,288

2018 Proposed Pension Changes (KERS-NH)

- Sick Leave service credit
 - KRS 61.546
- Increased contribution for Health Insurance at retirement
 - Hired between 7/1/03 and 9/1/08
- Minimal Impact to Unfunded Liability
- Inviolable Contract Issues

KRS 61.692

- For members who begin participating in the Kentucky Employees Retirement System prior to January 1, 2014, it is hereby declared that in consideration of the contributions by the members and in further consideration of benefits received by the state from the member's employment, KRS 61.510 to 61.705 shall, except as provided in KRS 6.696 effective September 16, 1993, constitute an inviolable contract of the Commonwealth, and the benefits provided therein shall, except as provided in KRS 6.696, **not be subject to reduction or impairment by alteration, amendment, or repeal.**

Moving Forward

Future Reforms?

- “The passage of pension reform [in 2013] is not only a major public policy achievement **that will place our pension system on the path to solvency**, but also an example of a bipartisan consensus which proves that elected leaders can still work together in Frankfort.”

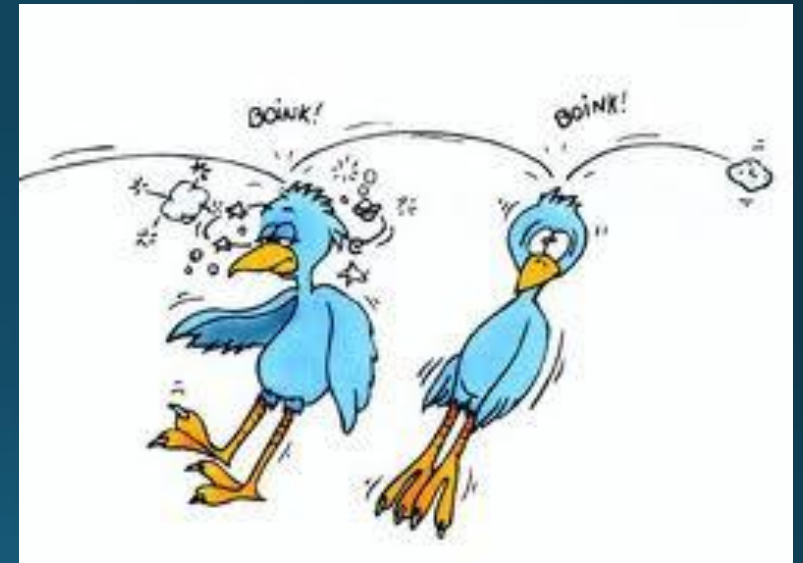
- Sen Damon Thayer

Most Important thing YOU can do:

Continue providing FULL funding

Hire more state employees and pay them fairly

- Reduces agency costs due to outsourcing
- Increases contributions into Pension Systems
- Tier 3 employees have minimal liabilities
- COLAs needed for employees (Payroll Growth)



Build on everything you are doing RIGHT!

- Continue legislative oversight
 - PPOB
- Transparency bills
- Realistic assumptions
- FULL funding

