Senator Schroder, Representative Miller and members of the Public Pension Working Group –

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 appreciate the opportunity to provide some thoughts for your consideration this morning.

I am here today as President of Kentucky Public Retirees, a group of about 4,000 retirees across the state who draw their pension benefits from KERS, CERS, or SPRS. I am also here today as one of those persons in the "Retired Lives Liability" group that David Eager spoke of last week being 73% responsible for the unfunded liability in KERS NH. And, I am also here today as someone who shares some blame for the situation in which my pension plan finds itself. Today, I am disappointed with myself for not having paid more attention to our fund over the years. My KRS statements came in the mail every August, I looked at them happy to see the numbers increasing, but then just filed them away totally oblivious to the increasingly-perilous situation as it developed. I should have looked deeper – we all should have looked deeper - but, as filmmaker Billy Wilder has said, "Hindsight is always 20-20."

Our members often ask me, "Am I going to keep receiving my pension?" My answers, sometimes nuanced a bit by what might be going on here in Frankfort, have always been positive. I can say yes to them because I see a significant focus to ensure that we achieve stability and growth from everyone involved, from the KRS Board and staff to the Legislature and Governor. I can say yes because of the public commitments made by those responsible for making it happen who have repeatedly said this is an obligation that must be paid. And I can say yes because whatever sins of the past there might have been, they will no longer go unnoticed.

There are three points I want to emphasize today. First, we believe the basic, core principle that must be adopted by Legislatures and Governors now and in the future is that our public pension plans must receive 100% of the employers' actuarial determined contribution every year. This current situation requires a 25-30 year commitment to this principle. Recent legislation providing for a new funding methodology for the KRS plans must be passed in this Session. Changing from level percent of payroll to a mix of normal cost and level dollar funding is especially critical to KERS NH and SPRS as they move forward onto a path toward solvency. Resetting the amortization period to a new 30-year schedule, however, should be approached cautiously – can we ever hope to get to the end of the road when we push it out into the future every five years or so?

Second, CERS separation from KRS should be considered cautiously and certainly not until after the KRS Administrative Subcommittee presents its report this December. The prime argument being made in favor of separation is that CERS assets can be managed better separately. But can they really? Applying the SB 226 model here, legislators are being asked to support creating a new pension system in which six of its nine Board members would be appointed solely by the three advocacy groups pushing hardest for this change. Those same advocacy groups have as their primary constituents, for whom they lobby before the Legislature, the employers of CERS employees and retirees. What might happen should a situation arise in the future, similar to the recent one involving a change in actuarial assumptions and the resulting increase in employer contributions, in which a CERS Pension Board recommends ARC contributions that the CERS employers say they can't afford? That Board then becomes at odds with these employers. The former deserves fiduciary independence while the latter will demand intercession on their behalf. And both parties will be looking at the same three advocacy groups to support their position. In September, just after the City of Fort Wright's lawsuit against KRS was tossed, Mayor Dave Hatter was quoted in a newspaper article saying, "*CERS would be its own standalone thing and cities,* *through a board, would be able to control how the money is being invested and so forth because at this point, we don't have control."* So, who will be in charge – the CERS Board, the employers, or the advocacy groups? As the KRS analysis of separation has shown, millions of dollars will have to be spent to implement and maintain yet another pension system not to mention an incalculable number of work hours from KRS employees that would have to be spent to make it happen. Perhaps the real solution here is not to allow CERS to go its separate way but, rather, to improve KERS and SPRS so that all of the pension plans move forward on more stable footing.

Finally, we believe that our state government continues to require additional revenues to fund the services which its citizens require. Paying the required amounts into the pension plans should not starve other necessary programs and services. We should be able to afford both pensions and textbooks. The avenues for increased revenues are many, so much so that perhaps a "Revenue Working Group", one that would allow outside input before further changes to the tax code are made, be authorized by the current General Assembly to publicly review the possibilities before any actions are taken by the 2020 General Assembly.

Thank you.