

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement

Minutes of the 3rd Meeting of the 2022 Interim

September 21, 2022

Call to Order and Roll Call

The third meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Wednesday, September 21, 2022, at 9:00 AM, in Room 131 of the Capitol Annex. Representative Myron Dossett, Co-Chair, called the meeting to order, and the secretary called the roll. Representative John Blanton, Co-Chair, chaired the last half of the meeting.

Present were:

Members: Senator Michael J. Nemes, Co-Chair; Representatives John Blanton, Co-Chair, and Myron Dossett, Co-Chair; Senators Adrienne Southworth, Reginald Thomas, and Stephen West; Representatives Kevin D. Bratcher, Jeffery Donohue, Jim Gooch Jr., Derrick Graham, Mark Hart, Adam Koenig, Michael Meredith, Suzanne Miles, Jerry T. Miller, Phillip Pratt, Josie Raymond, Nancy Tate, and Buddy Wheatley.

Guests: David Eager, Executive Director, Kentucky Public Pensions Authority (KPPA); Danny White, FSA, EA, MAAA, Regional Director and Actuary, GRS Consulting; Janie Shaw, ASA, EA, MAAA, Consultant, GRS Consulting; and, Tim Hughes, Senior Trade Advisor, Kentucky Department of Agriculture (KDA).

LRC Staff: Emma Mills and Spring Emerson.

Approval of Minutes

A motion was made by Representative Gooch to approve the minutes of the August 17, 2022 meeting. The motion was seconded by Co-Chair Nemes, and the minutes were approved by voice vote.

Kentucky Public Pensions Authority

David Eager, Executive Director, KPPA, provided an overview of the impact of supplemental payments into the Kentucky Employees Retirement System (KERS) non-hazardous fund, as well as the State Police Retirement System (SPRS) funds.

Chair Dossett commented that it is important to look at the impact to the Teachers' Retirement System (TRS), and consider including additional funding into the pension plans in order to help make the plans more sustainable. Director Eager said we are moving in the right direction, and additional funding would help.

In response to questions from Representative Bratcher, Director Eager said the KERS non-hazardous plan is currently funded at 16.8 percent. The KERS hazardous plan, and the SPRS, are currently funded at over 50 percent. The annual cost is currently at 9.9 percent of payroll, and would be approximately four percent in 2042. The Actuarially Required Contribution (ARC) would be reduced to the normal cost when the liability is paid off. Tier Three in KERS would be a more stable investment as compared to a typical 401(k).

In response to questions from Representative Meredith regarding the effect of the recent across-the-board salary increase, Mr. White said the salary increase was not included in the actuarial evaluation. Even though the one-time event was bigger than previously assumed, it is still relatively small in magnitude overall. Director Eager added that evaluations are performed annually on June 30, and all economic assumptions are considered in the process. Tier Three has far less liability than the risk that came with Tiers One and Two.

In response to a question from Senator Southworth regarding other sample calculations on the sliding scale, Director Eager said other number scenarios can be provided if requested.

In response to a question from Co-Chair Blanton regarding cost of living adjustments (COLAs) for retirees, Director Eager said that is being discussed in the Public Pension and Oversight Committee (PPOB), and is currently beyond funding. Pre-funding just 1.5 percent would amount to billions of dollars.

In response to a comment from Representative Miller regarding COLAs being pre-funded versus applying a one-time investment, Director Eager said the amortization schedule had been reset and, as a result, six years were lost. There are tough choices to be made, due to the amount of need.

Co-Chair Dossett expressed his appreciation for the information provided, and commented that more funds are needed over the amount of the ARC. Director Eager said any funds received over the ARC are invested in the plan.

Kentucky Department of Agriculture

Tim Hughes, Senior Trade Advisor, KDA, provided an overview of the impact of recent flooding in Eastern Kentucky.

Co-Chair Blanton commented that people do not necessarily think of farming in Eastern Kentucky due to the hilly terrain. The farmers' market programs in the area do well and there are cattle farmers in the area also. He expressed his concern for the loss of hay as a result of the catastrophe.

In response to a question from Co-Chair Blanton regarding the loss of hay, Mr. Hughes said the KDA is working closely with the Mountain Cattlemen's Association, and a number of other county associations in the area. There is a concern for the pastures that were underwater for a number of days, and covered with mud and debris, which will require reseeded. The KDA is researching vendors that may be willing to donate or supply seed at a lower cost. A number of conservation districts have shared use of equipment such as no-till seeders, and the KDA is looking into those and other offers of assistance through the county extension services. Also of concern is the trucking shortage as well as high fuel prices. Co-Chair Blanton commented that the loss of fertilizers through water contamination should also be considered.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 10:06 AM.