

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

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

Minutes of the 4th Meeting of the 2019 Interim

November 19, 2019

Call to Order and Roll Call

The fourth 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 Tuesday, November 19, 2019, at 8:00 AM, in Room 131 of the Capitol Annex. Senator Robby Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Jim Stewart III, Co-Chair; Senators Dennis Parrett and Phillip Wheeler; Representatives Kevin D. Bratcher, Mark Hart, Adam Koenig, Michael Meredith, Suzanne Miles, Jerry T. Miller, Patti Minter, Phillip Pratt, Wilson Stone, and Nancy Tate.

Guests: Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System (TRS); Andrew Powell, Henderson County Property Valuation Administrator (PVA); and, Cindy Martin, Boone County PVA and Chair, PVA Budget Committee.

LRC Staff: Chuck Truesdell, Emma Mills, Liz Columbia, Nick Peak, and Spring Emerson.

Approval of Minutes

Chair Mills called for a motion to approve the minutes of the October 1, 2019 meeting. Motion was made by Representative Koenig, seconded by Representative Hart, and the minutes were approved without objection.

Retired Teachers' Health Insurance

Mr. Barnes provided a brief overview of retired teachers' health insurance within the Teachers' Retirement System.

In response to questions from Representative Miller regarding the cost of retired teachers' health insurance, Mr. Barnes said one reason for the increase in the funding ratio from 36 percent to 46 percent was due to proactive cost-controlling measures. There are twenty-five years remaining on the amortization schedule for the unfunded liability of pensions, which increased for the third consecutive year. The funded ratio from fiscal year 2018 to fiscal year 2019 went from 57.7 percent to 58.1 percent. The ten-year projection is looking better than previously expected. Mr. Barnes explained that the drop in the TRS budget request from \$79 million to \$73 million in the first year, and from \$86 million to \$81 million in the second year, is without the non-single subsidy, based on the 2018 evaluation.

In response to questions from Representative Meredith regarding the genetic testing, Mr. Barnes said there are many possibilities for various tests, such as predispositions to addictions or breast cancer, even though this program only tests for drug compatibility in patients. Mr. Barnes will provide contact information for the testing company to the committee at a later date.

In response to a question from Representative Meredith, Mr. Barnes said investment adjustments are made as necessary whenever the market fluctuates.

In response to a question from Co-Chair Stewart regarding the differences in the TRS and the Kentucky Employees' Retirement System (KERS), Mr. Barnes said retired teachers pay a portion of their health insurance premiums, whereas KERS pays that on behalf of retired state employees.

In response to a question from Representative Tate, Mr. Barnes said statute gives the TRS Board the authority to make changes to the health benefit coverage provided to teacher retirees.

In response to a question from Chair Mills, Mr. Barnes said from 2005 to 2010, a portion of the pension contribution was reallocated to fund medical insurance and had been repaid with interest. The Commonwealth issued a bond in the amount of \$467 million in August 2010, with \$2 million of that being used for the cost of the bond. Therefore, \$465 million was used to repay the pension fund in full.

Property Valuation Administrators (PVAs)

Mr. Powell and Ms. Martin provided an overview of budgetary issues of the PVAs.

In response to questions from Representative Meredith, Mr. Powell said a statewide mapping initiative has been discussed, is still in its infancy, and cost estimates will be provided at a later date.

In response to questions from Representative Stone, Ms. Martin said there are 634 PVA employees across the state that are reallocated by formula based on parcels, which is determined by the PVA Association.

In response to a question from Representative Hart, Ms. Martin said the requested \$16.2 million would restore PVA funding back to 2009 levels. Mr. Powell added that they are working toward being the most productive with the least amount of burden.

In response to questions from Co-Chair Stewart regarding the gap in health insurance coverage due to different swearing-in dates for different officials, Ms. Martin said PVAs are sworn in on the first Monday in December and their health insurance starts on February 1, while county officials are sworn in on January 1.

Chair Mills thanked all the PVAs that were in attendance. There being no further business before the subcommittee, the meeting was adjourned at 9:25AM.