

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2018 Regular Session**

Part I: Measure Information

Bill Request #: 1047

Bill #: SB 92

Document ID #: 2019

Bill Subject/Title: AN ACT relating to pensions for city employees.

Sponsor: Senator Dorsey D. Ridley

Unit of Government: City County Urban-County
 Charter County Consolidated Local Unified Local
Government

Office(s) Impacted: Former third class cities with pension plans.

Requirement: Mandatory Optional

Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing

**Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local
Government**

The fiscal impact of BR 1047 on local government is indeterminable.

Currently, former third class cities that administer their own pension funds may increase the amount of civil service pension benefits for those retirees hired before August 1, 1988 based on the consumer price index as provided by the Department of Local Governments. These cities may also increase policemen and firefighter pension benefits based on the same cost-of-living increase that the Social Security Administration uses.

BR 1047 gives third class cities **the option** of providing an increase in retirement benefits for civil service employees hired before August 1, 1988 and for policemen and firefighters based on the cost-of-living increase for a recipient of Social Security **or** what is currently used, the increase in the consumer price index as calculated by the Department of Local Government. The maximum increase will remain at 5%.

House Bill 398, enacted in 1988, closed entry to new enrollees to most local defined-benefit pension plans and gave existing members the choice to stay in their existing plan or move to the County Employees Retirement System (CERS).

There are currently 30 local defined-benefit pension plans outside of CERS in 22 cities. The only one still accepting new enrollees is the plan for Lexington –Fayette County police and firefighters.

22 Plans For Police And Firefighters			8 Plans For Other Employees	
Ashland	Glasgow	Mayfield	Ashland	Lexington-Fayette
Bowling Green	Hazard	Murray	Covington	Newport
Corbin	Henderson	Newport	Franklin	Owensboro
Covington	Hopkinsville	Owensboro	Henderson	Paducah
Danville	Lexington-Fayette	Paducah		
Fort Thomas	Louisville (2 plans)	Richmond		
Frankfort	Madisonville	Winchester		

The average pension for Lexington-Fayette County police and firefighters was \$50,091. For 14 of the 29 closed plans, the average pension was between \$15,000 and \$20,000. Five plans had an average of less than \$10,000 and five had an average of more than \$20,000.

There are 2,163 retirees and beneficiaries in the 30 local pension plans. The Lexington-Fayette County police and firefighter plan has 1,070 retirees and beneficiaries. The remaining 29 plans have 1,093 retirees and beneficiaries. Of the plans closed to new enrollments, four systems have one active employee each. The remaining 25 systems have no active employees. Louisville has more than 30 percent of the retirees and beneficiaries of closed plans. Covington has more than 10 percent. Thirteen cities have 30 or fewer retirees and beneficiaries, including five cities with 10 or fewer.

**The above statistics came from LRC Publication 441, Local Defined-Benefit Pension Plans in Kentucky adopted June 11, 2015.*

The most recent ten-year average available reflects CPI on average is 0.16% (rounded) higher than COLA. (*Note: COLA is based on CPI-U)

YEAR	COLA	CPI-U
2017	2.00	2.10
2016	0.30	0.70
2015	0.00	0.80
2014	1.70	1.50
2013	1.50	1.70
2012	1.70	2.96
2011	3.60	1.50
2010	0.00	2.72
2009	0.00	0.10
2008	5.80	4.08
10 Yr Avg	1.66	1.82
Difference		0.16

If the local government when calculating an increase for **civil service retirees** opted to use the COLA instead of the CPI index as currently required, the benefits would be slightly less based on the ten-year average.

If the local government when calculating an increase for **policemen and firefighters** opted to use the CPI index instead of the COLA currently required, then benefits would be slightly more based on the ten-year average.

BR 1047 allows for either to be used at the discretion of the local government.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Part II section above pertains to the bill as introduced. There are not any prior introduced versions of the bill to complete the Part III section.

Data Source(s): LRC Publication 441, LRC Staff

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