



KENTUCKY PUBLIC PENSION COALITION

INVESTMENT MATTERS MOST

Learn how public pensions support
\$4.9 billion in economic output
in communities across Kentucky.



ECONOMICS OF KENTUCKY PENSION SYSTEMS

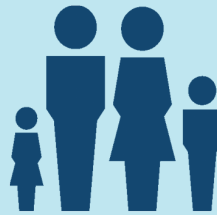
- Across the county, state and local pension funds play an important role in the economies of state and local communities. In 2014, retiree spending of pension benefits generated \$1.2 trillion in total economic output, supporting some 7.1 million jobs across the U.S.
- That impact is felt throughout Kentucky. According to the National Institute on Retirement Security (NIRS) and AARP, public pensions make a substantial impact on the state's economy.

KENTUCKY PUBLIC PENSIONS' IMPACT



\$4.9 billion

in economic output
generated



33,748 jobs

supported across
the state



\$751.2 million

produced in federal, local,
and state tax revenue

WHAT ARE KRS AND TRS?

Kentucky has two major pension systems, the Kentucky Retirement System (KRS) and the Teachers Retirement System (TRS). These systems are comprised of several different pension plans that provide retirement security to hundreds of thousands of Kentucky public employees, including police officers, firefighters, county employees, and teachers. These pension plans were set up so that after years of civil service, often at a pay rate substantially lower than the private sector, public employees would receive a secure retirement. Public employees and their employers - state, county, or city governments - contribute to their pension plans. TRS is a stand-alone fund, while KRS has five different funds for public employees, depending on their classification.

HOW ARE PENSIONS FUNDED?

- The employee and employer contributions are combined and invested to increase the size of the overall pension fund. In fact, most pension checks are about 2/3 investment earnings vs 1/3 original contributions.
- Between 1993 and 2014, 56% of KRS and TRS funds were the result of investment earnings. Because they are able to pool risk, optimize asset allocation, bargain for lower fees and generate higher returns through the size of their funds, pensions end up costing less than a 401(k) plan.

WHY DO PEOPLE SAY OUR PENSION SYSTEMS ARE IN BAD SHAPE?

UNDERFUNDING

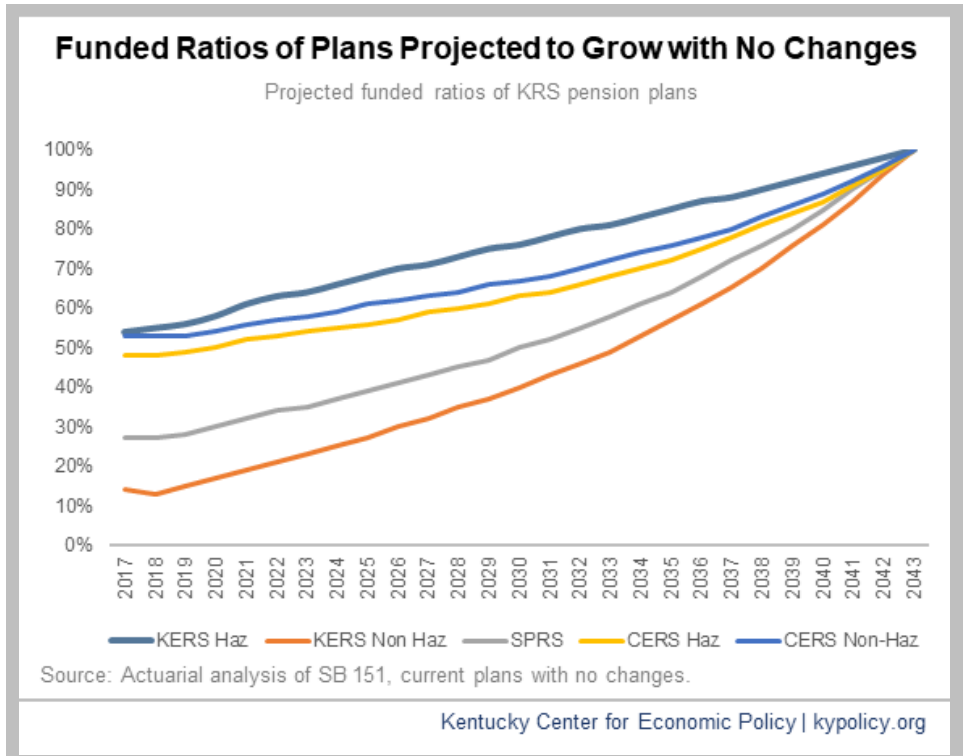
For most of the last two decades through 2014, the state did not pay their fair share (the Actuarially Required Contribution, also known as the ARC payment, or employer contribution) into the state's pension systems. Combine that with the investment losses during the Great Recession and "Dot.com" bubble and Kentucky's systems have the unfunded liabilities they have today. Meanwhile, public employees paid their share each and every paycheck.

2013 REFORM

In 2013, Kentucky lawmakers moved all newly hired public employees, with the exception of public school teachers, to a cash balance hybrid-style retirement system. Although employees and employers are paying into Kentucky's pension systems, the payouts are more like those of a 401(k). Cash balance systems do not provide as secure of a retirement to public employees as a pension does, which provides a set monthly benefit throughout retirement. In 2018, lawmakers attempted to switch all newly hired teachers into a similar cash balance system. It is worth noting by law teachers as well as many firefighters and police officers in Kentucky are prevented from participating in Social Security.

FUNDING DISCIPLINE MATTERS MOST

- The states that have experienced the most success with their public pension plans are the ones that consistently fully fund their pension plans each year. No changes to plan design can make up for the losses if the funding is not adequate.
- After experiencing severe losses during the "Dot.com" bubble and the Great Recession, public pension funds across the nation and in Kentucky are recouping their losses and returning to healthy funding levels on average. According to the National Conference of Public Employee Retirement Systems, the average funded level in 2017 was 71.3 percent. The average funding level in Kentucky is lower because of chronic underfunding and recent changes in the way that these calculations are made.
- Lawmakers have a duty to bring public employees' pension funds back from the brink of insolvency, specifically the KERS non-hazardous plan. If lawmakers continue to make the required employer contribution, as public employees do without fail, the plan will rebound.



WHY AMERICANS WANT RETIREMENT SECURITY AND PENSIONS

Our communities are stronger when working people have good-paying jobs and a secure retirement. 86 percent of Americans say our nation's political leaders should prioritize retirement security for working families and 85 percent of Americans believe that all workers should have access to a defined benefit pension.

In Kentucky, KRS and TRS provide a dignified retirement to all of our hard-working public employees.



Public employees and retirees have joined together to form the **Kentucky Public Pension Coalition**. The purpose of the Coalition is to defend and preserve retirement security for the workers and retirees of the Commonwealth, its city and county governments, and school systems across Kentucky.

The Coalition represents the interests of more than 350,000 Kentuckians who have worked hard serving the Commonwealth and expect to be involved in any conversations regarding their retirement security.

CONTACT US:

protectpensions.org/states/kentucky

 /KentuckyPublicPensionCoalition

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