

Governor Beshear's Working Group Studies Solutions to KTRS Funding Issues

Background

Recognizing the chronic underfunding of the Kentucky Teachers Retirement System (KTRS), in June Gov. Steve Beshear named a KTRS Funding Working Group to:

1. Review best practices in pension benefits and make recommendations on principles to assure a sustainable high quality education work force; and
2. Review funding options and make recommendations for improving the solvency of KTRS.

It has become apparent through all the information that the group has gathered that changing benefits for current or future teachers will only relieve a very small portion of the funding issue, especially when compared to the cost to individual teachers. The real funding problem for KTRS is its accumulated unfunded liability which resulted from the great recession that started in 2008 and chronic underfunding by the General Assembly.

The Working Group includes among its 23 members JCTA President Brent McKim and KEA Executive Director Mary Ann Blankenship. The group has held seven meetings, with its final meeting scheduled for December 1. At each meeting a large contingent of KEA Retired members has attending, representing both their retired colleagues and active and future teachers.

KEA President Stephanie Winkler testified before the group on September 11. She was joined by KEA-Retired President Joyce Dotson and these other KEA members:

- Andrea Higgs from Daviess Co.
- Shanna Byrd from Kenton Co.
- Alan Young from Jefferson Co.
- Tyler Hartz, president of KEA's student program

The governor's office has retained a well-respected national pension consultant, William "Flick" Fornia, to advise it and help it meet its charge. In addition, the group has heard from bond rating experts since Kentucky's pension funding issues affect the Commonwealth's credit worthiness. KTRS Executive Secretary Gary Harbin has also provided information.

All the meeting materials and video of each meeting can be found on Gov. Beshear's web site: www.governor.ky.gov. Click on the "KTRS" tab at the top right.

Possible Solutions

Throughout its seven meetings, the working group has gathered information about:

- various options for funding KTRS,
- comparisons between KTRS and Social Security (both the cost and benefits),
- which benefits for current retirees and active teachers are "inviolable", and
- changes in benefits for current and future teachers that would reduce the cost of KTRS in the future.

For current retired educators, none of their benefits can be changed. Your pension benefits, health benefits and 1.5% cost of living adjustment annually are all protected by the inviolable contract.

For current teachers, some of their benefits could be adjusted. They include:

- Counting reimbursement for sick leave as part of their final salary,
- Calculating benefits for those at least 55 years old based on their three highest years' salary (rather than their five highest years' salary), and
- Increasing the multiplier for each year of service beyond 30 to 3% (instead of 2.5% which applies to all years 1-29).

Even though these benefits *could* be changed, Mr. Forna, KEA and other group members have urged caution in changing them. We do not want to encourage a mass exodus of teachers since 25% of current teachers are eligible to retire. Further, we want teaching to remain a decent job with reasonable benefits.

Next Steps

Soon after its December 1 meeting, the working group will issue a report. We do not expect the report to include a single recommendation about how to regain KTRS' solvency. Rather, the report will include all the options available and how much they would save KTRS.

These recommendations will go to the Kentucky General Assembly and Governor-Elect Bevin. During the campaign, Bevin said that he favors closing the current KTRS and putting all new educators on a 401(k) type plan and Social Security. Information gathered by the working group indicates that this solution will cost the state more than keeping KTRS open, will provide future teachers much lower benefits, and will do nothing to address the accumulated unfunded liability.

Watch the Governor's and KEA websites (www.kea.org) for more details as this work progresses.