



October 4, 2017

Blake Brickman, Chief of Staff
Office of the Governor
700 Capital Avenue
Frankfort, Kentucky 40601

RE: KEA position on moving TRS participants to Social Security

VIA email at blake.brickman@ky.gov and U.S. Mail

Dear Blake:

Per your request, we are sending this letter to clarify KEA's positions regarding moving teachers to Social Security. Education support professionals who belong to KEA already participate in CERS and Social Security, so the positions expressed in this letter do not apply to them.

- 1. KEA strongly opposes moving any public employee away from the existing defined benefit plans to a defined contribution/Social Security plan.**
- 2. Pushing teacher constituents away from TRS, which is a state established and controlled defined benefit plan intended to substantially replace working income upon retirement, to Social Security, which is unreliable and intended only as a bare minimum "safety net" is not good policy.**
- 3. KEA strongly supports repeal of the Government Pension Offset/Windfall Elimination Provision (GPO/WEP), a federal law that significantly reduces or eliminates Social Security benefits for TRS participants.**

Here are the reasons we take these positions:

- 4. Moving all new teacher hires to any retirement plan that relies, even in part, on Social Security, cedes state control of employee retirement plans to the federal system.** The eligibility requirements, contribution levels and benefit payments for Social Security are established by Congress, not by the Kentucky General Assembly. State government is far more responsive to the needs of Kentucky citizens and has a more direct interest in their long-term welfare than does the federal government.
- 5. Social Security has its own significant financial problems, far worse than TRS.** It's no secret that the Social Security system is also severely underfunded by trillions of dollars, and that Congress periodically considers reducing, eliminating or privatizing the program. It is entirely possible that Social Security could be eliminated before any new hire would ever be eligible to draw benefits.

401 Capital Avenue
Frankfort, KY 40601
1 502/875-2889 or 1 800/231-4532
Fax: 1 502/227-9002
Internet: www.kea.org

6. **Individual participants in Social Security and their employers must pay in much longer before participants are eligible for benefits, and even when eligible, participants receive significantly less from Social Security than from TRS.** Under current rules, a TRS participant can draw a full benefit from the system after 27 years of service. TRS benefits are intended to allow participants to substantially, but not completely, replace their income during retirement. By contrast, Social Security benefits are intended as a minimum financial safety net. Under current rules, Social Security participants can take a reduced benefit at age 62, which means that a 22 year old new teacher and his or her employer will have to contribute to that system for 40 years for the teacher to draw less than a full benefit. Even assuming that Social Security exists in 2057, receiving a full retirement benefit from Social Security will take an additional 5 years. **When compared to TRS, Social Security provides far less financial benefit for the individual participant and requires a much longer investment period.**
7. There has been some discussion about limiting current teachers to 27 years of participation in TRS, after which they would no longer be eligible to contribute to that system and would move into a defined contribution/social security scheme for the last few years of their working lives. There are at least two problems with this:
- a. **No teacher who is eligible to receive a pension from TRS will ever get the full benefit of their own or their spouse's investment in Social Security.** That is true because of the Government Pension Offset/Windfall Elimination Provision (GPO/WEP), a federal law that significantly reduces or, in some cases, eliminates the potential benefit of social security. This affects TRS participants right now and, unless the federal law changes, will continue to affect them in the future. Teachers who work second jobs and contribute to Social Security never reap the full financial benefit of their contributions to that system because of GPO/WEP. For the same reason, they never receive the full financial benefit of their spouse's Social Security. Those same rules will apply to reduce the Social Security benefits of a teacher who participates in TRS for 27 years and then is pushed to anything that requires contributions to Social Security at the end of his or her career. Again, that's not a smart use of the teacher's or the employer's financial resources, because they will both be giving money to Social Security knowing the employee will never get it back. **To be clear, this concern should not be construed as in any way implying that KEA believes future teachers should be placed in Social Security in order to avoid the impact of this federal policy.**
 - b. **The end of career investment timeline is too short.** A teacher who started working during the 2016-17 school year right out of college at age 22 will only be 49 when they hit 27 years in TRS. Although that is relatively young, if that teacher then starts contributing to a DC/SS plan, he or she simply does not have enough time to accumulate any appreciable benefit from either the DC or Social Security. No serious investment advisor would tell a 49 year old person to leave a defined benefit plan and start a DC/SS plan at that point. Investing is a long-term process, and starting to invest on your own at 49 in order to retire at 62 or 65 is just too short a time to accumulate any significant benefit from either option. Teachers who start working later than age 22 will have even fewer years at the end of their careers to make up the loss of defined benefit income. That's not a good use of either the teacher's or the employer's financial resources.

We hope this information is helpful. If you have any questions, feel free to contact us.

Sincerely,

Handwritten signature of Stephanie J. Winkler in blue ink.

Stephanie J. Winkler, President
Kentucky Education Association

Handwritten signature of Brent McKim in blue ink.

Brent McKim, President
Jefferson County Teachers' Association