

Legislative Message 2019-20: *Fighting the False Narrative*

FAKE NEWS	Kentucky's public pensions are in trouble because the number of retirees will soon exceed the number of active workers paying into the system.
THE FACTS	The majority of benefit payouts for retired teachers is generated from investment income. Taxpayers only pay for approximately 1/4 of benefit payouts. If TRS continues to be funded properly, the pension system will be actuarially sound.
FAKE NEWS	Kentucky has one huge public pension system that is near collapse.
THE FACTS	Kentucky has three different retirement systems - TRS, Kentucky Employee Retirement System (KERS) and Kentucky Judicial Form Retirement System (KJFRS). One subgroup under KERS is in precarious financial condition. In contrast, TRS is nationally recognized for its investment performance, risk management, and administrative management.
FAKE NEWS	TRS is one of Kentucky's weaker retirement funds.
THE FACTS	TRS has generated a 30-year compounded average investment return of 8.39% and typically ranks nationally in the top 5% in performance.
FAKE NEWS	The state should exercise control over public pensions systems.
THE FACTS	The fiduciary responsibility of pension board members should remain exclusively with TRS members and not be subject to politics. The independently elected members of the TRS board have proven to be effective and efficient in governing TRS.
FAKE NEWS	The legislature has always paid its share of the pension obligations.
THE FACTS	The General Assembly funded the percentage of payroll calculation in statutes, but failed to make additional contributions needed during the last decade.
FAKE NEWS	Gov. Bevin and the Legislature have "voluntarily" made the commitment to fully fund the states' pension system over the last two budget cycles.
THE FACTS	KRTA appreciates full funding of our pension system during the last two budgets; however, had the state failed to fully fund the pension debt, the state would have received a significantly lower credit rating. The legislature skirted its obligations to the Medical Trust Fund for 2020.
FAKE NEWS	If there are no attempts to reform our pension system, entities such as health departments and universities will face insurmountable pension obligations leading to increased costs and possible closures.
THE FACTS	Quasi-governmental entities are within a completely different pension system than TRS. These entities are governed by politically appointed boards that have been plagued with kickbacks and scandals.
FAKE NEWS	With a Cash-Hybrid retirement plan, teachers will be able to take their retirement savings to another profession should they decide to leave.
THE FACTS	Although under the Cash-Hybrid plan teachers would be able to take their retirement savings to another profession, teachers under the current Defined-Benefits retirement plan with an average salary of \$35,000 per year will make <u>\$5,800 more in retirement savings</u> than if they had a Cash-Hybrid plan.