

Kentucky Retired Teachers Association

Legislative priorities and
messaging 2019-2020



Thanks For Serving

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2019-2020 KRTA Legislative Priorities

1. Restore funding to the Medical Trust Fund in 2020, as agreed upon in Shared Responsibility Agreement passed in 2010.

2. TRS must maintain financial and administrative independence from Kentucky's other retirement systems.

3. Kentucky must maintain the Defined Benefit System for current and future retirees.

4. The board structure of TRS must not change.

“The Check Must Be Cashed”

1. Restore funding to the Medical Trust Fund in 2020, as agreed upon in Shared Responsibility Agreement passed in 2010.

Messaging:

- **Skipping obligations jeopardizes affordable access to health care and puts thousands of current and future retired teachers at financial risk.**

2. TRS must maintain financial and administrative independence from Kentucky's other retirement systems.

Messaging:

- TRS is nationally recognized for its risk and administrative management and has consistently ranked in the top 5% of the United States for its investment returns.
- TRS has maintained a well-balanced conservative investment portfolio. TRS has never invested in hedge funds, subprime mortgages, or allowed or used placement agents for investments.
- The TRS actuary has stated that as long as full funding continues from the state, there will be sufficient money available to pay the promised benefits to Kentucky's Retired Teachers.

3. Kentucky must maintain the Defined Benefit System for current and future retirees.

Messaging:

- **The Defined Benefit System is not structurally deficient. If you fund the actuarial required contributions (ARC), the retirement system is the most taxpayer efficient way of providing a dignified retirement for teachers.**
- **Investment income generated from capital contributions fund a majority of retirement benefits for retired teachers. Taxpayers only pay approximately a quarter of benefit payouts. Each time the legislature fails to make a \$1.00 capital contribution, TRS misses out on an additional \$1.00 in investment income over the next 10-years.**
- **Switching future teachers to a cash / hybrid plan – allowing for portability if a Teacher leave their job – hurts both the solvency of the retirement system but also provides less of a benefit for the Teacher leaving the profession.**
- **Teachers who decide to leave their profession would be better off staying in a defined benefit plan then a cash/hybrid plan – on average of \$5,800.**

4. The board structure of TRS must not change. Changes, as proposed by the legislature in 2019 session, would put TRS' financial and administrative independence in jeopardy leaving it susceptible to politics and agenda driven decisions.

Messaging:

- There is no need to change the structure of a board for an organization that is nationally recognized as a leader and admired by other state pension systems across the country.
- Changing the board make up by filling the vacancies with political appointees, as opposed to elected members, is against the interest of current and future beneficiaries of TRS and the state's fiscal well-being.
 - *KERS has a 17-member board – 11 of which are political appointees*
 - The Public Pension Oversight Board (PPOB) was established and made up of eight members of the general assembly and six appointed citizens. The PPOB has the power to prompt any of Kentucky's retirement systems to disclose any of its activities and make recommendations to the General Assembly to govern the systems.



Fighting the False Narrative

FAKE NEWS

All of 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

CONCERNING TRS:

A majority of benefit payouts for retired teachers is generated from investment income. Taxpayers only pay for approximately a quarter of benefit payouts. Actuaries have stated that if TRS continues to be funded properly, the pension system will be actuarially sound regardless of ratio of active workers to retirees.

TRS NOW

Schedule of Funds Available for Retirement Benefits

	<i>in billions</i>
Beginning Balance as of July 1, 1985	\$ 1.8
Member & Other Contributions	7.3
Employer Contributions	13.4
Investment Income	26.5
Benefit Payments & Refunds	(28.7)
Administrative Expenses	(0.2)
Ending Balance as of June 30, 2018	\$20.1

Kentucky's largest financial institution

Fighting the False Narrative

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 (KERS non-hazardous fund) is in precarious financial condition and is only funded at 12 percent.

Many elected officials confuse the unique issues with KERS with TRS. TRS is nationally recognized for its investment performance, risk management, and administrative management. While current funding levels are at 57.7%, the lack of funding is the root cause of our unfunded liability. TRS actuaries state that if the proper contributions are made, the pension will be actuarially sound.



Fighting the False Narrative

FAKE NEWS

TRS is one of Kentucky's weaker retirement funds.

THE FACTS

TRS is nationally recognized for its investment performance, risk management, and administrative management. TRS has generated a 30-year compounded average investment return of 8.39% and typically ranks in top 5% in performance. TRS has never invested in hedge funds, subprime mortgages, or allowed or used placement agents for investments.



Fighting the False Narrative

FAKE NEWS

The state should exercise control over public pension systems.

THE FACTS

Kentucky, through the public pension oversight board, can compel a pension to disclose any of its activities and make recommendations for legislation. The fiduciary responsibility of TRS pension board members should remain exclusively to the systems' members and not subject to politics. The independently elected members of the TRS board have been effective and efficient in governing TRS.



Fighting the False Narrative

FAKE NEWS

The Legislature has always paid its share of the pension obligations.

THE FACTS

The General Assembly funded the percentage of payroll calculation outlined in statutes, but failed to make additional contributions also statutorily required needed during the last decade when the recession caused a drop in investment income.

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Critical Messaging Tips

- Don't let our opponents "frame the debate."
- Answer all attacks but re-frame around our legislative priorities.
- Don't let this issue get tribal.
- Be disciplined

The background features several sets of curved lines, some solid and some dashed, in a light gray color, creating a sense of motion and connectivity. A large red speech bubble is positioned on the left side of the slide.

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