

2016-17 LEGISLATIVE PROGRAM
(Adopted by the Delegate Assembly – April 21, 2015)

INTRODUCTION

As KRTA members work to preserve the Kentucky Teachers' Retirement System (KTRS) these points are important to remember.

- Retired teachers are not covered by Social Security. There is no financial safety net for Kentucky's retired teachers.
- KTRS was established in 1938 because Kentucky's retired teachers were not permitted by the Social Security Administration (SSA) to participate in the Social Security program.
- Approximately 49,500 retired teachers, beneficiaries and survivors receive annuity payments each month. Over 92% of these recipients live in Kentucky.
- Over \$1.97 billion in annuity payments are distributed yearly providing a significant positive economic impact on all of Kentucky's local communities. Historically, approximately 70% of these payments come from KTRS' diverse, conservative investment earnings.

ITEM I: SUPPORT LEGISLATION THAT WOULD IMPROVE THE ACTUARIAL SOUNDNESS OF KTRS.

COMMENT: Continued lack of action on additional monies for KTRS will result in the system's funding level dropping from 51.9% to 43.0% and damaging the state's credit rating. Enacting KTRS' "Teachers' Pension Refinancing Plan" proposal would have the immediate impact of raising the system's funding level to 63.0% and improving the state's credit rating.

ITEM II: KEEP THE GOVERNANCE OF KTRS AS IT IS PRESENTLY CONSTITUTED AND OPPOSE EFFORTS TO TAKE FIDUCIARY DECISIONS AWAY FROM THE KTRS BOARD OF TRUSTEES.

COMMENT: The Board of Trustees, acting as a semi-independent state agency, has a record of 76 years of successful management that is unsurpassed in state government. Presently, KTRS is ranked in the top 10% in public pension fund investment returns. The current trustee election process has served the best interest of Kentucky's public school teachers and retirees for many years with marked success. The Board of Trustees (a majority of who are elected by active and retired teachers) employs experienced, competent investment consultants to advise them on all matters pertaining to investments and its fiduciary responsibilities.

ITEM III: MAINTAIN KTRS AS A DEFINED BENEFIT GROUP RETIREMENT PLAN FOR ALL KENTUCKY PUBLIC SCHOOL TEACHERS.

COMMENT: A retiree cannot outlive his/her pension under a Defined Benefit (DB) Group Retirement plan, unlike a Defined Contribution (DC) Individual Savings account even with a Social Security safety net. Since Kentucky's retired teachers do not have a Social Security safety net, it is vital that our DB group retirement plan continue. Also, research shows that DC plans are as much as 46 percent more costly than DB plans.

ITEM IV: PROMOTE FULL FUNDING OF KTRS' ANNUITY AND MEDICAL INSURANCE FUNDS.

COMMENT: Full funding in a timely manner is required to keep the annuity fund in sound fiscal condition. Maintaining the medical insurance fund per HB 540 (Shared Responsibility [enacted in 2010]) requirements is essential to the financial well being of our members. KTRS members are meeting their Shared Responsibility (HB 540) obligations.

ITEM V: OPPOSE STATE TAX REFORM LEGISLATION THAT UNFAIRLY BURDENS KENTUCKY'S PRIVATE AND PUBLIC SECTOR RETIREES.

COMMENT: Cutting retirement income by raising the amount of retirement income (all income over \$15,000) subject to state income tax, reducing tax exemptions and increasing tax rates on Social Security income is ill-timed and will unfairly burden Kentucky's current retirees, who have no time to pivot their retirement strategy.

ITEM VI: SUPPORT LEGISLATION REQUIRING LONG-TERM CARE (LTC) INSURANCE CARRIERS TO SUBMIT RATE INCREASES TO THE ATTORNEY GENERAL, AS WELL AS THE DEPARTMENT OF INSURANCE, AND ALLOW INTERVENTION BY THE ATTORNEY GENERAL.

COMMENT: During the past seven (7) years, the Kentucky Department of Insurance (KDOI) has permitted huge rate increases (i.e., 111%) by long-term care insurance carriers. The increases are intolerable for individuals on fixed incomes. Unlike auto and homeowner policy holders, LTC policy holders do not have an option to change insurance companies. Copies of requests for other insurance proposed rate increases are forwarded to the Attorney General's Office when filed with the KDOI.

ITEM VII: SUPPORT AN INCREASE IN THE AMOUNTS PAID TO SURVIVORS OF ACTIVE CONTRIBUTING MEMBERS AND DISABILITY RETIREES.

COMMENT: Benefits paid to survivors of active teachers and disability retirees have not been increased for over eight years and have not kept pace with inflation. Special attention should be paid to the plight of teachers who become disabled in the line of duty (i.e., Fred Capps Memorial Act) with fewer than 27 years of service.

ITEM VIII: OPPOSE EFFORTS AT THE FEDERAL LEVEL TO IMPOSE MANDATORY SOCIAL SECURITY ON KTRS MEMBERS AND SUPPORT REPEAL OF THE WINDFALL ELIMINATION PROVISION (WEP) AND THE GOVERNMENT PENSION OFFSET (GPO) PENALTIES.

COMMENT: If KTRS contribution rates are reduced by 12.4% so that the combined KTRS and social security rate is maintained at the present level, the benefit actuarial formula for active teachers would have to be reduced from 2.5% to less than 1.0%. The result would greatly reduce overall benefits for current and future teacher retirees. The WEP and GPO penalties are particularly harmful to individuals who make a midcareer decision to become a teacher in Kentucky.

ITEM IX: SUPPORT THE 2016-17 LEGISLATIVE PRIORITIES OF THE NRTA/AARP STATE LEGISLATIVE COMMITTEE AND/OR OTHER GROUPS REPRESENTING SENIOR CITIZENS, WHICH ARE NOT IN CONFLICT WITH THE POSITION OF KRTA.

COMMENT: Supporting issues of particular interest to retired teachers such as retirement security, predatory lending, increased home and community-based health and living services, and long-term care regulations benefit our members.