

2024 Kentucky General Assembly

PENSION REFORM

Meaningful Pension Reform Needed

OPPORTUNITY TO IMPROVE THE BUSINESS CLIMATE

Kentucky has one of the worst funded public employee pension systems in the country. In other words, the state does not have enough money set aside to pay for the promises we have made to our public employees. The total unfunded liabilities range from \$40 billion to \$60 billion, an amount that is four to six times the size of Kentucky's annual General Fund budget.

APPROACH TO TACKLE THE ISSUE

Any public pension reform efforts should include the following:

- Protect current retiree plans, which creates a positive economic impact for NKY's economy;
- Maintain the current defined benefit plan for current employees, but curtail the ability to increase the benefit using sick days for future sick days accrued;
- Enroll future employees to a defined contribution plan to ensure sustainability for the retirement system;
- Allow flexibility for employees to transfer their retirement should they choose to leave the public system.

WHY DOES IT MATTER TO MY BUSINESS

Businesses looking to locate new operations want to be confident that the state's fiscal house is in order and our state has favorable financial ratings. The pension crisis and our lower bond ratings are impacting our ability to attract companies and create new jobs.

The business community is concerned there will be a need to raise taxes in the future to ensure sustainability of the current system.

The shortfall of funding in the system has forced the General Assembly to shift focus and funding away from needed infrastructure, workforce and educational efforts which are vital to business.

Local governments need tools to address their mounting pension crisis.

WHAT WE ARE ASKING AN ELECTED OFFICIAL TO DO

Support a plan that protects current retirees and employees, shores up the growing shortfall, and gives certainty to future employees.

Support reform that will lead to a healthier business climate and an improved credit rating for the state, while keeping the promise made to public servants.