Many KRTA members have asked to see specifics of the Shared Responsibility Plan that was released at a press conference in Woodford County on Monday November 6.

Below are the talking points that were released at the press conference and how the plan would affect members of TRS.

We appreciate the recognition of the Governor and the General Assembly that the pension situation requires immediate attention but do not believe a one size fits all solution should be applied to all public pensions.

- We appreciate the additional investment made into the systems during the 2016-2018 biennium and the expected continuation of such funding in the 2018-2020 biennial budget.

- It is understood that the public pensions are actuarially underfunded and that a variety of possible solutions should be considered.

- The current bill contains several legal issues including potential violations of the inviolable contract and the potential loss of benefits previously earned and we cannot support the reduction of the pension liability through breaking the law to do so, such as forcing employees with 27 years of service or more out of the defined benefit plan into a defined contribution and suspending prefunded COLA payments to retirees.

- We believe there should be no changes made to the system that would negatively impact current retirees and any changes made for current employees that would have a negative impact should be prospective (derived in the future) and only affect benefits that fall outside the inviolable contract. Such changes would be a sacrificial contribution to the health of the systems.

- We understand that a new tier of benefits should be developed for future employees that reduces risk for the state and does not cost more than the current system, but believe that they should remain in a defined benefit plan with comparable benefits to the current system.

- Such a new tier of benefits should include an increased level of service required in order to qualify for an unreduced retirement benefit, such as a Rule of 85 (combination of age and years of service).

- If the fund established to maintain the new tier of benefits plan were to become underfunded, we would suggest that the board administering the system should take action such as requiring an increased employee contribution and/or a contribution from their school district or local employer.

- Such new plans should be administered by the same systems that are now administering the existing plans because such systems have board positions elected by members of the system and have systems and structures in place to manage these plans such as internal investment managers and benefit counselors.

- Such a “Shared Responsibility Plan” has been proven to work in 2009-10 with the retired teacher health insurance fund and should work in this situation if we allow those that are so significantly impacted by this issue a seat the table to co-develop /design the plan.

TRS

Changes for Current Teachers (all else stays as is in current plan)

- Freeze sick leave as of June 30, 2018 as salary credit for retirement calculation purposes
- No future accruals of the 3.0 multiplier will occur after July 1, 2024

New Tier for Teachers

- Applies to new hires on or after July 1, 2018
- Mandatory defined benefit and voluntary defined contribution tier
- Limits the state's cost to a fixed contribution
- State has no obligation for any unfunded liability for the new tier
- New hires will participate in the 2010 Shared Responsibility (2010 RS HB 540) retiree health plan at 65

1. **Defined Benefit Component**

1.1 Employee contribution 10% of pay

1.2 State contribution 6% of pay

1.3 Retirement Eligibility

- Normal retirement threshold will be rule of 85 (service plus age)
- Annuity and disability benefits vest with 5 years
- Eligible for retirement with reduced benefits at rule of 70 (service plus age); benefit reduced by 2% per increment between rule of 70 and rule of 85

1.4 Retirement annuity factors

- 2.0 until 20 years of service
- 2.5 for all years of service once 20 years achieved

1.5 The high-five salaries are used to determine final average salary

- Anti-spiking rules apply

- Sick leave and other lump sum payments are not included (boards of education are still permitted to pay a lump sum for accrued sick leave)

1.6 Employee contribution and accrued plan earnings (loss) are portable

1.7 Annual retiree COLA of 1.5% prefunded

1.8 Disability retirement based on accrued service

1.9 Life insurance ($10,000 active teacher; $5,000 retired teacher)

2. **Voluntary Defined Contribution Component**

2.1 Employee may elect to participate in 403(b) plan

- Employee contributions are voluntary

- Employer contributions are voluntary

- Lump-sum payouts, such as sick leave, may be contributed to the plan pretax within the substantial catch-up guidelines

- Investment options include use of low-cost, diversified equity and bond index funds managed by TRS for self-directed investing

- TRS will offer participants financial education

3. **Risk Controls for New Tier**

3.1 An annual actuarial valuation establishes the employee contribution rate and unfunded liabilities (if any) of the annuity component

3.2 If funding is below 95%, the following adjustments are available to be utilized by the Board of Trustees to maintain the annuity trust funding generally in the following order:

- Employee contributions may increase by up to an additional 2% of pay

- School district (or local employer) contributions will match additional employee contributions up to 2% of pay

- Reduce or suspend the annual COLA

- Reduce future service retirement factor

- Increase retirement rule of 85