Talking Points (TRS and CERS Pension Plans)

Facts you should know and can share about pension reform concerns

CERTIFIED/Teacher's Retirement System (TRS)

- Since the 1930's, teachers do not pay into or draw from Social Security. TRS is a social **security replacement plan** that is less expensive to taxpayers than Social Security.
- Teachers contribute **13 percent** of their pay into TRS, which is the **only** source of retirement income for teachers.
- Per TRS statistics, the average teacher retires at **age 59**; works more than **30 years**; and **89% of TRS retirees** live in Kentucky.
- For every **$1** of TRS pension benefit paid, the economic benefit to the Kentucky economy is **$1.43**.
- Fewer than 5 percent of certified school employees retire before age 50. Four times as many retire at age 65 or older than at 50 or younger.
- **58 percent** of retired teachers earned **$40,000 or less** in 2017 – remember, no Social Security! 90 percent received $60,000 or less.
- Moving from our current plan to a Social Security/401(k) plan is **more costly for taxpayers** than TRS. The PFM consultant report acknowledges this fact (pg. 16 of PFM Report).
- Many experts believe the current social security tax **must** increase in future years, increasing taxpayer's expense in future years. This exposes taxpayers to **even greater risk.**
- Social Security has **more risk** to Kentucky taxpayers and employees. Right now, the unfunded liability of Social Security is $12.5 trillion ($38,000 per household in America) – which is far worse than that of the current TRS plan ($3,300 per household in Kentucky).
- Social Security would provide a **lesser benefit** for retirees than TRS.
- Changes in Social Security are controlled by the federal government, which means the state would **lose control** – further increasing the risk to Kentucky taxpayers.
- Social Security is a **permanent** decision. Once you get in, the federal government will not allow us to get out (**irreversible decision**).
- Social Security: **More cost** – **higher risk** – **lesser benefit**. *It doesn't make sense!*
- The PFM proposal would ***transfer costs*** from the state to the local school district level, which would *dramatically increase* the cost of local education and require multiple tax increases to pay for it. When added to the increased cost for the CERS match, it is likely to ***bankrupt*** many school districts in Kentucky!
- New teachers, if moved into Social Security will ***not be eligible*** to draw that benefit until a much later age, which could leave many educators working *more than* ***40 years to be eligible*** for their combined benefit.

Potential impact on our community and ALL residents of Kentucky

Without a strong pension system upon which teachers can depend, the field will draw fewer quality applicants. *We already face a teacher shortage in Kentucky*; this will only get worse.
If the quality of education is reduced – all "quality of life" areas are reduced. This includes healthcare, recreation, service industry, emergency responders, roads and infrastructure. Everything we enjoy about living in Kentucky depends upon the support of an educated and motivated workforce. Education drives economic growth and vitality. *Education is not a cost – it is an investment!*

SUPPORT – County Employees Retirement System (CERS)

- Classified / Support school employees pay into **both CERS and Social Security**.
- We agree that over the years, there have been **valid concerns with the transparency** of management and investment at the KY Retirement Systems (KRS), which currently administers the CERS system for our classified staff.
  - **One major concern** is most of the assets being invested by the KRS as a whole are CERS funds (73%) paid in by employees and employers (local school boards); the CERS stakeholders do not have, and never have had, a *proportional voice* on the KRS board of trustees and its investment committee.
- DCPS **supports the *separation* of the CERS fund from the KRS** governance structure (as last session's Senate Bill 226 would have done). This would bring more local control to these local pensions, along with greater transparency.
- DCPS agrees that **any sudden increases in CERS contributions (as will occur next fiscal year) will be detrimental to local schools and should be phased in** over several years to prevent a financial crisis for school districts that could lead to layoffs of the very employees we are trying to attract and retain.