

Pension debt lowers Ky credit rating



Tom Loftus, @TomLoftus_CJ

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FRANKFORT, Ky. Standard & Poor's Ratings Services on Thursday lowered its credit rating for Kentucky by one notch — down to 'A+' from 'AA-'.

"The downgrade reflects our view of Kentucky's substantially underfunded pension liabilities that are the result of chronic underfunding and that we view as placing long-term pressures on the state's finances," said S&P credit analyst John Sugden in a news release.

The move puts Kentucky near rock bottom in S&P's credit ratings of the 50 states. Only New Jersey ("A") and Illinois ("A-") have a lower rating. A lower credit rating generally increases a state's cost of borrowing money.

"Despite pension reform efforts that began in 2008, Kentucky lawmakers have yet to make meaningful progress in reducing its long-term pension liability, especially as it relates to Kentucky Teachers' Retirement System," Sugden said.

KTRS has about \$14 billion in unfunded liabilities — a problem that Sugden noted the General Assembly failed to address in 2015. Gov. Steve Beshear this summer created a task force to study the problem and recommend solutions before he leaves office in December.

Rep. Rick Rand, a Bedford Democrat who chairs the House budget committee, said he was disappointed with S&P's action because he said Kentucky has not "buried its head in the sand" on the pension problem.

"We're working hard to address the pension issue. The governor has appointed the task force, and Democrats and Republicans are committed to find a solution during this up and coming session," said Rand. "But this is another indication that we probably need to look as some sort of tax reform next session so that we have the dollars to make absolute commitments to these major problems."

Sen. Chris McDaniel, a Taylor Mill Republican who chairs the Senate budget committee, said S&P's action comes as no surprise. "The pension systems are obviously woefully underfunded and it's certainly something we need to be addressing sooner rather than later...We owe it to the taxpayers to be responsible with their tax dollars long-term, so I think we'll see a lot of movement in that direction" in the 2016 session.