New Kentucky pension plan a positive for future teachers

Your Turn
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Guest columnist

Teachers protest in the state Capitol in Frankfort on March 12, 2019, the fourth day of "sickouts" closing JCPS districtwide. A bill would create a new tier within the state Teachers' Retirement System for new teachers. NIKKI BOLIAUX/COURIER JOURNAL

In one sense, Rep. Ed Massey's bill to create a new tier within the Teachers' Retirement System (TRS) represents a substantial change in Kentucky's pension system — but only for new teachers.

In another real and important way during this time of political upheaval, House Bill 258 represents no change at all — at least not for any retiree or teacher already enrolled in the $20 billion pension fund.

Changes made by the bill will, in fact, remove a very real threat to the stability of the current system, which is nearly $15 billion underwater and lacks more than 40% of the assets needed to cover its obligations.

Despite record infusions of cash in recent state budgets, TRS' funding levels remain of great concern to lawmakers as they wrestle with enacting another one-year state budget during pandemic uncertainties.

Massey, R-Hebron, who, with his extensive background in public education – including serving as presidents of both the Kentucky and national school boards associations – is ultrasensitive to any vicissitudes perceived as detrimental to teachers, admits doing nothing is not an option.

The Northern Kentucky lawmaker told the state's Public Pension Oversight Board that TRS is "unsustainable" without meaningful changes, and he is correct.

To "stop the bleeding," as he frequently says, Massey's bill takes a hybrid approach — creating a tier within TRS for new teachers, which includes both defined-benefit and defined-contribution elements – the seeds of which have been planted by the Bluegrass Institute in recent years.

Now, thanks to the lawmaker's successful efforts in bringing stakeholder groups from across the commonwealth to the table to show them how the plan actually works, we have legislation that would begin to bring TRS' ship out of its choppy waters while also providing a 21st century approach to retirement funding for new teachers who start their careers on or after Jan. 1, 2022.

Massey's bill, which has been assigned to the Kentucky House State Government Committee:

- Establishes fixed contribution rates for both employees and the state
- Consists of a defined benefit coupled with a smaller defined contribution supplemental benefit
- Creates a reserve fund that would be used to help the system avoid future unfunded liabilities
- Triggers actions the TRS board would be required by law to take to correct the system's trajectory if the plan falls below 90% funding — an important safeguard against the kind of deficit liabilities the current system faces
- Includes "carrots" to incentivize teachers to remain in classrooms longer by enhancing benefits for those who work past the age of 55 and for more than 33 years
- Allows retiring teachers to collect sick-day benefits from their local school districts but prevents those payments from being included in the calculation of lifetime pension disbursements

Times have dramatically changed since the TRS was created 83 years ago.

Not only has there been a dramatic increase in lifespans — Americans are living around 15 years longer than when TRS was created in 1938 — but flexibility in financial systems is important to today's college graduates.

Offering a new, stable pension tier would go a long way toward attracting quality teachers who will play a vital role in preparing the next generation of Kentuckians for an increasingly competitive global economy and marketplace — a concern expressed by all stakeholders in the pension debate.

While it's important that lawmakers ensure past pension promises made to Kentucky's current employees and retirees are kept, they also need to take the next vital step in ensuring TRS' future stability with a self-sustaining plan offering generous benefits, appealing to a younger, dynamic and changing workforce and protecting taxpayers from an even-deeper pension hole.

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