RESOLUTION 4 – 2017
CITY OF LAGRANGE, KENTUCKY

WHEREAS, The City of LaGrange has employees invested in the County Employees Retirement System;

WHEREAS, the County Employees Retirement System is currently funded at 62 percent, a higher funded ratio than it was prior to passage of SB2;

WHEREAS, the Kentucky Employees Retirement System is the worst funded system in the U.S. and was noted by R.V. Kuhns, Inc. as being set to undergo financial hurdles of "persistent funding shortfalls, elevated contribution levels, unsustainable payout ratios and in the worst-case scenario, the potential for the complete depletion of the asset base";

WHEREAS, total assets of the County Employees Retirement System are about $12 billion, 73 percent of the total Kentucky Retirement Systems' assets;

WHEREAS, administrative costs for the Kentucky Retirement Systems have increased 245 percent since 2000, and the County Employees Retirement System pays 63 percent of those costs;

WHEREAS, the County Employees Retirement System is on an upward funding trajectory and an independent actuary predicts it will be 100 percent funded by FY 2043, without any structural changes to the plan;

WHEREAS, separation of the County Employees Retirement System would result in the creation of a new nine-member board whose sole responsibility would be the management of the County Employees Retirement System;

WHEREAS, the current 17-member Kentucky Retirement Systems Board of Trustees has only six seats for County Employees Retirement System representatives;

WHEREAS, separation of the County Employees Retirement System from the Kentucky Retirement Systems would mean local control of local pensions and would ensure the needs of the County Employees Retirement System are met so it can continue its current path of growth for years to come;

NOW, THEREFORE, BE IT RESOLVED That the City Council of the City of LaGrange supports maintaining the current structure and benefits of the County Employees Retirement System while separating it from the Kentucky Retirement Systems.

Adopted and approved this 2nd day of October 2017

Joe Davenport, Mayor

CERTIFICATION

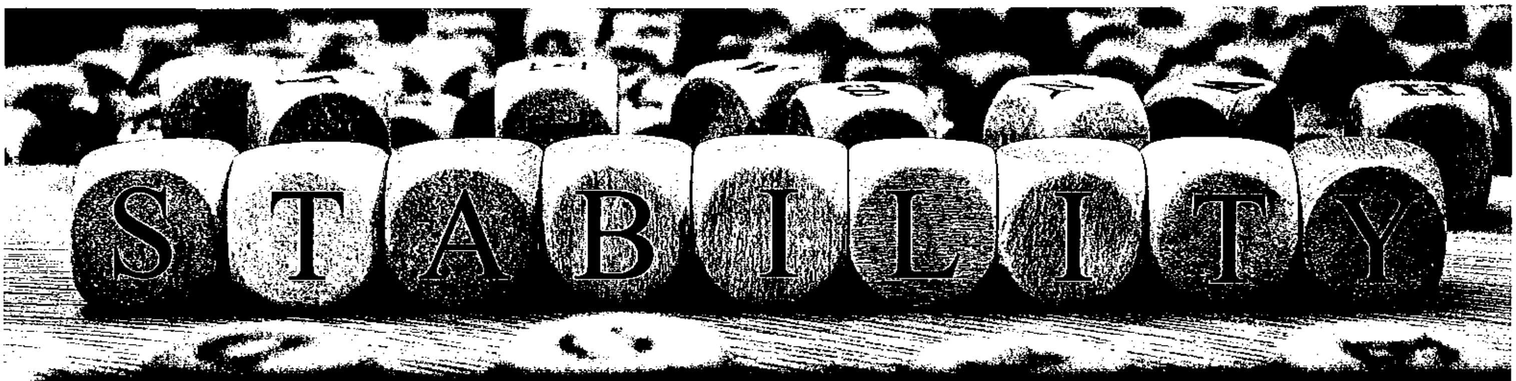
I, Stephanie Cooper, Clerk of the City of LaGrange, Kentucky, do hereby certify that the above Resolution 4 Series 2017 is a true and correct copy as was presented to the City Council of the City of LaGrange, Kentucky, at the regularly scheduled meeting on October 2, 2017.

Given under my hand this 2nd day of October 2017

Stephanie Cooper, City Clerk

VOTE:

FOR:	7
AGAINST:	0
ABSTAINED:	1
PRESENT:	8



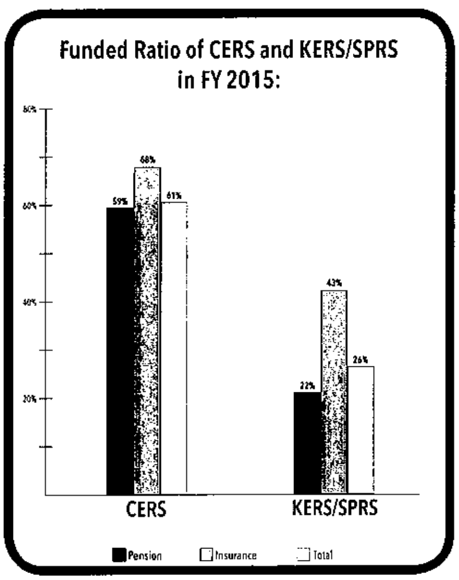
STABILIZING CERS PENSIONS

CERS pays nearly 63% of the admin expenditures for the Kentucky Retirement Systems (KRS). This includes covering expenses separate from CERS including lawsuits filed, salaries of employees, fees and administrative costs.

The County Employees Retirement System (CERS) has seen its funding ratio increase and its employer contributions decrease, since the passing of Senate Bill 2 in 2013. In fact, actuaries say CERS will be fully funded by 2043.

Unlike the upward mobility that CERS displays, the Kentucky Employees Retirement Systems (KERS) has had a decrease in its funding ratio. KRS admin expenses increased 245% from FY 2000-2016. At this stage, KERS is the worst-funded system in the country.

The chart below shows CERS funded over 61% while KERS is funded well below 30%. Separating CERS from KRS will help ensure the long-term solvency of CERS.



According to the asset liability study performed by R.V. Kuhns, Inc., the Kentucky Employees Retirement Systems is set to undergo financial hurdles of "persistent funding shortfalls, elevated contribution levels, unsustainable payout ratios and in the worst-case scenario, the potential for the complete depletion of the asset base."

HELPING CERS CONTINUE TO GROW

The coalition of members below supports the long-term stability of CERS by separating CERS from the Kentucky Retirement Systems and providing for new governance of CERS. This separation will ensure that the needs of CERS will be met and will help CERS continue on its current path of growth for years to come – while also allowing our legislators to focus their energy on fixing the very real problems that remain within KRS.

CERS STABILITY IS SUPPORTED BY...

KMUA

KCJEA Kentucky County Judge/Executive Association

KLC Legislative Advocacy

KACo Kentucky Association of Counties

KSBA

Kentucky County Clerk

KCCMA

Kentucky KMCA Magistrates & Commissioners Association

KEA

Kentucky FOP

KOLA

KRPS Kentucky

WHAT CERS SEPARATION WOULD MEAN

WHAT HAPPENS IF THINGS GO WRONG...

Possible Scenarios	Under Current Law	After Separation
One employer leaves CERS:	Liability is shared with other 1,139 CERS employers.	No change
Multiple CERS employers cease to participate (dissolution or bankruptcy):	Liability is shared with other 1,139 CERS employers.	No change
Almost all CERS employers cease to participate (dissolution or bankruptcy):	Commonwealth is responsible for ensuring that benefits associated with the inviolable contract are paid to beneficiaries.	No change
Cost of Living Adjustment (COLA):	1.5% cap; remains suspended unless the General Assembly enacts legislation to provide for prefunding.	No change
CERS Nonhazardous unfunded liability dramatically increases quickly:	Smoothing spreads investment loses over five years, pushing employer contribution rates slightly higher.	No change
CERS Hazardous unfunded liability dramatically increases quickly:	Smoothing spreads investment loses over five years, pushing employer contribution rates slightly higher.	No change
Change in benefits for CERS members:	Changes must be made through legislation enacted by the General Assembly.	No change

IMPACT TO ELEMENTS OF CERS...

CERS Components	Under Current Law	After Separation
CERS structure:	Cost-sharing, multiple-employer defined plan covering all regular full-time employees of each participating county, city and school board, and any additional eligible local agencies electing to participate.	No change
Inviolable Contract:	Benefits cannot be reduced or impaired for members who began participation prior to January 1, 2014.	No change
Hybrid cash balance plan:	Personal accounts are maintained for members that first participated on or after January 1, 2014, and include automatic crediting.	No change
Proportion of all CERS members in retirement system:	63%	100%
Proportion of CERS representatives on Board of Trustees:	35%	100%