

An Overview of the County Employees Retirement System (CERS)

Presented to the Blue Ribbon Commission
on Public Employees Retirement Systems
June 19, 2007

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Coalition for Sustainable Benefits

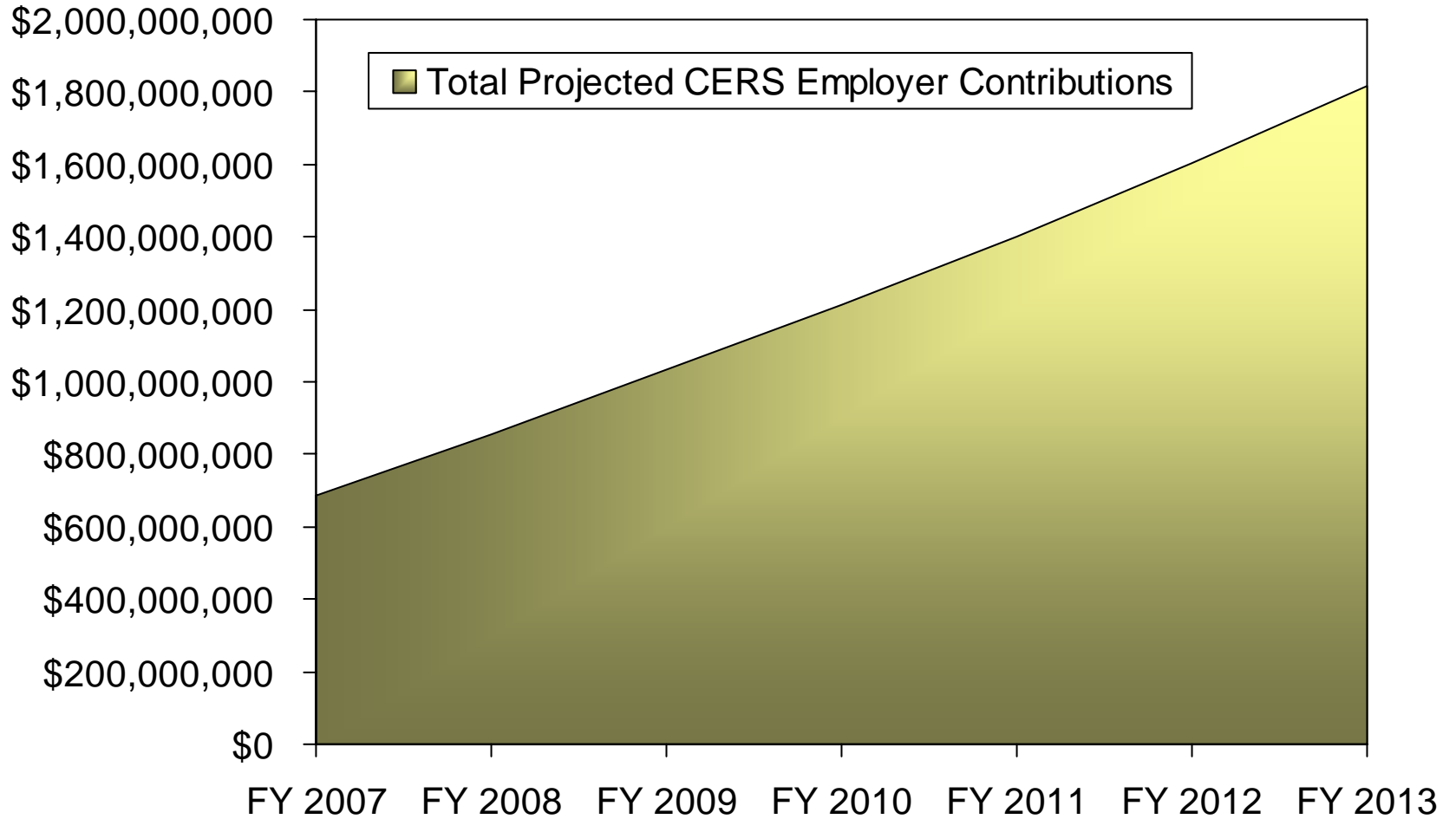


Kentucky Chamber
Uniting Business. Advancing Kentucky.

Prichard Committee
for Academic Excellence

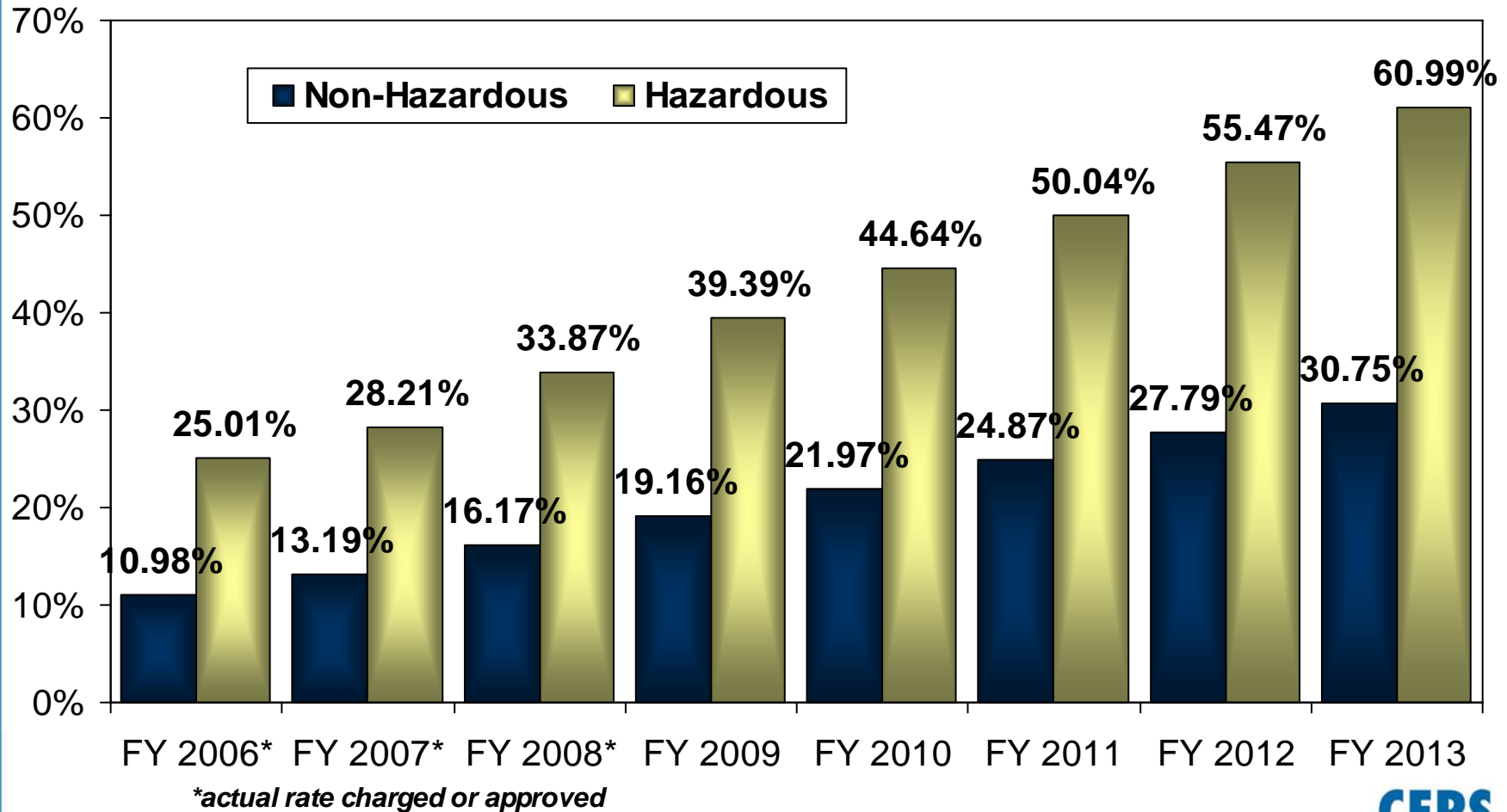


Cash Flow Crisis



Source: Kentucky Retirement Systems, KLC **CERS**

Projected Employer Contribution Rates



Source: Kentucky Retirement Systems

CERS Impact on Cities

“Pension Costs Strain City Budgets”

The Enquirer, 12/1/06

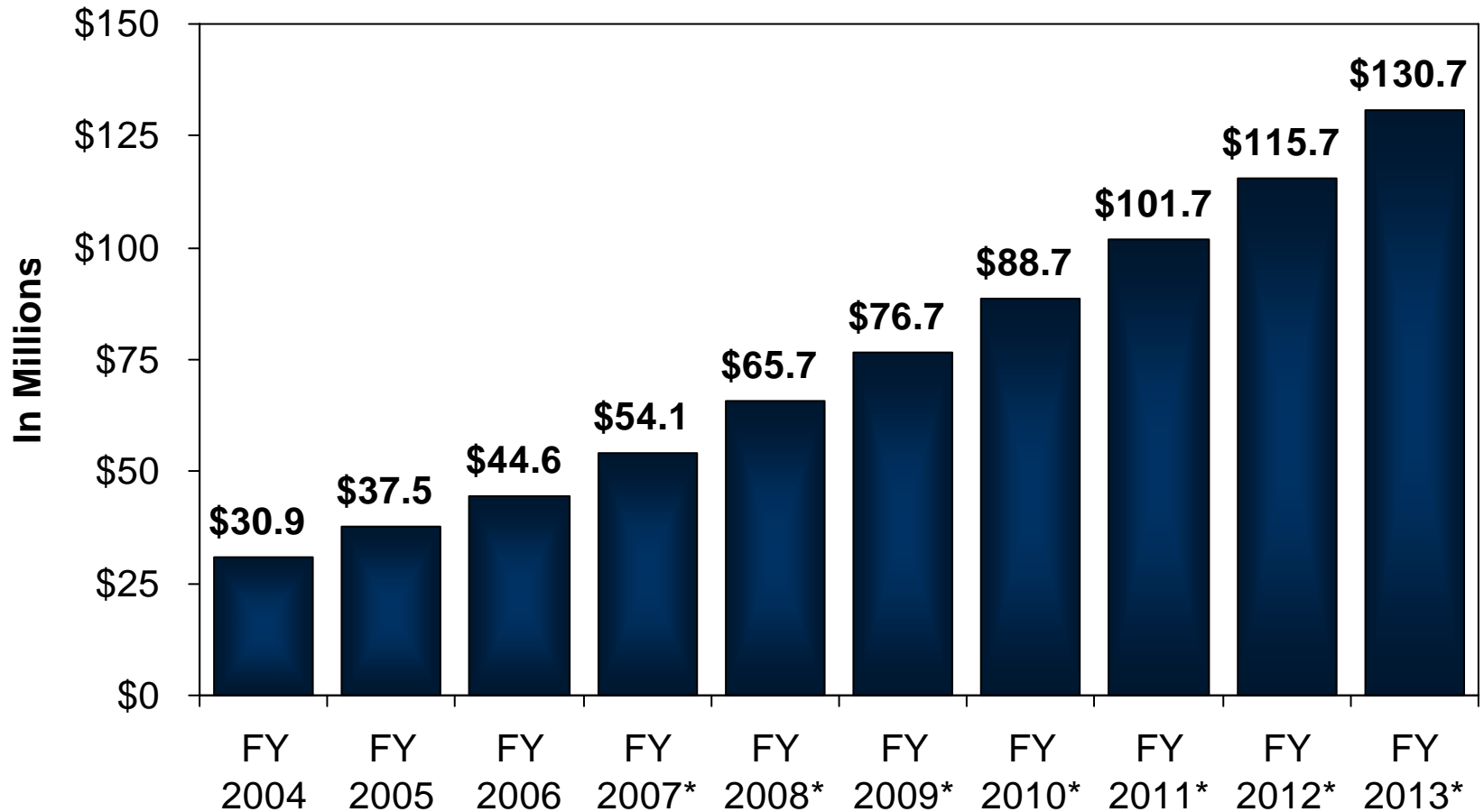
- Florence: Raised payroll, premium taxes
- Covington: Cut 11 positions, more cuts likely

“Retirement Costs Hinder Staff Hiring”

Messenger-Inquirer, 4/20/07

- Owensboro: Cut 20 positions, including public safety

Louisville Metro Contributions



(* projected)

Source: Kentucky Retirement Systems, KLC



Key Points About CERS

- City retirement costs increased 50 percent in the last two years
- CERS costs will double in five years
- Cities have already cut staff, raised taxes and/or expended reserve funds
- Cost increases will affect larger issues such as economic development and public education

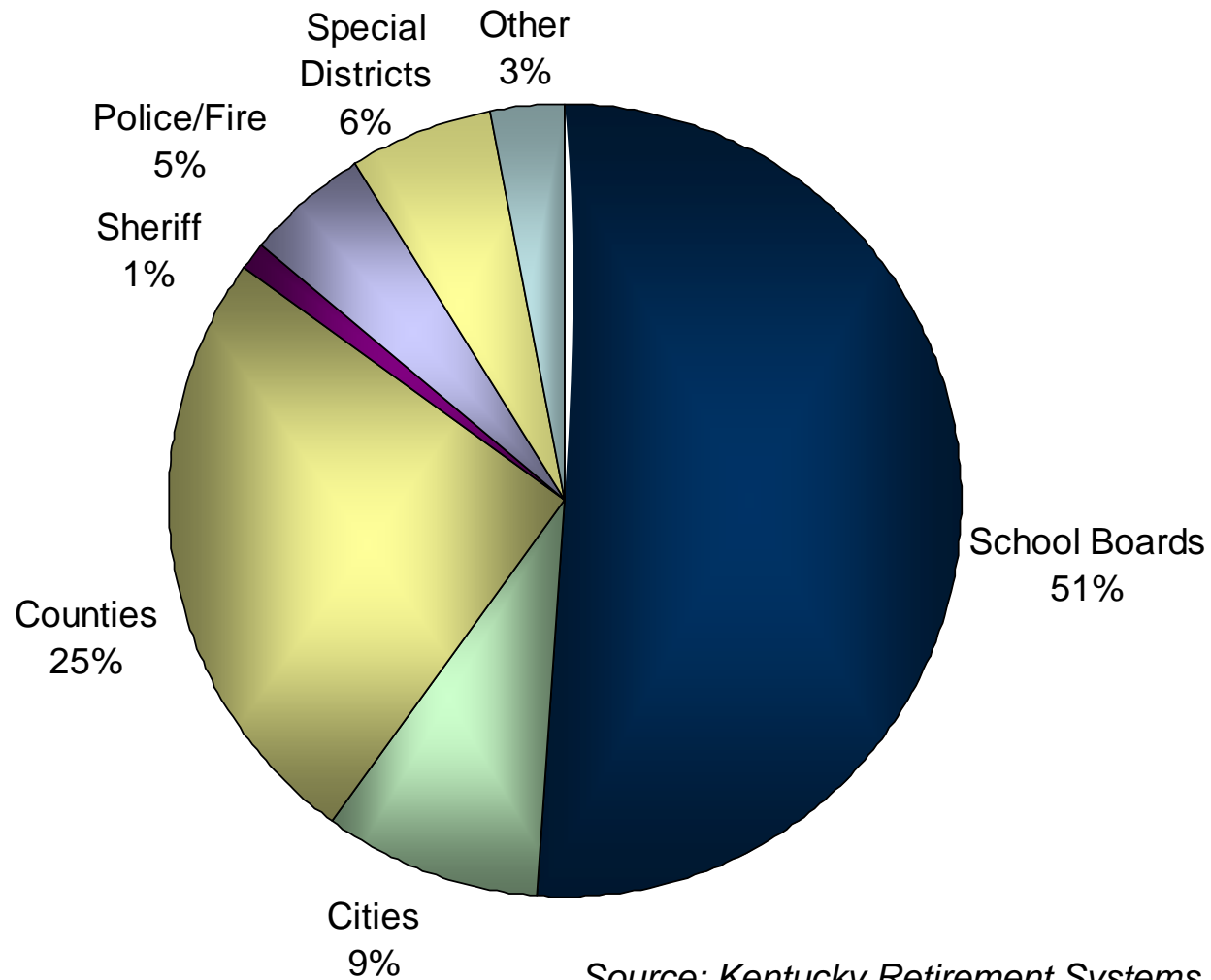
What is KLC's Goal?

To join with others represented in CERS, KERS, SPRS, KTRS and on the Blue Ribbon Commission to look at ways to reduce costs for the state, local governments and school districts while providing the best possible health coverage for working employees and retirees.

History of CERS

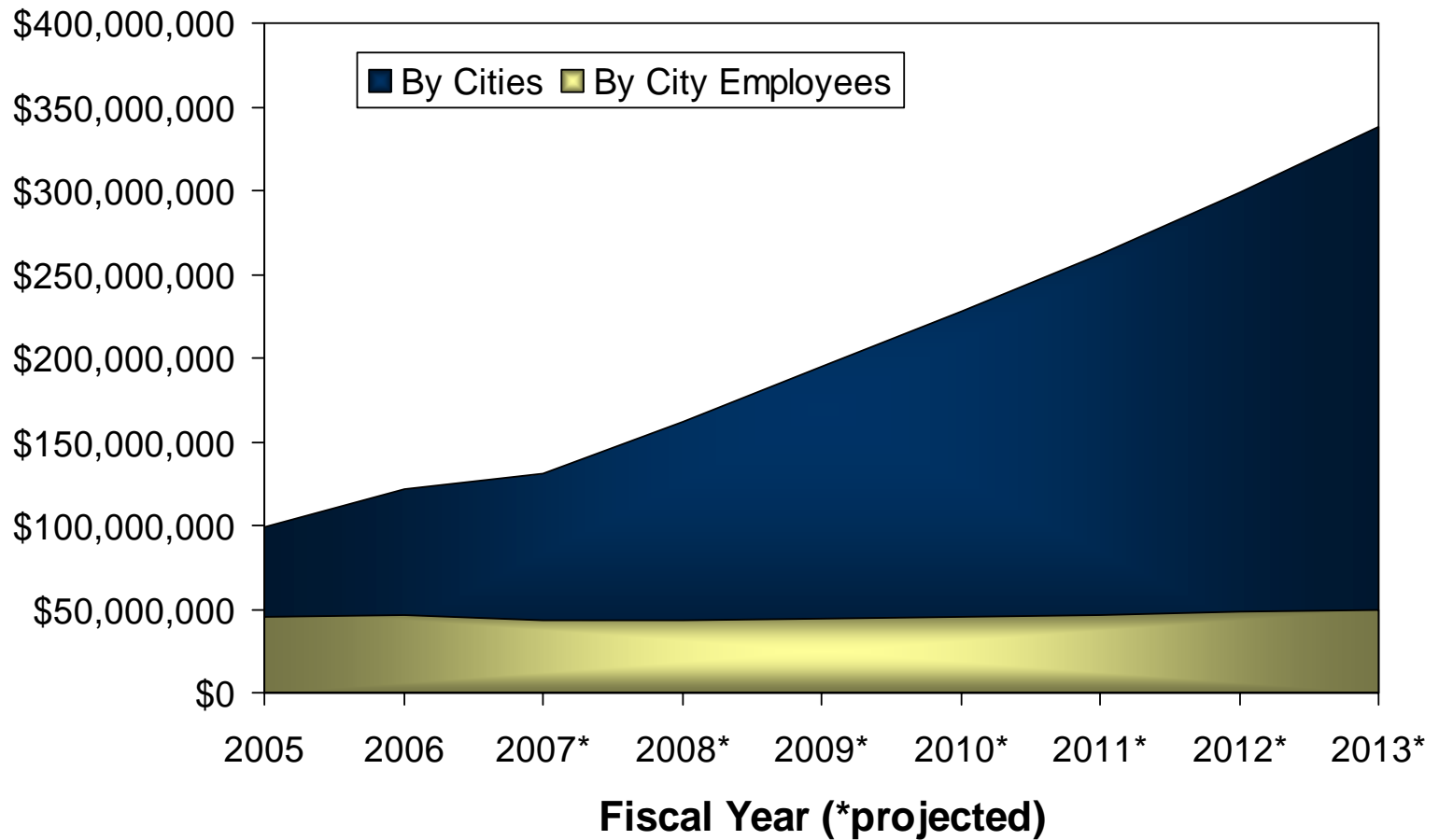
- 1958: CERS was established
- 1978: Health insurance benefit was added
- 1988: All local pension systems were closed (except Lexington police and fire)
- If cities had or want a defined benefit pension plan, they must be in CERS

Active Employees by Group

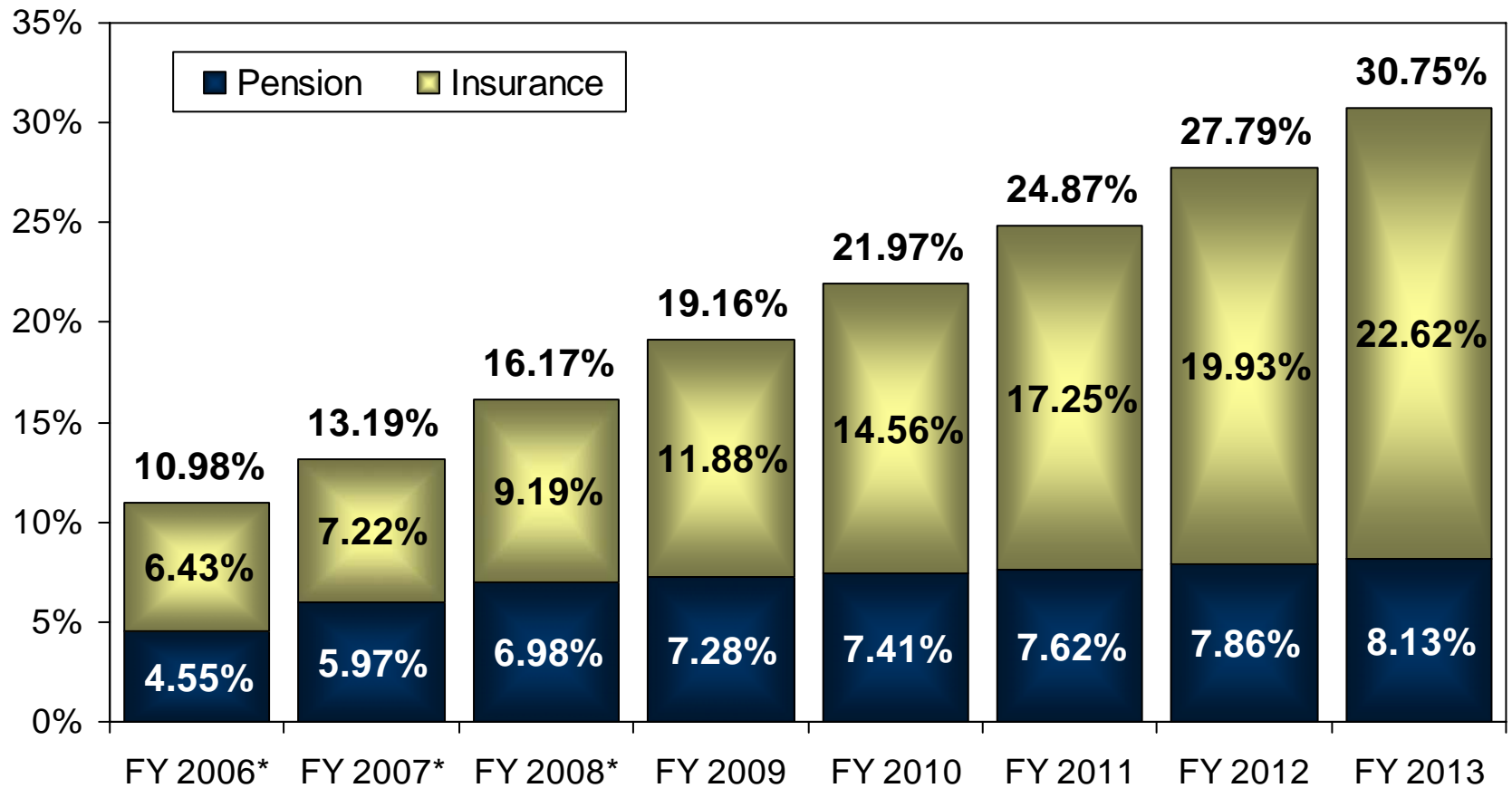


Source: Kentucky Retirement Systems, 2006

Projected CERS Contributions



Projected Employer Contribution Rates: Non-Hazardous

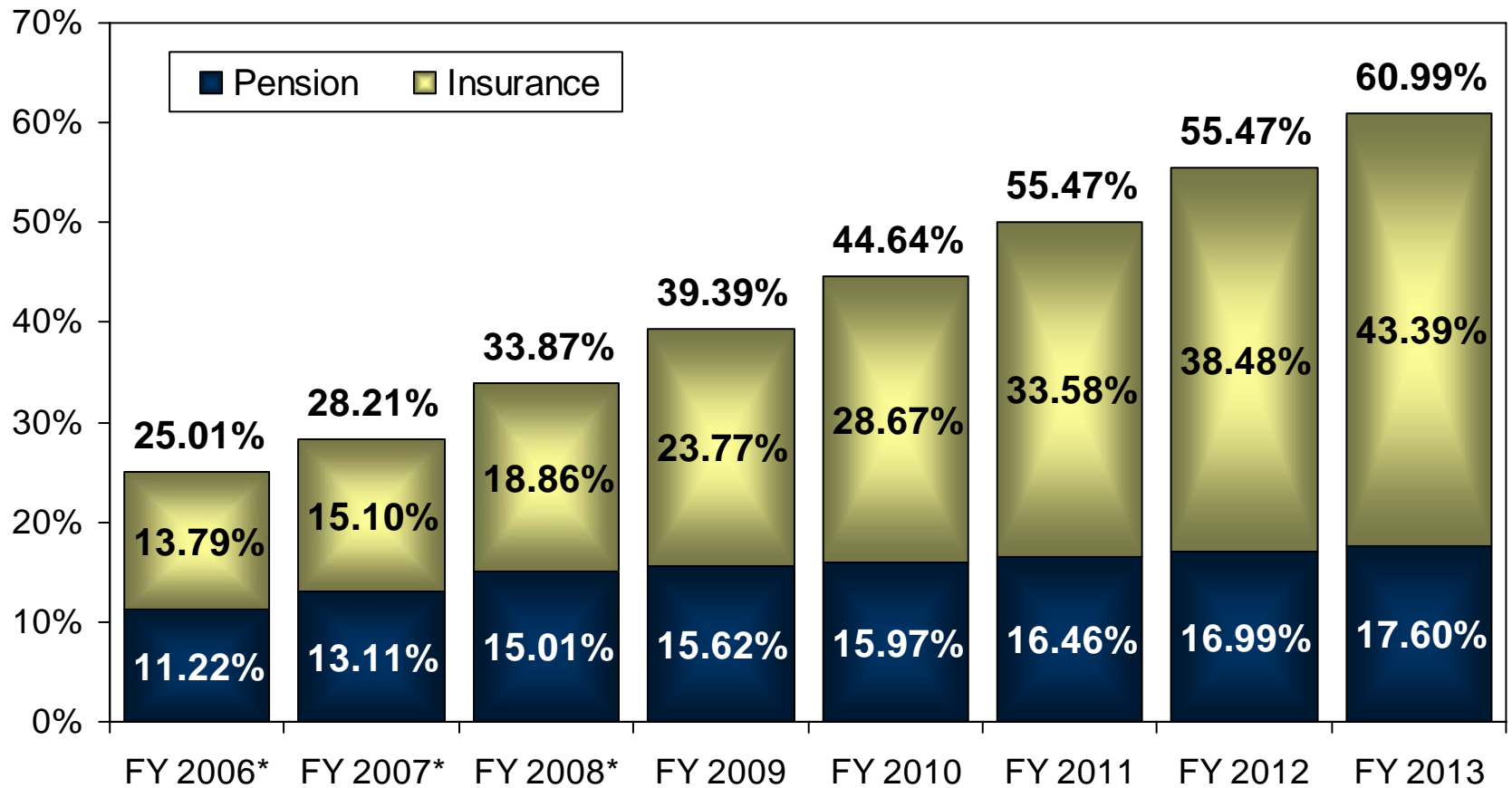


*actual rate charged or approved

Source: Kentucky Retirement Systems



Projected Employer Contribution Rates: Hazardous



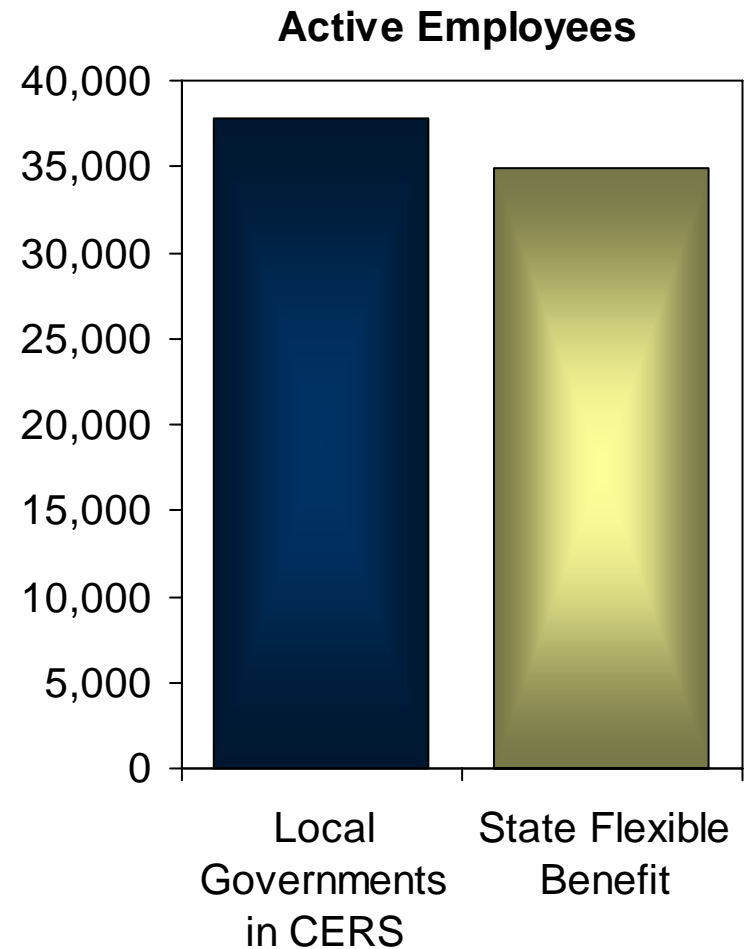
*actual rate charged or approved

Source: Kentucky Retirement Systems



Who's In and Who's Out?

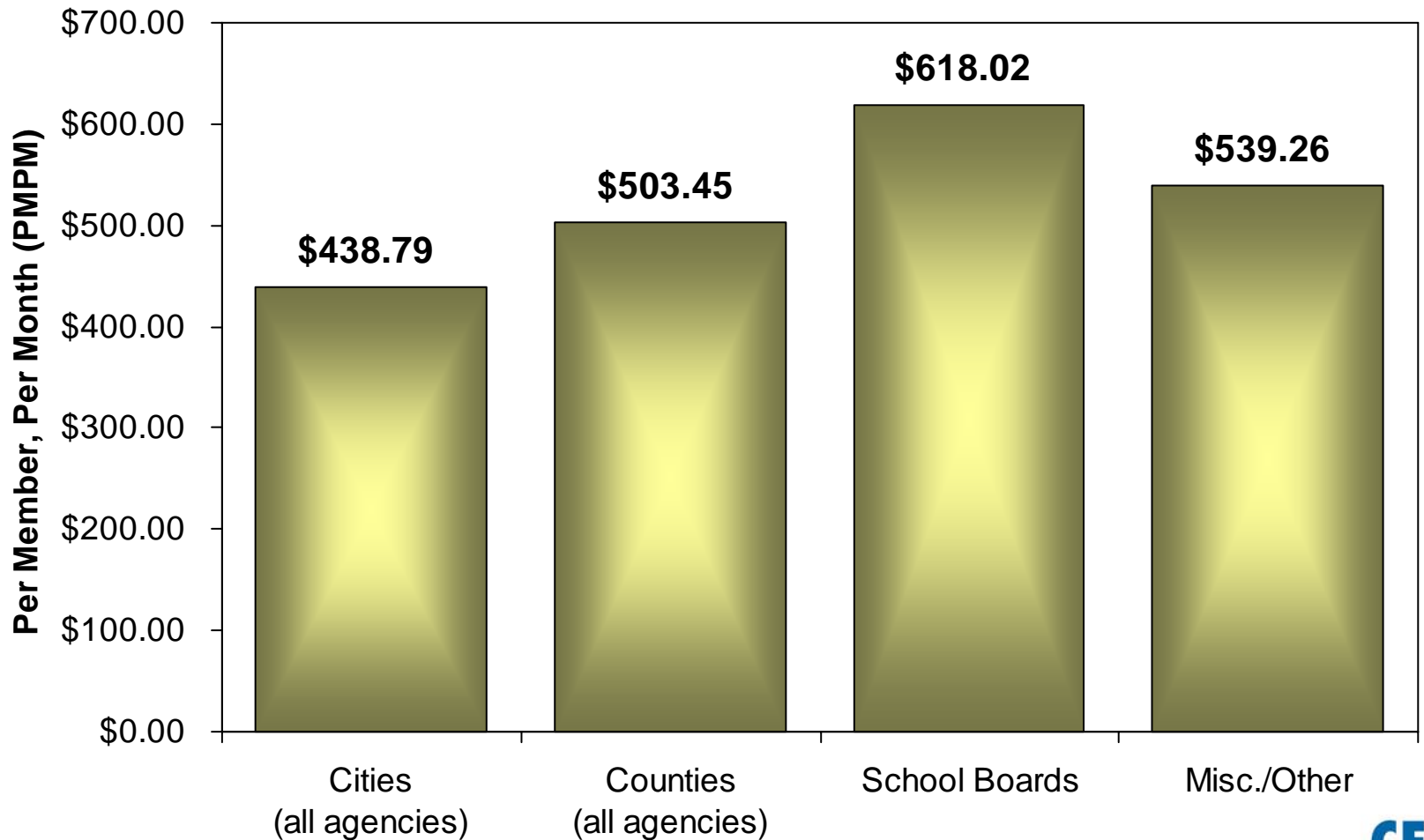
- Not all local government retirees are in the state health insurance plan as actives
- Not all active state employees are in the health insurance plan either



Source: KRS, KGHIP



Insurance Costs: CERS Retirees



Source: Kentucky Personnel Cabinet, KLC



Kentucky is Unique

We believe Kentucky is the only state in the nation whose cities with a defined benefit plan are mandated to participate in the state's health plan upon retirement.

The GASB 43 Effect

- Issued by the Governmental Accounting Standards Board (GASB)
- Is only a financial reporting requirement
- KRS actuary attributed the majority of the growth in rates to GASB 43
- Bond rating agencies do not require such an aggressive funding strategy

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