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UA3/10/2 Pension Reform Bill Filed

WKU President's Office - Caboni

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PRESIDENT'S MESSAGE

WKU places a high priority on keeping our campus community updated on important legislative matters affecting our University. Below you will find information regarding a new pension bill with implications for WKU and our employees.

Today in the Kentucky House of Representatives, Rep. James Tipton filed HB358, an act relating to the Kentucky Employee Retirement System and declaring an emergency. The bill is intended to help address the cost of the KERS and to provide options to institutions and employees. We are not aware of any legislation that would impact TRS.

Before discussing the bill itself, I would like to provide some important background information. WKU employees participate in two of the state's pension systems – the Kentucky Employee Retirement System (KERS) and the Teachers Retirement System (TRS). WKU employees who are eligible for TRS may choose our Optional Retirement Plan (ORP) as an alternative. The ORP is a defined contribution plan established under Section 403(b) of the IRS code.

The extraordinary rise in employer contribution costs under the KERS system has created serious budget challenges for participating state universities. Currently, WKU contributes 49.47% of each employee's salary. Unless the legislature enacts pension reform this session, this will increase to 83.43%, effective July 1, 2019. This increase in the KERS rate creates an additional \$7 million charge in next year's budget, including grants, contracts, and auxiliary services.

Most importantly, the proposed legislation protects current participants in KERS. It does, however, provide a choice. Employees, both vested and non-vested, will have the option to remain with KERS and to accrue retirement benefits for the remainder of their WKU employment. For those employees who believe it to be in their best interest to cease participation with KERS, they will have the option to change to the ORP. This option could especially be of interest to employees having less service in KERS.

The introduction of HB358 marks only the first step in the legislative process. It must first be heard in and passed out of a House committee and then receive three readings on the House floor before it can be voted on by the entire House. Once it passes the House, the bill will proceed to the Senate where it must complete the same process before being delivered to Governor Bevin for signature.

We will keep the campus community informed as more information becomes available on HB358, and our Department of Human Resources will prepare to answer questions and provide guidance as the bill makes its way through the legislative process. You will be able to view

HB358 on the WKU Government and Community Relations website, <https://www.wku.edu/govrelations/legislativepriorities.php>, Thursday, February 14.

WKU continues to be well represented in Frankfort by Jennifer Breiwa Smith. Jennifer has been with WKU since 2009 as our Director of Government and Community Relations and has recently been appointed as Special Assistant to the President for Government and Community Relations. In this elevated role, Jennifer serves as chief legislative strategist for the University and as our primary liaison to local, state and federal government officials and agencies.

Thank you for all you do for WKU and for your support as we continue to advance our University.

Best,

A handwritten signature in black ink, appearing to read "Timothy C. Caboni". The signature is fluid and cursive, with a long horizontal stroke at the end.

Timothy C. Caboni