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## UA3/10/2 Pension Reform

WKU President's Office - Caboni

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## PRESIDENT'S MESSAGE

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Colleagues:

The 2019 Kentucky General Assembly met yesterday for the final day of the 2019 legislative session. As you know, we have advocated this session for pension reform that provides both security for our employees and stability and predictability in our budgeting process. In a continued effort to keep you informed during this legislative session, I'd like to share a final update on House Bill 358 - commonly known as the higher education pension relief bill.

The House of Representatives and the Senate were unable to reach agreement on HB358 before the 10-day veto period. Yesterday, a conference committee was appointed to work out the differences between the two Chambers. The final version of HB358 with Free Conference Committee Report (FCCR) was passed by both Chambers and sent to Governor Bevin for his signature.

HB358 FCCR, effective July 1, 2020, only effects non-hazardous employees in the Kentucky Employee Retirement System (KERS); this bill does not make any changes to the Teachers' Retirement System (TRS). HB358 FCCR gives us choices, and how we proceed as a university depends on the results of an actuarial study that will be done to determine WKU's unfunded liability. Once this study is complete, we will decide if exiting KERS is an appropriate financial option.

An overview of HB358 FCCR is below and can also be viewed in its entirety at [https://www.wku.edu/govrelations/documents/pensionbill\\_hb358-fccr.pdf](https://www.wku.edu/govrelations/documents/pensionbill_hb358-fccr.pdf). According to the bill:

- **KERS Tier I** – employees hired prior to September 1, 2008 – **and Tier II** – employees hired between September 1, 2008 and January 1, 2014 – will be given a window of time to elect to either remain in the system or opt into the University sponsored defined contribution plan (ORP). Tier I and II employees who remain with KERS will accrue service and benefits through their retirement effective date.
- **KERS Tier III** both vested and non-vested employees – hired on or after January 1, 2014 – will not have the option to remain in KERS and will move into the University defined contribution plan (ORP). Tier III employees will be eligible to move their accumulated account balance from KERS to the defined contribution plan.

- All **new hired** employees will go into the University defined contribution plan.

I appreciate your patience as our Department of Human Resources prepares to answer your questions and provide guidance as we work through this in the coming year.

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