



Kentucky

KENTUCKY HAD ONE OF THE MOST DRAMATIC declines in pension funding levels from 2000 to 2006 of the 50 states—a recent trend that could cause trouble if it persists. Government contribution rates fell short for both the Kentucky state employees’ fund (particularly the non-hazardous portion) and the smaller state police fund in nine of the past 15 years. The Commonwealth has done a better job keeping up with funding requirements in its teachers’ fund. On the non-pension benefits side, Kentucky has included retiree health benefits in its pension system. In the past, when other states were not paying attention to retiree health benefit costs, this practice tended to deflate the funding level of Kentucky’s pension systems. Now it gives Kentucky a small jump on other states—in fact, Kentucky was one of just 13 states with any assets set aside for non-pension benefits as of 2006.

PENSIONS

TOTAL BILL COMING DUE: **30.7 billion**¹

FUNDS SET ASIDE: **\$21.4 billion**

PORTION UNFUNDED: **\$9.3 billion**

PERCENT FUNDED: **70 as of 2006**²

TEN YEAR FUNDING HIGH: **111% in 2000**

TEN YEAR FUNDING LOW: **70% in 2006**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Assumptions vary somewhat for the different Kentucky pension funds. The state assumes a 7.75% return for the major state funds and 7.5% for the teachers’ funds (both lower than the 8% median for the 50 states). Kentucky uses a five-year smoothing period, similar to most states. The amortization period conforms to accounting standards.

1 Pension funds include state employees—hazardous and non-hazardous—state police, judicial employees, legislators and teachers.

2 50-state mean was 82%.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$9 billion**¹

FUNDS SET ASIDE: **\$929 million**

PORTION UNFUNDED: **\$8.1 billion**²

PERCENT FUNDED: **10 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

1 For state employees.

2 422% of covered payroll, compared to a national median of 135%.

REFORMS: In 2006, the Kentucky General Assembly approved an increase in contribution rates for the state employees’ pension, but it was far short of what had been requested by the retirement system, according to the National Conference of State Legislatures. Several years ago, Kentucky lawmakers acted to tighten up eligibility requirements for retiree health insurance for employees hired after July 1, 2003, extending the period before eligibility begins. In February 2007, Governor Fletcher set up a blue-ribbon commission to study employee retirement systems.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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