To: The Pew Charitable Trusts
From: The Mellman Group and Public Opinion Strategies
Re: Voters Support Moving To A New Kentucky Retirement System

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This analysis represents the findings of a statewide survey of the likely November 2014 electorate in Kentucky using a registration-based sample including cell phones and landlines. 600 interviews were conducted by telephone March 2-5, 2013 with an oversample up to 200 interviews in the eastern region, which is the combination of the Charleston, Tri-Cities and Knoxville media markets. The margin of error for each question is +/-4.0% at a 95% level of confidence.

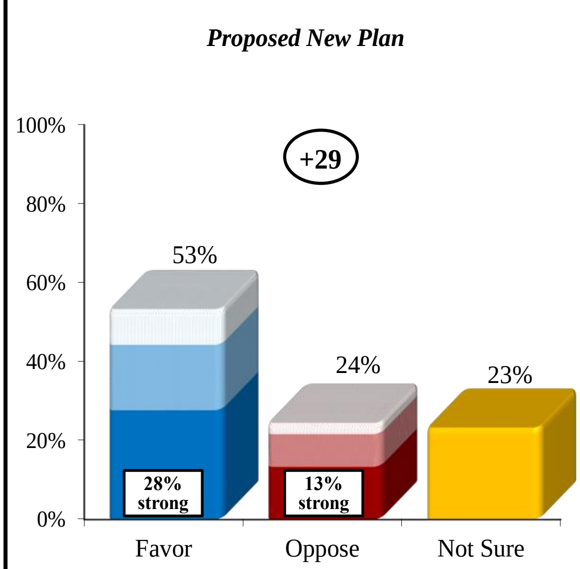
Our recently completed survey shows that Kentucky voters favor moving to a new retirement system for future public employees. After hearing a description of the new system, majorities support the plan and all the individual provisions. This majority support holds strong after arguments from both sides. Among those from union households and public employee households there is plurality support for the new retirement system, and majority support for every provision except for one which still garners plurality support. Support for the proposal and the provisions are generally strong and widely held.

KENTUCKY VOTERS SUPPORT MOVING FUTURE PUBLIC EMPLOYEES TO THE PROPOSED NEW SYSTEM

Respondents were read a brief description of the proposal to move future public employees to a new retirement system.[1] After hearing this, a 53% majority supports the new plan, by a more than a 2:1 margin over the 24% opposed.

As the chart to the right shows, support crosses partisan and ideological divisions. Union households, and even public employee households, support the proposed new plan. Every region of the state favors it as well.

By Two To One, Voters Favor The New Retirement System



	Favor	Oppose
Liberal/Dem	50%	27%
Mod/Cons Dem	48%	25%
Indep/Other	50%	31%
GOP	59%	18%
Union HH	48%	32%
Non-Union HH	54%	23%
Public Emp. HH	41%	37%
Not Public Emp. HH	55%	22%

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[1] "Under this proposal, the retirement system for current public employees would not change. But future public employees would not go into the current system where retirement benefits are based on a calculation of salary and years worked. Instead, they would get individual accounts that grow with contributions and investment returns. They would make an annual contribution of 4 percent of their salary; and the state would contribute another 5 percent. Employees would be guaranteed a minimum return of 4 percent each year. In years where investments do better than that, 25 percent of the gain over the minimum guaranteed return would go into a rainy day fund to help cover losses when the returns do not reach that minimum."

VOTERS HAVE LIMITED AWARENESS OF THE PUBLIC PENSION DEBATE, BUT UPON HEARING THE PROPOSAL, INITIAL RESERVATIONS TURN INTO MAJORITY SUPPORT

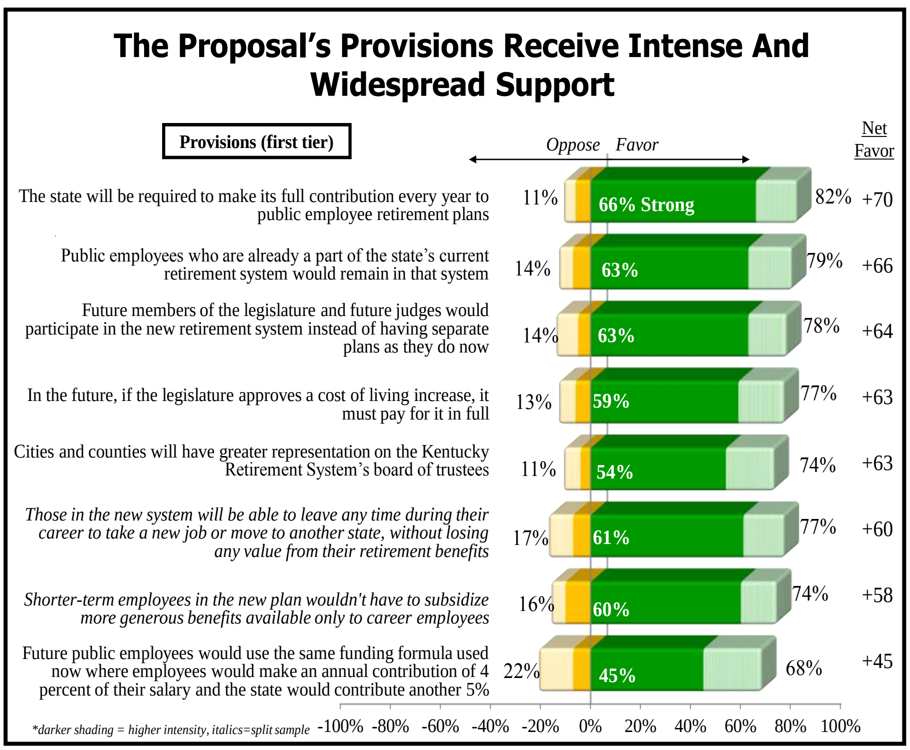
Though the discussion over what to do about the Kentucky Retirement System may be a hot topic in legislative circles in Frankfurt, voters are not following the debate nearly as closely. Only 12% say they have heard a great deal about possible changes to the retirement system for Kentucky public employees, and another 28% say they have heard some. Fifty-eight percent (58%) say they have heard not too much (25%) or nothing at all (33%) about possible changes.

Without any information, a narrow plurality initially leans toward the status quo with 48% saying they prefer to “concentrate on improving the administration and funding of the system we have now instead of trying out a risky new system that may only make things worse”. Forty-one percent (41%) believe Kentucky needs “a new system for future employees that will be more predictable and sustainable for the state budget or we’ll always be dealing with funding problems.” This makes it all the more notable that after hearing about the plan, the narrow plurality for the status quo changes to a 53% majority for change.

INDIVIDUAL PROVISIONS ALSO RECEIVE MAJORITY SUPPORT, EVEN IN PUBLIC EMPLOYEE HOUSEHOLDS

Furthermore, large majorities favor each provision of the proposal, including the core provisions that comprise the new retirement system. Nearly two-thirds (64%) favor giving future public employees individual accounts that grow with contributions and investment returns. Over two-thirds (67%) support the contribution levels set for employees and the state, and the 4% minimum guaranteed return. And over 60% favor putting a quarter of the gains over the minimum into a rainy day fund. Voters also strongly favor accountability provisions. In fact, even the least popular provisions garner majority support.

The most popular provisions are the ones requiring the state to make its annual contribution to the plan, moving judges and politicians over to the new plan, requiring the legislature to pay for any cost of living adjustments, adding more seats on the board of trustees for cities and counties, and making it easier for employees to leave the plan with benefits intact. All these provisions get over 70% support. Provisions aimed at ending abuses – such as double-dipping, spiking and buying time – also receive majority support.



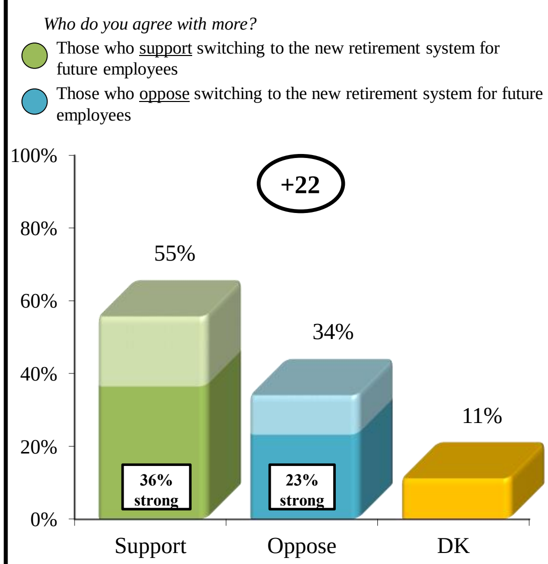
Even among union and public employee households there is strong support for each of the provisions. A full majority of union households favor all provisions. Among public employee households there is majority support for all provisions except the rainy day fund which still gets plurality support.

SUPPORT FOR THE NEW SYSTEM REMAINS STEADFAST AFTER VOTERS HEAR FROM BOTH SIDES

We read respondents arguments from both sides. Everyone heard an argument against moving to the new system which asserts that it ignores the real problem of the $14 billion shortfall that taxpayers have to pay, that an independent study says the new plan could cost $55 million more than the current plan, and that we should just move forward with reforms that end abuses but not move to a new plan that is worse than what is now in place.[2]

The sample was then divided into thirds. One third heard an argument for the new plan that focused on the plan's specifics and its self-sustaining structure.[3] Another third heard an argument that changes need to be made and that this new plan is a step in the right direction that will put the retirement system on firmer financial footing and prevent spending cuts.[4] The remaining third heard an argument that explains how the new plan protects taxpayers in down years.[5]

After Hearing From Both Sides, A Majority Supports Switching To The New Retirement System



	Support	Oppose
Liberal/Dem	52%	38%
Mod/Cons Dem	49%	39%
Indep/Other	57%	29%
GOP	59%	32%
Union HH	50%	46%
Non-Union HH	57%	32%
Public Emp. HH	43%	47%
Not Public Emp. HH	58%	31%

[2] "**Those who oppose switching to the new retirement system for future employees** say that the new plan not only ignores the real problem of the large and growing shortfall in the state's retirement system, but is also worse than what we already have. Right now, the state retirement plan has a shortfall of $14 billion dollars – with the taxpayers bearing the burden of paying the bill. This proposed new plan will not do anything to cover the shortfall. In fact, an independent study says the new plan could cost $55 million dollars more than what is currently in place. We should move forward with reforms that save the state money by ending abuses of the pension system – but that doesn't mean switching to a new plan that is worse than what we have now."

[3] "**Those who support switching to the new retirement system for future employees say that the current system is unsustainable and changes are needed.** We may not be able to solve all of the state's pension problems all at once, but we have got to take the first step by moving away from the plan which got us into this mess in the first place and toward a self-sustaining system. The new system provides a secure retirement path for future public employees and puts the state's retirement system on firmer financial ground. Future public employees would get an account funded by employee and employer contributions plus interest – similar to the private sector. Employees will get a guaranteed minimum benefit; and the state will save money by ending abuses of the system. Because this new plan will be self-sustaining, it gives future public employees a secure retirement plan, while protecting taxpayers and the state from future cost increases."

[4] "**Those who support switching to the new retirement system for future employees say that the current system is unsustainable and changes are needed.** We may not be able to solve all of the state's pension problems all at once, but we have got to take the first step by moving away from the plan which got us into this mess in the first place and toward a self-sustaining system. If we don't make changes, the pension shortfall will continue to grow, costing the state as much as $2 billion dollars a year; forcing cuts in education, public safety and other critical programs. This new self-sustaining plan will not only put the pension system on firmer financial footing but ensures taxpayers and public workers won't be facing one funding crisis after another. It also saves the state money by ending abuses of the system. It may not fix all the problems right away, but it puts the state on firmer financial footing and prevents cuts to priorities like education and public safety."

[5] "**Those who support switching to the new retirement system for future employees say that the current system is unsustainable and changes are needed**. The new system ensures a secure retirement for future public employees and puts the state's retirement system on firmer financial ground. Some people are trying to make up their own numbers, but the truth is that the new system will insulate taxpayers from higher costs down the road and protect them from being on the hook when the economy gets bad. In down economic years the new retirement system will save Kentucky taxpayers tens of millions of dollars a year. It may not fix all the problems right away, but it puts the state on firmer financial footing, saving us money in the short term and protecting taxpayers from bigger growing burdens down the line."

Regardless of which pro-plan argument was heard, majorities across party and ideology rejected the opposition argument and remained in favor of the new plan. As before, there were double digit margins in favor of moving to the new plan.

Even among union members and public employee households there was far from overwhelming opposition. Among union members 50% supported the new plan, compared to 46% opposed.
Households with a current public employee were divided with 47% opposed and 43% in favor. Looking at the larger sample of households with current or past public employees, a full 50% remained in favor of the new plan after the arguments, compared to 42% opposed.

Clearly there is support for moving to a new retirement system for future Kentucky state employees. The more people hear the more supportive they are. This majority support holds firm through arguments from both sides.

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