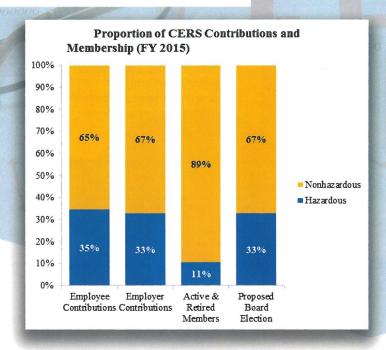
LOCAL PENSIONS.

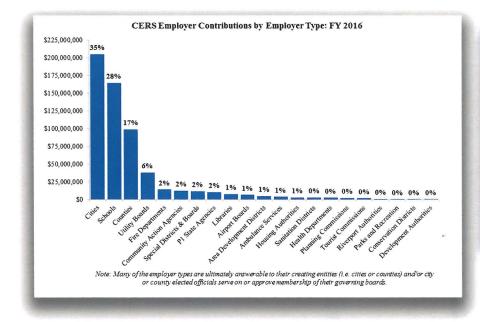
#freeCERS LOCAL CONTROL.



WHO CONTRIBUTES



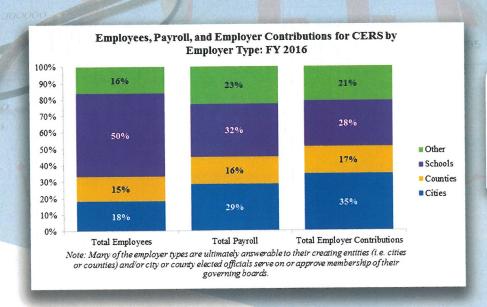
One-third of CERS contributions are from hazardous duty positions, which would equal one-third of the seats on the proposed CERS Board of Trustees. Hazardous duty employment represents 11 percent of all active/retired CERS members.



Cities represent the largest employer in CERS. Cities, counties and schools combined represent 80 percent of employer contributions and would have 67 percent of the seats on the proposed CERS Board of Trustees.

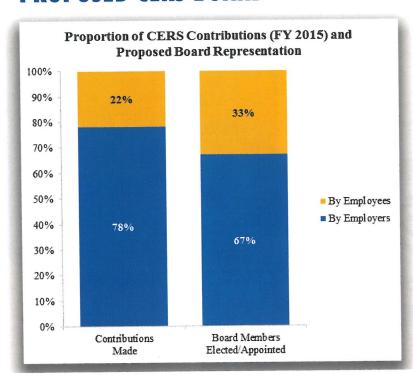
* Cities include police departments and urban government agencies. Counties include county attorneys, clerks, fiscal courts, jailers and sheriff's departments.





School boards have the largest percent of active employees, at 50 percent, but only account for 32 percent of the total payroll and 28 percent of employer contributions.

PROPOSED CERS BOARD

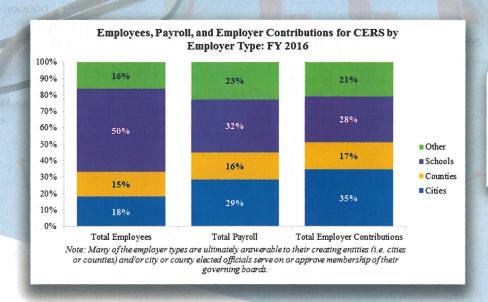


Employers would appoint 67 percent of the seats on the CERS Board of Trustees and employees would elect 33 percent of the board members.

The new nine member board would include three elected officials, three members with investment experience and three members with management experience.

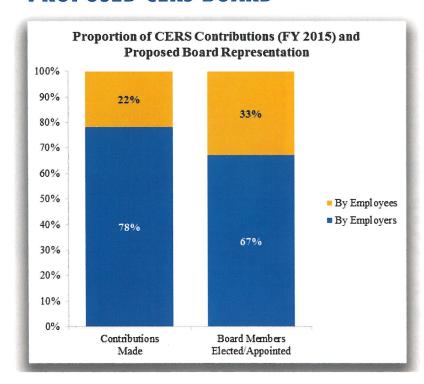






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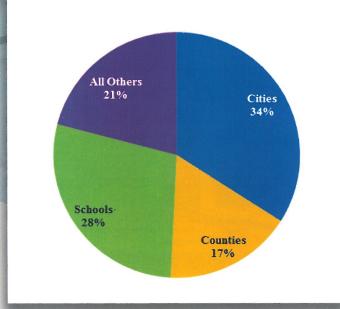






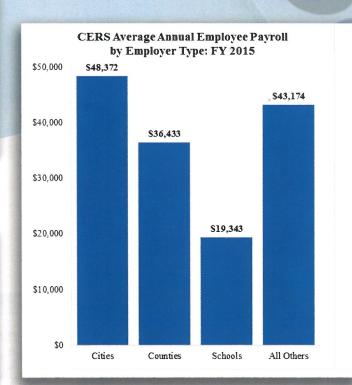
CERS ASSETS

Estimated Asset Allocation Based on Employer and Employee Contributions to CERS: FY 2015



| FY 2015 | Total Payroll | Number of Employees | Average Annual Pay |
|------------|-----------------|---------------------|-----------------------|
| Cities | \$817,003,318 | 16,890 | \$48,372 |
| Counties | \$476,537,942 | 3,080 | \$36,433 |
| Schools | \$935,902,248 | 48,385 | \$19,343 |
| All Others | \$647,779,899 | 15,004 | \$43,174 |
| Total: | \$2,877,223,407 | 93,359 | \$30,819 |

In FY 2015 city employers and employees paid more into the system and have more assets within CERS, which the CERS Board of Trustees will be tasked with managing.







STABILITY

SEPARATE AND SUSTAIN CERS PENSIONS

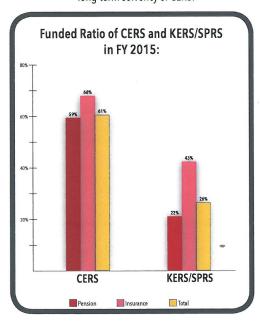
CERS has been on an upward trajectory of growth since the passage of historic legislation in 2013. This growth is occurring despite issues that plague other systems within Kentucky Retirement Systems (KRS). Separating CERS without changes to the structure or benefits is the top priority of the 24 Kentucky agencies that represent the many employees and members of CERS.

The **County Employees Retirement System** (CERS) has seen its funding ratio increase and its employer contributions decrease since the passage of Senate Bill 2 in 2013. In fact, actuaries say CERS will be fully funded by 2043.



Unlike the upward mobility that CERS displays, the **Kentucky Employees Retirement Systems** (KERS) has had a decrease in its funding ratio. KRS admin expenses increased 245% from FY 2000-2016. At this stage, KERS is the worst-funded system in the country.

The chart below shows CERS funded over 61% while KERS is funded well below 30%. Separating CERS from KRS and providing for new governance of CERS will help ensure the long-term solvency of CERS.



According to the asset liability study performed by R.V. Kuhns, Inc., KERS is set to undergo financial hurdles of "persistent funding short-falls, elevated contribution levels, unsustainable payout ratios and in the worst-case scenario, the potential for the complete depletion of the asset base." Removing CERS from the necessary conversation taking place on KERS allows our legislators to focus their energy on fixing these very real problems that remain within KRS.

HELPING CERS CONTINUE TO GROW

The coalition supports the long-term stability of CERS through local control of local pensions. By separating CERS from KRS and sustaining the CERS retirement plans, we ensure that the needs of CERS members will be met and that CERS will continue on its current path of growth for years to come. Separation with excessive changes is not ideal as unnecessary changes to the CERS structure create unnecessary risk for those who depend on these funds.

CERS STABILITY IS SUPPORTED BY...



















































WHAT CERS SEPARATION WOULD MEAN

WHAT HAPPENS IF THINGS GO WRONG...

| Possible Scenarios | Under Current Law | After Separation |
|---|---|------------------|
| One employer leaves CERS: | Liability is shared with other 1,139 CERS employers. | No change |
| Multiple CERS employers cease to participate (dissolution or bankruptcy): | Liability is shared with other 1,139 CERS employers. | No change |
| Almost all CERS employers cease to participate (dissolution or bankruptcy): | Commonwealth is responsible for ensuring that benefits associated with the inviolable contract are paid to beneficiaries. | No change |
| Cost of Living Adjustment (COLA): | 1.5% cap; remains suspended unless the General Assembly enacts legislation to provide for prefunding. | No change |
| CERS Nonhazardous unfunded liability dramatically increases quickly: | Smoothing spreads investment loses over five years, pushing employer contribution rates slightly higher. | No change |
| CERS Hazardous unfunded liability dramatically increases quickly: | Smoothing spreads investment loses over five years, pushing employer contribution rates slightly higher. | No change |
| Change in benefits for CERS members: | Changes must be made through legislation enacted by the General Assembly. | No change |

IMPACT TO ELEMENTS OF CERS...

| CERS Components | Under Current Law | After Separation |
|--|--|------------------|
| CERS structure: | Cost-sharing, multiple-employer defined plan covering all regular full-time employees of each participating county, city and school board, and any additional eligible local agencies electing to participate. | No change |
| Inviolable Contract: | Benefits cannot be reduced or impaired for members who began participation prior to January 1, 2014. | No change |
| Hybrid cash balance plan: | Personal accounts are maintained for members that first participated on or after January 1, 2014, and include automatic crediting. | No change |
| Proportion of all CERS members in retirement system: | 63% | 100% |
| Proportion of CERS representatives on Board of Trustees: | 35% | 100% |