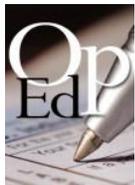


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Guest columnist: Political pressure key factor in pension crisis



By Frankfort State Journal Opinion

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Guest Columnist



Editor's note: This is the first of two columns by the author addressing Kentucky's pension crisis. The second column will run in Thursday's newspaper and be published online Wednesday.

By Troy Adkins

With the 2018 legislative session now adjourned, it is necessary to once again address the fact that the largest public policy issue facing the commonwealth of Kentucky has still not been resolved.

Assuming that the protests and political bickering are over until the next legislative session, now is the time to establish an effective policy solution that will resolve the pension crisis facing the commonwealth.

Newspaper reporters have written many columns that have listed the reasons the Kentucky Retirement Systems and the Kentucky Teachers' Retirement System are financially insolvent. Ironically, the primary cause of the problem is never truthfully disclosed. Since it is important to first identify the cause of a problem in order to be able to solve a problem, it is important to acknowledge that the pension crisis stems from the fact that both active public employees and retirees have historically strong-armed elected officials in order to put in place retirement benefits that are neither affordable nor sustainable.

Comments such as “we will remember your vote on SB1/SB151 in November” and “we’ll win the war in November ’18 and ’19” illustrate the intense political pressure that is placed upon elected representatives throughout the state. These types of comments have been made during every legislative session for many years and have caused imprudent pension policies to be ramrodded into law.

Indeed, people who hold public office routinely find themselves in a situation where they have to support the retirement benefit demands made by system members simply because they make up a very large and vocal segment of the voting commonwealth. Without their support, it is highly unlikely that an elected official would be able to get re-elected. The same type of political pressure is placed upon prospective candidates running for political office.

At this point, nevertheless, pointing fingers at the cause of the pension crisis will not solve the problem. What needs to be made clear, however, is that there are no philosophical or legal remedies that can be used to resolve the mammoth financial obligations facing the retirement systems. Retirement plan design, investment return, inappropriate funding, fairness, injustice and equality issues as well as arguments about inviolable clauses are moot arguments at this point.

In essence, the legislature writes the law, the judicial branch interprets the law and the executive branch enforces the law. Therefore, having the Kentucky Supreme Court rule on pension law is a meaningless tactic in the pension debate because the legislature can rewrite the pension legislation in a manner that can be passed through the House and Senate. If the legislation is supported by the governor, it will be enacted into law and implemented by the retirement systems.

As a result, getting the Supreme Court involved in the pension debate is tantamount to asking the institution to serve as a paper tiger, particularly given the fact that if the results of its ruling are not financially feasible, it will ultimately be unenforceable. Simply put, using Kentucky colloquialism, you can’t squeeze blood from a turnip.

The financial quagmire facing the people of Kentucky is well known: The retirement systems need between \$40 billion and \$80 billion, and the total amount of annual tax revenue in the general fund from all sources is only about \$10.3 billion. Therefore, even if 100 percent of the general fund tax revenue was allocated to the pension crisis, it would take at least four years to pay off the unfunded pension liabilities. Clearly, the gravity of the financial problems facing the pension systems will be insurmountable going forward.

If new, active and retired pension system members do not accept dramatic cuts in their retirement benefits, members of the Kentucky retirement system who are younger than 50 will likely be left with a pension benefit that is worth a fraction of what they currently think they are going to get when they retire. Governmental services such as police, fire, sanitation and parks will have to be greatly reduced for more than a generation.

Retirement system members need to understand that, if the pension crisis is going to continue to be left unchecked, their future livelihood will be dictated by the hands of capitalism in accordance with the global capital markets forces. As history has shown us in many respects, such resolutions tend to evolve in a very uncompassionate manner. With this in mind, retirees, active employees and new employees need to accept dramatic changes to their pension plans in order to resolve the pension crisis.