



Commonwealth of Kentucky
Office of the Governor

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**Gov. Beshear Signs Bill to Implement Pension Reform for
Lexington Police and Firefighters**

Agreement saves \$140 million over 30 years

LEXINGTON, Ky. (March 22, 2013) – Governor Steve Beshear joined Lexington Mayor Jim Gray and the presidents of the city’s fire and police unions today to sign House Bill 430, which implements the city’s pension reform plan for police and fire department employees.

Lexington’s police and fire pension, which has a \$296 million unfunded liability, will be set on a sustainable path under a consensus plan agreed upon by the mayor, representatives from the police and fire unions and representatives from the city’s pension board.

“The leaders of Lexington took some common-sense steps to shrink the city’s unfunded pension liability and create a reasonable path forward to ensure these public servants will get the benefits they earned,” said Gov. Beshear.

The plan, recommended by the city’s pension consultant, will immediately cut the city’s unfunded liability by approximately 45 percent. The plan includes lower annual cost-of-living adjustments, increased contributions from active and future employees and a remodeled new-hire plan. The city agreed to increase its payments to the Policemen’s and Firefighters’ Retirement Fund by \$9 million a year and bind itself to paying down the unfunded liability over 30 years.

“Great American cities like Lexington tackle big problems and wrestle them to the ground,” Mayor Gray said. “Our police and fire pension system was by far our city’s biggest financial challenge. We were determined to stop kicking the can down the road, to find a solution now. With this agreement, we make Lexington a stronger city.”

Under this agreement, Lexington would not need to issue the \$34 million bond that narrowly passed the Urban County Council last year. That bond was to cover the city's minimum required payment of \$29 million to the pension fund this year. Members of the police and fire unions voted to approve the plan.

"The men and women of the police and fire pension system, active and retired, have shown both their commitment and sacrifice by voting for and accepting the concessions made in order to sustain this pension, not only for themselves but also for our future retirees," said Lexington Fraternal Order of Police President Mike Sweeney. "They need to be commended as do all of the drafters of this plan from both sides."

"This was not easy, but in the end we have a plan that finally puts our pension fund on sound footing, ensuring that it will continue to support the retirements of Lexington's police officers and firefighters for decades to come," said Capt. Chris Bartley, President of Local 526, International Association of Fire Fighters.

Under the new plan, the city's annual payments would be \$20 million per year, up from the \$11 million per year it had been contributing supplemented by pension-obligation bonds. The new payment schedule and methodology shifts the city's payment plan from interest-only to paying down the principal. Paying down the unfunded liability over 30 years without the benefit changes would have cost the city \$34 million a year.

"With this legislation the pensions of the brave men and women in our police and fire departments will become sound," said Rep. Ruth Ann Palumbo. "These public servants put their lives on the line every day to protect us and deserve a secure retirement plan."

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