

## 2019 Legislation Directly Impacting the State-Administered Retirement Systems

February 25, 2019

| SENATE BILLS   |   | System Impacted |      |      |     |     |     |
|--|---|-----------------|------|------|-----|-----|-----|
| Bill/Description   | Status  | KERS            | CERS | SPRS | TRS | LRP | JRP |
| <a href="#">SB 10</a> (Sen. McDaniel) Allow universities, community colleges, and health departments to cease participating in KERS provided the agency pays the cost of ceasing participation; provide a window where quasi-state agencies who are eligible to cease participating in KERS or non-stock non-profit agencies eligible to cease participating in CERS may by December 31, 2019, cease participating by paying the actuarial costs of ceasing participation and pay off the cost through equal installments that increase over time by 1.5% annually with interest charged to the principal balance of the greater of 1.5% or the annual average change in the CPI-U until all costs are paid off; provide that employers ceasing participation in the window may still participate in the Kentucky Employees Health Plan (KEHP) for their employees; EMERGENCY. | To State & Local Government (S)                                 | X               | X    |      |     |     |     |
| <a href="#">SB 105</a> (Sens. McGarvey, Adams) Amend the KY Constitution to permit casino gaming and designate proceeds, less administrative expenses, to go to KERS-NH, KERS-Haz, and TRS.  | To State & Local Government (S)                                 | X               |      |      | X   |     |     |
| <a href="#">SB 158</a> (Sen. Westerfield) Allow a mayor or member of a city legislative body who does not have service credit in the CERS for service to the city to retire and draw benefits from CERS for other covered employment without resigning from the position as mayor or member of a city legislative body; Provide that a mayor or member of a city legislative body who has been required to participate in CERS due to other covered employment, or because of failure to make an election not to participate, may elect to not participate in CERS for service as mayor or member of the city legislative body and to receive a refund of contributions for his or her service as a mayor or member of a city legislative body; EMERGENCY.   | To State & Local Government (S)                                 | X               | X    | X    |     |     |     |
| <a href="#">SB 162</a> (Sen. D. Carroll) Exempt an employer from paying contributions on a retiree employed as a school security officer.  | Reported favorably from Education (S), 1st reading, to Calendar | X               | X    | X    |     |     |     |
| <a href="#">SB 168</a> (Sen. Buford) Require all the state-administered retirement systems to disclose upon request the names, status, projected or actual benefit payments, and other retirement information of any member, inactive member, or retiree of a retirement system or plan; EFFECTIVE January 1, 2020.  | To State & Local Government (S)                                 | X               | X    | X    | X   | X   | X   |
| <a href="#">SB 169</a> (Sen. Higdon) Require investment managers of the Teachers' Retirement Systems to adhere to the federal Investment Advisers Act of 1940, as amended, and any other federal securities statutes as applicable; make conforming and clean-up changes to the section; EMERGENCY.  | To State & Local Government (S)                                 |                 |      |      | X   |     |     |

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| <a href="#">SB 228</a> (Sen. Higdon) TRS housekeeping bill, including permitting TRS to accept electronic signatures and changing investment statute to require investment managers to follow federal statutes instead of the CFA Asset Manager Code of Professional Conduct.  | To State & Local Government (S)                        |                 |      |      | X   |     |     |
| <a href="#">SB 235</a> (Sen. Carpenter) Transfer certain employees of KCTS who are engaged in providing instructional and support services to the Commission on Fire Protection Personnel Standards and Education to state employee status within the Department of Housing, Buildings and Construction and require the employees to participate in KERS nonhazardous. | To Veterans, Military Affairs, & Public Protection (S) | X               |      |      | X   |     |     |
| <a href="#">SB 257</a> (Sen. Thayer) Relating to public pensions, insert gender-neutral language.  | To State & Local Government (S)                        | X               |      |      |     |     |     |

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| <a href="#">HB 12</a> (Reps. Keene, Gentry) Proposes to limit uses of the sports wagering revenue to administrative costs, problem gambler treatment funding, and pension system funding (KERS NH and TRS).   | To A&R (H)  | X               |      |      | X   |     |     |
| <a href="#">HB 55</a> (Rep. Miller): Void the retirement of an elected official participating in KRS who is elected to the same office within 12 months of retiring.  | To State Government (H)   | X               | X    | X    |     |     |     |
| <a href="#">HB 56</a> (Rep. Goforth): Require KRS to notify state and local employers and employees if retirement contributions are not timely made, including the potential consequences that may result, and publicly publish the employer's name and the amount of delinquent contributions.   | To State Government (H)   | X               | X    | X    |     |     |     |
| <a href="#">HB 80</a> (Rep. Miller): KRS Housekeeping Bill to allow the KRS board to conduct trustee elections by electronic ballot, but retain option to use paper ballot; and to synchronize the election of the trustees from CERS during 2021. HFA 1 Grant KRS the option, rather than the requirement, to pursue penalties for a participating agency's failure to timely file all contributions and reports. HFA 2 Provide that the 1% employee contribution for retiree health for employees who began participating on or after 9/1/2008 shall be deposited in the 115 retiree health trust under KRS 61.701. | <b>3rd reading, passed House 93-5 with HFA (1) and (2);</b> To State & Local Government (S) | X               | X    | X    |     |     |     |
| <a href="#">HB 126</a> (Rep. Willner): Require all state-administered retirement systems to follow the state Model Procurement Code when contracting for investment management services; grant the AG concurrent jurisdiction to investigate and prosecute violations of the ethical and fiduciary duties of trustees and investment managers for KRS and TRS; make a knowing violation of the ethical and fiduciary duties of trustees and investment managers for KRS and TRS a Class D felony.   | To State Government (H)   | X               | X    | X    | X   | X   | X   |
| <a href="#">HB 175</a> (Rep. Koenig et al): Designate the tax revenue from sports wagering and other gaming to the Kentucky permanent pension fund managed by the Finance and Administrative Cabinet.   | 2nd reading, to Rules   | X               | X    | X    | X   | X   | X   |
| <a href="#">HB 186</a> (Rep. Pratt): Permit members of the General Assembly who are new or who currently participate in the hybrid cash balance plan to opt-out of both LRP or KERS.  | Posted State Government (H)   | X               |      |      |     | X   |     |
| <a href="#">HB 190</a> (Rep. D. Keene): Designate the annual fee revenue from expanded gaming to the unfunded liability of KERS-Haz and NH, and TRS.  | To A&R (H)  | X               |      |      | X   |     |     |
| <a href="#">HB 206</a> (Rep. Nemes): Include temporary service as a special Circuit Judge by an active District Court Judge in the definition of "service" for purposes of JRP so the additional salary applies to the retirement benefit calculation, provided the temporary service exceeds three consecutive months.   | Posted in State Government (H)  |                 |      |      |     |     | X   |

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| <p><a href="#">HB 230</a> (Rep. Graviss): Require additional transparency, fiduciary, and ethical duties from the KRS board of trustees, employees, and investment managers, including:</p> <ul style="list-style-type: none"> <li>• To follow the state Model Procurement Code when contracting for investment management services;</li> <li>• To provide for a trustee’s removal for a violation of fiduciary duties or conflict of interest provisions;</li> <li>• To provide that a KRS board trustee shall not be considered as acting in good faith if he or she fails to disclose a conflict of interest;</li> <li>• To grant the Attorney General concurrent jurisdiction to investigate and prosecute violations of the ethical and fiduciary duties of trustees and investment managers for the KRS;</li> <li>• To specify additional transparency for investment manager fees;</li> <li>• To provide for the forfeiture of any investment manager fees, if manager fails to disclose;</li> <li>• To require investment managers to formally adopt the CFA Institute's codes of conduct and with a failure to adhere to those codes of conduct shall result in forfeiture of the fees;</li> <li>• To provide stricter conflict-of-interest duties, including annual reporting beginning on August 1, 2019; and</li> <li>• To provide that a knowing violation of the ethical and fiduciary duties of trustees and investment managers of KRS is a Class D felony.</li> </ul> | To State Government (H)             | X               | X    | X    |     |     |     |
| <p><a href="#">HB 290</a> (Rep. Petrie): Allow a mayor or member of a city legislative body who does not have service credit in the CERS for his or her service to the city to retire and draw retirement benefits from CERS for other covered employment without resigning from his or her position as mayor or member of a city legislative body; provide that a mayor or member of a city legislative body who has been required to participate in CERS due to other covered employment, or because of failure to make an election not to participate, may elect to not participate in CERS for service as mayor or member of the city legislative body and to receive a refund of contributions for his or her service as a mayor or member of a city legislative body.</p>  | Posted in Local Government (H)      | X               | X    | X    |     |     |     |
| <p><a href="#">HB 307</a> (Rep. Graviss): Continue the freeze on the employer contribution rate for the nonhazardous employees of quasi-governmental entities and state-supported and regional universities and community colleges at 49.47 percent.</p>   | To State Government (H)             | X               |      |      |     |     |     |
| <p><a href="#">HB 348</a> (Rep. Gentry): Propose an amendment to Section 226 of the KY Constitution to permit expanded gaming; designate proceeds to unfunded liabilities of KERS-Haz &amp; NH and TRS.</p>  | To Elections, Const. Amend. (H)     | X               |      |      | X   |     |     |
| <p><a href="#">HB 358</a> / HCS 1 (Rep. Tipton): Provide a process by which postsecondary education institutions may voluntarily cease participation in KERS by paying the actuarial costs of ceasing participation; allow institutions ceasing participation to pay off costs over a 25 year period with interest at assumed rate of return;</p>  | Reported favorably, 2nd reading, to | X               |      |      |     |     |     |

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| provide that new hires of postsecondary institutions shall not, regardless of whether the agency discontinues participation, participate after the effective date of the Act; provide that the KERS employer contribution rate shall be 49.47% of pay in FY 2019-2020 for quasi-governmental entities and state supported universities and community colleges, and any other agency eligible to voluntarily cease participating KERS; EMERGENCY.  | Rules with HCS (1); posted for passage in the Regular Orders   |                 |      |      |     |     |     |
| <a href="#">HB 381</a> (Rep. Blanton): Permit postsecondary institutions to employ retired police officers and not pay employer contributions/retiree health reimbursements on the reemployed retirees provided the officer: was a police officer at retirement, retired with at least 20 years of service credit with no administrative charges pending, and met the separation of service requirements of KRS; police officers employed under the provisions may be employed for 1 year, renewable by contract at the discretion and need of the institution; limit number reemployed under the program to greater of 5 officers or 25% of the university police force in 2018.   | 2nd reading, to Rules; posted for passage in the Regular Orders of the Day for Monday, February 25, 2019 | X               | X    | X    |     |     |     |
| <a href="#">HB 383</a> (Rep. J. Miller): Define and tax vapor products, including e-cigarettes; designate proceeds to the Kentucky permanent pension fund managed by the Finance and Administrative Cabinet.  | To A&R (H)   | X               | X    | X    | X   | X   | X   |
| <a href="#">HB 384</a> (Rep. Tipton): Provide that CERS employer contribution rates shall not increase by more than 12% per year over the prior fiscal year from July 1, 2018, to June 30, 2028; provide that CERS rate increase limit is retroactive to July 1, 2018.  | To Local Government (H)  |                 | X    |      |     |     |     |
| <a href="#">HB 401</a> (Rep. Graham): Repeal 18 RS SB 151/EN, and reenact to pre-2018 language, except for conforming and technical changes.  | To State Government (H)  | X               | X    | X    | X   | X   | X   |
| <a href="#">HB 419</a> (Rep. Rowland): Modify and amend rules, procedures, and timeline regarding KRS certification and forms required for retirees who are reemployed by a participating agency or on contract with a KRS participating agency; specifically provides that the member's certification of whether a prearranged agreement existed for the member' to return to work with a participating agency shall be done at the time of retirement rather than upon reemployment; provide that employment accepted after 12 months following a member's retirement shall not constitute a prearranged agreement, or require certification or notification by the employee and employer; specify conditions by which a member's retirement may be voided if the member is an independent contractor/leased employee with a participating agency and the systems determines the member is an employee of the agency rather than an independent contractor/leased employee; require systems to issue final determination within 30 days of receipt of all information required by regulation to determine whether employ has/does not have a prearranged agreement to | Posted in Local Government (H)   | X               | X    | X    |     |     |     |

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| return to work with the participating agency or whether the retired member's employment qualifies as an independent contractor or leased employee.  |                                |                 |      |      |     |     |     |
| <a href="#">HB 457</a> (Rep. Goforth): Allow members of the General Assembly on or after April 1, 2019, to make a one-time irrevocable election to not participate in LRP or KERS; new members shall make election at beginning of service.   | Introduced in House            | X               |      |      |     | X   |     |
| <a href="#">HB 489</a> (Rep. J. Miller): Require the boards of trustees of KRS and TRS and the internal investment staff and investment consultants of the boards to follow relevant codes of conduct created by the CFA Institute, but have investment managers of KRS and TRS to adhere with the Investment Advisers Act of 1940, as amended, and all applicable federal statutes, rules, and regulations applicable to investment managers; repeal, reenact, and amend KRS 61.655 and 161.460 to reenact the conflict-of-interest provisions adopted under SB 151/EN 2018.   | Posted in State Government (H) | X               | X    | X    | X   |     |     |
| <a href="#">HB 504</a> (Rep. S. Lewis) TRS Pension Reform Bill: <ul style="list-style-type: none"> <li>• New employees joining as nonuniversity members of TRS on or after January 1, 2020, shall receive a foundational benefit component, which shall be a traditional defined benefit plan, and a supplemental benefit component which shall be a plan based upon the member's account balance;</li> <li>• Cost of the foundational benefit for these new members shall be accessed annually in the actuarial valuation; provide that if the funding level of the foundational benefit component for new nonuniversity members falls below 90%, the TRS board shall make one or more of the following changes to keep employer costs within the statutory fixed rate of 8% for the foundational benefit component:               <ol style="list-style-type: none"> <li>1. Utilize moneys in the stabilization reserve account from any excess contributions above costs of the new plan components for new nonuniversity members;</li> <li>2. Utilize prospective mandatory employee and employer contributions from the supplemental benefit component;</li> <li>3. Adjust the regular interest rate, benefit factor, age and service requirements to retire, COLAs, or certain disability provisions for new nonuniversity members only;</li> </ol> </li> <li>• Establish the supplemental benefit component for new nonuniversity members who enter TRS on or after January 1, 2020, that pays benefits based upon mandatory employee and employer contributions of 2% of pay, voluntary employee and employer contributions, and interest on the accounts of the 30-year Treasury rate plus 1%; provide for vesting of employer contributions after 5 years;</li> <li>• A new nonuniversity member may take a refund, distribution, or annuitize their account balance into a monthly payment based upon assumptions established by the TRS board;</li> </ul> | To State Government (H)        |                 |      |      | X   |     |     |

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| <ul style="list-style-type: none"> <li>• New nonuniversity TRS members on or after January 1, 2020, shall not have any lump-sum sick leave payments added to their foundational benefit component calculation but may have the payment deposited into the supplemental benefit component;</li> <li>• Establish definitions for the new foundational benefit component and supplemental benefit component for new nonuniversity employees;</li> <li>• New nonuniversity TRS members on or after January 1, 2020, shall contribute 13.75% of pay with 8% going to fund the foundational benefit component, 2% to fund the supplemental benefit component, and 3.75% to fund retiree health benefits;</li> <li>• Max employer contribution rate for new nonuniversity members on or after January 1, 2020, shall be 11.75% with 8% going to fund the foundational benefit component, 2% to fund the supplemental benefit component, and 0.75% to fund retiree health benefits;</li> <li>• New nonuniversity members on or after January 1, 2020, shall be eligible to retire upon attaining age 55 with 5 years of service; and</li> <li>• New nonuniversity TRS members shall receive a benefit factor of 1.5% up to 2.5% based upon the member's age and years of service;</li> <li>• Increase the life insurance benefit for new nonuniversity members on or after January 1, 2020, from \$2,000 to \$5,000 while actively employed and upon retirement from \$5,000 to \$10,000; and</li> <li>• Make technical amendments to conform to the court decision overturning 18 RS SB 151/EN.</li> </ul> |                         |                 |      |      |     |     |     |
| <p><a href="#">HB 505</a> (Rep. J. Miller): Repeal, reenact, and amend KRS 161.550 to require employers to pay the full actuarially required contribution to TRS; provide that for the employer rates payable on or after July 1, 2020, the payroll growth assumption shall be reduced annually until 2025, when the valuation shall use the level dollar amortization method; prorate unfunded liability payments to each employer based upon the employer's average share of payroll over fiscal years 2015, 2016, and 2017; determine that employer funding requirements using the entry age normal cost method, a five-year asset smoothing method, and assumptions adopted by the TRS board; define "normal cost" and "actuarially accrued unfunded liability contribution," and provide that local school districts shall pay 2% of pay towards the costs of new TRS members retirement benefits; provide that CERS employer contribution rates shall not increase by more than 12% per year over the prior fiscal year from July 1, 2018, to June 30, 2028; provide that CERS rate increase limit is retroactive to July 1, 2018.</p>  | In State Government (H) |                 | X    |      | X   |     |     |
| <p><a href="#">HB 525</a> (Rep. Upchurch): For elections occurring after July 1, 2019, provide that nominations to be placed on the ballot for the seven elected trustees of the TRS board shall consist of one individual submitted by each of the following organizations: the Kentucky Education Association, the Kentucky Retired Teachers Association, the Kentucky School Boards Association, the Kentucky</p>  | In State Government (H) |                 |      |      | X   |     |     |

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| Association of School Superintendents, the Kentucky Association of Professional Educators, the Kentucky Society of Certified Public Accountants, and the Kentucky Bankers Association; require the Kentucky Society of Certified Public Accountants nominee to be a certified public accountant and require the Kentucky Bankers Association nominee to have financial or banking experience. |        |                 |      |      |     |     |     |