

2019 LEGISLATIVE SUMMARY

April 22, 2019

ENACTED BILLS	System Impacted					
Bill/Description	KERS	CERS	SPRS	TRS	LRP	JRP
KY RETIREMENT SYSTEMS RETIRED REEMPLOYED PROVISIONS						
<p>HB 55 (2019 KY Acts ch. 189) Retired Reemployed Elected Officials: Voids the retirement of an elected official participating in KRS who is elected to the same office within 12 months of retiring.</p> <p>AA: Not requested by system; not anticipated to decrease liability per systems.</p>	X	X	X			
<p>HB 381 (2019 KY Acts ch. 127) Retired Reemployed Police Officers at Universities:</p> <p>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.</p> <p>AA: Not requested by system; per systems would not significantly increase or decrease the unfunded actuarial liability of KERS but would result in lower employer contributions/pmts. to system.</p>	X	X	X			
<p>HB 419 (2019 KY Acts ch. 161) Contracting/Reemployment of retired state and local employees</p> <ul style="list-style-type: none"> • Modified/amended rules, procedures, and timeline regarding KRS certification process for retirees who are reemployed by a participating agency or on contract with a KRS participating agency; • Provides that the member's certification of whether a prearranged agreement existed shall be done at the time of retirement rather than upon reemployment; • Provides 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; • Specifies 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; • Requires 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 return to work with the participating agency or whether the retired member's employment qualifies as an independent contractor or leased employee. <p>AA: Not requested by system; No impact</p>	X	X	X			
<p>SB 162 (2019 KY Acts Ch. 197) Retired Reemployed Police Officers at Schools:</p> <p>Excludes salary and wages paid to an employee for services as a Kentucky State Police School Resource Officer (KSPSRO) from creditable compensation. EMERGENCY</p> <p>AA: No impact.</p>	X	X	X			

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KY RETIREMENT SYSTEMS HOUSEKEEPING												
<p>HB 80 (2019 KY Acts ch. 182) KRS Housekeeping Bill:</p> <ul style="list-style-type: none"> Allows KRS board to conduct trustee elections by electronic ballot, but retain option to use paper ballot Synchronizes the election of the trustees from CERS during 2021. Grants KRS the option, rather than the requirement, to pursue penalties for a participating agency's failure to timely file all contributions and reports. Provides that 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. <p>AA: Not requested by system; could reduce adm. costs due to synchronization of CERS elections & electronic ballots</p>							X	X	X			
INVESTMENT MANAGEMENT ETHICS												
<p>HB 489 (2019 KY Acts ch. 072) KRS and TRS Investment Manager Requirements:</p> <ul style="list-style-type: none"> Requires 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. Removes requirement for these managers to follow CFA Code of Conduct. Repeals and reenacts SB 151 provisions regarding conflict of interest that provided no member of GA, public servant, trustee or employee of KRS/TRS board shall have any interest in the business of KRS while employed/serving and for five (5) years following employment/service. <p>AA: No impact.</p>							X	X	X	X		
OTHER RETIREMENT BILLS												
<p>SB 107 (2019 KY Acts ch. 048) Ky. Public Employees Deferred Comp Automatic Enrollment:</p> <ul style="list-style-type: none"> Provides that employees of the executive, legislative, or judicial branches of Kentucky state government hired on or after July 1, 2019, shall be automatically enrolled in the 401(k) voluntary retirement plan with a monthly employee contribution of \$30 per month; Provides that the employee shall continue to contribute to the plan unless or until the employee makes an election to change the contribution. Requires the KPEDC to report to the Public Pension Oversight Board by December 31, 2019, on the development of the automatic enrollment provisions and options to improve participation in the plans. 												

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QUASI-GOVERNMENTAL AGENCIES & STATE-SUPPORTED UNIVERSITIES OPT-OUT						
<p>HB 358/EN</p> <p>Quasi-state agencies in KERS required to cease participation in KERS effective June 30, 2020, unless agency elects to continue participating (opts back in KERS) via resolution delivered to the systems by December 31, 2019. If agency opts back in, it must pay full ARC payments. If agency does not opt back in, it must pay the actuarial costs to cease participating.</p> <p>KERS Agencies Impacted: Postsecondary institutions (regional universities, KCTCS, Kentucky Higher Education Student Loan Corporation) , local and district health departments, regional mental health centers, domestic violence shelters, rape crisis centers, child advocacy centers, state-adm. retirement systems, and any other agency eligible to voluntarily cease participating under KRS 61.522, who currently participates in the KERS.</p> <p>Cost calculation for employers ceasing participation is based upon 2018 valuation with minimum: (a) 3% assumed rate of return/discount rate and employer’s actual costs if paying by installments; and (b) 4.5% assumed rate of return/discount rate and employer’s actual costs if paying by lump-sum.</p> <p>If employer is paying costs of ceasing participation by installments:</p> <ul style="list-style-type: none"> • Annual payment amount is determined by statutory formula paid in monthly installments. • Payment in FY 2020-2021 (the first year) will be calculated based upon annualized avg of the payroll reported over the last 60 months prior to July 1, 2019, by the ceasing employer multiplied by an employer rate of 49.47% of pay. • Payments for future fiscal years beyond FY 2020-2021 will increase by 1.5% per year. • Interest on principal balance owed by the employer would be 5.25% for pension liabilities and 6.25% for retiree health liabilities. • If an employer is currently receiving a state appropriation to pay retirement costs and that appropriation reduces in the future, the repayment will be reduced on a dollar for dollar basis. • If future unfunded liabilities are created that are attributable to ceasing employer, KRS may adjust principal balance to account for additional liabilities. <p>Process for Employer:</p> <ul style="list-style-type: none"> • Cost estimate before making a decision: The employer, if desired, must request cost estimate by August 1, 2019 and systems must complete within 60 days of request. • Cessation Date: Employer must make election by December 31, 2019, to continue participating in KERS. If they do not, they cease participating in KERS on June 30, 2020, and must pay costs to cease participating. Cannot rescind election once request is made. • Employer must offer DC plan to impacted employees and the plan must be a qualified plan that provides a fixed employee rate for current employees moving to the DC plan. <p>Impact on employees of ceasing employer:</p> <ul style="list-style-type: none"> • Only nonhazardous potentially impacted. No hazardous. • Future hires: New employee hired on or after January 1, 2019, by a ceasing employer will participate in the employer’s DC plan. • Tier III employees would participate in employer’s DC plan after cessation date. 	X					

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<ul style="list-style-type: none"> Tier I/II employees would continue to accrue service and earn benefits in system through retirement if an election is made by June 30, 2020, by the individual employee to continue participating. If not, they participate in DC plan after cessation date. <p>If an employer fails to pay monthly installments and is delinquent in payments for 30 days or more:</p> <ul style="list-style-type: none"> Employer operation and administration will be taken over by the Finance & Adm. Cabinet until such time the ceasing employer's is making payments. Benefit payments to retirees/beneficiaries of ceasing employer stop until such time the ceasing employer's is making payments. Tier I/II employees who elect to participate in KERS will stop accruals in KERS and go into DC plan of employer for all future service (regardless of employer's actions to make payments current). System may file measure in court to attach to the GF of the employer for payment. <p>Allows agencies who cease participating in KERS to participate in the Kentucky Employees Health Plan (KEHP).</p> <p>Continue Rate Freeze: KERS NH employer rate reduced to 49.47% (from 83.43%) as in FY 19-20 Emergency clause.</p> <p>AA: \$799 million with \$121 million attributable to the continuation of the freeze of 49.47% contribution rate for these agencies and \$678 million attributable to the proposed cessation provisions</p> <p>VETOED April 9, 2019</p>						
OTHER BILLS INTRODUCED - SENATE	System Impacted					
Bill/Description	KERS	CERS	SPRS	TRS	LRP	JRP
SB 10 (Sen. McDaniel) Allow quasi-govt. employers to cease participation in KERS, provided agency pays cost as specified by bill. EMERGENCY.	X					
SB 105 (Sens. McGarvey, Adams) Amend the KY Constitution to permit casino gaming and designate proceeds to pensions.	X			X		
SB 158 (Sen. Westerfield) Allow mayor or member of city legislative body to draw CERS benefits for other covered employment without resigning. EMERGENCY.	X	X	X			
SB 168 (Sen. Buford) Retirement systems to disclose of names, status, and projected or actual benefit payments of any member upon request. EFFECTIVE January 1, 2020.	X	X	X	X	X	X
SB 169 (Sen. Higdon) Require investment managers of TRS 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.				X		
SB 228 (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.				X		

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OTHER BILLS INTRODUCED - HOUSE	System Impacted					
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<p>HB 504 (Rep. S. Lewis) TRS Pension Reform for New Teachers:</p> <ul style="list-style-type: none"> Created new tier of benefits for non-university members entering TRS on or after Jan 1, 2020, consisting of foundational DB benefit and supplemental benefit component based on account balance. Provided that the TRS board could make adjustments to contain employer costs within 10% of pay. AA: Projected savings over 20 years of \$560 million. 				X		
<p>HB 505 (Rep. J. Miller): TRS Level-Dollar Phase-In:</p> <ul style="list-style-type: none"> Required employers to play full actuarially required contribution to TRS Reduce payroll growth assumption utilized in actual valuation-reduced annually until 2025, when valuation will use level dollar amortization method. <p>AA: Costs over 20 years of \$467 million, savings over 30 years of \$3.7 billion.</p>				X		
<p>HB 525 / HCS 1 (Rep. Upchurch) TRS Board of Trustees:</p> <ul style="list-style-type: none"> Added board members, expanding from 11 to 13 Added requirements for certain board members Revised the nomination process for eight elected trustees representing active/retired members. 				X		
HB 12 (Reps. Keene, Gentry) Apply revenue for sports wagering to pensions.	X			X		
HB 56 (Rep. Goforth): Require KRS to notify state and local employers and employees if retirement contributions are not timely made.	X	X	X			
HB 126 (Rep. Willner): Require all state-administered retirement systems to follow the state Model Procurement Code for investment contracts and provide penalties for violation of fiduciary duties.	X	X	X	X	X	X
HB 175 (Rep. Koenig et al): Apply revenue for sports wagering to pensions.	X	X	X	X	X	X
HB 186 (Rep. Pratt): Opt-out of LRP or KERS for new or Tier III legislators.	X				X	
HB 190 (Rep. D. Keene): Apply revenue from expanded gaming to pensions.	X			X		
HB 206 (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.						X
HB 230 (Rep. Graviss): Require additional transparency, fiduciary, and ethical duties from the KRS board of trustees, employees, and investment managers, including: to follow the state Model Procurement Code for investment contracts and impose penalties for violation of fiduciary duties.	X	X	X			
HB 290 (Rep. Petrie): Allow mayor or member of city legislative body to draw CERS benefits for other covered employment without resigning.	X	X	X			
HB 307 (Rep. Graviss): Continue employer contribution rate freeze for nonhazardous employees of KERS quasi employers/agencies.	X					
HB 348 (Rep. Gentry): Propose an amendment to Section 226 of the KY Constitution to permit expanded gaming; designate proceeds to unfunded liabilities of KERS-Haz & NH and TRS.	X			X		
HB 383 (Rep. J. Miller): Define and tax vapor products, including e-cigarettes; designate proceeds to pensions.	X	X	X	X	X	X

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HB 384 (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.		X				
HB 401 (Rep. Graham): Repeal 18 RS SB 151/EN, and reenact to pre-2018 language.	X	X	X	X	X	X
HB 457 (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.	X				X	