

AN ACT relating to financing actuarially accrued pension liabilities.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

➔Section 1. KRS 21.525 is amended to read as follows:

- (1) The state, by appropriation to the Judicial Retirement Board, shall contribute annually to the Judicial Retirement System an amount equal to the percent as computed under subsection (2) of this section of the creditable compensation of active members of the Judicial Retirement System, to be known as the "normal contributions," and an additional amount ~~[equal to one percent (1%) of the unfunded past service liabilities, plus annual interest accruing thereon at the actuarially assumed rate of interest adopted by the board to be ]~~known as the "*actuarially accrued liability*~~[past service]~~ contribution~~[.]~~" *which shall, beginning with the 2017 actuarial valuation, be computed by amortizing the total unfunded actuarially accrued liability over a closed period of twenty-five (25) years, except that:*

*(a) Any legislative changes to benefits that occur after the completion of the 2017 actuarial valuation, and that impact the total unfunded actuarially accrued liability, shall be amortized over a closed period of twenty (20) years for each legislative change, beginning with the actuarial valuation following the effective date of the legislative change;*

*(b) Any changes in actuarial methods or assumptions that are made after the completion of the 2017 actuarial valuation, and that impact the total unfunded actuarially accrued liability, shall be amortized over a closed period of fifteen (15) years for each change, beginning with the actuarial valuation in which the actuarial method or assumption change first becomes effective; and*

*(c) Any actuarial gains or losses that occur after the completion of the 2017 actuarial valuation, and that impact the total unfunded actuarially accrued*

liability, shall be amortized over a closed period of fifteen (15) years for each individual year's gains or losses, beginning with the actuarial valuation in which the actuarial gain or loss is first recognized.

- (2) The normal contribution rate shall be determined either by the entry age normal cost funding method or the unit credit actuarial method, as selected by the board. The actuarially accrued~~[past service]~~ liability shall be determined by actuarial methods consistent with the methods prescribed for determining the normal contribution rate, except that beginning with the 2017 actuarial valuation the level dollar amortization method shall be utilized. The board shall adopt the actuarial assumptions that are to be used in making the determinations.
- (3) Normal contributions and the actuarially accrued~~[past service]~~ liability contribution for each fiscal biennium shall be determined on the basis of the actuarial valuation last preceding the commencement of the biennium.
- (4) Employer costs for the hybrid cash balance plan as provided by KRS 21.402 shall be incorporated into the employer contribution rate of the Legislators' Retirement Plan and the Judicial Retirement Plan as a new benefit tier within the plans.