



**KPPA**  
Kentucky Public Pensions Authority

# PUBLIC PENSION OVERSIGHT BOARD

MAY 20, 2024

## **KRS 61.5991 REPORTING (RS 2021 HB 8)**

ERIN SURRATT, EXECUTIVE DIRECTOR, OFFICE OF BENEFITS

CARRIE BASS, STAFF ATTORNEY SUPERVISOR, DIVISION OF NON-ADVOCACY

# RS 2021 HB 8



## Overview of House Bill 8

- Applies only to the employer contribution rate for **KERS Nonhazardous employees**
- **Addresses decreasing payroll** due to downsizing, outsourcing, and contract employment. Over the 10-year period of 2008 to 2018, quasi agencies reduced payroll by approximately 26%. During the same period, executive branch employers reduced payroll by 2%
- **Same initial calculation of total liability and amortization cost.** Every year, the actuary calculates the per person liability to determine total liability, then subtracts assets. The result is the total Unfunded Accrued Liability (UAL)
- Prior to HB 8, the actuary used projected payroll to determine an across-the-board contribution rate representing the aggregate amortization cost. **Calculation is no longer based on projected payroll** to eliminate the impact of an employer's decreasing payroll
- HB 8 requires that a **fixed percentage of the UAL be assigned to each employer** based on total UAL as of 6/30/2019:
  - Each employer's 2019 percentage of the liability is multiplied by the current year UAL to calculate the UAL flat dollar amount each employer must pay for that year. This is also known as Actuarial Accrued Liability Contribution (AALC)
  - UAL dollar amount is determined each year based on the current year UAL, but always applies to the same percentage allocation

# RS 2021 HB 8



## Overview of House Bill 8

The employer monthly contribution calculation:

(Normal Cost X Payroll) + Actuarial Accrued Liability Contribution (AALC) Monthly Payment

### Example

Total KERS NonHaz 2019 Liability  
= \$19.2 billion

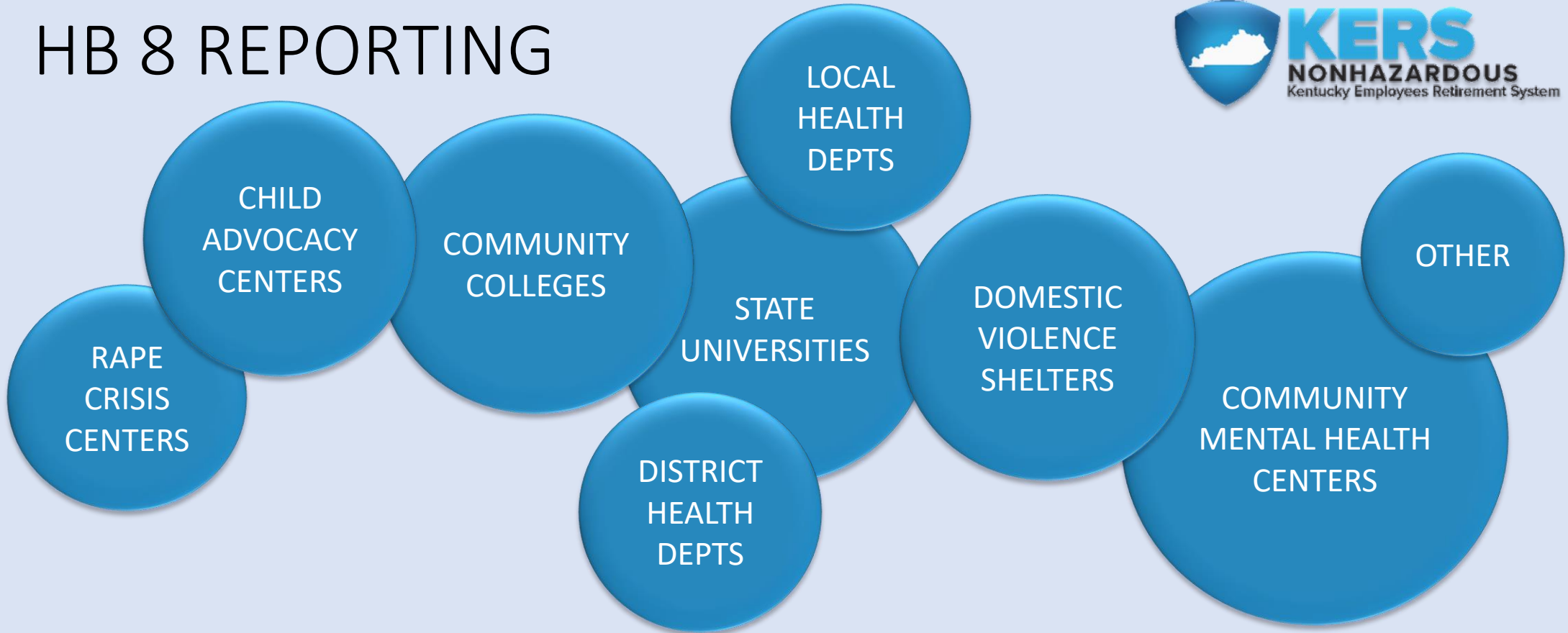
Employer A Accrued Liability  
in 2019 = \$2 million

Employer A Fixed Percentage =  
(\$2 million / \$19.2 billion)  
= 0.01042%

FY	Normal Cost	Total KERS NHz Amortization Cost	Employer Annual Amortization Cost (B * 0.01042%)	Employer Monthly Amortization Payment (AALC) (C/12 months)
	(A)	(B)	(C)	(D)
2022	10.10%	\$1,039,849,248	\$108,352	\$9,029
2023 and 2024	9.97%	994,421,476	\$103,619	\$8,635
2025 and 2026	8.44%	856,561,041	\$89,254	\$7,438

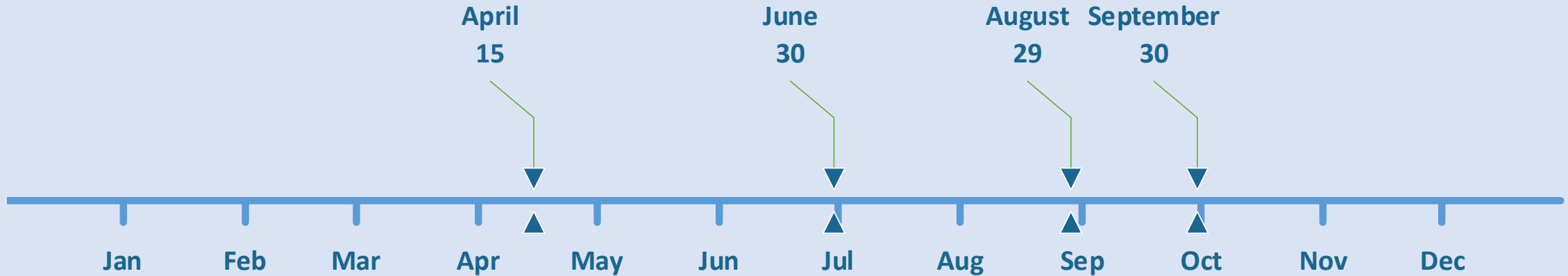
- HB 8 Reporting** – Employers are required to report annually to KPPA all independent contract or leased employees. KPPA reports this data to the OSBD and to LRC. KPPA is required to audit 5% of the employers who are required to report under KRS 61.5991. The 5% was set by the KRS Board. The legislation introduced the concept of utilizing subsidy incentives for employers to reduce the number of contracts.

# HB 8 REPORTING



KRS 61.5991 REQUIRES LOCAL AND DISTRICT HEALTH DEPARTMENTS GOVERNED BY KRS CHAPTER 212, STATE-SUPPORTED UNIVERSITIES AND COMMUNITY COLLEGES, COMMUNITY MENTAL HEALTH CENTERS, DOMESTIC VIOLENCE SHELTERS, RAPE CRISIS CENTERS, CHILD ADVOCACY CENTERS OR ANY OTHER EMPLOYER THAT IS ELIGIBLE TO VOLUNTARILY CEASE PARTICIPATION IN KERS TO REPORT SPECIFIC DATA TO KPPA AT THE END OF EACH FISCAL YEAR.

# HB 8 TIMELINE



April 15	Deadline for Form 6756* and any required documentation (e.g. contracts) to be submitted to KPPA for Non-Contributing employees
June 30	Deadline for Form 6756* and any required documentation for employees hired after the form deadline (April 16-June 30)
August 29	KPPA sends list (60 days from FYE) of Non-Contributing employees which meet the criteria for an employee under the Common Law Factors applied by the IRS.
September 30	Last date for KPPA to notify employers of the determination regarding the contract employees that were submitted for review

\*KPPA is transitioning submission of a paper Form 6756 to online reporting through Employer Self Service.

# HB 8 REPORTING REQUIREMENTS



PERSON(S) EMPLOYED AS AN INDEPENDENT CONTRACTOR, A LEASED EMPLOYEE, OR VIA ANY OTHER THIRD PARTY, EMPLOYED DIRECTLY BY THE EMPLOYER, QUALIFYING AS A REGULAR FULL-TIME EMPLOYEE PURSUANT TO KRS 61.510(21).

REQUIREMENTS:	EXCLUSIONS:
<ol style="list-style-type: none"><li data-bbox="293 668 1223 906">1. PERSONS EMPLOYED DIRECTLY BY THE EMPLOYER WHO WOULD MEET THE DEFINITION OF REGULAR FULL-TIME PURSUANT TO KRS 61.510(21) IF DIRECTLY EMPLOYED BY THE EMPLOYER;</li><li data-bbox="293 942 1235 1335">2. EMPLOYERS MUST SUBMIT THE FORM ALONG WITH A COPY OF EACH CONTRACT, AND ANY OTHER DOCUMENTATION THAT EXPLAINS THE SERVICES PROVIDED BY EACH PERSON SERVING AS AN INDEPENDENT CONTRACTOR, LEASED EMPLOYEE (THROUGH A STAFFING COMPANY) OR VIA ANY OTHER SIMILAR ARRANGEMENT.</li></ol>	<ol style="list-style-type: none"><li data-bbox="1289 668 2025 806">1. ANY CONTRACTS ENTERED INTO PRIOR TO JANUARY 1, 2021;</li><li data-bbox="1289 942 2229 1135">2. CONTRACTS FOR PROFESSIONAL SERVICES THAT HAVE NOT HISTORICALLY BEEN PROVIDED BY EMPLOYEES OF THE EMPLOYER;</li><li data-bbox="1289 1249 2191 1335">3. NON-CORE SERVICES INDEPENDENT CONTRACTORS.</li></ol>

# LRC AND OSBD REPORT

Due by Aug 29



## DATA REPORTED TO LRC AND OSBD:

AGENCY CODE

AGENCY NAME

CLASSIFICATION

NUMBER OF REGULAR FULL TIME EMPLOYEES REPORTED WITH CONTRIBUTIONS

NUMBER OF FULL TIME EMPLOYEES NOT REPORTED UNDER KRS 61.675

NUMBER OF INDEPENDENT CONTRACTORS, LEASED EMPLOYEES, ANY EMPLOYMENT ARRANGEMENTS NOT REPORTED WITH CONTRIBUTIONS

TOTAL REGULAR FULL TIME CONTRIBUTING SERVICE PROVIDERS TO ALL FULL TIME

COMPLIANT?

COMPLIANCE SUMMARY

FALSIFIED DATA?

FALSIFICATION SUMMARY