

BR 268 Draft Proposal (Discussion Document)

- Members Impacted: Current and future legislators in the Legislators' Retirement Plan (LRP) and the Kentucky Employees Retirement System (KERS). Does not impact members of the County Employees Retirement System (CERS), State Police Retirement System (SPRS), Teachers' Retirement System (TRS), Judicial Retirement Plan (JRP), or other KERS members.
- New Legislator Benefit Changes:
 - Eff. July 1, 2020, new legislators would no longer have the choice to either participate in LRP or KERS for their service to the General Assembly but would instead participate in KERS unless the member opts out of KERS coverage within 30 days of taking office. This effectively closes LRP to new members.
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- Current Legislator Benefit Changes:
 - LRP Cash Balance Members (In LRP on or after 1/1/2014):
 - Effective December 1, 2020, will cease participating in LRP, have their service and account balances transferred to KERS from LRP, and prospectively participate in KERS cash balance account.
 - Annual interest credit for legislative service only in cash balance account will be 85% of the plan's 10-year net return (currently 4% return plus 75% of 5-year return above 4%). Former members not contributing will receive a 0% annual interest credit (currently 4%).
 - **Other Option #1: Leave interest crediting rate the same as current law?**
 - **Other Option #2: Annual interest credit for legislative service only in cash balance account will be 85% of the plan's 5-year net return. Former members not contributing will receive a 0% annual interest credit.**
 - Will have the option from August 1, 2020, to November 1, 2020, to make a one-time irrevocable election to not participate in KERS for service as a legislator (no future retirement system coverage)
 - LRP Defined Benefit Members (In LRP prior to 1/1/2014):
 - Will have the option from August 1, 2020, to November 1, 2020, to make a one-time irrevocable election to: (1) prospectively participate in KERS for service as a legislator instead of LRP (past service in LRP not impacted); (2) prospectively not participate in LRP or KERS for all future legislative service (no retirement system coverage)
 - Removes salary reciprocity for non-Legislative compensation earned on or after July 1, 2020. LRP benefits at retirement will be calculated based on legislative salary and non-legislative compensation earned prior to July 1, 2020 for eligible members. The same change is made for benefits earned by a legislator in KERS (no changes to other KERS members).
 - **Other option: Could opt out of reciprocity?**
 - Reduces benefit factor from 2.75% to 1.97% for each year of service accrued on or after July 1, 2020 for service in LRP. Note: The benefit factor is a percentage that is multiplied times the average salary at retirement.
 - **Other option: Could opt out of 2.75% to 1.97% factor?**
 - Modifies LRP inviolable contracts to exclude legislative changes that become effective on or after July 1, 2020 (future changes to the law).
- LRP Funding: No funds (besides adm. expenses) shall be provided to LRP until LRP has a funding level that is equivalent or less than KERS funding level (based upon the most recent actuarial valuation).