

**61.565 Employer's contributions -- Computation -- Reset of amortization period --
Limit on increase in employer contributions for pension and health insurance
funds. (Declared void -- See LRC Note Below)**

- (1) (a) Each employer participating in the State Police Retirement System as provided for in KRS 16.505 to 16.652, the County Employees Retirement System as provided for in KRS 78.510 to 78.852, and the Kentucky Employees Retirement System as provided for in KRS 61.510 to 61.705 shall contribute annually to the respective retirement system an amount determined by the actuarial valuation completed in accordance with KRS 61.670 and as specified by this section. Employer contributions for each respective retirement system shall be equal to the sum of the "normal cost contribution" and the "actuarially accrued liability contribution."
- (b) For purposes of this section, the normal cost contribution shall be computed as a percentage of pay and shall be an annual amount that is sufficient when combined with employee contributions to fund benefits earned during the year in the respective system or plan, including costs for those members who elect to participate in the 401(a) money purchase plan. The amount shall be paid as a percentage of creditable compensation reported for each employee participating in the system or plan and accruing benefits.
- (c) For purposes of this section, the actuarially accrued liability contribution shall be an annual dollar amount that is sufficient to amortize the total unfunded actuarially accrued liability of each system over a closed period of thirty (30) years using the level-dollar amortization method. This method shall be used beginning with the 2019 actuarial valuation, and employer costs for the actuarially accrued liability contribution shall be prorated to each employer as provided by paragraph (f) of this subsection.
- (d) The employer contributions computed under this section shall be determined using:
 1. The entry age normal cost funding method;
 2. An asset smoothing method that smooths investment gains and losses over a five (5) year period; and
 3. Other funding methods and assumptions established by the board in accordance with KRS 61.670.
- (e) Effective with the 2019 actuarial valuation, the amortization period for the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System shall be reset to a new thirty (30) year closed period for purposes of calculating the actuarially accrued liability contribution prescribed by this subsection.
- (f) The dollar value of the actuarially accrued liability contribution specified by paragraph (c) of this subsection payable by each individual system employer based upon the 2019 actuarial valuation shall be prorated based upon the individual employer's average percentage of the total creditable compensation reported by all employers in the specific system in fiscal years 2014-2015,

2015-2016, and 2016-2017, except that the amount shall:

1. Not apply to any employer who ceases participation and pays the full actuarial cost of ceasing participation as provided by KRS 61.522;
 2. Be adjusted for each remaining employer of a system to reflect any employer who ceases participation and who pays the full actuarial cost of ceasing participation as provided by KRS 61.522; and
 3. Be a single amount for all executive branch departments, program cabinets and their respective departments and administrative bodies enumerated in KRS 12.020, and any other executive branch agencies administratively attached to a department, program cabinet, or administrative body enumerated in KRS 12.020.
- (2) (a) Normal cost contribution rates and the actuarially accrued liability contribution shall be determined by the board on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium.
- (b) The board may amend contribution rates as of July 1 of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy the requirements of this section.
- (c) Effective for employer contribution rates payable on or after July 1, 2014, through June 30, 2020, the board shall not have the authority to amend contribution rates as of July 1 of the second year of the biennium for the Kentucky Employees Retirement System and the State Police Retirement System.
- (3) The system shall advise each employer prior to the beginning of each biennium, or prior to July 1 of the second year of a biennium for employers participating in the County Employees Retirement System, of any change in the employer contribution rate. Based on the employer contribution rate, each employer shall include in the budget sufficient funds to pay the employer contributions as determined by the board under this section.
- (4) The General Assembly shall pay the full actuarially required contribution rate, as prescribed by this section, to the Kentucky Employees Retirement System and the State Police Retirement System in fiscal years occurring on or after July 1, 2014.
- (5) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the employer contribution established by the board for the County Employees Retirement System that are payable on or after July 1, 2018, and until June 30, 2028, for the pension and health insurance funds, including the normal cost contribution and the actuarially accrued liability contribution for each fund, shall not increase by more than twelve percent (12%) in terms of projected dollars paid by participating employers over the prior fiscal year as determined by the system's consulting actuary.

Effective: July 14, 2018

History: Amended 2018 Ky. Acts ch. 107, sec. 18, effective July 14, 2018; and ch. 170, sec. 2, effective April 14, 2018. -- Amended 2013 Ky. Acts ch. 120, sec. 53, effective

July 1, 2013. -- Amended 2009 Ky. Acts ch. 65, sec. 1, effective June 25, 2009; and ch. 77, sec. 11, effective June 25, 2009. -- Amended 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 15, effective June 27, 2008. -- Amended 1992 Ky. Acts ch. 240, sec. 24, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 489, sec. 2, effective July 13, 1990. -- Amended 1986 Ky. Acts ch. 176, sec. 4, effective July 15, 1986. -- Amended 1980 Ky. Acts ch. 186, sec. 25, effective July 15, 1980; and ch. 246, sec. 4, effective July 15, 1980. -- Amended 1976 Ky. Acts ch. 321, sec. 40. -- Amended 1974 Ky. Acts ch. 128, sec. 17. -- Amended 1972 Ky. Acts ch. 116, sec. 34. -- Amended 1962 Ky. Acts ch. 58, sec. 7. -- Created 1956 Ky. Acts ch. 110, sec. 12.

Legislative Research Commission Note (7/14/2018). This statute was amended by 2018 Ky. Acts chs. 107 and 170, which do not appear to be in conflict and have been codified together.

Legislative Research Commission Note (6/25/2009). 2009 Ky. Acts ch. 65, sec. 2, provides, "The provisions of subsection (6) of Section 1 of this Act [KRS 61.565(6)] shall become effective for the contribution rates paid by employers participating in the County Employees Retirement System on or after July 1, 2009."

Legislative Research Commission Note (6/27/2008). A manifest clerical or typographical error in 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 15 (this statute), has been corrected in codification by the Reviser of Statutes under the authority of KRS 7.136(1)(h).

Legislative Research Commission Note (6/27/2008). 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 43, provides "Notwithstanding any provision of KRS 61.565 or 61.702 to the contrary, the employer contribution rates for the County Employees Retirement Systems (sic) from July 1, 2008, through June 30, 2009, shall be 13.5 percent, consisting of 7.76 percent for pension and 5.74 percent for insurance, for nonhazardous duty employees; and 29.5 percent, consisting of 15.04 percent for pension and 14.46 percent for insurance, for hazardous duty employees."

Legislative Research Commission Note (10/19/2004). 2004 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 9, provides, "Notwithstanding KRS 61.565, the employer contribution rate for an entity participating in the Kentucky Employees Retirement System or State Police Retirement System shall be as follows:

- (1) From July 1, 2004, through June 30, 2005, the contribution rates shall be no more than 5.89 percent for nonhazardous duty employees, 18.84 percent for hazardous duty employees, and 21.58 percent for employees of the State Police Retirement System. This provision shall be retroactive to July 1, 2004; and
- (2) From July 1, 2005, through June 30, 2006, the employer contribution rate shall be no more than 5.89 percent for nonhazardous duty employees, 18.84 percent for hazardous duty employees, and 21.58 percent for employees of the State Police Retirement System."

Legislative Research Commission Note (12/13/2018). On December 13, 2018, the Kentucky Supreme Court ruled that the passage of 2018 SB 151 (2018 Ky. Acts ch. 107), did not comply with the three-readings rule of Kentucky Constitution Section 46 and that the legislation is, therefore, constitutionally invalid and declared void. That ruling applies to changes made to this statute in that Act.