

161.550 Contribution to system by employers and state -- Contributions to pension and life insurance funds. (Declared void -- See LRC Note Below)

- (1) (a) Effective July 1, 2020, and for each fiscal year occurring thereafter, each employer, except as provided under KRS 161.555, shall contribute annually to the Teachers' Retirement System a base permanent employer contribution equal to:
 1. Thirteen and one hundred five thousandths percent (13.105%) of the total annual compensation of nonuniversity members it employs, of which:
 - a. Twelve and three hundred fifty-five thousandths percent (12.355%) of the total annual compensation shall be used to fund pension and life insurance benefits; and
 - b. Three-quarters of a percent (0.75%) of annual compensation shall be used to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution provided in this subparagraph in that trust fund; and
 2. Thirteen and sixty-five hundredths percent (13.65%) of the total annual compensation of university members of the retirement system it employs, of which:
 - a. Ten and eight hundred seventy-five thousandths percent (10.875%) of the total annual compensation shall be used to fund pension and life insurance benefits; and
 - b. Two and seven hundred seventy-five thousandths percent (2.775%) of annual compensation shall be used to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution provided in this subparagraph in that trust fund.
- (b) Effective July 1, 2020, and for each year thereafter, each employer shall pay the additional contributions needed to fund the Teachers' Retirement System pension fund and life insurance fund on an actuarially sound basis as determined by the system's actuarial valuation completed in accordance with KRS 161.400 and as specified by this section. The amount payable under the provisions of this paragraph shall:
 1. Be in addition to the amounts provided under paragraph (a)1.a. and (a)2.a. of this subsection;
 2. Not include the cost or funding of benefits established by KRS 161.553; and
 3. Shall be prorated to each employer based upon the individual employer's average percentage of the total compensation reported by all employers in the system in fiscal years 2014-2015, 2015-2016, and 2016-2017,

except that the amount shall be paid by state appropriation only for those employers who cover memberships specified by KRS 161.220(4)(a).

- (c) The contributions payable under paragraphs (a)1.a., (a)2.a., and (b) of this subsection by employers and the state shall be equal to the sum of the "normal cost" contribution and the "actuarially accrued liability contribution," except that the minimum contribution to fund pension and life insurance benefits shall not be less than the combined employer contribution to fund pension and life insurance benefits specified by paragraph (a) of this subsection and subsection (3) of this section.
- (d) For purposes of this subsection, the normal cost contribution shall be computed as a percentage of payroll and shall be an annual amount that is sufficient when combined with employee contributions to fund pension and life insurance benefits earned during the year, including costs for members participating in the hybrid cash balance plan.
- (e) For purposes of this subsection, the actuarially accrued liability contribution shall be an annual amount that is sufficient to amortize the total unfunded actuarially accrued liability over a closed period of thirty (30) years using:
 - 1. The level percentage of payroll amortization method in the 2018 actuarial valuation with a payroll growth assumption of two and six hundred twenty-five thousandths percent (2.625%);
 - 2. The level percentage of payroll amortization method in the 2019 actuarial valuation with a payroll growth assumption of one and seventy-five hundredths percent (1.75%);
 - 3. The level percentage of payroll amortization method in the 2020 actuarial valuation with a payroll growth assumption of eight hundred seventy-five thousandths percent (0.875%); and
 - 4. The level dollar amortization method in the 2021 actuarial valuation and for each valuation occurring thereafter.

The amortization period shall be reset to a new thirty (30) year closed period beginning with the 2018 actuarial valuation.

- (f) Effective with the 2018 actuarial valuation, which determines the employer rates payable on or after July 1, 2020, 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 gains and losses over a five (5) year period; and
 - 3. Other funding methods and assumptions established by the board in accordance with KRS 161.400.
- (2) In addition to the required contributions in subsection (1) of this section, the state shall contribute annually to the Kentucky Teachers' Retirement System a percentage of the total salaries of the state-funded and federally funded members it employs to pay the cost of health insurance coverage for retirees who are not eligible for Medicare and who retire on or after July 1, 2010, less the amounts that are

otherwise required to be paid by the retirees under KRS 161.675. The Kentucky Teachers' Retirement System may also request an additional amount necessary to ensure payment of medical insurance costs through fiscal year 2015-2016 which shall not be subject to the limitations of paragraph (c) of this subsection. The board shall deposit funds in the medical insurance fund unless the board of trustees has established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the board may deposit the employer contribution in that trust fund. This contribution shall be known as the state medical insurance fund stabilization contribution. The percentage to be contributed by the state under this subsection:

- (a) Shall be determined by the retirement system's actuary for each biennial budget period;
 - (b) May be suspended or adjusted by the General Assembly if in its judgment the welfare of the Commonwealth so demands; and
 - (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for Medicare who retire on or after July 1, 2010, or the amount contributed by employers under subsection (3) of this section.
- (3) Effective January 1, 2019, all employers who employ nonuniversity members shall make a contribution for each payroll on behalf of their active employees who participate in the Teachers' Retirement System in an amount equal to:
- (a) Three percent (3%) of payroll of those active employees. The contribution specified by this paragraph that is paid on or after January 1, 2019, shall be used to fund retiree health benefits; and
 - (b) Two percent (2%) of payroll for those members who participate in the hybrid cash balance plan as provided by KRS 161.235. The amount of funding provided by this paragraph shall be used to offset any additional costs paid under subsection (1)(b) of this section.
- (4) In the event an annual appropriation for the amounts specified by subsection (1)(a)1. of this section is less than the amount of these requirements, the state shall make up the deficit in the next biennium budget appropriation to the retirement system. Employer contributions to the retirement system are for the exclusive purpose of providing benefits to members and annuitants and these contributions shall be considered deferred compensation to the members.

Effective: July 14, 2018

History: Amended 2018 Ky. Acts ch. 107, sec. 63, effective July 14, 2018. -- Amended 2010 Ky. Acts ch. 159, sec. 4, effective July 1, 2010. -- Amended 2006 Ky. Acts ch. 85, sec. 2, effective July 12, 2006. -- Amended 2004 Ky. Acts ch. 121, sec. 12, effective July 1, 2004. -- Amended 2002 Ky. Acts ch. 275, sec. 20, effective July 1, 2002. -- Amended 1998 Ky. Acts ch. 515, sec. 8, effective July 1, 1998. -- Amended 1996 Ky. Acts ch. 359, sec. 19, effective July 1, 1996. -- Amended 1992 Ky. Acts ch. 192, sec. 9, effective July 1, 1992. -- Amended 1990 Ky. Acts ch. 442, sec. 11, effective July 1, 1990; and ch. 476, Pt. V, sec. 516, effective July 13, 1990. -- Amended 1988 Ky. Acts ch. 363, sec. 12, effective July 1, 1988. -- Amended 1986 Ky. Acts ch. 440, sec. 10, effective July 1, 1986. -- Amended 1984 Ky. Acts ch. 253, sec. 17, effective July 1, 1984. -- Amended 1982 Ky. Acts ch. 326, sec. 8, effective July 1, 1982. -- Amended 1978 Ky. Acts ch. 152, sec. 10, effective March 28, 1978. -

- Amended 1976 Ky. Acts ch. 351, sec. 13, effective July 1, 1976. -- Amended 1960 Ky. Acts ch. 44, sec. 11. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 4506b-37.

Legislative Research Commission Note (7/13/90). In amending this section, 1990 House Bill 653, Acts ch. 442, sec. 11, did not underline the year "1990" which was intended to be added after "July 1," at the beginning of the section. As directed by KRS 446.270, the Reviser of Statutes has deleted this material from the text of this statute. Section 20 of Acts ch. 442 provides, however, that "the provisions of this Act shall become effective July 1, 1990."

Legislative Research Commission Note (7/13/90). The Act amending this section prevails over the repeal and reenactment in House Bill 940, Acts ch. 476, pursuant to sec. 653(1) of Acts ch. 476.

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.