

78.5518 Increase of benefits.

- (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance under KRS 78.510 to 78.852 shall have his or her retirement allowance increased on July 1 of each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1996, to July 1, 2008, shall not be considered as benefits protected by the inviolable contract provisions of KRS 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in their judgment the welfare of the Commonwealth so demands.
- (2)
 - (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a retirement allowance under KRS 78.510 to 78.852 shall have his or her retirement allowance increased by one and one-half percent (1.5%), if:
 1. The funding level of the pension fund is greater than one hundred percent (100%) and subsequent legislation authorizes the use of any surplus actuarial assets to provide an increase in retirement allowances described by this subsection for the pension fund which has the surplus actuarial assets; or
 2. The General Assembly directs payment of employer contributions to fully prefund the increase described by this subsection in the year the increase is provided.
 - (b) The board of trustees of the system shall, at least thirty (30) days prior to the beginning of regular sessions of the General Assembly held in even-numbered years, advise the General Assembly of the following:
 1. Which pension funds have a funding level greater than one hundred percent (100%) and can support an increase in recipients' retirement allowances as provided by paragraph (a) of this subsection over the next budget biennium without reducing the funding level of the pension fund below one hundred percent (100%); and
 2. If no surplus actuarial assets are available, the level of employer contribution funds needed to fully prefund an increase for pension fund recipients over the next budget biennium if a one and one-half percent (1.5%) increase is provided annually over the biennium.
 - (c) For purposes of this subsection, "funding level" means the actuarial value of assets divided by the actuarially accrued liability expressed as a percentage that is determined and reported by the system's actuary in the system's actuarial valuation for each pension fund.
 - (d) The full increase described by this subsection shall only be provided if the recipient has been receiving a benefit for at least twelve (12) months prior to the effective date of the increase. If the recipient has been receiving a benefit for less than twelve (12) months prior to the effective date of the increase provided by this subsection, the increase shall be reduced on a pro rata basis for each month the recipient has not been receiving

benefits in the twelve (12) months preceding the effective date of the increase.

- (e) The benefits of this subsection as provided on July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if, in its judgment, the welfare of the Commonwealth so demands.

Effective: April 1, 2021

History: Created 2021 Ky. Acts ch. 102, sec. 5, effective April 1, 2021.