

**78.635 Employer's annual contribution to system -- Computation -- Limitation on annual increase of employer contribution rate -- Notification of rate change.**

- (1) (a) Except as provided by subsection (4) of this section, each employer participating in the County Employees Retirement System as provided for in KRS 78.510 to 78.852 shall contribute annually to the system an amount determined by the actuarial valuation completed in accordance with KRS 78.784 and as specified by this section. Employer contributions for the 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 system. The amount shall be:
  1. Paid as a percentage of creditable compensation reported for each employee participating in the system and accruing benefits; and
  2. The same percentage of pay for all employees who are participating in the system, except that separate percentage rates shall be developed in each system for those employers whose employees are participating in hazardous duty retirement coverage as provided by KRS 78.5520.
- (c) For purposes of this section, the actuarially accrued liability contribution shall be:
  1. Computed by amortizing the total unfunded actuarially accrued liability of the system over a closed period of thirty (30) years beginning with the 2019 actuarial valuation using the level percentage of payroll amortization method, except that any increase or decrease in the unfunded actuarially accrued liability occurring after the completion of the 2019 actuarial valuation shall be amortized over a closed period of twenty (20) years beginning with the actuarial valuation in which the increase or decrease in the unfunded actuarially accrued liability is recognized. An increase or decrease in the unfunded actuarially accrued liability may result from, but not be limited to, legislative changes to benefits, changes in actuarial methods or assumptions, or actuarial gains or losses;
  2. Paid as a percentage of payroll on the creditable compensation reported for each employee participating in the system and accruing benefits; and
  3. The same percentage of pay for all employees who are participating in the system, except that separate percentage rates shall be developed in each system for those employers whose employees are participating in hazardous duty retirement coverage as provided by KRS 78.5520.
- (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 78.784.
- (2) Normal contribution and the actuarially accrued liability contribution rates shall be determined by the board on the basis of the annual actuarial valuation last preceding the July 1 of a new fiscal year.
  - (3) Employer contribution rates as provided by this section shall include an employer contribution rate to fund pension benefits and an employer contribution rate to fund retiree health benefits.
  - (4) The employer contribution rate established by the board for the County Employees Retirement System that is payable on or after July 1, 2018, and until June 30, 2028, for the pension and retiree health insurance funds, including the normal cost contribution and the actuarially accrued liability contribution for each fund, shall not increase by more than a factor of one and twelve one hundredths (1.12) over the prior fiscal year's employer contribution rate as determined by the system's consulting actuary.
  - (5) The system shall advise each employer prior to the beginning of each fiscal year 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.

**Effective:** April 1, 2021

**History:** Amended 2021 Ky. Acts ch. 102, sec. 26, effective April 1, 2021. --  
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