

161.634 Foundational component for persons who became university members on or after January 1, 2022 -- Valuation assessment -- Adjustments to maintain funding level and contain costs -- Construction. (Effective January 1, 2022)

- (1) Individuals who become university members of the Teachers' Retirement System on or after January 1, 2022, shall be provided a foundational plan, which shall be known as the foundational benefit component, a supplemental benefit component established by KRS 161.636, and retiree health benefits as provided by KRS 161.675. For purposes of this section, the foundational benefit component includes all benefits provided by KRS 161.220 to 161.716 for individuals who become university members of the Teachers' Retirement System on or after January 1, 2022, with the exception of the supplemental benefit component established by KRS 161.636 and retiree health benefits established by KRS 161.675.
- (2) Notwithstanding KRS 161.220 to 161.716, the actuary designated by the board of trustees under KRS 161.400 shall, as part of the annual valuation of the pension fund, assess the funding levels, unfunded liabilities, and the actuarially required employer contribution rates payable solely on behalf of individuals who first become university members on or after January 1, 2022. Computation of the employer contribution rate payable shall be based upon amortizing unfunded liabilities using the level-dollar amortization method.
- (3) If, on the basis of the valuation assessment required under subsection (2) of this section, the funding level for the foundational benefit component payable on behalf of individuals who first become university members on or after January 1, 2022, falls below ninety percent (90%), the board shall, notwithstanding any other provision of KRS 161.220 to 161.716 to the contrary, make one (1) or more of the following changes to maintain the funding level and to contain pension and life insurance benefit costs within the maximum statutory employer contribution rate for the foundational benefit component of five and seven hundred seventy-five thousandths percent (5.775%) of annual compensation as provided by KRS 161.550(1)(e)1.:
 - (a) Utilize moneys from the stabilization reserve account for university membership and employers established by KRS 161.420(10)(b);
 - (b) Utilize prospective mandatory employee and employer contributions to the supplemental benefit component as provided by KRS 161.636 to provide funding for the foundational benefit component; or
 - (c) Prospectively adjust for individuals who become university members on or after January 1, 2022, one (1) or more of the following parts of the foundational benefit component:
 1. Regular interest rate established by KRS 161.220(13)(c);
 2. The retirement factors established by KRS 161.620(1)(g);
 3. The age and service requirements to retire as established by KRS 161.600(2);
 4. The cost-of-living adjustment established by KRS 161.620(2); or
 5. The age and service requirements and the retirement allowance provided during the entitlement period under KRS 161.661.

Notwithstanding any other provision of KRS 161.220 to 161.716 to the contrary, the board of trustees may utilize any and all of the above adjustments at any time on all individuals who become university members on or after January 1, 2022, in order to maintain the funding level of the foundational benefit component and employer costs as provided by this subsection.

- (4) For purposes of this section, "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.
- (5) This section shall only apply to individuals who became university members of the Teachers' Retirement System on or after January 1, 2022.
- (6) The provisions of this section shall not be construed to authorize the board to retroactively restore benefits or eligibility for benefits in the foundational benefit component or supplemental benefit that were previously reduced by the board pursuant to subsection (3)(b) and (c) of this section.

Effective: January 1, 2022

History: Created 2021 Ky. Acts ch. 157, sec. 2, effective January 1, 2022.