

HOUSE OF REPRESENTATIVES

KENTUCKY GENERAL ASSEMBLY AMENDMENT FORM
2015 REGULAR SESSION
Unofficial Document

Amend printed copy of HB 4

Beginning on page 4, line 27 and continuing to page 8, line 24, by deleting Sections 3 and 4 in their entirety, and inserting the following in lieu thereof:

"➔Section 3. Funding notes are authorized in an amount not to exceed five hundred twenty million dollars (\$520,000,000) in fiscal year 2015-2016 for the Kentucky Asset/Liability Commission established in KRS 56.861 to finance or refinance obligations owed under subsection (1)(b) of Section 4 of this Act.

➔Section 4. KRS 161.550 is amended to read as follows:

- (1) **(a)** Beginning with July 1, each employer, except as provided under KRS 161.555, shall contribute annually to the Kentucky Teachers' Retirement System a permanent amount equal to that contributed by members of the retirement system it employs less the amount contributed by employees under KRS 161.540(1)(c), plus an additional three and one-fourths percent (3.25%) of the total of salaries of members of the retirement system it employs to discharge the system's unfunded obligations with interest assumed by the state and 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 dedicated to retiree health in that trust fund.

Amendment No. HFA 1

Sponsor: Brad Montell

Committee Amendment: _____

Signed: _____

Floor Amendment: _____

LRC Drafter: Gross, Brad

Adopted: _____

Date: _____

Rejected: _____

Doc. ID: XXXXX

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(b) The state shall pay the additional contributions needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis as determined by the system's actuarial valuation completed in accordance with KRS 161.400 in fiscal year 2015-2016. The amount payable under the provisions of this paragraph shall be in addition to the amounts provided under paragraph (a) of this subsection and shall be based upon the results of the actuarial valuation completed immediately prior to the budget biennium in which the contributions are payable.

- (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 July 1, 2010, all local boards of education, agencies, and organizations identified in KRS 161.220(4), with the exception of those institutions identified under paragraphs (b) and (n) of KRS 161.220(4), shall make a contribution for each payroll on behalf of their active employees who participate in the Kentucky Teachers' Retirement System in an amount equal to the percentage of payroll of those active employees, according to the schedule as follows:

July 1, 2010.....	Twenty-five hundredths percent (.25%)
July 1, 2011.....	One-half percent (.50%)
July 1, 2012.....	One percent (1.0%)
July 1, 2013.....	One and one-half percent (1.5%)
July 1, 2014.....	Two and twenty-five hundredths percent (2.25%)
July 1, 2015, and thereafter.....	Three percent (3.0%)

- (4) Institutions identified under KRS 161.220(4)(b) and (n) shall make a contribution for each payroll on behalf of their active employees who participate in the Kentucky Teachers' Retirement System of an amount equal to a percentage of these employees' payroll that is actuarially equivalent to the percentage contributed by local boards of education, agencies, and organizations identified under subsection (3) of this section, not to exceed the percentages established under the schedule set forth in subsection (3) of this section. The actuarial equivalent to be contributed under this subsection shall be determined by the Kentucky Teachers' Retirement System's actuary.
- (5) When the medical insurance fund established under KRS 161.420(5) achieves a sufficient prefunded status as determined by the Kentucky Teachers' Retirement System's actuary, the board of trustees shall recommend to the General Assembly that the contributions required

under subsections (3) and (4) of this section shall, in an actuarially accountable manner, be either decreased, suspended, or eliminated.

- (6) Each employer shall remit the required employer contributions to the retirement system under the terms and conditions specified for member contributions under KRS 161.560. The state shall provide annual appropriations based upon estimated funds needed to meet the requirements of KRS 161.155; 161.168; 161.507(4); 161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3), (5), (6), and (7). In the event an annual appropriation 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."; and

Beginning on page 12, line 9, and continuing to page 14, line 4, by deleting Section 6 in its entirety, and inserting the following in lieu thereof:

"→Section 6. 2014 Kentucky Acts Chapter 117, Part I, Operating Budget; A. General Government, 29. Teachers' Retirement System, at pages 15 and 16, is amended to read as follows:

29. TEACHERS' RETIREMENT SYSTEM

	2014-15	2015-16
General Fund	326,772,500	299,318,400
Restricted Funds	12,183,500	12,196,600
TOTAL	338,956,000	311,515,000

(1) **State Medical Insurance Fund Financing:** Notwithstanding KRS 161.420 and 161.550, a portion of the state employer contribution in a sufficient amount shall be allocated to the Teachers' Retirement System Medical Insurance Fund instead of the State Accumulation

Fund.

(2) **Dependent Subsidy for Retirees under age 65:** Notwithstanding KRS 161.675(4)(a) and (b), from July 1, 2014, through June 30, 2016, for all retirees under the age of 65 who participate in the Kentucky Group Health Insurance Program through the Kentucky Teachers' Retirement System, the Kentucky Teachers' Retirement System Board of Trustees shall have the authority to pay the same dependent subsidy that Executive Branch agencies pay for their active employees who have similar coverage. The dependent subsidy is not subject to KRS 161.714. If the Board of Trustees provides the dependent subsidy, the Board shall submit a report to the Interim Joint Committee on Appropriations and Revenue stating the cost of such action and providing the effect on the actuarial unfunded liability of the system.

(3) **Debt Service:** Included in the above General Fund appropriation is \$120,693,300 in fiscal year 2014-2015 and \$116,436,600 in fiscal year 2015-2016 for debt service on previously issued bonds.

(4) **Unfunded Liability:** It is the intent of the General Assembly in future biennial budget bills to pledge lesser debt service funding requirements for bonds previously issued for the Kentucky Teachers' Retirement System to provide debt service for funding notes issued on or after July 1, 2015, as authorized by Sections 1, 2, and 3 of this Act ~~reduce the unfunded pension liability~~.

(5) **Administrative Costs:** In accordance with KRS 161.420, in each fiscal year an amount not greater than four percent of the receipts of the state accumulation fund shall be set aside in the expense fund or expended for the administration of the retirement system.

(6) **Amortization of Sick Leave:** Included in the above General Fund appropriation is \$4,527,300 in fiscal year 2014-2015 and \$9,448,000 in fiscal year 2015-2016 to provide the cost of amortizing the requirements of KRS 161.155, relating to sick leave, for members retiring during the 2014-2016 biennium.

(7) **Contribution for Retiree Medical Insurance:** Included in the above General Fund appropriation is an additional \$11,500,000 in fiscal year 2014-2015 and \$22,600,000 in fiscal year 2015-2016 to support the state's contribution for the cost of retiree health insurance for members not eligible for Medicare, who have retired since July 1, 2010, pursuant to KRS 161.550.

(8) Authorization of Funding Notes for Pension Fund: Funding notes are authorized in an amount not to exceed \$520,000,000 in fiscal year 2015-2016 to finance obligations owed under subsection (1)(b) of Section 4 of this Act, to be issued by the Kentucky Asset/Liability Commission. Included in the above General Fund appropriation is \$33,000,000 in fiscal year 2015-2016 for funding of past statutory benefit improvements as provided by subsections (1) and (2) of Section 5 of this Act that shall be used as debt service for the notes."; and

On page 14, after line 4, by inserting the following:

"➔Section 7. The Public Pension Oversight Board, established pursuant to KRS 7A.200 to 7A.260, shall study and develop consensus recommendations concerning the benefits, investments, and funding of the Kentucky Teachers' Retirement System, and any other measures that the board believes would lead to the improved financial stability of the Kentucky Teachers' Retirement System. The board shall transmit the results of the study and recommendations to the Legislative Research Commission, for distribution to the appropriate interim joint committee, by December 1, 2015.

➔Section 8. Provisions of Section 7 of this Act to the contrary notwithstanding, the Legislative Research Commission shall have the authority to alternatively assign the issues identified herein to an interim joint committee or subcommittee thereof, and to designate a study completion date.

➔Section 9. Section 7 of this Act shall have the same legal status as a House Concurrent Resolution."