



KENTUCKY RETIREMENT SYSTEMS

William A. Thielen, Executive Director

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February 10, 2015

Mary C. Yaeger
Office of Special Projects
Legislative Research Commission
Capitol Annex, Room 39
Frankfort, KY 40601

RE: HB 62 HCS GA

AA Statement 1 of 1

Dear Mary:

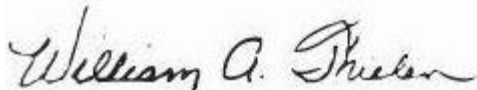
HB 62 GA creates a new section of KRS 61.510 to 61.705 to provide that certain employers participating in the Kentucky Employees Retirement System (KERS) and the County Employees Retirement System (CERS) may elect to voluntarily cease participation in the system and that any agency may be required to involuntarily cease participation in KERS or CERS in the event the board of trustees has determined the employer is no longer eligible to participate in a governmental plan or has failed to comply with the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852; establishes requirements for voluntary and involuntary cessation of participation by the employer, including requiring any employer voluntarily ceasing participation to adopt a resolution to cease participation and submit the resolution to the Kentucky Retirement Systems' board; requires the cessation of participation to apply to all employees of the employer ceasing participation; requires the employer to pay for an actuarial cost study to determine the cost to the employer for discontinuing participation; requires an employer voluntarily ceasing participation to offer an alternative retirement plan to impacted employees; requires the employer to pay the system for the full actuarial cost of discontinuing participation either in a lump-sum payment or in installments under the terms established by the board; provides that the full actuarial cost shall not include those employees who elect to take a refund of their account balance within 60 days of the employer's cessation date; provides that the employer's full actuarial cost shall be fixed once the employer makes the lump-sum payment or first installment payment; provides that employees hired after the employer ceases participation will not participate in KERS or CERS for the ceased employer; provides that employees participating in the systems with the employer ceasing participation will not earn benefits after the employer has ceased participation, but will be vested for those benefits accrued

prior to the employer's cessation date; provides that the voluntary cessation of participation provisions shall not apply to certain KERS employers including Commonwealth's attorney offices, county attorney offices, local and district health departments governed by KRS Chapter 212, master commissioners, property valuation administration offices, executive branch agencies whose employees are subject to KRS 18A.005 to 18A.200, state-administered retirement systems, employers in the legislative or judicial branch of Kentucky state government, or state-supported universities and community college systems, unless the agency is a nonstock nonprofit corporation established under KRS Chapter 273; provides that the voluntary cessation of participation provisions shall only apply to CERS employers who are nonstock nonprofit corporation established under KRS Chapter 273; amends KRS 78.530 to make conforming amendments and to remove provisions that allow a CERS agency whose participation has been terminated under KRS 78.535 to once again participate in CERS at a later date; amends KRS 78.535 to remove provisions regarding the termination of participation provisions in current law and to reference the cessation of participation provisions in Section 1 of the Act; amends KRS 78.540, 78.545, 78.610, 61.520, and 78.615 to conform; amends KRS 95.520, 95.621, and 95.852 to remove provisions that allow an employee to regain participation in a closed city pension plan if the agency's participation has been terminated under KRS 78.535.

KRS staff members have examined HB 62 GA and have determined that if a participating employer withdraws from the KERS retirement system under the terms set forth in the bill, there would be a decrease of participation in benefits and a corresponding decrease in actuarial liability; however, these changes would be actuarially negligible in terms of the impact on the system, since the employer(s) would be required to pay the full actuarial cost associated with the withdrawal. Consequently, we have not requested any further actuarial analysis of HB 62 GA by the System's independent actuary.

Please let me know if you have any questions regarding our analysis of HB 62 GA.

Sincerely,

A handwritten signature in cursive script that reads "William A. Thielen".

William A. Thielen
Executive Director
Kentucky Retirement Systems