

AN ACT relating to funding for the Kentucky Teachers' Retirement System, making an appropriation therefor, and declaring an emergency.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

➔Section 1. KRS 161.550 is amended to read as follows:

(1) ~~[Beginning with July 1,]~~Each employer, except as provided under KRS 161.555, shall contribute annually to the Kentucky Teachers' Retirement System:

(a) 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; and~~[-]~~

(b) For fiscal years occurring on or after July 1, 2016, one hundred percent (100%) of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis.

The amount that is payable under the provisions of this paragraph shall be:

1. In addition to the amounts provided under paragraph (a) of this subsection;

2. Based upon the results of the actuarial valuation conducted in accordance with KRS 161.400 and completed immediately prior to the budget biennium in which the contributions are payable; and

3. Paid by state, federal, and agency fund sources in the same manner as contributions payable under paragraph (a) of this subsection.

(c) It is the intent of the General Assembly in biennial budgets beginning on or

*after July 1, 2016, to pledge the lesser debt service funding requirements for bonds previously issued for the Kentucky Teachers' Retirement System towards meeting the state's share of the additional contribution rate established by paragraph (b) of this subsection.*

- (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.

➔Section 2. Notwithstanding KRS 161.220 to 161.716 or Section 1 of this Act, the General Assembly shall pay the additional contribution rate required by paragraph (1)(b) of Section 1 of this Act with state general fund sources for the budget biennium beginning July 1, 2016, and ending June 30, 2018.

➔Section 3. Whereas the financial health of the Kentucky Teachers' Retirement System is imperative to teachers, retired teachers, and taxpayers of the Commonwealth of Kentucky, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.