

KENTUCKY GENERAL ASSEMBLY AMENDMENT FORM
2016 REGULAR SESSION
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Amend printed copy of HB 1/HCS 1

Beginning on page 1, line 4, and continuing to page 4, line 15, by deleting Sections 1. to 3. in their entirety, and inserting in lieu thereof:

"➔Section 1. 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:

1. 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**[-]

2. a. For the fiscal year ending June 30, 2017, fifty percent (50%) of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis;

Amendment No. HFA 2

Sponsor: Rep. Steven Rudy

Committee Amendment: _____

Signed: _____

Floor Amendment: _____

LRC Drafter: Gross, Brad

Adopted: _____

Date: _____

Rejected: _____

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- b. For the fiscal year ending June 30, 2018, sixty-five percent (65%) of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis;
- c. For the fiscal year ending June 30, 2019, eighty-five percent (85%) of the additional contribution rate needed to fund the Kentucky Teachers' Retirement System pension fund on an actuarially sound basis; and
- d. For the fiscal year ending June 30, 2020, and for each fiscal year thereafter, 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 payable under the provisions of this subparagraph shall be in addition to the amounts provided under subparagraph 1. of this paragraph, shall be 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 shall be paid by state, federal, and agency fund sources in the same manner as contributions payable under subparagraph 1. of this paragraph.

- (b) 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 funding schedule established by paragraph (a)2. 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. The budget for Kentucky Teachers' Retirement System for the period beginning July 1, 2016, and ending June 30, 2018, is as follows:

TEACHERS' RETIREMENT SYSTEM

	2016-17	2017-18
General Fund	313,610,800	325,478,800
Restricted Funds	11,769,900	12,298,600
TOTAL	325,380,700	337,777,400

(1) **Contingent General Fund Appropriation for Pension Liability:** Included in the above General Fund appropriation is \$32,050,000 in fiscal year 2016-2017 and \$35,812,500 in fiscal year 2017-2018 to be applied to the unfunded pension liability of the Kentucky Teachers' Retirement System. The amount of these appropriations to be allotted and made available in fiscal year 2016-2017 shall be calculated as 25 percent of the amount that actual General Fund receipts at the end of each fiscal year exceed \$10,489,000,000, compared to the enacted estimate. The amount of these appropriations to be allotted and made available in fiscal year 2017-2018 shall be calculated as 25 percent of the amount that actual General Fund receipts at the end of each fiscal year exceed \$10,732,250,000, compared to the enacted estimate. Notwithstanding KRS 45.229, these funds shall not lapse and shall carry forward.

(2) **Debt Service:** Included in the above General Fund appropriation is \$106,838,400 in fiscal year 2016-2017 and \$97,148,000 in fiscal year 2017-2018 for debt service on previously issued bonds.

(3) **State Annual Appropriations Deficit:** Pursuant to KRS 161.550(6), the Kentucky Teachers' Retirement System has identified a \$24,613,400 deficit for fiscal years 2013-2014 and 2014-2015. The deficit shall be funded as follows:

(a) \$20,327,500 from the state medical insurance fund stabilization contribution for fiscal years 2014-2015 and 2015-2016 within the General Fund appropriation specified in 2014 Ky. Acts ch. 117, Part I, A., 29., and identified as the excess amount of the state medical insurance fund stabilization contribution by the Kentucky Teachers' Retirement System; and

(b) \$4,285,900 from the above General Fund appropriation in fiscal year 2016-2017 for the remaining portion of the deficit.

(4) Dependent Subsidy for Retirees under age 65: Notwithstanding KRS 161.675(4)(a) and (b), from July 1, 2016, through June 30, 2018, 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. If the report is not submitted by September 15, 2016, the authority to pay the dependent subsidy shall be voided for Plan Year 2017. If the report is not submitted by September 15, 2017, the authority to pay the dependent subsidy shall be voided for Plan Year 2018.

(5) Amortization of Sick Leave: Included in the above General Fund appropriation is \$5,623,500 in fiscal year 2016-2017 and \$11,660,200 in fiscal year 2017-2018 to provide the cost of amortizing the requirements of KRS 161.155, relating to sick leave, for members retiring during the 2014-2016 biennium.

(6) Contribution for Retiree Medical Insurance: Included in the above General Fund appropriation is \$46,545,800 in fiscal year 2016-2017 and \$53,948,400 in fiscal year 2017-2018 to support the state's contribution for the cost of retiree health insurance for members not eligible

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for Medicare, who have retired since July 1, 2010, pursuant to KRS 161.550.

➔Section 3. Notwithstanding KRS 446.250, Section 2. of this Act shall prevail over any other legislation enacted during the 2016 Regular Session.

➔Section 4. 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."