

1 AN ACT relating to employer funding for the County Employees Retirement
2 System and declaring an emergency.

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

4 ➔Section 1. KRS 61.565 is amended to read as follows:

- 5 (1) (a) Each employer participating in the State Police Retirement System as
6 provided for in KRS 16.505 to 16.652, each employer participating in the
7 County Employees Retirement System as provided for in KRS 78.510 to
8 78.852, and each employer participating in the Kentucky Employees
9 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute
10 annually to the respective retirement system an amount equal to the percent, as
11 computed under subsection (2) of this section, of the creditable compensation
12 of its employees to be known as the "normal contributions," and an additional
13 amount to be known as the "actuarially accrued liability contribution" which
14 shall be computed by amortizing the total unfunded actuarially accrued
15 liability over a period of thirty (30) years using the level-percentage-of-payroll
16 amortization method. This method shall be used beginning with the 2007
17 actuarial valuation. The initial thirty (30) year amortization period shall begin
18 with the 2007 actuarial valuation, except as provided by paragraph (b) of this
19 subsection.
- 20 (b) Effective with the 2013 actuarial valuation, the amortization period for the
21 Kentucky Employees Retirement System, the County Employees Retirement
22 System, and the State Police Retirement System shall be reset to a new thirty
23 (30) year period for purposes of calculating the actuarially accrued liability
24 contribution prescribed by this subsection.
- 25 (c) Any significant increase in the actuarially accrued liability due to benefit
26 improvements after the 2007 valuation shall be amortized using the level-
27 percentage-of-payroll amortization method over a separate thirty (30) year

1 period commencing in the year of the actuarial valuation in which the benefit
2 improvements are first reflected.

3 (2) The normal contribution rate shall be determined by the entry age normal cost
4 funding method. The actuarially accrued liability shall be determined by actuarial
5 method consistent with the methods prescribed for determining the normal
6 contribution rate. Normal contributions and the actuarially accrued liability
7 contribution shall be determined on actuarial bases adopted by the board.

8 (3) (a) Normal contribution and the actuarially accrued liability contribution rates
9 shall be determined by the board on the basis of the annual actuarial valuation
10 last preceding the July 1 of a new biennium.

11 (b) The board may amend contribution rates as of July 1 of the second year of a
12 biennium for the County Employees Retirement System, if it is determined on
13 the basis of a subsequent actuarial valuation that amended contribution rates
14 are necessary to satisfy the requirements of subsections (1) and (2) of this
15 section.

16 (c) Effective for employer contribution rates payable on or after July 1, 2014, the
17 board shall not have the authority to amend contribution rates as of July 1 of
18 the second year of the biennium for the Kentucky Employees Retirement
19 System and the State Police Retirement System.

20 (4) The system shall advise each employer prior to the beginning of each biennium, or
21 prior to July 1 of the second year of a biennium for employers participating in the
22 County Employees Retirement System, of any change in the employer contribution
23 rate. Based on the employer contribution rate, each employer shall include in the
24 budget sufficient funds to pay the employer contributions as determined by the
25 board under subsections (1) to (3) of this section.

26 (5) The General Assembly shall pay the full actuarially required contribution rate, as
27 prescribed by this section, to the Kentucky Employees Retirement System and the

1 State Police Retirement System in fiscal years occurring on or after July 1, 2014.

2 (6) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the
 3 board shall establish employer contribution rates for the County Employees
 4 Retirement System that will phase in to the full actuarially required contribution for
 5 the pension and health insurance funds~~[fund over a ten (10) year period]~~ using the
 6 2017-2018~~[2007-2008]~~ fiscal year employer contribution for the pension and health
 7 insurance funds~~[fund]~~ as a base employer rate and incrementally increasing the
 8 employer rate:

9 (a) From fiscal year 2018-2019~~[2008-2009]~~ through fiscal year 2022-2023~~[2017-~~
 10 2018], so that the percentage increase in the projected dollar amount of the
 11 combined employer contribution rate for pension and health insurance
 12 funds for the County Employees Retirement System employers shall not
 13 increase by more than ten percent (10%) over the prior fiscal year for fiscal
 14 years occurring from July 1, 2018, to June 30, 2023; and

15 (b) For fiscal year 2023-2024 and each fiscal year thereafter, the full
 16 actuarially required contribution shall be paid by County Employees
 17 Retirement System's employers.

18 In determining the employer contribution rates payable during the phase-in
 19 period established by paragraph (a) of this subsection from July 1, 2018, to June
 20 30, 2023, the board shall use the actuarial assumptions, methods, and any other
 21 funding policies from the 2017 actuarial valuation for the County Employees
 22 Retirement System that were adopted by the board prior to January 1, 2018.

23 ➔Section 2. The board of trustees of the Kentucky Retirement Systems shall take
 24 necessary action prior to May 31, 2018, to establish employer contribution rates for the
 25 County Employees Retirement System for fiscal year 2017-2018 based upon the phase-in
 26 required by subsection (6) of Section 1 of this Act.

27 ➔Section 3. Whereas addressing the dramatically increased employer contribution

1 rates facing the County Employees Retirement System is imperative to county, city,
2 school board, and other local government employers, an emergency is declared to exist,
3 and this Act takes effect upon its passage and approval by the Governor or upon its
4 otherwise becoming a law.