

1 AN ACT relating to retirement costs for Kentucky Retirement Systems employers,
2 making an appropriation therefor, and declaring an emergency.

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

4 ➔Section 1. KRS 61.510 is amended to read as follows:

5 As used in KRS 61.510 to 61.705, unless the context otherwise requires:

- 6 (1) "System" means the Kentucky Employees Retirement System created by KRS
7 61.510 to 61.705;
- 8 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 9 (3) "Department" means any state department or board or agency participating in the
10 system in accordance with appropriate executive order, as provided in KRS 61.520.
11 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
12 General Assembly and any other body, entity, or instrumentality designated by
13 executive order by the Governor, shall be deemed to be a department,
14 notwithstanding whether said body, entity, or instrumentality is an integral part of
15 state government;
- 16 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 17 (5) "Employee" means the members, officers, and employees of the General Assembly
18 and every regular full-time, appointed or elective officer or employee of a
19 participating department, including the Department of Military Affairs. The term
20 does not include persons engaged as independent contractors, seasonal, emergency,
21 temporary, interim, and part-time workers. In case of any doubt, the board shall
22 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 23 (6) "Employer" means a department or any authority of a department having the power
24 to appoint or select an employee in the department, including the Senate and the
25 House of Representatives, or any other entity, the employees of which are eligible
26 for membership in the system pursuant to KRS 61.525;
- 27 (7) "State" means the Commonwealth of Kentucky;

- 1 (8) "Member" means any employee who is included in the membership of the system or
2 any former employee whose membership has not been terminated under KRS
3 61.535;
- 4 (9) "Service" means the total of current service and prior service as defined in this
5 section;
- 6 (10) "Current service" means the number of years and months of employment as an
7 employee, on and after July 1, 1956, except that for members, officers, and
8 employees of the General Assembly this date shall be January 1, 1960, for which
9 creditable compensation is paid and employee contributions deducted, except as
10 otherwise provided, and each member, officer, and employee of the General
11 Assembly shall be credited with a month of current service for each month he
12 serves in the position;
- 13 (11) "Prior service" means the number of years and completed months, expressed as a
14 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
15 creditable compensation was paid; except that for members, officers, and employees
16 of the General Assembly, this date shall be January 1, 1960. An employee shall be
17 credited with one (1) month of prior service only in those months he received
18 compensation for at least one hundred (100) hours of work; provided, however, that
19 each member, officer, and employee of the General Assembly shall be credited with
20 a month of prior service for each month he served in the position prior to January 1,
21 1960. Twelve (12) months of current service in the system are required to validate
22 prior service;
- 23 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
24 from the compensation of a member and credited to his individual account in the
25 members' account, including employee contributions picked up after August 1,
26 1982, pursuant to KRS 61.560(4), together with interest credited, or investment
27 returns earned as provided by KRS 61.5956, on such amounts and any other

1 amounts the member shall have contributed thereto, including interest credited
2 thereon or investment returns earned as provided by KRS 61.5956. "Accumulated
3 contributions" shall not include employee contributions that are deposited into
4 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
5 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

6 (13) "Creditable compensation":

7 (a) Except as provided by paragraph (b) or (c) of this subsection, means all salary,
8 wages, tips to the extent the tips are reported for income tax purposes, and
9 fees, including payments for compensatory time, paid to the employee as a
10 result of services performed for the employer or for time during which the
11 member is on paid leave, which are includable on the member's federal form
12 W-2 wage and tax statement under the heading "wages, tips, other
13 compensation," including employee contributions picked up after August 1,
14 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it
15 shall mean all amounts which are includable on the member's federal form W-
16 2 wage and tax statement under the heading "wages, tips, other
17 compensation," including employee contributions picked up after August 1,
18 1982, pursuant to KRS 6.505(4) or 61.560(4);

19 (b) Includes:

- 20 1. Lump-sum bonuses, severance pay, or employer-provided payments for
21 purchase of service credit, which shall be averaged over the employee's
22 total service with the system in which it is recorded if it is equal to or
23 greater than one thousand dollars (\$1,000);
- 24 2. Cases where compensation includes maintenance and other perquisites,
25 but the board shall fix the value of that part of the compensation not paid
26 in money;
- 27 3. Lump-sum payments for creditable compensation paid as a result of an

1 order of a court of competent jurisdiction, the Personnel Board, or the
2 Commission on Human Rights, or for any creditable compensation paid
3 in anticipation of settlement of an action before a court of competent
4 jurisdiction, the Personnel Board, or the Commission on Human Rights,
5 including notices of violations of state or federal wage and hour statutes
6 or violations of state or federal discrimination statutes, which shall be
7 credited to the fiscal year during which the wages were earned or should
8 have been paid by the employer. This subparagraph shall also include
9 lump-sum payments for reinstated wages pursuant to KRS 61.569,
10 which shall be credited to the period during which the wages were
11 earned or should have been paid by the employer;

- 12 4. Amounts which are not includable in the member's gross income by
13 virtue of the member having taken a voluntary salary reduction provided
14 for under applicable provisions of the Internal Revenue Code; and
15 5. Elective amounts for qualified transportation fringes paid or made
16 available on or after January 1, 2001, for calendar years on or after
17 January 1, 2001, that are not includable in the gross income of the
18 employee by reason of 26 U.S.C. sec. 132(f)(4); and

19 (c) Excludes:

- 20 1. Uniform, equipment, or any other expense allowances paid on or after
21 January 1, 2019, living allowances, expense reimbursements, lump-sum
22 payments for accrued vacation leave, and other items determined by the
23 board;
24 2. For employees who begin participating on or after September 1, 2008,
25 lump-sum payments for compensatory time;
26 3. For employees participating in a nonhazardous position who began
27 participating prior to September 1, 2008, and who retire after July 1,

1 2023, lump-sum payments for compensatory time upon termination of
2 employment;

3 4. For employees who begin participating on or after August 1, 2016,
4 nominal fees paid for services as a volunteer; and

5 5. Any salary or wages paid to an employee for services as a Kentucky
6 State Police school resource officer as defined by KRS 158.441;

7 (14) "Final compensation" of a member means:

8 (a) For a member who begins participating before September 1, 2008, who is
9 employed in a nonhazardous position, the creditable compensation of the
10 member during the five (5) fiscal years he was paid at the highest average
11 monthly rate divided by the number of months of service credit during that
12 five (5) year period multiplied by twelve (12). The five (5) years may be
13 fractional and need not be consecutive, except that for members retiring on or
14 after January 1, 2019, the five (5) fiscal years shall be complete fiscal years. If
15 the number of months of service credit during the five (5) year period is less
16 than forty-eight (48) for members retiring prior to January 1, 2019, one (1) or
17 more additional fiscal years shall be used. If a member retiring on or after
18 January 1, 2019, does not have five (5) complete fiscal years that each contain
19 twelve (12) months of service credit, then one (1) or more additional fiscal
20 years, which may contain less than twelve (12) months of service credit, shall
21 be added until the number of months in the final compensation calculation is
22 at least sixty (60) months;

23 (b) For a member who is employed in a nonhazardous position, whose effective
24 retirement date is between August 1, 2001, and January 1, 2009, and whose
25 total service credit is at least twenty-seven (27) years and whose age and years
26 of service total at least seventy-five (75), final compensation means the
27 creditable compensation of the member during the three (3) fiscal years the

1 member was paid at the highest average monthly rate divided by the number
2 of months of service credit during that three (3) years period multiplied by
3 twelve (12). The three (3) years may be fractional and need not be
4 consecutive. If the number of months of service credit during the three (3)
5 year period is less than twenty-four (24), one (1) or more additional fiscal
6 years shall be used. Notwithstanding the provision of KRS 61.565, the
7 funding for this paragraph shall be provided from existing funds of the
8 retirement allowance;

9 (c) For a member who begins participating before September 1, 2008, who is
10 employed in a hazardous position, as provided in KRS 61.592, and who
11 retired prior to January 1, 2019, the creditable compensation of the member
12 during the three (3) fiscal years he was paid at the highest average monthly
13 rate divided by the number of months of service credit during that three (3)
14 year period multiplied by twelve (12). The three (3) years may be fractional
15 and need not be consecutive. If the number of months of service credit during
16 the three (3) year period is less than twenty-four (24), one (1) or more
17 additional fiscal years shall be used;

18 (d) For a member who begins participating on or after September 1, 2008, but
19 prior to January 1, 2014, who is employed in a nonhazardous position, the
20 creditable compensation of the member during the five (5) complete fiscal
21 years immediately preceding retirement divided by five (5). Each fiscal year
22 used to determine final compensation must contain twelve (12) months of
23 service credit. If the member does not have five (5) complete fiscal years that
24 each contain twelve (12) months of service credit, then one (1) or more
25 additional fiscal years, which may contain less than twelve (12) months of
26 service credit, shall be added until the number of months in the final
27 compensation calculation is at least sixty (60) months; or

1 (e) For a member who begins participating on or after September 1, 2008, but
2 prior to January 1, 2014, who is employed in a hazardous position as provided
3 in KRS 61.592, or for a member who begins participating prior to September
4 1, 2008, who is employed in a hazardous position as provided in KRS 61.592,
5 who retires on or after January 1, 2019, the creditable compensation of the
6 member during the three (3) complete fiscal years he was paid at the highest
7 average monthly rate divided by three (3). Each fiscal year used to determine
8 final compensation must contain twelve (12) months of service credit. If the
9 member does not have three (3) complete fiscal years that each contain twelve
10 (12) months of service credit, then one (1) or more additional fiscal years,
11 which may contain less than twelve (12) months of service credit, shall be
12 added until the number of months in the final compensation calculation is at
13 least thirty-six (36) months;

14 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
15 calculated during the twelve (12) month period immediately preceding the
16 member's effective retirement date, including employee contributions picked up
17 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
18 system by the employer and the following equivalents shall be used to convert the
19 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
20 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
21 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
22 one (1) year;

23 (16) "Retirement allowance" means the retirement payments to which a member is
24 entitled;

25 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
26 basis of the actuarial tables that are adopted by the board. In cases of disability
27 retirement, the options authorized by KRS 61.635 shall be computed by adding ten

- 1 (10) years to the age of the member, unless the member has chosen the Social
2 Security adjustment option as provided for in KRS 61.635(8), in which case the
3 member's actual age shall be used. For members who began participating in the
4 system prior to January 1, 2014, no disability retirement option shall be less than the
5 same option computed under early retirement;
- 6 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
7 otherwise provided in KRS 61.510 to 61.705;
- 8 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
9 following June 30, which shall also be the plan year. The "fiscal year" shall be the
10 limitation year used to determine contribution and benefit limits as established by
11 26 U.S.C. sec. 415;
- 12 (20) "Officers and employees of the General Assembly" means the occupants of those
13 positions enumerated in KRS 6.150. The term shall also apply to assistants who
14 were employed by the General Assembly for at least one (1) regular legislative
15 session prior to July 13, 2004, who elect to participate in the retirement system, and
16 who serve for at least six (6) regular legislative sessions. Assistants hired after July
17 13, 2004, shall be designated as interim employees;
- 18 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
19 all positions that average one hundred (100) or more hours per month determined by
20 using the number of months actually worked within a calendar or fiscal year,
21 including all positions except:
- 22 (a) Seasonal positions, which although temporary in duration, are positions which
23 coincide in duration with a particular season or seasons of the year and which
24 may recur regularly from year to year, the period of time shall not exceed nine
25 (9) months;
- 26 (b) Emergency positions which are positions which do not exceed thirty (30)
27 working days and are nonrenewable;

- 1 (c) Temporary positions which are positions of employment with a participating
2 department for a period of time not to exceed nine (9) months and are
3 nonrenewable;
- 4 (d) Part-time positions which are positions which may be permanent in duration,
5 but which require less than a calendar or fiscal year average of one hundred
6 (100) hours of work per month, determined by using the number of months
7 actually worked within a calendar or fiscal year, in the performance of duty;
8 and
- 9 (e) Interim positions which are positions established for a one-time or recurring
10 need not to exceed nine (9) months;
- 11 (22) "Delayed contribution payment" means an amount paid by an employee for
12 purchase of current service. The amount shall be determined using the same formula
13 in KRS 61.5525, and the payment shall not be picked up by the employer. A
14 delayed contribution payment shall be deposited to the member's account and
15 considered as accumulated contributions of the individual member. In determining
16 payments under this subsection, the formula found in this subsection shall prevail
17 over the one found in KRS 212.434;
- 18 (23) "Parted employer" means a department, portion of a department, board, or agency,
19 such as Outwood Hospital and School, which previously participated in the system,
20 but due to lease or other contractual arrangement is now operated by a publicly held
21 corporation or other similar organization, and therefore is no longer participating in
22 the system. The term "parted employer" shall not include a department, board, or
23 agency that ceased participation in the system pursuant to KRS 61.522;
- 24 (24) "Retired member" means any former member receiving a retirement allowance or
25 any former member who has filed the necessary documents for retirement benefits
26 and is no longer contributing to the retirement system;
- 27 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,

- 1 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
2 pay. The rate shall be certified by the employer;
- 3 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
4 the member in accordance with KRS 61.542 or 61.705 to receive any available
5 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
6 does not mean an estate, trust, or trustee;
- 7 (27) "Recipient" means the retired member or the person or persons designated as
8 beneficiary by the member and drawing a retirement allowance as a result of the
9 member's death or a dependent child drawing a retirement allowance. An alternate
10 payee of a qualified domestic relations order shall not be considered a recipient,
11 except for purposes of KRS 61.623;
- 12 (28) "Level percentage of payroll~~[dollar]~~ amortization method" means a method of
13 determining the annual amortization payment on the unfunded actuarial accrued
14 liability as expressed as a percentage of payroll~~[that is set as an equal dollar~~
15 ~~amount]~~ over a set period of years~~[the remaining amortization period as of the~~
16 ~~actuarial valuation date]~~. Under this method, the percentage of payroll shall be
17 projected to remain constant for all years remaining in the set period and the
18 unfunded actuarially accrued liability shall be projected to be fully amortized at the
19 conclusion of the set~~[amortization]~~ period;
- 20 (29) "Increment" means twelve (12) months of service credit which are purchased. The
21 twelve (12) months need not be consecutive. The final increment may be less than
22 twelve (12) months;
- 23 (30) "Person" means a natural person;
- 24 (31) "Retirement office" means the Kentucky Retirement Systems office building in
25 Frankfort;
- 26 (32) "Last day of paid employment" means the last date employer and employee
27 contributions are required to be reported in accordance with KRS 16.543, 61.543, or

- 1 78.615 to the retirement office in order for the employee to receive current service
2 credit for the month. Last day of paid employment does not mean a date the
3 employee receives payment for accrued leave, whether by lump sum or otherwise, if
4 that date occurs twenty-four (24) or more months after previous contributions;
- 5 (33) "Objective medical evidence" means reports of examinations or treatments; medical
6 signs which are anatomical, physiological, or psychological abnormalities that can
7 be observed; psychiatric signs which are medically demonstrable phenomena
8 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
9 or contact with reality; or laboratory findings which are anatomical, physiological,
10 or psychological phenomena that can be shown by medically acceptable laboratory
11 diagnostic techniques, including but not limited to chemical tests,
12 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 13 (34) "Participating" means an employee is currently earning service credit in the system
14 as provided in KRS 61.543;
- 15 (35) "Month" means a calendar month;
- 16 (36) "Membership date" means:
- 17 (a) The date upon which the member began participating in the system as
18 provided in KRS 61.543; or
- 19 (b) For a member electing to participate in the system pursuant to KRS
20 196.167(4) who has not previously participated in the system or the Kentucky
21 Teachers' Retirement System, the date the member began participating in a
22 defined contribution plan that meets the requirements of 26 U.S.C. sec.
23 403(b);
- 24 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
25 retired member, as defined by subsection (24) of this section;
- 26 (38) "Qualified domestic relations order" means any judgment, decree, or order,
27 including approval of a property settlement agreement, that:

- 1 (a) Is issued by a court or administrative agency; and
- 2 (b) Relates to the provision of child support, alimony payments, or marital
- 3 property rights to an alternate payee;
- 4 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
- 5 participant, who is designated to be paid retirement benefits in a qualified domestic
- 6 relations order;
- 7 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
- 8 member's account and interest credited on such amounts as provided by KRS
- 9 16.583 and 61.597;
- 10 (41) "Accumulated account balance" means:
- 11 (a) For members who began participating in the system prior to January 1, 2014,
- 12 the member's accumulated contributions;
- 13 (b) For members who began participating in the system on or after January 1,
- 14 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
- 15 the combined sum of the member's accumulated contributions and the
- 16 member's accumulated employer credit; or
- 17 (c) For nonhazardous members who are participating in the 401(a) money
- 18 purchase plan as provided by KRS 61.5956, the combined sum of the
- 19 member's accumulated contribution and the member's accumulated employer
- 20 contribution in the 401(a) money purchase plan;
- 21 (42) "Volunteer" means an individual who:
- 22 (a) Freely and without pressure or coercion performs hours of service for an
- 23 employer participating in one (1) of the systems administered by Kentucky
- 24 Retirement Systems without receipt of compensation for services rendered,
- 25 except for reimbursement of actual expenses, payment of a nominal fee to
- 26 offset the costs of performing the voluntary services, or both; and
- 27 (b) If a retired member, does not become an employee, leased employee, or

1 independent contractor of the employer for which he or she is performing
 2 volunteer services for a period of at least twenty-four (24) months following
 3 the retired member's most recent retirement date;

4 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
 5 exceed five hundred dollars (\$500) per month. Compensation earned for services as
 6 a volunteer from more than one (1) participating employer during a month shall be
 7 aggregated to determine whether the compensation exceeds the five hundred dollars
 8 (\$500) per month maximum provided by this subsection;

9 (44) "Nonhazardous position" means a position that does not meet the requirements of
 10 KRS 61.592 or has not been approved by the board as a hazardous position;

11 (45) "Accumulated employer contribution" means the employer contribution deposited
 12 to the member's account and any investment returns on such amounts as provided
 13 by KRS 61.5956;~~and~~

14 (46) "Monthly average pay" means the higher of the member's monthly final rate of pay
 15 or the average monthly creditable compensation earned by the deceased member
 16 during his or her last twelve (12) months of employment;

17 **(47) "Quasi-governmental employer" means:**

18 **(a) Mental health/mental retardation boards, local and district health**
 19 **departments, domestic violence shelters, rape crisis centers, child advocacy**
 20 **centers, state supported universities and community colleges who are**
 21 **participating in the Kentucky Employees Retirement System; and**

22 **(b) Any other agency eligible to voluntarily cease participating in the Kentucky**
 23 **Employees Retirement System pursuant to KRS 61.522; and**

24 **(48) "Governmental employer" means any employer participating in the Kentucky**
 25 **Employees Retirement System who is not a quasi-governmental employer as**
 26 **provided by subsection (47) of this section.**

27 ➔Section 2. KRS 61.565 is repealed, reenacted, and amended to read as follows:

- 1 (1) (a) Each employer participating in the State Police Retirement System as
2 provided for in KRS 16.505 to 16.652, the County Employees Retirement
3 System as provided for in KRS 78.510 to 78.852, and the Kentucky
4 Employees Retirement System as provided for in KRS 61.510 to 61.705 shall,
5 **except as provided by subsection (5) of this section,** contribute annually to the
6 respective retirement system an amount determined by the actuarial valuation
7 completed in accordance with KRS 61.670 and as specified by this section.
8 **Except as provided by subsection (5) of this section,** employer contributions
9 for each respective retirement system **shall be computed as a percentage of**
10 **pay and** shall be equal to the sum of the "normal cost contribution" and the
11 "actuarially accrued liability contribution."
- 12 (b) For purposes of this section, the normal cost contribution shall be computed as
13 a percentage of pay and shall be an annual amount that is sufficient when
14 combined with employee contributions to fund benefits earned during the year
15 in the respective system or plan~~, including costs for those members who elect~~
16 ~~to participate in the 401(a) money purchase plan].~~ The amount shall be paid as
17 a percentage of creditable compensation reported for each employee
18 participating in the system or plan and accruing benefits.
- 19 (c) For purposes of this section, the actuarially accrued liability contribution shall
20 be **computed by amortizing**~~[an annual dollar amount that is sufficient to~~
21 ~~amortize]~~ the total unfunded actuarially accrued liability of each system over a
22 closed period of thirty (30) years using the **level percentage of payroll**~~[level-~~
23 ~~dollar]~~ amortization method. **The initial thirty (30) year amortization period**
24 **shall begin with the 2007 actuarial valuation, except as provided by**
25 **paragraph (e) of this subsection.**~~[This method shall be used beginning with~~
26 ~~the 2019 actuarial valuation, and employer costs for the actuarially accrued~~
27 ~~liability contribution shall be prorated to each employer as provided by~~

1 ~~paragraph (f) of this subsection.~~

2 (d) The employer contributions computed under this section shall be determined
3 using:

- 4 1. The entry age normal cost funding method;
- 5 2. An asset smoothing method that smooths investment gains and losses
6 over a five (5) year period; and
- 7 3. Other funding methods and assumptions established by the board in
8 accordance with KRS 61.670.

9 (e) Effective with the 2013~~[2019]~~ actuarial valuation, the amortization period for
10 the Kentucky Employees Retirement System, the County Employees
11 Retirement System, and the State Police Retirement System shall be reset to a
12 new thirty (30) year closed period for purposes of calculating the actuarially
13 accrued liability contribution prescribed by this subsection.

14 ~~(f) Any significant increase in the actuarially accrued liability due to benefit~~
15 ~~improvements after the 2007 valuation shall be amortized using the level~~
16 ~~percentage of payroll amortization method over a separate thirty (30) year~~
17 ~~period commencing in the year of the actuarial valuation in which the~~
18 ~~benefit improvements are first reflected.~~ ~~[(f) The dollar value of the~~

19 ~~actuarially accrued liability contribution specified by paragraph (c) of this~~
20 ~~subsection payable by each individual system employer based upon the 2019~~
21 ~~actuarial valuation shall be prorated based upon the individual employer's~~
22 ~~average percentage of the total creditable compensation reported by all~~
23 ~~employers in the specific system in fiscal years 2014-2015, 2015-2016, and~~
24 ~~2016-2017, except that the amount shall:~~

- 25 ~~1. Not apply to any employer who ceases participation and pays the full~~
26 ~~actuarial cost of ceasing participation as provided by KRS 61.522;~~
- 27 ~~2. Be adjusted for each remaining employer of a system to reflect any~~

1 ~~employer who ceases participation and who pays the full actuarial cost~~
 2 ~~of ceasing participation as provided by KRS 61.522; and~~

3 ~~3. Be a single amount for all executive branch departments, program~~
 4 ~~cabinets and their respective departments and administrative bodies~~
 5 ~~enumerated in KRS 12.020, and any other executive branch agencies~~
 6 ~~administratively attached to a department, program cabinet, or~~
 7 ~~administrative body enumerated in KRS 12.020.]~~

8 (2) (a) Normal cost contribution rates and the actuarially accrued liability
 9 contribution rates shall be determined by the board on the basis of the annual
 10 actuarial valuation 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
 13 on the basis of a subsequent actuarial valuation that amended contribution
 14 rates are necessary to satisfy the requirements of this section.

15 (c) Effective for employer contribution rates payable on or after July 1, 2014,
 16 ~~[through June 30, 2020,]~~the board shall not have the authority to amend
 17 contribution rates as of July 1 of the second year of the biennium for the
 18 Kentucky Employees Retirement System and the State Police Retirement
 19 System.

20 (3) 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 this section.

26 (4) Except as provided by subsection (5) of this section, the General Assembly shall
 27 pay the full actuarially required contribution rate, as prescribed by this section, to

1 the Kentucky Employees Retirement System and the State Police Retirement
2 System in fiscal years occurring on or after July 1, 2014.

3 (5) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary:~~[-]~~

4 (a) The employer contribution established by the board for the County Employees
5 Retirement System that are payable on or after July 1, 2018, and until June 30,
6 2028, for the pension and health insurance funds, including the normal cost
7 contribution and the actuarially accrued liability contribution for each fund,
8 shall not increase by more than twelve percent (12%) in terms of projected
9 dollars paid by participating employers over the prior fiscal year as determined
10 by the system's consulting actuary; and

11 (b) Effective July 1, 2019, through June 30, 2044, the employer contribution
12 rate for Kentucky Employees Retirement System employers participating
13 under nonhazardous coverage shall be as follows:

14 1. Each quasi-governmental employer participating in the Kentucky
15 Employees Retirement System shall pay an employer contribution rate
16 equal to forty-nine and forty-seven hundredths percent (49.47%) of
17 pay on behalf of each nonhazardous employee it employs, which shall
18 consist of:

19 a. From July 1, 2019, to June 30, 2024, a contribution rate paid to
20 the retiree health fund equal to the normal cost contribution for
21 the retiree health fund, not to exceed two and twenty-one one-
22 hundredths percent (2.21%) of pay, and a contribution rate paid
23 to the pension fund that is equal to the balance of the total
24 contribution required by this subparagraph less the normal cost
25 contribution that is paid to the retiree health fund; and

26 b. From July 1, 2024, to June 30, 2044, a contribution rate to the
27 pension fund and the retiree health fund as determined by the

1 board of trustees that equals a combined rate of forty-nine and
2 forty-seven hundredths percent (49.47%) of pay; and

3 2. Each governmental employer participating in the Kentucky Employees
4 Retirement System, who is not a quasi-governmental employer, shall
5 pay an employer contribution rate:

6 a. From July 1, 2019, to June 30, 2020, equal to eighty-three and
7 forty-three hundredths percent (83.43%) of pay, which shall
8 consist of a contribution rate paid to the retiree health fund
9 equal to the normal cost contribution for the retiree health fund,
10 not to exceed two and twenty-one one-hundredths percent
11 (2.21%) of pay, and a contribution rate paid to the pension fund
12 that is equal to the balance of the total contribution required by
13 this subparagraph after the normal cost contribution is paid to
14 the retiree health fund;

15 b. From July 1, 2020, to June 30, 2024, equal to the employer
16 contribution rate determined by the actuarial valuation for the
17 pension and retiree health fund, except that only the normal cost
18 contribution to the retiree health fund not to exceed two and
19 twenty-one one-hundredths percent (2.21%) of pay shall be paid
20 to the retiree health fund. The actuarially accrued liability
21 contribution computed for the retiree health fund in the
22 actuarial valuation shall be paid into the pension fund from July
23 1, 2020, to June 30, 2024; and

24 c. From July 1, 2024, to June 30, 2044, equal to the employer
25 contribution rate determined by the actuarial valuation for the
26 pension and retiree health fund.

27 The rate paid under this subparagraph from July 1, 2020, to June 30,

1 2044, by Kentucky Employees Retirement System governmental
 2 employers shall include any additional costs for keeping the quasi-
 3 governmental employer rate set at forty-nine and forty-seven
 4 hundredths percent (49.47%) of pay during this time period; and

5 (c) Notwithstanding paragraph (b) of this subsection, the annual contribution
 6 rate paid on behalf of nonhazardous employees by each quasi-governmental
 7 employer and governmental employer in the Kentucky Employees
 8 Retirement System from July 1, 2020, to June 30, 2044, shall not be less
 9 than the dollar amount paid by the employer in fiscal year 2018-2019. The
 10 board shall adjust or bill an individual employer for additional
 11 contributions in the event a future fiscal year produces an employer
 12 contribution in total dollars that is less than the amount paid by the
 13 employer in fiscal year 2018-2019.

14 ➔Section 3. KRS 61.670 is amended to read as follows:

- 15 (1) (a) As soon as practicable after its organization, the board shall adopt the
 16 actuarial tables necessary for the administration of the system and for the
 17 annual determination of actuarial assets and liabilities of the system.
- 18 (b) The board shall cause an actuarial valuation to be made annually. The
 19 valuation shall at a minimum include:
- 20 1. A description of the actuarial assumptions used in the actuarial
 21 valuation, which shall be reasonably related to the experience of the
 22 system and represent the actuary's best estimate of anticipated
 23 experience;
 - 24 2. A description of any funding methods utilized or required by state law in
 25 the development of the actuarial valuation results;
 - 26 3. A description of any changes in actuarial assumptions and methods from
 27 the previous year's actuarial valuation;

- 1 4. The actuarially recommended contribution rate for employers for the
2 upcoming budget periods;
- 3 5. A twenty (20) year projection of the funding levels, unfunded liabilities,
4 and actuarially recommended contribution rates for employers based
5 upon the actuarial assumptions, funding methods, and experience of the
6 system as of the valuation date; and
- 7 6. A sensitivity analysis that evaluates the impact of changes in system
8 assumptions, including but not limited to the investment return
9 assumption, payroll growth assumption, and medical inflation rates, on
10 employer contribution rates, funding levels, and unfunded liabilities.
- 11 (c) 1. At least once in each five (5) year period, the board shall cause an
12 actuarial investigation to be made of all the experience under the
13 retirement system relative to the actuarial assumptions and funding
14 methods previously adopted by the board. The actuarial investigation
15 shall include at a minimum a summary of the changes in actuarial
16 assumptions and funding methods recommended in the investigation and
17 the projected impact of the recommended changes on funding levels,
18 unfunded liabilities, and actuarially recommended contribution rates for
19 employers over a twenty (20) year period.
- 20 2. In evaluating and adopting the assumed rate of return and discount
21 rate used in the annual valuation and reviewed in the actuarial
22 investigation:
- 23 a. The actuary and board when evaluating historical investment
24 return as part of developing an appropriate assumption for the
25 assumed rate of return or discount rate used in the actuarial
26 valuation shall only consider investment return experience over
27 a period greater than twenty (20) years; and

1 **b. The board shall not adjust the assumed rate of return or**
2 **discount rate by more than one-quarter of one percent (0.25%)**
3 **per year.**

4 (d) Pursuant to the actuarial investigation the board shall, from time to time,
5 revise the actuarial tables previously adopted by the board and shall thereupon
6 revise the bases of the rates of contributions required under KRS 61.510 to
7 61.692, KRS 16.505 to 16.652, and KRS 78.510 to 78.852.

8 (e) For any change in actuarial assumptions, funding methods, retiree health
9 insurance premiums and subsidies, or any other decisions made by the board
10 that impact system liabilities and actuarially recommended contribution rates
11 for employers and that are not made in conjunction with the actuarial
12 investigation required by paragraph (c) of this subsection, an actuarial analysis
13 shall be completed showing the projected impact of the changes on funding
14 levels, unfunded liabilities, and actuarially recommended contribution rates
15 for employers over a twenty (20) year period.

16 (f) All actuarial investigations, analyses, and valuations shall be certified to the
17 board by an actuary who shall be a fellow of the Conference of Consulting
18 Actuaries or a member of the American Academy of Actuaries.

19 (2) A copy of each five (5) year actuarial investigation, actuarial analysis, and annual
20 valuation required by subsection (1) of this section shall be forwarded electronically
21 to the Legislative Research Commission no later than ten (10) days after receipt by
22 the board, and the Legislative Research Commission shall distribute the information
23 received to the committee staff and co-chairs of any committee that has jurisdiction
24 over the Kentucky Retirement Systems **and to all other members of the General**
25 **Assembly**. The actuarial valuation required by subsection (1)(b) of this section shall
26 be submitted no later than November 15 following the close of the fiscal year.

27 (3) The Legislative Research Commission may employ an actuary with the same

1 qualifications as the actuary employed by the board, and the board shall, free of
2 charge, provide the actuary employed by the Commission with the same data
3 provided to its own actuary, and any supplementary data he may require. The
4 actuary employed by the Commission shall review the assumptions, determinations
5 and recommendations of the board actuary, and legislative proposals related to the
6 retirement systems, and report his findings to the Commission and to the board. The
7 board shall pay fifty percent (50%) of the cost of the Commission's actuary, and the
8 Commission shall pay the other fifty percent (50%).

9 ➔Section 4. Notwithstanding any other provision of KRS 61.565 or 61.702, 2018
10 Ky. Acts ch. 169, Part IV, 5., and 2018 Ky. Acts ch. 203 to the contrary:

11 (1) The employer contribution rate from July 1, 2019, through June 30, 2020, shall be
12 49.47 percent for nonhazardous duty employees participating in the Kentucky
13 Employees Retirement System who are employed by Mental Health/Mental
14 Retardation Boards, Local and District Health Departments, domestic violence
15 shelters, rape crisis centers, child advocacy centers, state-supported universities and
16 community colleges, and any other agency eligible to voluntarily cease participating
17 in the Kentucky Employees Retirement System pursuant to KRS 61.522;

18 (2) The contribution rate specified by subsection (1) of this section and for any other
19 Kentucky Employees Retirement System's employers covering nonhazardous duty
20 employees shall be prorated between the pension fund and retiree health fund in
21 accordance with subsection (5) of Section 2 of this Act; and

22 (3) The provisions of this section shall be retroactive to July 1, 2019.

23 ➔Section 5. Whereas ensuring the financial health of the quasi-governmental
24 employers providing essential service to the Commonwealth of Kentucky is imperative,
25 an emergency is declared to exist, and this Act takes effect upon its passage and approval
26 by the Governor or upon its otherwise becoming law.