

1 AN ACT relating to actuarial analysis on retirement bills.

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

3 ➔Section 1. KRS 6.350 is amended to read as follows:

4 (1) A bill which would increase or decrease the benefits or increase or decrease  
5 participation in the benefits or change the actuarial accrued liability of any state-  
6 administered retirement system shall not be reported from a legislative committee of  
7 either house of the General Assembly for consideration by the full membership of  
8 that house unless the bill is accompanied by an actuarial analysis.

9 (2) (a) An actuarial analysis required by this section shall show the economic effect  
10 of the bill on the state-administered retirement system over a twenty (20) year  
11 period, including:

- 12 1. An estimate of the effect on the unfunded actuarial accrued liabilities  
13 and funding levels of the affected systems; and
- 14 2. A projection of the annual employer costs to the systems of  
15 implementing the legislation over the ***thirty (30)***~~twenty (20)~~ year  
16 period. The annual employer cost projection shall include the effect on  
17 the contributions of participating employers as a percentage of total  
18 payroll and in total dollars of contributions.

19 (b) If a bill affects more than one (1) state-administered retirement system, the  
20 actuarial analysis shall project costs for each affected state-administered  
21 retirement system.

22 (c) A statement that the cost is negligible or indeterminable shall not be  
23 considered in compliance with this section. If a cost cannot be determined by  
24 the actuary in accordance with paragraph (a) of this subsection, then the  
25 systems shall certify in writing:

- 26 1. The estimated number of individuals affected;
- 27 2. The estimated change in benefit payments;

- 1           3.    The estimated change to employer costs; and
- 2           4.    The estimated change to administrative expenses.
- 3           (d)   An actuarial analysis shall state the actuarial assumptions and methods of
- 4           computation used in the analysis and shall state whether or not the bill or
- 5           resolution, if enacted, would, in the opinion of the actuary, make the affected
- 6           state-administered retirement system actuarially unsound or, in the case of a
- 7           system already actuarially unsound, more unsound. Actuarial cost methods
- 8           and assumptions that meet actuarial standards of practice established by the
- 9           Actuarial Standards Board shall be used in all cost projections.
- 10          (e)   An actuarial analysis required by this section shall be prepared by an actuary
- 11          who is a fellow of the Conference of Consulting Actuaries or a member of the
- 12          American Academy of Actuaries.
- 13         (3)   (a)   An actuary commissioned to make an actuarial analysis that is required by this
- 14          section, or for the purpose of seeking appropriations for a state-administered
- 15          retirement system, shall include in the analysis a complete definition of each
- 16          actuarial term used in the analysis and, either in the analysis or in a separate
- 17          actuarial valuation report made available as a public record, an enumeration
- 18          and explanation of each actuarial assumption used to complete the actuarial
- 19          analysis.
- 20          (b)   If the actuary commissioned to complete the actuarial analysis is relying upon
- 21          assumptions that have not been previously established by the actuary in an
- 22          actuarial valuation of the affected state-administered retirement system, the
- 23          actuary shall clearly note and describe the new assumption and the basis for
- 24          selecting the assumption.
- 25         (4)   The actuarial analysis required by this section~~[shall be completed]~~;
- 26            (a)   *Shall be completed* by the actuary retained by the affected state-administered
- 27          retirement system. The state-administered retirement systems shall provide the

1 analysis without cost to the General Assembly;[-]

2 (b) Shall be provided in a uniform format established by the Legislative  
 3 Research Commission; and

4 (c) Shall include on the front page, a summary of relevant data from the  
 5 analysis, including but not limited to:

6 1. The total nominal dollar savings or costs over the thirty (30) year  
 7 period;

8 2. The net present value of saving or costs over the thirty (30) year  
 9 period; and

10 3. The estimated change in the normal cost, if applicable.

11 (5) For purposes of this section, the terms:

12 (a) "State-administered retirement system" shall include:

13 1. The Kentucky Employees Retirement System, the County Employees  
 14 Retirement System, and the State Police Retirement System  
 15 administered by the Kentucky Retirement Systems and established under  
 16 the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510  
 17 to 78.852;

18 2. The Kentucky Teachers' Retirement System established under KRS  
 19 161.220 to 161.716;

20 3. The Judicial Retirement Plan established under KRS 21.345 to 21.580;  
 21 and

22 4. The Legislators' Retirement Plan established under KRS 6.500 to 6.577;  
 23 and

24 (b) "Funding level" means the actuarial value of assets divided by the actuarially  
 25 accrued liability expressed as a percentage.