

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2017 REGULAR SESSION**

**MEASURE**

2017 BR NUMBER **0903**

**HOUSE** BILL NUMBER **351**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to Kentucky Retirement Systems agency participation and declaring an emergency.**

**SPONSOR** **Representative Miller**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT       NO IMPACT       INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE       LOCAL       FEDERAL

BUDGET UNIT(S) IMPACT: **Kentucky Retirement Systems**

FUND(S) IMPACT:  GENERAL    ROAD    FEDERAL    RESTRICTED AGENCY \_\_\_\_\_    OTHER

**FISCAL SUMMARY**

<b>FISCAL ESTIMATES</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>	Indeterminable	Indeterminable	Indeterminable
<b>EXPENDITURES</b>	Indeterminable	Indeterminable	Indeterminable
<b>NET EFFECT</b>	Indeterminable	Indeterminable	Indeterminable

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The measure removes the option of installment payments for employers required to pay the actuarial cost of benefits when ceasing participation in the Kentucky Retirement Systems (KRS). It also clarifies that an employee transferring funds to the employer's alternative retirement program shall not be included in the employer actuarial cost calculation. It states the Kentucky Retirement Systems' consulting actuary determine the actuarial cost for the pension fund and insurance fund separately using assumptions and methodology specifically for determining the full actuarial cost of ceasing participation, and defines the assumed rate of return to be used in the calculations. The bill also applies retroactively to any employer requests already pending before the KRS Board to cease participation, and declares an emergency.

**PROVISIONS/MECHANICS:** Section 1 adds language to define the process for an employee to transfer funds to a new alternative retirement program offered by the employer within 60 days of the employer's cessation date from KRS. It deletes language allowing an employer to pay the system the full actuarial cost of the benefits accrued by its employees by installment payments. It shall be paid by lump sum. It specifies the assumed rate of return used to calculate the cost shall

be the lesser of the assumed rate of return utilized in the system's most recent actuarial evaluation or the yield on a 30 year United States treasury bond, with a floor of the assumed rate of return used in the system's most recent actuarial valuation minus 3.5 percent.

Section 2 states that Section 1 shall apply retroactively to any employer requests to voluntarily cease participation that are pending before the KRS board on the effective date of the Act.

Section 3 declares an emergency so the bill would take effect upon its passage and approval by the Governor or upon its otherwise becoming law.

**FISCAL EXPLANATION:** The new language mandating a lump sum payment from exiting employers and the revised assumed rate of return used in determining the actuarial cost should lessen the possibility of KRS not receiving an adequate lump sum from an employer. KRS has stated that there should be no fiscal impact from this bill, but all assumptions made in the actuarial cost analysis would have to hold true for that to happen. It is unknown how accurate the assumptions will be and therefore the true fiscal impact is indeterminable.

**DATA SOURCE(S):** Kentucky Retirement Systems

**PREPARER:** Jonathan Eakin **NOTE NUMBER:** 105 **REVIEW:** JRS **DATE:** 2/22/2017