

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact on local governments is indeterminate and minimal.

HB 87 will result in a minimal positive fiscal impact due to the elimination of “pension spiking payments” to retirement systems. That is, the bill removes KRS provisions charging employers for creditable compensation growth greater than 10% during the employee's last 5 years of employment. As identified in Part II, the bill also provides for, and clarifies, exemptions to the 10% restriction (e.g., for “bona fide promotion and career advancement” and six other exemptions).

The above cost savings may be somewhat offset by a related provision providing that the retirement systems will not refund the employer contributions paid (for non-creditable compensation) but rather utilize those funds to pay down the unfunded liability of the fund to which the employee participated. There will be some time and effort expended developing required support documentation related to application for, an exemption from, the 10% restriction provided for in the bill.

Data Source(s): Kentucky Association of Counties; Kentucky League of Cities; Kentucky Retirement Systems

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