

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0881**

SENATE BILL NUMBER **81**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to erroneous payments to the Kentucky Retirement Systems.**

SPONSOR **Senator Turner**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT- **Impact will be identified in an Actuarial Analysis pursuant to KRS 6.350.**

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

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

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT				

() indicates a decrease/negative

MEASURE’S PURPOSE: This measure could increase the interest rate applied to erroneous contributions made by members, if the employee contributions made in error were detected more than five years following the date the contributions were first made.

PROVISIONS/MECHANICS: Section 1 amends KRS 16.543 to provide that, if the Kentucky Retirement Systems determines that employee contributions were made to the State Police Retirement System (SPRS) in error more than five years following the date the contributions were first made, the systems shall pay the member interest on any refunded contributions at the actuarially assumed rate of return.

Section 2 amends KRS 61.543 to apply the same provisions in Section 1 to the Kentucky Employees Retirement System (KERS).

Section 3 amends KRS 78.615 to apply the same provisions in Section 1 in the County Employees Retirement System (CERS).

Section 4 amends KRS 61.685 to conform to the changes to Sections 1, 2, and 3.

FISCAL EXPLANATION: This measure is not anticipated to impose additional costs to the Kentucky Retirement Systems as a state agency. Pursuant to KRS 6.350, an actuarial analysis of this legislation is pending. While an analysis will provide additional details, it would appear that the provisions of SB 81 would increase the interest rate applied to erroneous contributions made by members. For example, KRS 61.575 provides an interest rate determined by the KRS Board of Trustees, but not less than 2.0 percent, to members of KERS who began participating before September 1, 2008 (Tier I members). Different rates apply to members of Tiers II and III. Although it is possible for the Board of Trustees to approve rates above minimum mandates for Tier I members, there is no indication that such action would be taken.

In addition, KRS 61.565 requires the General Assembly to pay the full actuarial contribution rates for KERS and SPRS. If this mandate is met, the actuarially assumed rate of return for these plans should grow as the financial health of the systems improve.

DATA SOURCE(S): _____

PREPARER: Zach Ireland **NOTE NUMBER:** 51 **REVIEW:** JAB **DATE:** 1/21/2018