Local Government Mandate Statement
Kentucky Legislative Research Commission
2019 Extraordinary Session

Part I: Measure Information

Bill Request #: 11

Bill #: HB 2

Document ID #: 100

Bill Subject/Title: AN ACT relating to retirement costs for Kentucky Retirement Systems employers, making an appropriation therefor, and declaring an emergency.

Sponsor: Representative Joe Graviss

Unit of Government: **x** City **x** County **x** Urban-County
x Charter County **x** Consolidated Local **x** Unified Local Government

Office(s) Impacted: all that participate in the Kentucky Retirement Systems

Requirement: ____ Mandatory **x** Optional

Effect on
Powers & Duties: **x** Modifies Existing **x** Adds New ____ Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

The purpose of HB 2 is to address the growing pension liability of quasi-governmental agencies. HB 2 Section 1 would define "quasi-governmental employer" as:

> Mental health/mental retardation boards, local and district health departments, domestic violence shelters, rape crisis centers, child advocacy centers, state supported universities and community colleges who are participating in the Kentucky Employees Retirement System . . . and any other agency eligible to voluntarily cease participating in the Kentucky Employees Retirement System pursuant to KRS 61.522.

The bill would provide that from July 1, 2019, through June 30, 2044, quasi-governmental agencies would contribute to the Kentucky Employees Retirement System at a rate of 49.47% of pay, not to be less than the dollar amount paid by the employer in FY 2018-

2019. Beginning July 1, 2020, the non-quasi-governmental agencies would, in addition to the base actuarially determined contribution rate, pay any additional costs for keeping the quasi-governmental employer rate set at 49.47% until June 30, 2044. The contributions of each employer, both quasi and non-quasi, would be distributed 2.21% to the health fund and the balance to the pension fund. This plan would result in a $121 million negative fiscal impact on the KERS Non-Hazardous system for FY 2019-2020, but according to the Actuarial Analysis for HB 2, would become materially fiscally neutral to KERS under the current plan or under HB 2.

HB 2 would have no direct fiscal impact on local governments, since city and county governments participate in the County Employees Retirement System. County governments do have a statutory obligation regarding funding of local and district health departments. Allowing health departments to continue paying less than the full actuarially recommended contribution until June 30, 2044, could have an indirect positive fiscal impact on those counties that financially support a local or district health department.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II pertains to HB 2 as introduced. There is no earlier version with which to compare the bill.

Data Source(s): LRC staff; Actuarial Analysis for 2019 SS HB 1

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 7/22/19