

employer's actuarially accrued liability contribution for the KERS shall be determined by multiplying the annual dollar amount of the actuarially accrued liability contribution for the entire system by the individual employer's percentage of the system's total actuarially accrued liability as of June 30, 2019. The resulting percentage shall be used in all future years of the amortization period, except when an employer ceases participation and except when a Kentucky Employees Retirement System nonhazardous employer merges with another employer or entity, forms a new or separate employer or entity, or splits or separates operations into multiple employers or entities. This set dollar amount is payable by the employer in equal monthly installments. If an independent district board of health ceases to operate or has a county or counties who withdraw from the independent district board of health, the systems shall assign the total actuarially accrued liability contribution.

Local and district health departments, community mental health centers, and employers whose employees received or were eligible to receive a distribution of general fund appropriations in the 2018-2020 biennial executive branch budget to assist in paying retirement cost shall not have the 2019 valuation and subsequent employer payment into the system adjusted except as the result of an actuarial investigation, and no sooner than four years from the prior adjustment.

The impact of HB 171 GA especially for those counties with an entity whose contribution will increase is undeterminable without a review of each entities fiscal situation and their ability to meet the contribution requirement. If they are not, the impact on the local government is dependent on whether or not the agencies are state-funded; whether or not the agencies, primarily health departments, have taxing authority; and whether or not the local government is fiscally able to make up the difference if the agency is unable to pay their contribution.

The Actuarial Analysis Statement is being prepared for the GA. When the statement is available, the LM will be updated accordingly.

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

HB 171 GA retains the provisions of HB 171 as introduced with the following changes per HFA 1 and HCS 1:

HFA 1 an additional exception to the requirement that the employer's actuarially accrued liability contribution be used in all future years of the amortization period.

HB 171 HCS 1 retains the provisions of HB 171 as introduced with the following changes:

- On or after July 1, 2020, the actuarially accrued liability contribution for nonhazardous employers shall be sufficient to amortize the total unfunded actuarially accrued liability of the system over a closed period of 27 years beginning in 2019. Currently, it is amortized over 30 years starting in 2013.
- Local and district health departments, community mental health centers, and employers whose employees received or were eligible to receive a distribution of general fund appropriations in the 2018-2020 biennial executive branch budget to assist in paying retirement cost shall not have the 2019 valuation and subsequent

employer payment into the system adjusted except as the result of an actuarial investigation, and no sooner than four years from the prior adjustment.

- All language regarding the establishment of the Kentucky retirement contribution assistance fund for the sole purpose of assisting quasi-governmental employers make their full actuarially required contribution is deleted.

Data Source(s): LRC Staff, Kentucky Retirement Systems

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 2/14/20