

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2020 REGULAR SESSION**

**MEASURE**

2020 BR NUMBER 268

HOUSE BILL NUMBER 270 HCS1

**TITLE** AN ACT relating to retirement plans covering legislators and declaring an emergency.

**SPONSOR** Representative James Tipton

**FISCAL SUMMARY**

STATE FISCAL IMPACT:  YES  NO  UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY:  ACTUARIAL ANALYSIS  
 LOCAL MANDATE  CORRECTIONS IMPACT  HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Legislative Branch

FUND(S) IMPACTED:  GENERAL  ROAD  FEDERAL  RESTRICTED \_\_\_\_\_

<b>FISCAL ESTIMATES</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>				
<b>EXPENDITURES</b>		\$1.34 Million	\$1.34 Million	Indeterminable
<b>NET EFFECT</b>		(\$1.34) Million	(\$1.34 Million)	(Indeterminable)

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** The purpose of the measure is to close the Kentucky Legislators Retirement Plan (KLRP) to new members effective July 1, 2020. Members of KLRP hybrid cash balance plan who began participation on or after January 1, 2014, would be transferred to the Kentucky Employees Retirement System (KERS) nonhazardous hybrid cash balance plan.

If enacted, the legislation would also suspend all employer contributions to the KLRP until the funding level is equivalent to or less than the funding level of the KERS nonhazardous plan.

Lastly, the legislation reduces the benefit factor for members in the KLRP defined benefit plan from 2.75% to 1.97% for service credit earned on or after July 1, 2020. It also disallows non-legislative salaries earned on or after July 1, 2020, from inclusion in the benefit formula.

**FISCAL EXPLANATION:** As of July 1, 2019, there were 48 total members in the KLRP hybrid cash balance plan. This legislation would enroll those members into the KERS hybrid cash balance plan.

According to the KLRP 2019 valuation, the required percent of payroll contribution was 4.98%. If members are transferred to the KERS hybrid cash balance plan, the required percent of payroll would increase to 93.01%, the Kentucky Retirement Systems (KRS) board-adopted rate for fiscal year (FY) 21 and FY 22.

For the purpose of this analysis, the total payroll for members enrolled in the KLRP hybrid cash balance plan is assumed to be \$1.83 million (as provided by the 2019 annual valuation). The additional contribution required by the Legislative Branch at 93.01% would be \$1.61 million in FY 21 and FY 22. Future contributions would be dependent upon the rate adopted by the KRS Board of Trustees.

The actuary for the Judicial Form Retirement System recommended contributions to the KLRP defined benefit plan totaling \$271,700 in each fiscal year. If enacted, these contributions would not be provided in the upcoming biennium because the funding level is greater than the KERS nonhazardous plan.

Due to the current funding level of the plan and the reduction of the benefit factor for service accrued on or after July 1, 2020, the actuarial analysis on HB 270 HCS 1 does not anticipate any contributions being provided by the state through July 1, 2039.

Any costs after FY 22 are indeterminable because both the actuarially required contribution for KLRP and the KERS nonhazardous contribution rate are unknown.

**DATA SOURCE(S): Judicial Form Retirement Systems, LRC Staff**

**PREPARER: Seth Dawson NOTE NUMBER: 150 REVIEW: JAB DATE: 2/14/2020**