Local Government Mandate Statement Kentucky Legislative Research Commission 2022 Regular Session

Part I: Measure Information

Bill Request #: 1075
Bill #: HB 169
Document ID #: 1867
Bill Subject/Title: AN ACT realting to retiree health benefits for hazardous duty members.
Sponsor: Representative Kevin D. Bratcher
Unit of Government: X City X County X Urban-County Unified Local
X Charter County X Consolidated Local X Government
Office(s) Impacted: All local agencies contributing to the retirement systems.
Requirement: X Mandatory Optional
Effect on Powers & Duties: Modifies ExistingX Adds New Eliminates Existing

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

HB 169 amends KRS 61.702 and KRS 78.5536 to define "career hazardous employee." The bill provides an increase in the health subsidy for members of the Kentucky Employees Retirement System and County Employees Retirement System who served in a hazardous position, or who participate in the State Police Retirement System and meet the following criteria, **regardless** if they meet the definition of career hazardous employee:

- began participating in the retirement systems on or after July 1, 2023; and
- are under 65 years of age.

If they are not eligible for Medicare, then their subsidy will be \$40 per month for each year in a hazardous position. If they are eligible for Medicare, then their subsidy will be \$15 per month for each year in a hazardous position.

In both scenarios, the contribution amounts shall increase 1.5% annually.

The effective date of this proposal is January 1, 2023, which will coincide with the next health plan year.

The fiscal impact of HB 169 on local governments is not known at this time. The Kentucky Public Pensions Authority has completed an actuarial analysis for HB 169 and it is attached to the bill. The section of the AA statement that expresses some concern regarding the employer contribution rates for CERS is notated below.

Under current statutes, the CERS Hazardous fund is expected to receive the full actuarially determined employer contribution for FYE 2023 of 49.59% of pay, as it is less than the maximum rate allowed under the CERS phase-in provisions, or 49.65% of pay. Under the proposed legislation, the actuarially determined contribution rate would increase from 49.59% of pay to 51.29% of pay, which would be limited by the current phase-in provisions. Given that the phase-in provisions were designed to phase-in the assumption changes adopted by the Board, legislators may want to consider amending the phase-in provisions so that the increase associated with this proposed legislation be immediately recognized in the employer contribution rate.

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

Part II refers to as introduced. There are no prior versions of this bill.

Data Source(s): LRC Staff; AA Statement to HB 169

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 1/25/22