



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



March 17, 2022

Ms. Katie Carney
Office of Fiscal Statement Review
Legislative Research Commission
Capitol Annex, Room 104
Frankfort, KY 40601

**RE: House Bill 668 (2022 RS BR 1796) – HCS 1
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 2**

Dear Ms. Carney:

House Bill 668 (22 RS BR 1796) – HCS 1 excludes contracts providing services through a non-core services independent contractor, regardless of whether or not the contract was initiated before January 1, 2021, or on or after January 1, 2021 from the reporting requirements of KRS 61.5991; requires the Kentucky Public Pensions Authority (KPPA) to perform audits on a percentage of employers, as determined by the board, for those employers who are subject to the reporting requirements of the statute with the purpose of ensuring all eligible employees are being reported and contributions are being paid in accordance with KRS 61.510 to 61.705; requires an audit time frame and schedule to be adopted by the board, made available to impacted employers, and reported to the Public Pension Oversight Board; requires that an employer who does not comply with requests from the Authority pursuant to an audit conducted in accordance with the statute, shall lose eligibility to receive any future appropriations or subsidies from the state to assist in paying employer contributions to the system until such time the employer complies with the audit; amends KRS 61.510 define “non-core services independent contractor”; amends KRS 61.565 to require the Kentucky Public Pensions Authority (KPPA) to provide Kentucky Employees Retirement System (KERS) employers with any demographic, financial, or actuarial data requested by the employer, including member-specific data for current and former employees of the employer that were used to assign liabilities to and contributions payable by the employer; and amends KRS 61.661 to conform. House Bill 668 (22 RS BR 1796) – HCS 1 has an Emergency clause, and would take effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Kentucky Public Pensions Authority (KPPA) staff members have examined House Bill 668 (22 RS BR 1796) – HCS 1. We have determined that the bill will not increase or decrease benefits or the participation in benefits in the KERS, CERS, or SPRS systems.

House Bill 668 (22 RS BR 1796) – HCS 1 would challenge long-standing state law (KRS 61.661) tasking the Systems with protecting the confidentiality of member accounts. KRS 61.661 is a bedrock principle upon which the Systems have operated since the statute was created in 1972 (See Ky. Acts ch. 116, sec. 52), and has been interpreted to include restricting an employer’s access to an employees’ information if there is no specific, legitimate business need to have the information. Accordingly, current employers do not have an employee’s prior information because they have no apparent legitimate business need to have it, and permitting this unprecedented level of access could have harmful repercussions for employees.

In accordance with KRS 6.350(2)(c), Kentucky Public Pensions Authority certifies the following:

1. The estimated number of individuals affected as of June 30, 2021 are 123,857 active, inactive, and retired members in the KERS Nonhazardous plan;
2. There is no estimated change in benefit payments;
3. There is an estimated decrease in employer costs for those employers who have contracts to provide services through a non-core services independent contractor; and
4. There would be a minimal increase to KPPA administrative expenses.

We have not requested any further actuarial analysis of House Bill 668 (2022 RS BR 1796) – HCS 1 by the Authority's independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 668 (2022 RS BR 1796) – HCS 1.

Sincerely,



David L. Eager
Executive Director
Kentucky Public Pensions Authority