

Local Government Mandate Statement
Kentucky Legislative Research Commission
2020 Regular Session

Part I: Measure Information

Bill Request #: 1053

Bill #: SB 249 HCS 1

Document ID #: 7639

Bill Subject/Title: AN ACT relating to retirement costs and declaring an emergency.

Sponsor: Representative Steven Rudy

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

Office(s) Impacted: Impacts employer pension contribution rates.

Requirement: Mandatory Optional

Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing

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

SB 249 HCS 1 provides that when determining the normal cost contribution, the same percentage rate shall be used for all employees participating in the same retirement system except a separate rate shall be calculated for hazardous duty retirement coverage.

SB 249 HCS 1 provides for a thirty year amortization for the total unfunded actuarial accrued liability for all employers **except nonhazardous employers** using the level percentage of payroll amortization method, except that any increase and decrease in the actuarially accrued liability occurring after the completion of the 2019 actuarial valuation be amortized over a separate 20 year period beginning with the valuation in which the increase or decrease in the unfunded actuarially accrued liability is first recognized. An increase or decrease in the actuarially accrued liability may result from, but not limited to, legislative changes to benefits, changes in actuarial methods or assumption, or actuarial gains or losses. This shall be paid as a percentage of payroll on the creditable compensation reported for each participating employee except nonhazardous.

Effective July 1, 2020, the actuarially accrued liability contribution **for nonhazardous employers** shall likewise be calculated on a thirty year amortization for the total unfunded actuarial accrued liability, except that any increase and decrease in the actuarially accrued liability occurring after the completion of the 2019 actuarial valuation be amortized over a separate 20 year period beginning with the valuation in which the increase or decrease in the unfunded actuarially accrued liability is first recognized. This amount shall be prorated to each individual nonhazardous employer. Guidance is provided regarding the proration formula. All executive branch organizations and agencies, all legislative branch employers including the LRC and General Assembly, and all Judicial Branch employers shall EACH be considered a single individual employer and only one value shall be computed for these employers. The contributions shall be paid in equal monthly installments.

Local and district health departments, community mental health centers, and employers whose employees are not under the merit system (KRS 18A.005 to KRS 18A.200) who received or were eligible to receive general fund monies to assist in paying retirement costs shall not have their contribution amounts adjusted once established by the 2019 valuation, except when adjusted as a result of an actuarial investigation and at least four years have passed from the prior adjustment.

Individual employers may convert from the actuarially accrued liability contribution to a percentage of pay and may adjust the percent of pay in order to meet their required contribution.

If a nonhazardous employer merges with another employer and forms a new employer or multiple employers, and does not cease participation, the KRS shall assign the total or a portion of the contribution amount to the new entity or entities. In the case of an independent district board of health who ceases to operate or who has a county or counties who withdraw from the independent district board of health, the KRS shall assign the total contribution amount based upon the county's prorated share of costs in the independent district board of health.

SB 249 HCS 1 clarifies that the amortization period for calculating the actuarially accrued liability contribution for the KRS, the CERS, and the State Police Retirement System shall be reset to a new thirty years period for liabilities accrued as of the 2019 actuarial valuation.

SB 249 HCS 1 deletes the definition of level dollar amortization method and defines level percentage of payroll amortization method to be a method of determining the annual amortization payment on the unfunded actuarial accrued liability as expressed as a set percentage of payroll over a set period of years.

The fiscal impact of SB 249 HCS 1 on local governments is not known at this time. The Kentucky Retirements Systems has not completed an actuarial analysis for SB 249 HCS 1. If, and when, the statement is available, the LM will be updated accordingly.

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

SB 249 HCS 1 makes the following additions to SB 249 GA:

- Provides for separate actuarially accrued liability contribution calculations for hazardous and nonhazardous employer contributions to the Kentucky Retirement Systems.
- Provides for local and district health departments, community mental health centers, and employers whose employees are not under the merit system shall not have their contribution amounts adjusted once established by the 2019 valuation, exception are provided;
- Provides for individual employers to convert from the actuarially accrued liability contribution to a percentage of pay and may adjust the percent of pay in order to meet their required contribution.
- Provides guidelines for when a nonhazardous employer merges with another employer and forms a new employer or multiple employers
- Provides guidelines in the case of an independent district board of health who ceases to operate;
- Clarifies that the amortization period for calculating the actuarially accrued liability contribution for the KRS, the CERS, and the State Police Retirement System shall be reset to a new thirty year period for liabilities accrued as of the 2019 actuarial valuation.

The GA version is the same as the bill as introduced. No amendments or substitutes were adopted when the bill passed its chamber of origin.

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

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 3/20/20