

1 AN ACT relating to a pension surcharge on state contracts to be applied to the  
2 Kentucky Retirement Systems unfunded liability, making an appropriation therefor, and  
3 declaring an emergency.

4 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

5 ➔SECTION 1. A NEW SECTION OF KRS 61.510 TO 61.705 IS CREATED TO  
6 READ AS FOLLOWS:

7 **(1) Notwithstanding any other provision of KRS 61.510 to 61.705, if an employer**  
8 **participating in the Kentucky Employees Retirement System contracts or makes**  
9 **an agreement with a third party, the subject of which is the use of any employee**  
10 **or subcontractor of the third party by the employer to fill any position or to**  
11 **perform any duty that an employee of state government could perform, if hired,**  
12 **then the employer shall owe a surcharge under this section.**

13 **(2) The surcharge for each contract or agreement under subsection (1) of this**  
14 **section shall be five percent (5%) of the contract or agreement.**

15 **(3) A surcharge under this section shall be paid to the Kentucky Retirement Systems**  
16 **unfunded liability trust fund created under KRS 61.706 to be applied to the**  
17 **Kentucky Employees Retirement System nonhazardous pension fund.**

18 **(4) This section shall apply to all memoranda of agreement and personnel service**  
19 **contracts as defined by KRS 45A.690 and to any other contract or agreement that**  
20 **the Kentucky Retirement Systems deems appropriate for consideration.**

21 **(5) This section shall not change the definition of "employee" in KRS 61.510 for the**  
22 **purposes of KRS 61.510 to 61.705. However, this section shall apply to**  
23 **agreements to hire independent contractors, who are not employees.**

24 ➔Section 2. This Act applies to fiscal years beginning on or after July 1, 2018.

25 ➔Section 3. Whereas ensuring adequate funding for the Kentucky Retirement  
26 Systems is important to public employees and to the fiscal policy of the Commonwealth  
27 of Kentucky, an emergency is declared to exist, and this Act takes effect upon its passage

1 and approval by the Governor or upon its otherwise becoming law.