

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2018 REGULAR SESSION**

**MEASURE**

2018 BR NUMBER **0908**

**HOUSE** BILL NUMBER **539**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to retirement and declaring an emergency.**

**SPONSOR** **Representative Riley**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT - **Impact will be identified in an Actuarial Analysis pursuant to KRS 6.350.**

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: \_\_\_\_\_

FUND(S) IMPACT:  GENERAL  ROAD  FEDERAL  RESTRICTED AGENCY \_\_\_\_\_  OTHER

**FISCAL SUMMARY**

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
<b>REVENUES</b>				
<b>EXPENDITURES</b>				
<b>NET EFFECT</b>				

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The purpose of the measure is to make actuarial adjustments to the Teachers' Retirement System (TRS) and to separate the County Employees Retirement System (CERS) from the Kentucky Retirement Systems (KRS).

**PROVISIONS/MECHANICS:** Section 1 creates a new section of KRS 161.220 to 161.716 to create risk controls if the funding level for members enrolled after July 1, 2018, falls below 95 percent, in which case the TRS Board of Trustees could raise the employee and/or local employer contribution rate by up to 2 percent of payroll each, reduce or suspend cost-of-living allowances (COLAs), reduce the annuity factor for future years of service, or increase the requirements for unreduced retirement benefits.

Section 2 amends KRS 161.155 to freeze sick leave for TRS employees accrued as of June 30, 2018, for the purposes of retirement calculations.

Section 3 amends KRS 161.220 to adjust the definition for "final average salary" as well as to define "university member" and "nonuniversity member."

Section 4 amends KRS 161.420 to conform.

Section 5 amends KRS 161.540 to clarify and update TRS employee contribution rates.

Section 6 amends KRS 161.550 to clarify and update TRS employer contribution rates.

Section 7 amends KRS 161.600 to create a new unreduced retirement eligibility tier to TRS, for members enrolling after July 1, 2018. This would create a rule of 85.

Section 8 amends KRS 161.611 to require the TRS board to create a voluntary 403(b) program for employees.

Section 9 amends KRS 161.620 to create a six-year window for members to accrue a 3 percent annuity factor for years of service over 30.

Section 10 amends KRS 161.623 to conform.

Sections 11-62 create new sections and amends current statutes in KRS Chapter 78 to separate CERS from KRS.

Sections 63-117 amend various statutes to conform.

Section 118 repeals various statutes to conform.

Section 119 states all decisions made by the KRS Board of Trustees on behalf of CERS before July 1, 2018, shall be implemented on that date and shall not be reversed.

Section 120 states the current CERS-elected members of the KRS Board of Trustees shall continue to serve on the CERS Board of Trustees for the remainder of their terms.

Section 121 states this legislation shall not increase or decrease benefits to retirees or other current benefit recipients of KRS or CERS.

Section 122 states this legislation does not place any provision of law within the inviolable contract that was not already part.

Section 123 declares an emergency and sets the effective date of the legislation as July 1, 2018.

**FISCAL EXPLANATION:** This fiscal note relates only to administrative costs to the systems. Any actuarial impacts are addressed in the actuarial analysis.

All changes to TRS can be expected to be absorbed into ongoing costs for pension adjustments designated by TRS.

While there may be additional costs because of duplication of administrative functions due to the separation of CERS from KRS, the CERS costs would be borne entirely by that system with no

additional funds needed from the state. No additional or reduced administrative costs are expected to KRS itself as a result of this change.

**DATA SOURCE(S): LRC Staff**

**PREPARER: Chuck Truesdell NOTE NUMBER: 157 REVIEW: \_\_\_\_\_ DATE: 3/12/2018**