1. **Creates a Defined Contribution Tier 4**
   - Optional to new employees (or opt-in Tier 3)
   - Current employees have a one-time opt-in option
   - All Tiers can opt-in to Tier 4

2. **Changes earnings credit on Tier 3**
   WAS: 4% + 75% of excess over 4%, 5 year average
   NOW: 85% of fund earnings, 10 year average

3. **Changes Funding Policy**
   WAS: Percent of payroll
   NOW: Normal cost percentage plus level dollar funding with new 30 year closed end unfunded liability amortization

4. **Adds 1% Employee Health Care Contribution**
   - Members who began participating between 7/1/03 and 8/31/08
LEGISLATION IN 2018
SB 151 (Pension Reform)

5. Changes Sick Leave Rules
6. Changes Retired Re-employed Rules
7. Public Pension Oversight Board (PPOB) to establish an advisory committee to study possible CERS separation
   - Report due to PPOB no later than December 1, 2019
1. Defines Monthly Average Pay (MAP)
2. Increases spouse's benefit from 25% to 75% of MAP
3. If no surviving spouse, increase dependent child payment from 10% to:
   - 50% for one dependent child
   - 65% for two dependent children
   - 75% for three dependent children
4. Insurance premium for spouse and children fully paid
5. Estimated additional annual cost $700 thousand
LEGISLATION IN 2018
HB 362 (Cessation)

1. Phases in CERS contribution rates beginning FY 2019
   - Will increase by 12% a year (*example*: 19.18% goes to 21.48%)
   - Allowed for 10 years

2. Allows approximately 215 employers to opt-out
   - Calculate unfunded liability per HB 351
   - Allows them to pay over a period of up to 40 years
   - Charge 0% interest on the loan
   - Would effectively cost KRS about $2 billion
   - Would raise KERS Non-Hazardous contribution rate by 6-8%

3. Vetoed by the Governor. Replaced by:
   A. Item #1 (above) did not change
   B. Item #2 (above) was replaced with portions of HB 265 and HB 487.
      KRS will provide an opt-out plan by December 2018.
1. **KRS administrative budget approved at $47 mil in FY2018-19 and $48 mil for FY2019-20**
   - Budget amounts unchanged from the prior biennium with the exception of the increase in the actuarially required contribution amounts.
   - Provides additional General Fund allocation of $1 mil in both FY2018-2019 and FY2019-2020 to be applied to the SPRS pension fund’s unfunded liability.

2. **Under HB 265, employer contribution rates for FY2019 shall be 49.47% (41.06% for pension and 8.41% for insurance) for KERS Non-Hazardous employers**
   - Regional Mental Health/Mental Retardation Boards
   - Local and District Health Departments
   - Contracted Entities *(e.g. Child Advocacy Centers)*
   - State Universities and Community Colleges
   - Contribution funding from Finance and Administration Cabinet and Personnel Cabinet Enterprise Fund
LEGISLATION IN 2018
HB 200 (State Executive Branch budget) and HB 265 (Budget Cleanup bill - EMERGENCY)

3. HB 200 transfers $4 mil in FY2018-2019 to the Department of Kentucky State Police to pay pension spiking costs and sick leave service credit

4. Prohibits transfer of funds to the General Fund from the Kentucky Permanent Pension Fund

5. Any surplus moneys from FY 2017-2018 will be appropriated to KRS to be applied to the KERS Non-Hazardous pension fund’s unfunded liability
6. Surplus moneys from FY2018-2019 are to be allocated as follows:
   - “... up to $70 mil...” to the Teachers’ Retirement System Medical Insurance Fund
   - Any remaining amount to KRS to be applied to unfunded pension liability of KERS Non-Hazardous pension fund

7. No COLAs for KRS retirees

8. No raises for state employees, with a few exceptions (social workers and forensic laboratory technicians)