

Summary of Senate Bill 2 Changes

	Current Law	Senate Bill 2
<p>Contribution rate</p>	<p><u>Employee</u></p> <p><u>For members whose participation date is prior to September 1, 2008:</u></p> <ul style="list-style-type: none"> • Non-hazardous: 5% of creditable compensation • Hazardous: 8% of creditable compensation <p><u>For members whose participation date is between September 1, 2008 and December 31, 2013:</u></p> <ul style="list-style-type: none"> • Non-hazardous: 5% of creditable compensation + 1% Health Insurance Contribution (HIC) • Hazardous: 8% of creditable compensation + 1% Health Insurance Contribution (HIC) <p><u>Employer</u></p> <p>Contribution rates vary year-to-year based upon actuarially required contribution rate adopted by KRS Board</p>	<p><u>Employee</u></p> <p>Same as current law</p> <p><u>Employer</u></p> <p>Same as current law; however, employers will begin paying full actuarially required contribution rate in fiscal years occurring on or after July 1, 2014</p>
<p>Employer actuarially required contribution rate (ARC)</p>	<p><u>KERS/SPRS</u></p> <p>Phase-in of actuarially required contribution rate, with KERS non-hazardous employers contributing the full ARC by July 1, 2024, KERS hazardous employers contributing the full ARC by July 1, 2018, and SPRS employer contributing the full ARC by July 1, 2019</p> <p><u>CERS</u></p> <p>Phase-in of actuarially required contributions rate for the health insurance fund, with employers contributing the full health insurance fund ARC by July 1, 2018; CERS employers required to pay the full retirement allowance fund ARC</p>	<p><u>KERS/SPRS</u></p> <p>Employers required to pay full percentage of actuarially required contribution rate adopted by KRS Board in fiscal years occurring on or after July 1, 2014</p> <p><u>CERS</u></p> <p>Same as current law</p>

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<p>Interest on member accounts</p>	<p><u>For members whose participation date is prior to September 1, 2008:</u></p> <p>2% of accumulated member contributions on June 30 of preceding fiscal year</p> <p><u>For members whose participation date is between September 1, 2008 and December 31, 2013:</u></p> <p>2.5% of accumulated member contributions on June 30 of preceding fiscal year</p>	<p><u>For members whose participation date is prior to January 1, 2014</u></p> <p>Same as current law</p> <p><u>For members whose participation date is on or after January 1, 2014:</u></p> <p>Interest is paid on both member contributions and employer pay credits, which together comprise the member's accumulated account balance:</p> <ul style="list-style-type: none"> • 4% of the member's accumulated account balance on June 30 of the preceding fiscal year, <u>plus</u> • 75% of the system's geometric average net investment return in excess of a 4% rate of return, if member contributed to the plan during the fiscal year <p>If member did not participate in the plan during the fiscal year, member is only credited with 4% of his/her accumulated account balance on June 30 of the preceding fiscal year</p> <p>No additional interest is credited after a member takes refund, or after member has retired.</p>
<p>Benefit plan</p>	<p><u>For members whose participation date is prior to September 1, 2008:</u></p> <p>Benefit is calculated based on a formula: (Final Compensation x Years of Service x Benefit Factor)</p> <p><u>Non-hazardous</u></p> <p>Final compensation is based on average of highest 5 fiscal years of salary</p> <p>Benefit Factor</p> <ul style="list-style-type: none"> • KERS: 2.0% if member has 13 months service credit for period January 1998 through January 1999; otherwise, 	<p><u>For members whose participation date is prior to January 1, 2014</u></p> <p>Same as current law</p> <p><u>For members whose participation date is on or after January 1, 2014:</u></p> <p>Benefit is calculated based on member's accumulated account balance at time of retirement</p> <p><u>Non-hazardous</u></p> <p>Member's accumulated account balance is comprised of:</p>

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<p>1.97%</p> <ul style="list-style-type: none"> • CERS: 2.2% if participation date is prior to August 1, 2004; otherwise 2.0% <p><u>Hazardous</u></p> <p>Final compensation is based on average of highest three (3) fiscal years of salary</p> <p>Benefit Factor</p> <ul style="list-style-type: none"> • KERS Hazardous: 2.49% • CERS Hazardous: 2.5% • SPRS: 2.5% <p><u>For members whose participation date is between September 1, 2008 and December 31, 2013:</u></p> <p>Benefit is calculated based on a formula: (Final Compensation x Years of Service x Benefit Factor)</p> <p><u>Non-hazardous</u></p> <p>Final compensation is based on average of last five (5) complete fiscal years of salary</p> <p>Benefit Factor</p> <ul style="list-style-type: none"> • Ranges from 1.10% to 2.0% based on years of service credit <p><u>Hazardous</u></p> <p>Final compensation is based on average of highest three (3) complete fiscal years of salary</p> <p>Benefit Factor</p> <ul style="list-style-type: none"> • Ranges from 1.30% to 2.50% based on years of service credit 	<ul style="list-style-type: none"> • Member contribution: 5% of creditable compensation • Employer pay credit: 4% of creditable compensation • Interest credits on member contribution and employer pay credit <p><u>Hazardous</u></p> <p>Member's accumulated account balance is comprised of:</p> <ul style="list-style-type: none"> • Member contribution: 8% of creditable compensation • Employer pay credit: 7.5% of creditable compensation • Interest credits on member contribution and employer pay credit <p>Upon retirement, member may choose among several payment options:</p> <ul style="list-style-type: none"> • Annuity paid for member's life, calculated based upon member's accumulated account balance and utilizing actuarial assumptions and methods adopted by the KRS Board, and in effect on the members retirement date, <u>or</u> • Payment option calculated as the actuarial equivalent of the life annuity, <u>or</u> • Refund of accumulated account balance
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<p>Sick Leave Credit</p>	<p>Unused sick leave may be added to member's service credit for purposes of determining member's retirement allowance and in some cases for purposes of determining retirement eligibility</p>	<p><u>For members whose participation date is prior to January 1, 2014</u></p> <p>Same as current law</p> <p><u>For members whose participation date is on or after January 1, 2014:</u></p> <p>Unused sick leave is not utilized in determining member's retirement allowance or determining retirement eligibility</p>
<p>Normal/Early Retirement Eligibility</p>	<p><u>For members whose participation date is prior to September 1, 2008:</u></p> <p><u>Non-hazardous</u></p> <ul style="list-style-type: none"> • Unreduced benefit: Age 65 with at least 5 years of service credit, or 27 years of service credit • Reduced benefit: Age 55 with at least 5 years of service credit, or 25 years of service credit <p><u>Hazardous</u></p> <ul style="list-style-type: none"> • Unreduced benefit: Age 55 with at least 5 years of service credit, or 20 years of service credit • Reduced benefit: Age 50 with at least 15 years of service credit <p><u>For members whose participation date is between September 1, 2008 and December 31, 2013:</u></p> <p><u>Non-hazardous</u></p> <ul style="list-style-type: none"> • Unreduced benefit: Age + years of service is equal to 87 with minimum age of 57 • Reduced benefit: Age 60, with at least 10 years of service 	<p><u>For members whose participation date is prior to January 1, 2014:</u></p> <p>Same as current law</p> <p><u>For members whose participation date is on or after January 1, 2014:</u></p> <p><u>Nonhazardous</u></p> <p>Age 65 with at least 5 years of earned service credit, or age + years of service is equal to 87 with minimum age of 57</p> <p><u>Hazardous</u></p> <p>Age 60 with at least 5 years of earned service credit, or 25 years of earned service credit</p>

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	<p><u>Hazardous</u></p> <ul style="list-style-type: none"> • Unreduced benefit: Age 60 and vested, or 25 years of service credit • Reduced benefit: Age 50 with at least of 15 years of service credit 	
<p>Service Purchases</p>	<p>Members may purchase 35 different types of service credit.</p>	<p><u>For members whose participation date is prior to January 1, 2014:</u></p> <p>Same as current law; however, recontributions of refunds made on or after January 1, 2014 will not be used to determine a member's participation date in the system</p> <p><u>For members whose participation date is on or after January 1, 2014:</u></p> <p>Members may only purchase recontribution of refunds and omitted service. Recontributions of refunds made on or after January 1, 2014 will not be used to determine a member's participation date in the system</p>
<p>Pension spiking</p>	<p>No specific restrictions</p>	<p><u>For members retiring on or after January 1, 2014:</u></p> <p>Employers required to pay the actuarial cost resulting from annual increases in employee's creditable compensation greater than 10% over the employee's last 5 fiscal years of employment, unless increases are the result of a bona fide promotion or career advancement</p> <p>KRS must upon request of employer provide a determination as to whether a change in position or hiring constitutes a bona fide promotion or career advancement</p> <p>Employer may request an administrative hearing to challenge KRS determination on bona fide promotion or career advancement</p>

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<p>Refunds</p>	<p>Member is entitled to refund of member's contributions and interest only, contingent upon eligibility for refund; member has no entitlement to employer contributions and interest</p>	<p><u>For members whose participation date is prior to January 1, 2014:</u></p> <p>Same as current law</p> <p><u>For members whose participation date is on or after January 1, 2014</u></p> <p><u>If member has less than 5 years of earned service credit:</u></p> <p>Member is entitled to refund of contributions and interest only, contingent upon eligibility for refund; member has no entitlement to employer pay credit or interest accumulated on employer pay credit</p> <p><u>If member has 5 or more years of earned service credit:</u></p> <p>Member is entitled to refund of both member contributions and interest and employer pay credit and interest, contingent upon eligibility for refund</p>
<p>Cost of Living Adjustments (COLAs)</p>	<p>1.5% each July; paid to all systems uniformly; legislature has power to suspend COLA</p>	<p>COLA only paid if the funding level in the particular system is greater than 100% and the COLA payment will not reduce the funding level below 100%, <u>and</u> legislature authorizes COLA to be paid by surplus, <u>or</u> if legislature prefunds COLA.</p>
<p>Health Insurance</p>	<p>No provisions for a health savings account, health reimbursement account, or a program through which members may purchase coverage through a health insurance exchange</p>	<p>Authorizes the KRS Board to establish a health savings account, health reimbursement account, or a program through which members may purchase coverage through a health insurance exchange</p>

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<p>Inviolable Contract</p>	<p>Monthly benefits protected by the inviolable contract; health insurance benefits covered protected by the inviolable contract only if member began participating prior to July 1, 2003, or began participating prior to July 1, 2004 and was hired prior to July 1, 2003</p>	<p><u>For members whose participation date is prior to January 1, 2014:</u></p> <p>Same as current law</p> <p><u>For members whose participation date is on or after January 1, 2014:</u></p> <p>No protection under the inviolable contract. Legislature may eliminate, suspend, or reduce benefits. However, member would be entitled to accumulated account balance accrued at time of elimination, suspension, or reduction</p>
<p>Reemployment after retirement</p>	<p>Three (3) month break in service required and no prearranged agreement to return to work in most cases; one (1) month break required and no prearranged agreement to return to work if hazardous retiree returning to regular full-time hazardous position</p>	<p>Same as current law</p>
<p>KRS Board Composition</p>	<p>Comprised of 9 members:</p> <ul style="list-style-type: none"> • Secretary of Personnel Cabinet, ex-officio • 2 trustees elected by CERS • 1 trustee elected by SPRS • 2 trustees elected by KERS • 3 trustees appointed by the Governor <ul style="list-style-type: none"> ○ 1 trustee required to have knowledge of impact of pension requirements on local government ○ 2 trustees with investment experience 	<p>Comprised of 13 members:</p> <ul style="list-style-type: none"> • Secretary of Personnel Cabinet, ex-officio • 3 trustees elected by CERS • 1 trustee elected by SPRS • 2 trustees elected by KERS • 6 trustees appointed by the Governor consisting of: <ul style="list-style-type: none"> ○ 1 trustee required to have knowledge of impact of pension requirements on local government ○ 1 trustee appointed from list submitted by Kentucky League of Cities ○ 1 trustee appointed from list submitted by Kentucky Association of Counties ○ 1 trustee appointed from list submitted by Kentucky School Boards Association ○ 2 trustees with investment experience

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Public Pension Oversight Board	None	<p>Public Pension Oversight Board is established “to review, analyze, and provide oversight to the General Assembly on the benefits, administration, investments, funding, laws and administrative regulations, and legislation pertaining to the Kentucky Retirement Systems”</p> <p>Oversight Board is comprised of 13 members:</p> <ul style="list-style-type: none">• 2 members of the General Assembly appointed by the Speaker of the House (one of whom is designated as a co-chair)• 2 members of the General Assembly appointed by the President of the Senate (one of whom is designated as a co-chair)• 1 member of the General Assembly appointed by the Minority Floor Leader of the Senate• 1 member of the General Assembly appointed by the Minority Floor Leader of the House• 1 individual appointed by the Speaker of the House who is a Chartered Financial Analyst (CFA) with at least 10 years of investment experience, or 10 years of retirement experience• 1 individual appointed by the President of the Senate who is a Chartered Financial Analyst (CFA) with at least 10 years of investment experience, or 10 years of retirement experience• State budget director or designee• Auditor of Public Accounts or designee• Attorney General or designee• 2 individuals appointed by the Governor, one of whom is a Chartered Financial Analyst (CFA) with at least 10 year of investment experience, and one with at least 10 years of retirement experience
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