

1 AN ACT relating to actuarial investigations.

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

3 ➔Section 1. KRS 21.440 is amended to read as follows:

- 4 (1) (a) The investment committee for the judicial retirement fund shall at least once  
5 in every two (2) year period procure an actuarial valuation of the judicial  
6 retirement fund. The valuation shall, at a minimum, include:
- 7 1. A description of the actuarial assumptions used in the actuarial  
8 valuation, which shall be reasonably related to the experience of the  
9 fund and represent the actuary's best estimate of anticipated experience;
  - 10 2. A description of any funding methods utilized or required by state law in  
11 the development of the actuarial valuation results;
  - 12 3. A description of any changes in actuarial assumptions and methods from  
13 the previous year's actuarial valuation;
  - 14 4. The actuarially recommended contribution rate for employers for the  
15 upcoming budget periods;
  - 16 5. A thirty (30) year projection of the funding levels, unfunded liabilities,  
17 and actuarially recommended contribution rates for employers based  
18 upon the actuarial assumptions, funding methods, and experience of the  
19 system as of the valuation date; ~~and~~
  - 20 6. A sensitivity analysis that evaluates the impact of changes in plan  
21 assumptions, including but not limited to the investment return  
22 assumption, payroll growth assumption, and medical inflation  
23 assumptions, on employer contribution rates, funding levels, and  
24 unfunded liabilities; ***and***
  - 25 ***7. An actuarial investigation to be made of all of the economic***  
26 ***experience under the plans, including but not limited to the inflation***  
27 ***rate and investment return assumptions, relative to the economic***

1                   assumptions and funding methods previously adopted by the board.  
 2                   The actuarial investigation shall include at a minimum a summary of  
 3                   the changes in actuarial assumptions and funding methods  
 4                   recommended in the investigation and the projected impact of the  
 5                   recommended changes on funding levels, unfunded liabilities, and  
 6                   actuarially recommended contribution rates for employers over a  
 7                   thirty (30) year period.

8           (b) At least once in each five (5) year period, the board of trustees of the Judicial  
 9           Form Retirement System shall cause an actuarial investigation to be made of  
 10           all the relevant demographic experience under the retirement plan, including  
 11           but not limited to mortality tables, withdrawal rates, and retirement rate  
 12           assumptions, relative to the demographic actuarial assumptions ~~and funding~~  
 13           ~~methods~~ previously adopted by the board. The actuarial investigation shall  
 14           include at a minimum a summary of the changes in actuarial assumptions ~~and~~  
 15           ~~funding methods~~ recommended in the investigation and the projected impact  
 16           of the recommended changes on funding levels, unfunded liabilities, and  
 17           actuarially recommended contribution rates for employers over a thirty (30)  
 18           year period.

19           (c) Pursuant to the investigation, the board shall from time to time revise the  
 20           actuarial tables previously adopted by the board and shall thereupon revise the  
 21           bases of the rates of contributions required under KRS 21.345 to 21.580.

22           (d) For any change in actuarial assumptions, funding methods, retiree health  
 23           insurance premiums and subsidies, or any other decisions made by the board  
 24           that impact system liabilities and actuarially recommended contribution rates  
 25           for employers and that are not made in conjunction with the actuarial  
 26           investigations ~~investigation~~ required by paragraphs (a)7. and ~~paragraph~~ (b)  
 27           of this subsection, an actuarial analysis shall be completed showing the

1 projected impact of the changes on funding levels, unfunded liabilities, and  
2 actuarially recommended contribution rates for employers over a thirty (30)  
3 year period.

4 (e) A copy of the valuation, each~~[the five (5) year]~~ actuarial investigation, and  
5 any analysis required by this subsection shall be forwarded electronically to  
6 the Legislative Research Commission within ten (10) days of receipt by the  
7 committee, and the Legislative Research Commission shall distribute the  
8 information received to the committee staff and co-chairs of any committee  
9 that has jurisdiction over the Judicial Form Retirement System. The actuarial  
10 valuation required by paragraph (a) of this subsection shall be submitted no  
11 later than November 15 following the close of the fiscal year.

12 (f) All the investigations and valuations shall be certified to the board by an  
13 actuary who shall be a fellow of the Conference of Consulting Actuaries or a  
14 member of the American Academy of Actuaries.

15 (2) (a) The board of trustees of the Judicial Form Retirement System shall annually  
16 procure an audit of the system and each of the funds therein. The audit shall  
17 be conducted in accordance with generally accepted auditing standards.  
18 Except as provided by paragraph (b) of this subsection, the board may select  
19 an independent certified public accountant or the Auditor of Public Accounts  
20 to perform the audit. If the audit is performed by an independent certified  
21 public accountant, the Auditor of Public Accounts shall not be required to  
22 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at  
23 his discretion. The board shall make copies of the audit required by this  
24 section available for examination by any member or beneficiary in the office  
25 of the manager of the system and in such other places as may be necessary to  
26 make the audit available to all members and beneficiaries. A copy of the audit  
27 shall be sent to the Legislative Research Commission within ten (10) days of

1 receipt by the committee.

2 (b) Once every five (5) years, the Auditor of Public Accounts shall perform the  
3 audit described by this subsection, and the system shall reimburse the Auditor  
4 of Public Accounts for all costs of the audit. The Auditor of Public Accounts  
5 shall determine which fiscal year during the five (5) year period the audit  
6 prescribed by this paragraph will be completed.

7 ➔Section 2. KRS 61.670 is amended to read as follows:

8 (1) (a) As soon as practicable after its organization, the board shall adopt the  
9 actuarial tables necessary for the administration of the system and for the  
10 annual determination of actuarial assets and liabilities of the system.

11 (b) The board shall cause an actuarial valuation to be made annually. The  
12 valuation shall at a minimum include:

13 1. A description of the actuarial assumptions used in the actuarial  
14 valuation, which shall be reasonably related to the experience of the  
15 system and represent the actuary's best estimate of anticipated  
16 experience;

17 2. A description of any funding methods utilized or required by state law in  
18 the development of the actuarial valuation results;

19 3. A description of any changes in actuarial assumptions and methods from  
20 the previous year's actuarial valuation;

21 4. The actuarially recommended contribution rate for employers for the  
22 upcoming budget periods;

23 5. A thirty (30) year projection of the funding levels, unfunded liabilities,  
24 and actuarially recommended contribution rates for employers based  
25 upon the actuarial assumptions, funding methods, and experience of the  
26 system as of the valuation date; and

27 6. A sensitivity analysis that evaluates the impact of changes in system

1 assumptions, including but not limited to the investment return  
2 assumption, payroll growth assumption, and medical inflation rates, on  
3 employer contribution rates, funding levels, and unfunded liabilities.

4 (c) **1. At least once in each two (2) year period, the board shall cause an**  
5 **actuarial investigation to be made of all of the economic experience**  
6 **under the retirement system, including but not limited to the inflation**  
7 **rate, investment return, and payroll growth assumptions, relative to**  
8 **the economic assumptions and funding methods previously adopted by**  
9 **the board.**

10 **2.** At least once in each five (5) year period, the board shall cause an  
11 actuarial investigation to be made of all the **demographic** experience  
12 under the retirement system, **including but not limited to mortality**  
13 **tables, withdrawal rates, and retirement rate assumptions,** relative to  
14 the **demographic** actuarial assumptions~~[and funding methods]~~  
15 previously adopted by the board.

16 **3. Each**~~[The]~~ actuarial investigation shall include at a minimum a  
17 summary of the changes in actuarial assumptions and funding methods  
18 recommended in the investigation and the projected impact of the  
19 recommended changes on funding levels, unfunded liabilities, and  
20 actuarially recommended contribution rates for employers over a thirty  
21 (30) year period.

22 (d) Pursuant to the actuarial **investigations**~~[investigation]~~ the board shall, from  
23 time to time, revise the actuarial tables previously adopted by the board and  
24 shall thereupon revise the bases of the rates of contributions required under  
25 KRS 61.510 to 61.692 and KRS 16.505 to 16.652.

26 (e) For any change in actuarial assumptions, funding methods, retiree health  
27 insurance premiums and subsidies, or any other decisions made by the board

1           that impact system liabilities and actuarially recommended contribution rates  
2           for employers and that are not made in conjunction with the actuarial  
3           investigations~~investigation~~ required by paragraph (c) of this subsection, an  
4           actuarial analysis shall be completed showing the projected impact of the  
5           changes on funding levels, unfunded liabilities, and actuarially recommended  
6           contribution rates for employers over a thirty (30) year period.

7           (f) All actuarial investigations, analyses, and valuations shall be certified to the  
8           board by an actuary who shall be a fellow of the Conference of Consulting  
9           Actuaries or a member of the American Academy of Actuaries.

10          (2) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and annual  
11          valuation required by subsection (1) of this section shall be forwarded electronically  
12          to the Legislative Research Commission no later than ten (10) days after receipt by  
13          the board, and the Legislative Research Commission shall distribute the information  
14          received to the committee staff and co-chairs of any committee that has jurisdiction  
15          over the Kentucky Retirement Systems. The actuarial valuation required by  
16          subsection (1)(b) of this section shall be submitted no later than November 15  
17          following the close of the fiscal year.

18          (3) The Legislative Research Commission may employ an actuary with the same  
19          qualifications as the actuary employed by the board, and the board shall, free of  
20          charge, provide the actuary employed by the Commission with the same data  
21          provided to its own actuary, and any supplementary data he or she may require. The  
22          actuary employed by the Commission shall review the assumptions, determinations  
23          and recommendations of the board actuary, and legislative proposals related to the  
24          retirement systems, and report his or her findings to the Commission and to the  
25          board. Except as provided by KRS 7A.240(5), the board shall pay fifty percent  
26          (50%) of the cost of the Commission's actuary, and the Commission shall pay the  
27          other fifty percent (50%).

1           ➔Section 3. KRS 78.784 is amended to read as follows:

- 2       (1) (a) As soon as practicable after its organization, the County Employees  
3           Retirement System board shall adopt the actuarial tables, assumptions, and  
4           methods necessary for the administration of the system and for the annual  
5           determination of actuarial assets, actuarial liabilities, and recommended  
6           employer contribution rates of the system as provided by KRS 61.702 and  
7           78.635, for the pension and retiree health funds.
- 8       (b) The board shall cause an actuarial valuation to be made annually. The  
9           valuation shall at a minimum include:
- 10           1. A description of the actuarial assumptions used in the actuarial  
11           valuation, which shall be reasonably related to the experience of the  
12           system and represent the actuary's best estimate of anticipated  
13           experience;
- 14           2. A description of any funding methods utilized or required by state law in  
15           the development of the actuarial valuation results;
- 16           3. A description of any changes in actuarial assumptions and methods from  
17           the previous year's actuarial valuation;
- 18           4. The actuarially recommended contribution rate for employers for the  
19           upcoming budget periods;
- 20           5. A thirty (30)~~twenty (20)~~ year projection of the funding levels,  
21           unfunded liabilities, and actuarially recommended contribution rates for  
22           employers based upon the actuarial assumptions, funding methods, and  
23           experience of the system as of the valuation date; and
- 24           6. A sensitivity analysis that evaluates the impact of changes in system  
25           assumptions, including but not limited to the investment return  
26           assumption, payroll growth assumption, and medical inflation rates, on  
27           employer contribution rates, funding levels, and unfunded liabilities.

- 1 (c) 1. At least once in each two (2) year period, the board shall cause an  
2 actuarial investigation to be made of all of the economic experience  
3 under the retirement system, including but not limited to the inflation  
4 rate, investment return, and payroll growth assumptions, relative to  
5 the economic assumptions and funding methods previously adopted by  
6 the board.
- 7 2. At least once in each five (5) year period, the board shall cause an  
8 actuarial investigation to be made of all the demographic experience  
9 under the system, including but not limited to mortality tables,  
10 withdrawal rates, and retirement rate assumptions, relative to the  
11 demographic actuarial assumptions~~[and funding methods]~~ previously  
12 adopted by the board.
- 13 3. Each~~[The]~~ actuarial investigation shall include at a minimum a  
14 summary of the changes in actuarial assumptions and funding methods  
15 recommended in the investigation and the projected impact of the  
16 recommended changes on funding levels, unfunded liabilities, and  
17 actuarially recommended contribution rates for employers over a thirty  
18 (30)~~[twenty (20)]~~ year period.
- 19 (d) Pursuant to the actuarial investigations~~[investigation]~~ the board shall, from  
20 time to time, revise the actuarial tables previously adopted by the board and  
21 shall thereupon revise the bases of the rates of employer contributions  
22 required under KRS 78.510 to 78.852.
- 23 (e) For any change in actuarial assumptions, funding methods, retiree health  
24 insurance premiums and subsidies, or any other decisions made by the board  
25 that impact system liabilities and actuarially recommended contribution rates  
26 for employers and that are not made in conjunction with the actuarial  
27 investigations~~[investigation]~~ required by paragraph (c) of this subsection, an



1 actuarial analysis shall be completed showing the projected impact of the  
2 changes on funding levels, unfunded liabilities, and actuarially recommended  
3 contribution rates for employers over a ***thirty (30)***~~twenty (20)~~ year period.

4 (f) All actuarial investigations, analyses, and valuations shall be certified to the  
5 board by an actuary who shall be a fellow of the Conference of Consulting  
6 Actuaries or a member of the American Academy of Actuaries.

7 (2) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and annual  
8 valuation required by subsection (1) of this section shall be forwarded electronically  
9 to the Legislative Research Commission no later than ten (10) days after receipt by  
10 the board, and the Legislative Research Commission shall distribute the information  
11 received to the committee staff and co-chairs of any committee that has jurisdiction  
12 over the County Employees Retirement System. The actuarial valuation required by  
13 subsection (1)(b) of this section shall be submitted no later than November 15  
14 following the close of the fiscal year. In addition, the County Employees Retirement  
15 System shall submit a summary of the actuarial valuation to the Public Pension  
16 Oversight Board by December 31 following completion of the actuarial valuation  
17 which shall include the employer contribution rates to be payable by participating  
18 employers in the upcoming fiscal year, key actuarial statistics and trends, any  
19 changes in assumptions or methods since the last valuation, and other pertinent  
20 actuarial data and information.

21 ➔Section 4. KRS 161.400 (Effective January 1, 2022) is amended to read as  
22 follows:

23 (1) (a) The board of trustees shall designate as actuary a competent person who shall  
24 be a fellow of the Conference of Consulting Actuaries or a member of the  
25 American Academy of Actuaries. He or she shall be the technical adviser of  
26 the board on matters regarding the operation of the funds of the system and  
27 shall perform such other duties as are required in connection therewith.

- 1 (b) 1. At least once in each two (2) year period, the board shall cause an  
 2 actuarial investigation to be made of all of the economic experience  
 3 under the retirement system, including but not limited to the inflation  
 4 rate, investment return, and payroll growth assumptions, relative to  
 5 the economic assumptions and funding methods previously adopted by  
 6 the board.
- 7 2. At least once in each five (5) year period, the actuary shall make an  
 8 actuarial investigation into all of the demographic actuarial  
 9 assumptions~~[and funding methods]~~ used, including but not limited to  
 10 mortality tables, withdrawal rates, and retirement rate assumptions,  
 11 ~~[investment rate of return, and service and compensation of the members~~  
 12 ~~and beneficiaries of the retirement system,]~~ relative to the demographic  
 13 actuarial assumptions ~~[and funding methods]~~ previously adopted by the  
 14 board.
- 15 3. Each~~[The]~~ actuarial investigation shall include at a minimum a  
 16 summary of the changes in actuarial assumptions and funding methods  
 17 recommended in the investigation and the projected impact of the  
 18 recommended changes on funding levels, unfunded liabilities, and  
 19 actuarially recommended contribution rates for employers over a thirty  
 20 (30) year period.
- 21 (c) At least annually the actuary shall make an actuarial valuation of the  
 22 retirement system. The valuation shall include:
- 23 1. A description of the actuarial assumptions used, and the assumptions  
 24 shall be reasonably related to the experience of the system and represent  
 25 the actuary's best estimate of anticipated experience;
- 26 2. A description of any funding methods utilized or required by state law in  
 27 the development of the actuarial valuation results;

- 1           3. A description of any changes in actuarial assumptions and methods from  
2           the previous year's actuarial valuation;
- 3           4. The actuarially recommended contribution rate for employers for the  
4           upcoming budget periods;
- 5           5. A thirty (30) year projection of the funding levels, unfunded liabilities,  
6           and actuarially recommended contribution rates for employers based  
7           upon the actuarial assumptions, funding methods, and experience of the  
8           system as of the valuation date; and
- 9           6. A sensitivity analysis that evaluates the impact of changes in system  
10          assumptions, including but not limited to the investment return  
11          assumption, payroll growth assumption, and medical inflation rates, on  
12          employer contribution rates, funding levels, and unfunded liabilities.
- 13       (d) On the basis of the results of the valuations, the board of trustees shall make  
14          necessary changes in the retirement system within the provisions of law and  
15          shall establish the contributions payable by employers and the state specified  
16          in KRS 161.550, including changes prescribed by KRS 161.633, 161.634,  
17          161.635, and 161.636, as applicable.
- 18       (e) For any change in actuarial assumptions, funding methods, retiree health  
19          insurance premiums and subsidies, or any other decisions made by the board  
20          that impact system liabilities and actuarially recommended contribution rates  
21          for employers and that are not made in conjunction with the actuarial  
22          investigations~~investigation~~ required by paragraph (b) of this subsection, an  
23          actuarial analysis shall be completed showing the projected impact of the  
24          changes on funding levels, unfunded liabilities, and actuarially recommended  
25          contribution rates for employers over a thirty (30) year period.
- 26       (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for  
27          all purposes shall be determined by the actuary of the retirement system and

1 approved by the board of trustees by resolution and implemented without the  
2 necessity of an administrative regulation.

3 (3) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and  
4 valuation required by subsection (1) of this section shall be forwarded electronically  
5 to the Legislative Research Commission no later than ten (10) days after receipt by  
6 the board, and the Legislative Research Commission shall distribute the information  
7 received to the committee staff and co-chairs of any committee that has jurisdiction  
8 over the Teachers' Retirement System. The actuarial valuation required by  
9 subsection (1)(c) of this section shall be submitted no later than November 15  
10 following the close of the fiscal year.

11 ➔Section 5. The first actuarial investigations of economic assumptions and  
12 funding methods for the Legislators' Retirement Plan, Judicial Retirement Plan, Kentucky  
13 Retirement Systems, the County Employees Retirement System, and the Teachers'  
14 Retirement System, as provided by subsection (1)(a).7. of Section 1 of this Act,  
15 subsection (1)(c)1. of Section 2 of this Act, subsection (1)(c)1. of Section 3 of this Act,  
16 and subsection (1)(b)1. of Section 4 of this Act, respectively, shall take place prior to the  
17 completion of the 2023 actuarial valuations for each system so that any changes in  
18 economic assumptions shall be reflected in the 2023 actuarial valuations.