AN ACT relating to actuarial investigations.

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

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

1. The investment committee for the judicial retirement fund shall at least once in every two (2) year period procure an actuarial valuation of the judicial retirement fund. The valuation shall, at a minimum, include:

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

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

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

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

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

6. A sensitivity analysis that evaluates the impact of changes in plan assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation assumptions, on employer contribution rates, funding levels, and unfunded liabilities; and

7. An actuarial investigation to be made of all of the economic experience under the plans, including but not limited to the inflation rate and investment return assumptions, relative to the economic
assumptions and funding methods previously adopted by the board.

The actuarial investigation shall include at a minimum a summary of
the changes in actuarial assumptions and funding methods
recommended in the investigation and the projected impact of the
recommended changes on funding levels, unfunded liabilities, and
actuarially recommended contribution rates for employers over a
thirty (30) year period.

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

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

(d) For any change in actuarial assumptions, funding methods, retiree health
insurance premiums and subsidies, or any other decisions made by the board
that impact system liabilities and actuarially recommended contribution rates
for employers and that are not made in conjunction with the actuarial
investigations[ investigation] required by paragraphs (a)7. and[ paragraph] (b)
of this subsection, an actuarial analysis shall be completed showing the
projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.

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

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

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

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

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

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

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

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

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

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

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

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

6. A sensitivity analysis that evaluates the impact of changes in system
assumptions, including but not limited to the investment return
assumption, payroll growth assumption, and medical inflation rates, on
employer contribution rates, funding levels, and unfunded liabilities.

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

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

3. Each actuarial investigation shall include at a minimum a
summary of the changes in actuarial assumptions and funding methods
recommended in the investigation and the projected impact of the
recommended changes on funding levels, unfunded liabilities, and
actuarially recommended contribution rates for employers over a thirty
(30) year period.

(d) Pursuant to the actuarial investigations, the board shall, from
time to time, revise the actuarial tables previously adopted by the board and
shall thereupon revise the bases of the rates of contributions required under
KRS 61.510 to 61.692 and KRS 16.505 to 16.652.

(e) For any change in actuarial assumptions, funding methods, retiree health
insurance premiums and subsidies, or any other decisions made by the board
that impact system liabilities and actuarially recommended contribution rates
for employers and that are not made in conjunction with the actuarial
investigations required by paragraph (c) of this subsection, an
actuarial analysis shall be completed showing the projected impact of the
changes on funding levels, unfunded liabilities, and actuarially recommended
contribution rates for employers over a thirty (30) year period.

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

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

(3) The Legislative Research Commission may employ an actuary with the same
qualifications as the actuary employed by the board, and the board shall, free of
charge, provide the actuary employed by the Commission with the same data
provided to its own actuary, and any supplementary data he or she may require. The
actuary employed by the Commission shall review the assumptions, determinations
and recommendations of the board actuary, and legislative proposals related to the
retirement systems, and report his or her findings to the Commission and to the
board. Except as provided by KRS 7A.240(5), the board shall pay fifty percent
(50%) of the cost of the Commission's actuary, and the Commission shall pay the
other fifty percent (50%).
Section 3. KRS 78.784 is amended to read as follows:

(1) (a) As soon as practicable after its organization, the County Employees Retirement System board shall adopt the actuarial tables, assumptions, and methods necessary for the administration of the system and for the annual determination of actuarial assets, actuarial liabilities, and recommended employer contribution rates of the system as provided by KRS 61.702 and 78.635, for the pension and retiree health funds.

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

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

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

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

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

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

6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities.
1. At least once in each two (2) year period, the board shall cause an actuarial investigation to be made of all of the economic experience under the retirement system, including but not limited to the inflation rate, investment return, and payroll growth assumptions, relative to the economic assumptions and funding methods previously adopted by the board.

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

3. Each actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.

(d) Pursuant to the actuarial investigations, the board shall, from time to time, revise the actuarial tables previously adopted by the board and shall thereupon revise the bases of the rates of employer contributions required under KRS 78.510 to 78.852.

(e) For any change in actuarial assumptions, funding methods, retiree health insurance premiums and subsidies, or any other decisions made by the board that impact system liabilities and actuarially recommended contribution rates for employers and that are not made in conjunction with the actuarial investigations required by paragraph (c) of this subsection, an
actuarial analysis shall be completed showing the projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.

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

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

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

(1) (a) The board of trustees shall designate as actuary a competent person who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries. He or she shall be the technical adviser of the board on matters regarding the operation of the funds of the system and shall perform such other duties as are required in connection therewith.
(b) 1. At least once in each two (2) year period, the board shall cause an 
actuarial investigation to be made of all of the economic experience 
under the retirement system, including but not limited to the inflation 
rate, investment return, and payroll growth assumptions, relative to 
the economic assumptions and funding methods previously adopted by 
the board.

2. At least once in each five (5) year period, the actuary shall make an 
actuarial investigation into all of the demographic actuarial 
assumptions and funding methods used, including but not limited to 
mortality tables, withdrawal rates, and retirement rate assumptions, 
investment rate of return, and service and compensation of the members 
and beneficiaries of the retirement system, relative to the demographic 
actuarial assumptions and funding methods previously adopted by the 
board.

3. Each actuarial investigation shall include at a minimum a 
summary of the changes in actuarial assumptions and funding methods 
recommended in the investigation and the projected impact of the 
recommended changes on funding levels, unfunded liabilities, and 
actuarially recommended contribution rates for employers over a thirty 
(30) year period.

(c) At least annually the actuary shall make an actuarial valuation of the 
retirement system. The valuation shall include:

1. A description of the actuarial assumptions used, and the assumptions 
shall be reasonably related to the experience of the system and represent 
the actuary's best estimate of anticipated experience;

2. A description of any funding methods utilized or required by state law in 
the development of the actuarial valuation results;
3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;

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

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

6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities.

(d) On the basis of the results of the valuations, the board of trustees shall make necessary changes in the retirement system within the provisions of law and shall establish the contributions payable by employers and the state specified in KRS 161.550, including changes prescribed by KRS 161.633, 161.634, 161.635, and 161.636, as applicable.

(e) For any change in actuarial assumptions, funding methods, retiree health insurance premiums and subsidies, or any other decisions made by the board that impact system liabilities and actuarially recommended contribution rates for employers and that are not made in conjunction with the actuarial investigations required by paragraph (b) of this subsection, an actuarial analysis shall be completed showing the projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.

(2) Actuarial factors and actuarial cost factor tables in use by the retirement system for all purposes shall be determined by the actuary of the retirement system and
approved by the board of trustees by resolution and implemented without the
necessity of an administrative regulation.

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

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