# Proposed Changes to the Kentucky Retirement Systems (KRS) Affecting the County Employees Retirement System (CERS)

Based on SB 2 and SB 2 HCS information  

<table>
<thead>
<tr>
<th>Item</th>
<th>Current Law</th>
<th>Senate Version</th>
<th>House Committee Substitute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan for new participants</td>
<td>Defined benefit plan</td>
<td>Hybrid cash balance plan</td>
<td>No changes to the current defined benefit plan</td>
</tr>
<tr>
<td>Cost of living adjustments (COLAs)</td>
<td>1.5% annual COLA unless suspended by General Assembly</td>
<td>Eliminates annual COLAs; requires future ad hoc COLAs granted by the General Assembly to be prefunded</td>
<td>Eliminates annual COLAs; requires future ad hoc COLAs granted by the General Assembly to be (1) prefunded or (2) provided if the board determines funds are available and the General Assembly enacts legislation to provide a COLA</td>
</tr>
<tr>
<td>Amortization period for payment of unfunded liabilities</td>
<td>Unfunded liabilities are being paid off over the amortization period that began in 2007</td>
<td>Resets the amortization period to a new 30-year period</td>
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</tr>
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</table>
| Reemployment after retirement | • Three-month break in service, except one-month break for retired hazardous to hazardous full-time employment  
• No second retirement account  
• Employer pays employer contributions and reimburses KRS for costs of retiree’s health care if the employee elects KRS health coverage | • Two-year break in service, except one-year break for retired hazardous to hazardous full-time employment  
• No second retirement account  
• Employer pays employer contributions and reimburses KRS for costs of retiree’s health care if the employee elects KRS health coverage | • One-year break in service, except one-month break for (1) hazardous full-time employment, (2) non-hazardous full-time position that requires POPs certification, or (3) not a regular full-time position  
• No second retirement account  
• Employer pays employer contributions and reimburses KRS for costs of retiree’s health care if the employee elects KRS health coverage |
| Spiking of pensions | Employer pays regular contributions on additional salary earned | Employers pay the full actuarial cost of increases in compensation greater than 10 percent earned by the employee during the last five fiscal years of employment | Employers pay the full actuarial cost of increases in compensation greater than 10 percent earned by the employee during the last five fiscal years of employment except in the case of a bona fide promotion or career advancement for the employee |
| Inviolable contract | Covers almost all benefits except COLAs and specific retiree health benefits | Same for current participants; for new participants, covers only accrued benefits, so changes may be made to their benefits prospectively | Same for current participants; for new participants, employee contribution rates may be raised, benefit factors may be reduced, and retirement eligibility requirements may be changed |

February 26, 2013
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| Hazardous duty normal retirement | • Any age with 25 years of service  
• Age 60 with five years of service | No changes to the current law                                                   | For new hazardous participants:  
• Age 50 with a minimum of 25 years of service  
• Age 60 with five years of service |
| KRS Board Composition         | 9-member board:  
• Five elected (2 KERS, 2 CERS, 1 SPRS)  
• Three appointed by the Governor:  
  o Two with at least 10 years of investment experience  
  o One knowledgeable about the impact of pensions on local governments  
• Secretary of Kentucky Personnel Cabinet | 11-member board:  
• Five elected (2 KERS, 2 CERS, 1 SPRS)  
• Five appointed by the Governor:  
  o Two with at least 10 years of investment experience  
  o One from a list of three from the Kentucky League of Cities  
  o One from a list of three from the Kentucky Association of Counties  
  o One from a list of three from the Kentucky School Boards Association  
• Secretary of Kentucky Personnel Cabinet | 13-member board:  
• Seven elected (3 KERS, 3 CERS, 1 SPRS)  
• Five appointed by the Governor:  
  o Two with at least 10 years of investment experience  
  o One from a list of three from the Kentucky League of Cities  
  o One from a list of three from the Kentucky Association of Counties  
  o One from a list of three from the Kentucky School Boards Association  
• Secretary of Kentucky Personnel Cabinet |
| Inviolable contract           | Covers almost all benefits except COLAs and specific retiree health benefits | Same for current participants; for new participants, covers only accrued benefits, so changes may be made to their benefits prospectively | Same for current participants; for new participants, employee contribution rates may be raised, benefit factors may be reduced, and retirement eligibility requirements may be changed |
| Oversight board               | No provision                                                               | No provision                                                                   | Creates an 11-member Public Pension Oversight Board to review, analyze and provide oversight for the General Assembly on the benefits, administration, investments, funding, laws/regulations and any legislative proposals relating to the Kentucky Retirement Systems |

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