

KFA Legislative Report for 2018 Conference

The 2018 regular session of the Kentucky Legislature has come and gone. This was the long session and it lasted as long as possible ending on April 15, 2018. They have to finish by that date.

As in the past years, many bills that legislators introduced did not see any action. Looking at the information provided by the Legislative Record there were 268 Senate Bills, 605 House Bills, and 702 resolutions that we followed this session. This year 203 bills passed, 61 Senate bills, 142 House bills along with 578 resolutions. The Governor vetoed 13 bills and of them, five overridden. That is 22.57% of the legislation introduced became law.

The reason that I report this information is that many of you who have never been involved in the legislative process may not understand the many issues during the legislative session. The fire service has many but not the only issues. We followed legislation that effect the fire service Pensions, Workers Comp, Wage & Hour, Taxing Districts, Non-Profits, Incentive and State Aid.

During the session, many of you came to Frankfort to support our issues and for that, I want to say thank you! I also want to make sure you know that we are a group of fire service representatives who work together to try to protect the interest of the fire service, and by working together we can get many issues passed. These are the firefighters who are in Frankfort every day to support us are as follows;

Steve Rath, Jack Reckner, Joe Baer, Chris Bartley Bruce Roberts, Ronnie Day and I attend many committee meetings and legislative sessions. Without all of us working together, we would not be a success.

Here are the legislative resolutions passed at last year's KFA conference and the legislation introduced to that resolution

- **Legislative Committee Resolution 1, Fire District Legislation on Special Districts, Tangible and Inventory Tax.**
 - **House Bill 366** Kentucky Tax reform bill was the bill that made adjustments in Tangible and Inventory Tax. The explanation of the changes are that the company paying the tax will pay as they are now but will receive a tax credit off the Kentucky State Tax that they pay. Receiving 25% next year, until in four years they receive 100% in tax credit. The fire taxing districts should receive the same amount that they receive today.
- **Resolution #2 CERS pensions.**
 - As many of you know pensions were the most discussed issues that the legislature faced in 2018. The final pension bill Senate Bill151 made many changes to the retirement systems. The changes for firefighters are as follows;

Kentucky Retirement Systems (KRS)

Includes the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and the State Police Retirement System (SPRS)

- **Current KRS Retirees:** No change
- **Current KRS Defined Benefit Members (Tier I/Tier II Members)**
 - Members who began participating on or after July 1, 2003, but prior to September 1, 2008, shall contribute an additional 1% of pay to fund retiree health. Same as Tier II/III.
 - High 3/High 5 Final Compensation: Must be complete 3 or 5 years for members retiring on or after January 1, 2019.
 - **Sick Leave Service Credit: Sick leave is not limited for purposes of service credit in KRS. Provides current members cannot use sick leave service credit for purposes of retirement eligibility or to reduce applicable actuarial penalties for retirements occurring on or after July 1, 2023.**
 - Comp. Time Paid At Retirement: Provides that lump-sum payments for compensatory time at retirement will not boost retirement benefits for non-

hazardous Tier I members retiring after July 1, 2023 (Tier II and III already ineligible).

- Modifies KERS/CERS/SPRS inviolable contracts to exclude legislative changes that become effective on or after July 1, 2018.
 - May opt to prospectively participate in the KERS 401(a) money purchase plan (past service not impacted) by 1/1/2021.
 - For hazardous members, provides that the spouse shall supersede all designated beneficiaries in case of ensuring minimum line of duty death benefits are provided to the spouse and make provisions retroactive to deaths occurring on or after January 1, 2017.
- **Current KRS Cash Balance Members**
 - Nonhazardous: Changes future interest credit on cash balance account balances so that contributing members will receive an annual interest credit of 85% of the plan's 10-year net return (currently 4% return plus 75% of 5-year return above 4%). Former members not contributing will receive a 0% annual interest credit (currently 4%).
 - Nonhazardous: May opt to prospectively participate in the KERS 401(a) money purchase plan (past service not impacted) by 1/1/2021.
 - Nonhazardous & Hazardous: Removes \$5,000 Death Benefit paid after retirement for those members with 4+ years of service credit.
 - **KRS Hazardous New Hires:** Member benefits the same except removes the \$5,000 Death Benefit paid after retirement for those members with 4+ years of service credit.
 - **KRS Nonhazardous New Members:**
 - Establishes optional, Tier IV 401(a) Money Purchase Plan (defined contribution plan). Members must opt into 401(a) plan, in lieu of cash balance plan, within 90 days of employment.
 - 401(a) benefit will be based upon an account balance of employee contributions (5% of pay), employer contribution (4% of pay), and investment returns.

- KRS board may allow investment options within KRS investment pool, contract with outside entity, or through Kentucky Deferred Compensation (KDC).
- Member can retire under same provisions as nonhazardous cash balance participants and annuitize their account balance.
- Members eligible for disability/death before retirement/retiree health benefit similar to cash balance plan members.
- Removes \$5,000 Death Benefit paid after retirement for those members with 4+ years of service credit.

- **Funding Provisions**

- Requires level dollar financing of unfunded liabilities over closed 30-year amortization period, using 5-year smoothed asset valuation method for all KRS systems. Amortization period reset in 2019 valuation.
- Contribution on or after July 1, 2020 shall be set as dollar amount and prorated to each employer based on share of actual payroll in FY15-FY17 (i.e. each employer will have different employer rate).

- **Retired/Reemployed Provisions (for retirees who retire on or after 1/1/2019):**

- Non Hazardous: 3 month break required or retirement voided.
 - If 3 month break is observed, member can work *part-time*, continue to receive pension benefit, but no second account is created.
 - If 12 month break is observed, member can work *full-time*, continue to receive pension benefit, but no second account is created. If member works in *full-time* position after 3 month break, pension is suspended until 12 months after retirement date.
 - Employer makes normal cost contribution for any reemployed retiree.
- Hazardous Members/Certified peace officers: 1 month break required or retirement voided. If 1 month break is observed, member can return to work in part-time or full-time capacity, continue to receive pension benefit, but no second account is created. Employer makes normal cost contribution for any reemployed retiree.
- A retiree of another state-adm. retirement system who retires on or after 1/1/2019, shall not be eligible to earn a second retirement account in KRS.

- **Conflict of Interest Provisions** - No member of GA, public servant, trustee or employee of KRS board shall have any interest in the business of KRS while employed/serving AND for five (5) years following employment/service.

- **Resolution #3 Incentive, State Aid and cancer Presumption.**

- **House Bill 140** (passed) and Senate Bill 90 was the bill that had the language locking in the \$4,000.00 for Incentive Pay and \$11,000.00 for State Aid. House Bill 140 passed and became law was signed by the Governor on April 2, 2018.
 - We did not have legislation that strictly addressed the Cancer Presumption issue. However, we were able to attach the cancers diagnosed in fire fighters added to the workers Comp bill HB 2. They included the following cancers: 1. Bladder cancer; 2. Brain cancer; 3. Colon cancer; 4. Non-Hodgkin's lymphoma; 5. Kidney cancer; 6. Liver cancer; 7. Lymphatic or hematopoietic cancer; 8. Prostate cancer; 9. Testicular cancer; 10. Skin cancer; 11. Cervical cancer; and 12. Breast cancer.

- **Resolution #4 Compensation for taxing District Board members.**

- No bill introduced on this issue.

As I have said, there are many other issues that we supported and opposed. Here are other bills that we followed.

1. House Bill 95 - would have removed the cap on fire taxing districts. Did not pass.
2. House Bill 96 – Arson investigation training requirement. Passed.
3. House Bill 122 – Volunteer fire departments reporting requirements. Passed.
4. House Bill 167 – An Act relating to abandoned infants. That if the fire station is staffed that it is a safe place. Passed.
5. House Bill 185 – An Act relating to death-in-line-of-duty benefits. Raised the pension benefit from 25% up to 75% on monthly salary. Passed.

6. House Bill 200 –The Budget Bill contains funding for the Fire Commission and State Fire Rescue training for the next two fiscal years, SFRT did receive a cut of 6.5%. Passed.
7. House Bill 362 - Amend KRS 61.565 to provide that CERS employer contribution rate shall not increase by more than 12% per year over the prior fiscal year from July 1, 2018, to June 30, 2028; amend KRS 18A.225 to provide that employers ceasing participation in the window may still participate in the Kentucky Employees Health Plan (KEHP) for their employees; provide that for purposes of codification, the provisions of HB 185 shall prevail over the provisions of SB 151 in the event of a conflict where the same statutes are amended; EMERGENCY.
8. Senate Bill 142 – training for tele communicators (T-CPR). Passed

When I stated under the Pension changes, no change for retirees I was referring to the changes made in the Pension Bill. However, the tax break that retirees receive on retirement is to reduce from \$41,000.00 down to \$31,000.00.

There were many bills we worked against that we were able to keep from passing, and had to educate legislators on why the legislation could affect the fire service.

On the Washington DC front this year, we had fourteen members of the fire service attend the congressional fire service institute conference. I fill that I learned this year; to make things happen in DC you have to have Senator Mitch McConnell to move bills. After we meet with Congressman Barr and Guthrie, they suggested having Senator McConnell's support to ask for the important request we have this year. The entire fire representatives agreed that we wanted to try to pass the Cancer Registry would be our most important issue. Within two weeks of our return, the bill passed out of the senate committee and the entire US Senate. We fill this year was the best we have had in DC.

I would like to remind everyone that we could not be successful without the support of the firefighters in their home districts. Keep talking to your legislators and invite them to see what you do. They need us as much as we need their support!

Michael J. "Howdy" Kurtsinger