

FINANCE AND ADMINISTRATION CABINET
Kentucky Teachers' Retirement System
(Amendment)

102 KAR 1:350. Full actuarial cost purchase.

RELATES TO: KRS 161.220(22), 161.440, 161.507, 161.515, 161.545, 161.5465, 161.547, 161.548, 161.549

STATUTORY AUTHORITY: KRS 161.310(1)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 161.310 requires the Board of Trustees of the ~~[Kentucky]~~ Teachers' Retirement System of the State of Kentucky ~~[(KTRS)]~~ (TRS) to promulgate all administrative regulations for the administration of the funds of the retirement system. KRS 161.507, 161.515, 161.545, 161.5465, 161.547, 161.548, and 161.549 permit members to purchase service credit. These purchases of service credit are purchasable at full actuarial cost as defined by KRS 161.220(22). This administrative regulation provides the interest rate to be accredited to members who make an advance payment for service credit at full actuarial cost prior to retirement and the method for paying the full actuarial cost of health insurance.

Section 1. Members who make an advance payment for service credit at full actuarial cost ~~[at least one (1) month prior]~~ to their effective retirement date shall be accredited regular interest against their payment(s) at the rate provided for members under KRS 161.220(13). This interest, as assigned under KRS 161.440, shall be accredited at the time of retirement when the final full actuarial cost purchase amount is reconciled and shall be subject to adjustment to reflect the actuarial experience of the retirement system.

Section 2. Unless coverage is waived, the full actuarial cost for health insurance shall be paid by the member as follows:

(1) Members shall not be required to pay in advance any lump sum amount towards health insurance in making a full actuarial cost service purchase.

(2) Members who are not otherwise eligible to retire prior to making a full actuarial cost service purchase shall pay the full amount of the health insurance premium plus any amount required under KRS 161.675(4)(b) until the date is reached that they would have been eligible to retire the account under KRS 161.600 without the purchase. Upon reaching the date at which the retiree would have been eligible to retire the account under KRS 161.600 without the purchase, the retiree shall be entitled to the monthly health insurance benefit supplement approved by the board for each year based upon their years of service credit excluding the full actuarial cost service purchased. The retiree shall continue to pay monthly to the retirement system any amount required under KRS 161.675(4)(b) and any difference between the supplement as described in the previous sentence and the full cost of the monthly premium.

(3) Members who are eligible to retire the account under KRS 161.600 prior to making a full actuarial cost service purchase shall, upon retirement, be entitled to the monthly health insurance benefit supplement approved by the board for each year based upon their years of service credit, excluding the full actuarial cost service purchased. The retiree shall pay to the retirement system monthly any amount required under KRS 161.675(4)(b) and any difference between the supplement as described in the previous sentence and the full cost of the monthly premium.

BRENDA MCGOWN, Chair

APPROVED BY AGENCY: June 17, 2024
FILED WITH LRC: July 12, 2024 at 3:30 p.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on 24 September 2024, at 9:00 a.m. at the Teachers' Retirement System of the State of Kentucky 479 Versailles Road, Frankfort, Kentucky. Individuals interested in being heard at this hearing shall notify this agency in writing five (5) working days prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing was received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through 30 September 2024. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Robert B. Barnes, Deputy Executive Secretary of Operations and General Counsel, Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601, phone (502) 848-8508, fax (502) 573-0199, email Beau.Barnes@trs.ky.gov.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person: Robert B. Barnes

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation provides the interest rate to be accredited members who make an advance payment for service credit at full actuarial cost prior to retirement.

(b) The necessity of this administrative regulation:

This administrative regulation provides regulatory direction for the interest rate accredited to advance payments of full actuarial cost purchases.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

This administrative regulation conforms to the content of the authorizing statutes by providing the interest rate for advance payments on the full actuarial cost authorized by statute payments for certain types of service credit purchases that are authorized by the statutes.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This administrative regulation assists in the effective administration of the statutes by providing a procedure for accrediting interest to authorized service credit purchases.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

The amendment will provide further details for paying the full actuarial cost of health insurance.

(b) The necessity of the amendment to this administrative regulation:

This amendment will provide further details of how the full actuarial cost of health insurance will be made.

(c) How the amendment conforms to the content of the authorizing statutes:

KRS 161.220(22) defines full actuarial cost to include health insurance supplement payments made by the retirement system and this amendment will provide further details of how that cost will be included in the purchase. (d) How the amendment will assist in the effective administration of the statutes: The amendment will provide further details for full actuarial cost purchases of health insurance.

(d) How the amendment will assist in the effective administration of the statutes:

No answer provided.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

There are fewer than fifty (50) individuals who currently make advance payments for service credit purchases in any one year.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment:

The amendment does not require any additional action by the member.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3):

There will be no additional cost to the members of the retirement system as the amendment simply provides further details of how that cost is currently assessed.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3):

Members will have further details set forth in regulation regarding how the full actuarial cost of health insurance is made.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

There is no cost to implement the amendment to this regulation.

(b) On a continuing basis:

There is no continuing cost.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:

Administrative expenses of the retirement system are paid by restricted agency funds.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

There is no increase in fees or funding required.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

The amendment to this regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied?

Tiering is not applied, as all members are treated the same who make full actuarial cost service credit purchases.

FISCAL IMPACT STATEMENT

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 161.220(22), 161.310(1).

(2) Identify the promulgating agency and any other affected state units, parts, or divisions:

Teachers' Retirement System

(a) Estimate the following for the first year:

Expenditures:None

Revenues:None

Cost Savings:None

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

None

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts):

(a) Estimate the following for the first year:

Expenditures:None

Revenues:None

Cost Savings:None

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

None

(4) Identify additional regulated entities not listed in questions (2) or (3):

None

(a) Estimate the following for the first year:

Expenditures:None

Revenues:None

Cost Savings:None

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

None

(5) Provide a narrative to explain the:

(a) Fiscal impact of this administrative regulation:

None.

(b) Methodology and resources used to determine the fiscal impact:

No impact.

(6) Explain:

(a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2) - (4). (\$500,000 or more, in aggregate)

The amendment to this regulation will have no major impact economic impact.

(b) The methodology and resources used to reach this conclusion:

There is no impact.