

Kentucky Judicial Form Retirement System

JUDICIAL RETIREMENT PLAN LEGISLATORS RETIREMENT PLAN

Donna S. Early
Executive Director

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MEMORANDUM

To: Mary C. Yaeger, Office of Special Projects
From: Donna S. Early, Executive Director
RE: **2015 SB 157/BR 245 HB 108 SCS/BR 192**
AA Statement 1 and 2 of 3
Date: February 19, 2015

I have examined **2015 SB 157** and have formed the opinion that it will not *increase or decrease the benefits or increase or decrease participation in the benefits or change the actuarial accrued liability* of the Judicial Retirement Plan, and that an *increase or decrease of the benefits or an increase or decrease in the participation in the benefits or a change in the actuarial accrued liability* of the Legislators Retirement Plan is dependent upon a subsequent determination by the Plan's governing Board as to a "bona fide promotion or career advancement" by a member of the Kentucky General Assembly. Consequently, I have not requested an actuarial analysis by the System's independent actuary.

Please let me know if you have any questions regarding this communication.



KENTUCKY RETIREMENT SYSTEMS

William A. Thielen, Executive Director

Perimeter Park West ▾ 1260 Louisville Road ▾ Frankfort, Kentucky 40601
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March 6, 2015

Mary C. Yaeger
Office of Special Projects
Legislative Research Commission
Capitol Annex, Room 39
Frankfort, KY 40601

RE: HB 108 SCS/BR 192
AA Statement 3 of 3

Dear Mary:

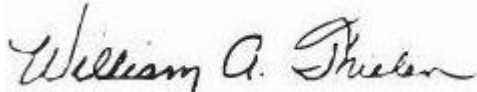
House Bill 108 SCS is a combination of HB 108 GA and SB 157. The bill amends various sections of KRS Chapters 16, 61 and 78 to make clarifying and technical changes; to make changes that are designed to conform the statutes with federal law requirements; and to provide the Kentucky Retirement Systems with certain new authorities designed to allow for a more efficient and cost effective operation of the various retirement plans administered by the Kentucky Retirement Systems' Board of Trustees.

HB 108 SCS also amends KRS 61.598 to provide that members of the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System, who retire on or after January 1, 2016, shall be limited to a 10% annual growth in the creditable compensation earned during their last five years of employment if that compensation is used to calculate their retirement benefits; provides that only creditable compensation earned on or after July 1, 2015, shall be subject to the creditable compensation growth limitations; exempts bona fide promotions or salary advancements, alternative sick leave payments, and lump-sum payments for compensatory time from the compensation growth limitation; exempts from the compensation growth limitation those years of compensation where in the immediately preceding fiscal year the member was paid worker's compensation benefits or was on unpaid maternity, FMLA, or approved sick leave for a period of 5 weeks or for a period of at least 10% of the employee's contract days if the employee is hired to work a specific number of days during the year; provides that the Kentucky Retirement Systems shall refund employee contributions and interest on contributions, for any reductions in creditable compensation provided by this section; provides that the Kentucky Retirement Systems shall determine what constitutes a bona fide promotion or salary advancement and allow the member to appeal a decision of the system to the board; removes provisions charging employers for creditable compensation growth greater than 10% during the employee's last five years of employment; amend KRS 16.645, 61.645, and 78.545 to conform.

Kentucky Retirement Systems' staff members have examined HB 108 SCS and have determined that the bill may decrease benefits due to the reduction of creditable compensation that may be earned by members. However, the actuarial impact of the reduction is not determinable since it is unknown how much creditable compensation and, thus, the liability for payment of benefits, would be reduced. HB 108 SCS will not increase or decrease the participation in benefits in terms of the number of Systems' members. HB 108 SCS may change the actuarial accrued liability of the Systems to the extent the liability for the payment of benefits is reduced; however, the actuarial impact of the reduction is not determinable, since it is unknown how much the liability for the payment of benefits would be reduced. Finally, although various provisions of HB 108 SCS will save Kentucky Retirement Systems significant administrative expense, these savings will be offset by increased administrative expenses imposed by the amendments to KRS 61.598.

Please let me know if you have any questions regarding our analysis of HB 108 SCS.

Sincerely,

A handwritten signature in black ink that reads "William A. Thielen". The signature is written in a cursive style with a large initial "W".

William A. Thielen
Executive Director
Kentucky Retirement Systems