

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

GARY L. HARBIN, CPA
Executive Secretary
502/848-8500



SERVING KENTUCKY TEACHERS SINCE 1940

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March 23, 2016

Josh W. Nacey
Office of Special Projects
Legislative Research Commission
Capitol Annex, Room 39
Frankfort, KY 40601

RE: HB 1 GA/BR 1015
AA Statement 1 of 1

Dear Mr. Nacey:

HB 1 GA, an Act relating to funding the Kentucky Teachers' Retirement System, making an appropriation therefore, amends KRS 161.550 to provide for payment of the full actuarially required contribution rate beginning July 1, 2016; provides that reducing debt service on previously issued bonds for KTRS shall be used to pay the state's share of additional contributions required; provides for the budget biennium beginning July 1, 2016 and ending June 30, 2018, that the additional contribution be funded with state general fund sources only; and declares an emergency.

KTRS has examined HB 1 GA and determined that it would not increase or decrease retirement benefits or participation in benefits. It does provide statutory language that the full actuarially required contribution should be made beginning with the 2016-2017 fiscal year and further states the intent to use declining debt service on a series of three (3) bonds issued for KTRS to help make this contribution. If this statutory language is followed in future budgets there would be a positive actuarial impact for the retirement system as it would insure, with time, that the unfunded liability of the system is paid off. The retirement system's independent actuary has reviewed HB 1 GA and has nothing further to add other than the attachment which provides 30-year projections on the funding of KTRS if the full actuarially required contributions (ADEC) are made. As HB 1 GA does not increase or decrease benefits or participation therein, and would only have a positive impact in reducing the system's unfunded liability if its provisions were followed in future budgets, and as the retirement system's independent actuary has nothing further to add other than the attached funding projections, no further actuarial analysis is required.

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

Sincerely,



Robert B. Barnes
Deputy Executive Secretary of Operations and General Counsel
cc. Kate Talley, Katie Carney

Full Funding of ADEC (Declining Green Box Dollars)

Fiscal Year End	Amount Contributed Statutory	Amount Contributed per Budget	Amount Contributed per Budget	Additional ADEC Required Contributed	Additional ADEC as a % of Payroll	Unfunded Accrued Liability	Funding Ratio
2017	440,140,040	9,598,194	110,276,700	510,773,733	13.55%	14,010,204,858	53.6%
2018	463,448,911	19,288,638	114,965,300	493,593,926	13.21%	13,930,441,977	55.3%
2019	486,963,056	37,570,537	112,308,300	491,854,137	12.76%	14,286,489,848	55.5%
2020	503,511,918	55,858,146	111,079,400	468,107,374	11.76%	14,099,275,866	57.4%
2021	521,306,729	64,776,564	109,734,200	468,418,644	11.39%	14,097,347,326	58.7%
2022	539,812,741	83,420,713	108,169,700	481,630,539	11.34%	14,394,328,177	59.1%
2023	571,498,646	99,071,099	93,855,200	494,517,301	11.28%	14,608,142,271	59.8%
2024	591,443,978	116,436,562	79,628,300	521,569,410	11.52%	14,818,482,979	60.4%
2025	608,822,285	116,436,562	68,714,400	566,109,330	12.10%	15,002,594,581	61.0%
2026	628,754,321	116,436,562	58,734,300	609,425,252	12.61%	15,164,297,253	61.8%
2027	652,060,920	116,436,562	47,793,500	652,878,539	13.08%	15,300,868,895	62.5%
2028	674,549,116	116,436,562	37,357,700	700,094,287	13.57%	15,417,927,653	63.3%
2029	690,637,170	116,436,562	34,786,700	749,550,114	14.06%	15,502,805,775	64.1%
2030	715,706,702	116,436,562	32,431,700	792,431,689	14.37%	15,547,825,261	65.0%
2031	742,505,267	116,436,562	29,957,500	837,109,735	14.67%	15,548,664,204	66.0%
2032	770,705,202	116,436,562	27,233,600	883,698,844	14.96%	15,509,144,273	67.0%
2033	800,834,327	116,436,562	23,865,300	933,002,455	15.25%	15,402,156,816	68.1%
2034	831,788,402	116,436,562	20,507,400	984,716,678	15.52%	15,240,529,116	69.2%
2035	865,523,623	116,436,562	16,580,900	1,039,795,213	15.80%	15,005,258,788	70.5%
2036	900,576,036	116,436,562	11,660,200	1,095,023,171	16.03%	14,681,446,456	71.8%
2037	937,544,556	116,436,562	6,036,700	1,154,198,184	16.26%	14,281,013,679	73.3%
2038	976,105,390	116,436,562	-	1,272,032,034	17.24%	13,770,735,844	74.9%
2039	1,009,840,297	116,436,562	-	1,326,391,071	17.29%	13,163,540,217	76.6%
2040	1,051,429,446	116,436,562	-	1,460,287,180	18.30%	12,376,879,739	78.5%
2041	1,095,054,313	116,436,562	-	1,562,771,141	18.82%	11,340,076,254	80.8%
2042	1,140,581,542	116,436,562	-	1,621,312,211	18.75%	10,152,667,058	83.2%
2043	1,188,278,510	116,436,562	-	1,687,024,442	18.74%	8,713,851,836	85.9%
2044	1,239,831,967	116,436,562	-	1,752,545,411	18.66%	7,036,792,279	88.9%
2045	1,292,135,252	116,436,562	-	1,818,291,717	18.58%	5,147,883,692	92.1%
2046	1,350,728,743	116,436,562	-	1,882,185,402	18.46%	3,024,317,685	95.5%