

# Kentucky Judicial Form Retirement System

JUDICIAL RETIREMENT PLAN  
LEGISLATORS RETIREMENT PLAN

Donna S. Early  
Executive Director

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## MEMORANDUM

**To:** Joshua Nacey, Committee Staff Administrator  
Capital Projects Committee  
**From:** Donna S. Early, Executive Director  
**RE:** **2016 HB 238 GA (BR 848)**  
**AA Statement 1 and 2 of 4**  
**Date:** January 16, 2016

I have examined **2016 HB 238 (BR 848)** 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 or the Legislators Retirement Plan. 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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January 25, 2016

Mr. Josh Nacey  
Office of Special Projects  
Legislative Research Commission  
Capitol Annex, Room 34  
Frankfort, KY 40601

**RE: 2016 HB 238 GA (BR 848)**  
**AA Statement 3 of 4**

Dear Mr. Nacey:

House Bill 238 amends KRS 6.350 to specify that the actuarial analysis required on retirement legislation shall include the impact on funding levels and unfunded liabilities over time; specifies the qualification requirements of the actuary completing the analysis; amends KRS 7A.240 to require the state-administered retirement systems to pay the cost of actuarial services required by amendments to KRS 7A.250; amend KRS 7A.250 and to require the Public Pension Oversight Board to retain an actuary to perform an actuarial audit of the state-administered retirement systems at least once every 10 years and to review state-administered retirement system budget requests prior to each budget biennium; amends KRS 21.440, 61.670, and 161.400 to provide that all state-administered retirement systems shall include in their actuarial valuation a description of funding methods utilized or required by state law in the development of the valuation, a description of any changes in actuarial assumptions and methods that have occurred since the last valuation, the actuarially recommended employer contribution rates for the upcoming budget period, a 20-year projection of employer contribution rates, funding levels, and unfunded liabilities, and a sensitivity analysis to evaluate the impact of changes in key assumptions on employer rates, funding levels, and unfunded liabilities; requires the systems to conduct an actuarial experience study at least once every 5 years and to perform a 20-year impact of the proposed changes to the systems' employer rates, funding levels, and unfunded liabilities; require the systems to perform a 20-year impact on employer rates, funding levels, and unfunded liabilities for any changes in assumptions, funding methods, retiree health subsidies, or other changes enacted by the board of trustees of the systems that impact system liabilities; requires the actuary certifying the results of the annual actuarial valuation and the 5 year experience study to be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries; requires electronic distribution of actuarial valuations, experience studies, or analysis of changes made by the boards of trustees to the Legislative Research Commission (LRC) and requires



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LRC to distribute information to chairs and committee staff of committees with jurisdiction over the systems; makes technical amendments; requires completion of the actuarial valuations by November 15 following the close of the fiscal year; amends KRS 48.040 to provide that on or before August 15 prior to a budget session, that the state-administered systems shall prepare a preliminary projection of the actuarially required contribution rates for the upcoming budget biennium and to provide updated values by November 15 of the same year once the actuarial valuation is completed; requires submission to the state budget director's office and the LRC and requires LRC upon receipt to distribute information to chairs and committee staff of committees with jurisdiction over the systems.

Kentucky Retirement Systems' staff members have examined HB 238 and have determined that the bill will not increase or decrease benefits or the participation in benefits in any of the retirement systems administered by Kentucky Retirement Systems. Furthermore, HB 238 will not change the actuarial liability of any of the retirement systems administered by Kentucky Retirement Systems. While the enactment of HB 238 will cause an increase in administrative costs associated with the operation of the Systems, the increase will be actuarially insignificant. Consequently, we have not requested any further actuarial analysis of HB 238 by the System's independent actuary.

Please let me know if you have any questions regarding our analysis of HB 238.

Sincerely,

A handwritten signature in cursive script that reads "William A. Thielen".

William A. Thielen  
Executive Director  
Kentucky Retirement Systems

# TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

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



*SERVING KENTUCKY TEACHERS SINCE 1940*

**ROBERT B. BARNES, JD**  
*Deputy Executive Secretary*  
*Operations and General Counsel*

**J. ERIC WAMPLER, JD**  
*Deputy Executive Secretary*  
*Finance and Administration*

February 9, 2016

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

RE: HB 238 GA/BR 848  
AA Statement 4 of 4

Dear Mr. Nacey:

HB 238, an Act relating to public pension plan reporting, in part, amends KRS 6.350(2)(a) to require an actuarial analysis on pending legislation that would provide a twenty-year projection on the unfunded actuarial accrued liabilities and funding levels of KTRS; amends KRS 7A.250 to provide that the Public Pension Oversight Board (PPOB) shall at least every ten years have an actuarial audit performed of the retirement systems' actuarial assumptions and methods and prior to each budget biennium have an actuarial review performed of the budget requests and needs submitted by each retirement system. These actuarial audits are to be performed by an actuary selected by the PPOB and shall be paid for by the retirement systems and included as a cost in their administrative expense budgets. HB 238 would amend KRS 161.400 to specifically require that KTRS perform a review of its actuarial assumptions and funding methods every 5 years and would require that review to provide a summary of any changes in assumptions and funding methods with a twenty-year projection of the impact of those changes on the funding levels, unfunded liability and actuarially required contributions; would specifically require that the annual valuation by the KTRS actuary include a description of funding methods, changes in actuarial assumptions and methods from the previous year's valuation, the actuarially required contribution (ARC) for the upcoming budget periods, a twenty-year projection on the funding levels, unfunded liability, and ARC based upon the actuarial assumptions, funding methods, and experience as of the system as of the valuation date, and a sensitivity analysis that evaluates the impact of changes in system assumptions, including investment return assumption, payroll growth assumption, and medical inflation rates on the employer contributions rates, funding levels and unfunded liability; would require any changes not reflected in the annual valuation to be provided by a separate actuarial analysis with the projected impact of those changes; and would require KTRS to submit by August 15 of each odd-numbered year to the state budget office the preliminary projection of the ARC for the upcoming budget biennium and by November 15 to submit a revised ARC based upon the most recent annual valuation.

KTRS has examined HB 238 and determined that it would not increase or decrease retirement benefits. Although HB 238 would result in some increase in administrative costs, it would not increase the actuarial liability of the retirement system.

Accordingly, KTRS has not requested any further actuarial analysis of this bill by the Retirement System's independent actuary.

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

Sincerely,

A handwritten signature in cursive script that reads "RBBarnes".

Robert B. Barnes  
Deputy Executive Secretary of Operations and  
General Counsel

cc. Kate Talley, Katie Carney