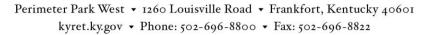


## KENTUCKY RETIREMENT SYSTEMS

## William A. Thielen, Executive Director





January 12, 2016

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

RE: HB 37/BR 7 AA Statement 1 of 2

Dear Mr. Nacey:

HB 37 amends KRS 18A.2254 to specify that seventy-five percent (75%) of surplus funds from a prior plan year of the Public Employee Health Insurance Program shall be allocated to provide retirement benefits for members of the Kentucky Employees Retirement System, the Kentucky Teachers' Retirement System, the State Police Retirement System and the County Employees Retirement System based upon each individual system's pro rata share of the total unfunded pension liabilities of all state-administered retirement systems as determined by the most recent actuarial valuation of each system's pension plans. After four (4) years, the bill allocates amounts from the twenty-five percent (25%) of surplus Public Employee Health Insurance Program funds that were retained in the program from a plan year to be transferred to the public pension plans as set forth in subsection 3(c)2 of KRS 18A.2254.

Kentucky Retirement Systems' staff members have reviewed HB 37 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 37 will not change the actuarial liability of any of the retirement systems administered by Kentucky Retirement Systems. However, if the bill passes, additional funds will be provided to the pension plans administered by the Kentucky Retirement Systems as set forth in the bill. While the transfer of additional funds will have a positive impact on the funded status of each system's pension plan (i.e., will help reduce the unfunded liability), the specific actuarial impact of the additional funds is not determinable at this time, since the timing of the transfers and the amount of the funds that would be transferred is unknown. Consequently, we have not requested any further actuarial analysis of HB 37 by the System's independent actuary.

Please let me know if you have any questions regarding our analysis of HB 37.

Sincerely,

William A. Thielen Executive Director

Kentucky Retirement Systems

William a. Thielen