



KENTUCKY RETIREMENT SYSTEMS

William A. Thielen, Executive Director

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January 12, 2016

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

RE: HB 71/BR 63
AA Statement 1 of 1

Dear Mr. Nacey:

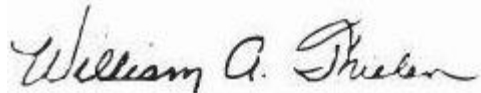
HB 71 creates a new section of KRS Chapter 95 to define "police officer" and "city". The bill permits cities to employ retired police officers, if the officer: participated in the Law Enforcement Foundation Program or retired as a commissioned State Police officer, retired with at least 20 years of service credit with no administrative charges pending, and met the separation of employment requirements so that retirement benefits from Kentucky Retirement Systems were not voided; specifies that retired police officers employed by a city shall continue to receive the benefits they were eligible to receive upon retirement, but shall not accrue any additional retirement or health benefits during reemployment; precludes retirement and any health contributions from being paid by the city to Kentucky Retirement Systems or the Kentucky Employees Health Plan on a retired officer who is reemployed under the provisions of this section; permits individuals employed under this section to be employed for a term not to exceed one year, which may be renewed at the discretion and need of the city; amends KRS 61.637 to conform.

Kentucky Retirements Systems staff members have examined HB 71 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 Retirements Systems. Furthermore, HB 71 will not change the actuarial liability of any of the retirement systems administered by Kentucky Retirements Systems. However, if the bill passes, there will be a reduction of funds paid to Kentucky Retirements Systems, since the employers will not pay a pension contribution on the creditable compensation paid to the reemployed officers and will not reimburse Kentucky Retirements Systems for the cost of the health insurance premiums paid by Kentucky Retirements Systems to provide coverage for the reemployed officers. This reduction of funds will negatively impact the ability of the Systems to pay down plan unfunded liabilities, thus improving plan funded status, and will tend to cause an increase

in the employer contribution rate. The amount of the reduction and the impact on funded status and future contribution rates cannot be calculated at this time, since it is unknown how many retired police officers may be reemployed. Furthermore, the compensation that would be paid and the insurance premium amounts are not known. Consequently, we have not requested any further actuarial analysis of HB 71 by the System's independent actuary.

Please let me know if you have any questions regarding our analysis of HB 71.

Sincerely,

A handwritten signature in cursive script that reads "William A. Thielen". The signature is written in black ink on a light-colored background.

William A. Thielen
Executive Director
Kentucky Retirement Systems