



KENTUCKY RETIREMENT SYSTEMS

William A. Thielen, Executive Director

Perimeter Park West ▾ 1260 Louisville Road ▾ Frankfort, Kentucky 40601
kyret.ky.gov ▾ Phone: 502-696-8800 ▾ Fax: 502-696-8822



~~February 23, 2016~~ March 16, 2016

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

RE: SB 206/BR 1945 GA
AA Statement 1 of 1

Dear Mr. Nacey:

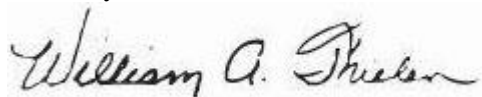
Senate Bill 206 creates a new section of KRS Chapter 95 to define "city" and "police officer"; provides that cities may employ retired police officers provided the officer participated in the Law Enforcement Foundation Program fund or retired as a commissioned state police officer, retired with at least 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; provides 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; provides that retirement and any health contributions shall not be paid by the city to Kentucky Retirement Systems or the Kentucky Employees Health Plan on a retired officer who is reemployed under the section; provides that individuals employed under the section may be employed for a term not to exceed one year, which may be renewed at the discretion and need of the city; limits cities reemploying retired police officers to the number of retired police officers that may be hired depending on average number of police officers employed over the course of calendar year 2015; and amends KRS 61.637 to conform.

Kentucky Retirement Systems staff members have examined SB 206 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, SB 206 will not change the actuarial liability of any of the retirement systems administered by Kentucky Retirement Systems. However, if the bill passes, there will be a reduction of funds paid to Kentucky Retirement Systems, since the city employers will not pay a pension contribution on the creditable compensation paid to the reemployed officers and will not reimburse Kentucky Retirement Systems for the cost of the health insurance premiums paid by Kentucky Retirement 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 reduction in the amount of funds paid to KRS will be somewhat mitigated by the limits on the number of retired officers that may be reemployed, as set forth in the bill. 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. Additionally, the compensation that would be paid and the insurance premium amounts are not known. Consequently, we have not requested any further actuarial analysis of SB 206 by the System's independent actuary.

Please let me know if you have any questions regarding our analysis of SB 206.

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