

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 23, 2017

Katie Carney
Office of Special Projects
Legislative Research Commission
Capitol Annex, Room 39
Frankfort, KY 40601

RE: HB 186 BR 1367
AA Statement 1 of 1

Dear Ms. Carney:

HB 186, an Act relating to survivor benefits in the Kentucky Teachers' Retirement System (KTRS), amends KRS 161.520 to remove marriage as a disqualifying event for a widow or widower who is receiving survivor benefits from TRS. The bill would also define "widow" or "widower" as one who was married to a deceased contributing member for not less than (5) years.

TRS has examined HB 186 and determined that it would not increase or decrease retirement benefits; rather, it allows widows and widowers to marry and continue to receive the same survivor allowance they were already receiving. For 2016, there were six (6) cases in which a widow or widower married and therefore became ineligible for the survivor allowance. Of these, four (4) resulted in the termination of a survivor allowance in the amount of \$180 per month per individual or \$2,160 per year. In the remaining two instances, one of the survivor allowances was \$3,000 per month or \$36,000 per year, and the other was \$300 per month, or 3,600 per year. Combined, these survivor benefits total \$4,020 per month and \$48,240 per year.

As of February 2017, there are 457 widows or widowers receiving survivor allowances that would terminate upon marriage. Of these, 174 are receiving the minimal survivor allowance provided under KRS 161.510(1)(a) or (b) of either \$180 per month or \$240 per month depending upon their other sources of income. These survivor allowances average \$180.86 per month and total \$31,469.54 per month. The remaining 283 widows and widowers receive a survivor allowance that is provided under KRS 161.520(1)(c) which is the actuarial equivalent of what the deceased member would have received when, with the passage of time, the member would have been eligible to retire his or her account by reason of age. This survivor allowance is payable only if at the time of the member's death he or she had at least ten years of service credit. The survivor allowances for this group average \$1,624.59 per month and total \$459,758.61 per month. The survivor allowances for both groups of widows

and widowers averages \$1,074.90 per month and totals \$491,228.15 per month or \$5,894,737.80 per year.

TRS has consulted with its independent actuary and, given that the actuarial assumptions assume that the aforementioned group who do not marry will continue to receive survivor allowances for life, this bill which would allow them to marry would not change those assumptions or the unfunded liability of the retirement system. Accordingly, TRS has not requested any further actuarial analysis of this bill by its independent actuary.

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

Sincerely,

A handwritten signature in cursive script that reads "RB Barnes".

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

cc. Kate Talley