



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Interim Executive Director

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



March 14, 2017

Ms. Katie Carney
Executive Assistant, Director's Office
Legislative Research Commission
Capitol Annex, Room 104
Frankfort, KY 40601

**RE: House Bill 351 GA (2017 RS BR 903)
AA Statement Required by KRS 6.350
AA Statement 1 of 1**

Dear Ms. Carney:

House Bill 351 GA (2017 RS BR 903) makes various changes to KRS Chapter 61 regarding the actuarial costs for agencies ceasing participation in the Kentucky Retirement Systems. The bill also contains an Emergency clause.

Kentucky Retirement Systems staff members have examined House Bill 351 GA (2017 RS BR 903) and have determined that the bill will not increase or decrease benefits in any of the retirement systems administered by Kentucky Retirement Systems. The bill will decrease the number of those participating in benefits in the retirement systems administered by Kentucky Retirement Systems. However, in most cases (except for agencies specified in Section 2 of the GA version of the bill) those participating agencies eligible to withdraw from Kentucky Retirement Systems will pay the full actuarial cost to exit. House Bill 351 GA (2017 RS BR 903) defines the rate benchmarks/payment options that will be used in the actuarial calculation to ensure that the Systems does not have an increased liability. When an agency submits an application to withdraw, the System will request and receive an independent actuarial liability analysis specific to the agency membership.

Currently, we have three employers who have requested to voluntarily cease participation in KRS prior to the effective date of this Act. In anticipation of their request, our independent actuary has completed preliminary actuarial calculations at the discount rates used in the most recent KERS actuarial valuation and at a lower rate of 5.0%. House Bill 351 GA (2017 RS BR 903) provides that a rate of 4.5% shall be used for any employer paying by lump sum who has filed the paperwork to voluntarily cease participation prior to the effective date of this Act. The bill also allows those employers who have filed the paperwork to voluntarily cease participation prior to the effective date of this Act to pay 4% and to pay the full actuarial cost in installments over a period of time determined by the KRS board, not to exceed 20 years, with interest at an actuarially assumed rate of return. These lower rates of 4.5% and 4% will result in a higher payment due to KRS for these agencies. Upon passage of House Bill 351 GA (2017 RS BR 903), our actuary will calculate the liability based on the applicable discount rate(s) for presentation to the KRS Board.

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Please let me know if you have any questions regarding our analysis of House Bill 351 GA (2017 RS BR 903).

Sincerely,

A handwritten signature in black ink that reads "David Eager". The signature is written in a cursive style with a large, sweeping initial "D".

David L. Eager
Interim Executive Director
Kentucky Retirement Systems