

# TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

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*Executive Secretary*  
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*SERVING KENTUCKY TEACHERS SINCE 1940*

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February 23, 2017

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

RE: HB 367/BR 1537  
AA Statement 1 of 1

Dear Ms. Carney:

HB 367, an Act relating to health benefits in the Kentucky Teachers' Retirement System and declaring an emergency, provides non-codified language that would direct TRS to pay the non-single subsidy provided under the Kentucky Employees Health Plan for the remainder of the 2017 health insurance plan year (plan year) on behalf of retired teachers who are under age 65 and retired prior to July 1, 2010. This bill would also permit the TRS Board of Trustees to pay this subsidy for these retired teachers for the 2018 plan year. This bill declares an emergency.

TRS has examined HB 367 and determined that its proposed increase in health insurance benefits would cost \$1,874,620 for the remainder of the 2017 plan year (beginning March 1, 2017), and would cost \$1,297,070 for the 2018 plan year. This cost decreases from 2017 to 2018 as every month some members in this group of retired teachers turn 65 and switch to the TRS Medicare Eligible Health Plan. The TRS Medical Insurance Fund paid out \$288,494,763 in health insurance benefits in fiscal year 2016. The TRS Medical Insurance Fund received \$396,999,430 in contributions and investments gains during fiscal year 2016, and it had \$733,780,967 in assets as of June 30, 2016. The cost of the non-single subsidy for the 2017 plan year is less than three-tenths of one percent (.3%) of the funded status of this plan as of June 30, 2017, and less than two-tenths of one percent (.2%) for fiscal year 2018. Given these dollar amounts, and provided that these payments are not required to be continued in future years, the TRS independent actuary has confirmed that the cost has no material impact on the unfunded liabilities of the TRS Medical Insurance Fund.

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

Sincerely,



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

cc. Kate Talley