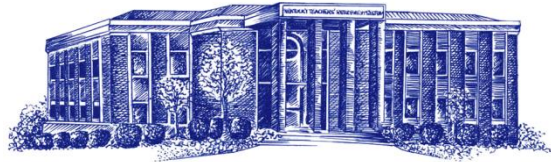


TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

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

March 1, 2017

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

RE: HB 401 BR 1359
AA Statement 1 of 1

Dear Ms. Carney:

HB 401 is an Act relating to members of the Kentucky Teachers' Retirement System (TRS) who are called to active military duty. This bill amends KRS 161.168 to provide, for all TRS members called to active military duty by order of the President of the United States, for the Commonwealth to pay for the *employee* retirement contribution to purchase retirement service credit for the time that the member was away on active duty. Currently, the Commonwealth pays the employee retirement contribution only if the member is employed by a local school district. This bill would expand this payment by the Commonwealth to other TRS employers such as the Department of Education, the five (5) universities that participate in TRS, and KCTCS, which collectively comprise approximately seven percent (7%) of the total TRS membership. The Commonwealth is already paying the *employer* retirement contribution for this group pursuant to the federal Uniformed Services Employment and Reemployment Rights Act of 1994.

TRS has examined HB 401 and determined that it would increase benefits to the extent that those individuals who comprise the additional seven percent (7%) of the TRS field of membership, and who are called into active military duty, will have their employee retirement contribution paid for by the state. Since under this bill the Commonwealth would pay the cost of this contribution, there would be no impact on the retirement system's unfunded liability as a result of this payment. Although members experience an increased retirement allowance as a result of the restoration of lost service, the effect is neutral as to the unfunded liability of the retirement system since TRS is receiving the full retirement contribution required by law. Therefore, even for those members who would have chosen not to purchase their lost service, but would now since the Commonwealth would pay the employee retirement contribution, the retirement system would be made whole by receiving the full employer and employee contributions.

The number of members impacted by HB 401 has been declining since the winding down of overseas military operations. Since December 19, 2013, there have only been two individuals who had to pay the employee retirement contribution for service credit as a result of active military duty service by order of the President, and only one of those would have qualified for the state to pay the employee retirement contribution under this bill.

The TRS independent actuary has reviewed this letter and agrees that since TRS would receive the full retirement contributions required by law, the effect is neutral as to 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,



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

cc. Kate Talley