



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Interim Executive Director

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March 6, 2017

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

RE: House Bill 42 (2017 RS BR 191)
AA Statement Required by KRS 6.350
AA Statement 1 of 2

Dear Ms. Carney:

House Bill 42 (2017 RS BR 191) amends KRS Chapter 6 to close the Legislators' Retirement Plan (LRP) to new members effective August 1, 2017 and provides that current and future legislators shall only participate in the Kentucky Employees Retirement System (KERS) for any service to the General Assembly occurring on or after August 1, 2017.

Kentucky Retirement Systems staff members have examined House Bill 42 (2017 RS BR 191) 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 would increase the participation in benefits in the KERS plan effective August 1, 2017 and thereafter as current legislator retirement accounts are received into the KERS plan from LRP and future legislators begin participation in KERS.

House Bill 42 (2017 RS BR 191) would increase the actuarial liability of the KERS plan. Assuming that the Commonwealth continues to pay the full Actuarially Required Contribution (ARC), there should be no adverse impact on KERS associated with new legislators entering the plan on or after August 1, 2017 because the increase in actuarial liability should be offset by employee and employer contributions and investment returns. However, any unfunded liabilities for existing LRP members would transfer to the KERS Nonhazardous pension plan and thus would add to the existing KERS plan unfunded liability.

We have not requested any further actuarial analysis of House Bill 42 (2017 RS BR 191) by the Systems' independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 42 (2017 RS BR 191).

Sincerely,

A handwritten signature in cursive script that reads "David Eager".

David L. Eager
Interim Executive Director
Kentucky Retirement Systems