KENTUCKY RETIREMENT SYSTEMS

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~~February 28, 2017~~ ~~March 3, 2017~~ March 6, 2017

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

RE: House Bill 520 ~~HCS~~ GA (2017 RS BR 1393)
AA Statement Required by KRS 6.350
AA Statement 1 of 2

Dear Ms. Carney:

House Bill 520 (2017 RS BR 1393), in part, creates new sections of KRS Chapter 160 to describe the intent of the General Assembly and the purposes of authorizing public charter schools. The bill amends KRS 78.510 to include charter schools in the definition of "county" so that noncertified employees of public charter schools will be allowed to participate in the County Employees Retirement System (CERS), which is administered by Kentucky Retirement Systems.

Kentucky Retirement Systems staff members have examined House Bill 520 (2017 RS BR 1393) and have determined that the bill will not increase or decrease benefits in the County Employees Retirement System. The bill would result in an increase in the participation in those eligible for CERS benefits if charter schools are created and the noncertified personnel of public charter schools are allowed to enter the Systems. In that event, the actuarial liability for the payment of benefits will increase: however, assuming that CERS employers continue to pay the full Actuarially Required Contribution (ARC), there should be no adverse impact on CERS because the increase in actuarial liability should be offset by employee and employer contributions and investment returns. There would be a minimal administrative cost to the Systems, estimated to be approximately $1,500 per charter school, to cover the expense of establishing a participating employer file for each school and the initial education and training of each school's reporting official in properly reporting covered employees' retirement contributions. Finally, the bill does not change the actuarial accrued liability of the Systems, assuming that the charter schools, once created, would remain in existence and the authority for the school would not be revoked or fail to be renewed. Should a charter school's authority to operate be revoked or not renewed, an Actuarial Analysis may need to be conducted to determine if there was an outstanding actuarial liability. In general, if an employee was hired into a charter school and began participating with no prior system service, there would be no anticipated liability. However, if the employee had obtained prior service credit in any of the participating agencies prior to joining the charter school, any unfunded liability would remain with that agency.

Please let me know if you have any questions regarding our analysis of House Bill 520 (2017 RS BR 1393).

Sincerely,

David L. Eager
Interim Executive Director
Kentucky Retirement Systems