

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

GARY L. HARBIN, CPA
Executive Secretary
502/848-8500



SERVING KENTUCKY TEACHERS SINCE 1940

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February 1, 2018

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

RE: BR 896 HB 127
AA Statement 1 of 1

Dear Ms. Carney:

HB 127, an Act relating to survivor benefits in the Kentucky Teachers' Retirement System (KTRS), amends KRS 161.520 to remove marriage as a disqualifying event for a widow or widower who is receiving survivor benefits from TRS. The bill would also define "widow" or "widower" as one who was married to a deceased contributing member for not less than (5) years.

TRS has examined HB 127 and determined that it would not increase or decrease retirement benefits; rather, it allows widows and widowers to marry and continue to receive the same survivor allowance they were already receiving. For 2017, there were six (6) cases in which a widow or widower married and therefore became ineligible for the survivor allowance. Of these, five (5) resulted in the termination of a survivor allowance in the amount of \$180 per month per individual or \$2,160 per year. In the remaining instance, the survivor allowance was \$1,400 per month or \$16,800 per year. Combined, these survivor benefits total \$2,300 per month and \$27,600 for the year. The combined total per year for 2016 was \$48,240.

As of January 2018, there were 442 widows or widowers receiving survivor allowances that would terminate upon marriage. Of these, 162 were receiving the minimal survivor allowance provided under KRS 161.510(1)(a) or (b) of either \$180 per month or \$240 per month depending upon their other sources of income. These survivor allowances average \$185.65 per month and total \$30,446.16 per month. The remaining 280 widows and widowers receive a survivor allowance that is provided under KRS 161.520(1)(c) which is the actuarial equivalent of what the deceased member would have received when, with the passage of time, the member would have been eligible to retire his or her account by reason of age. This survivor allowance is payable only if at the time of the member's death he or she had at least ten years of service credit. The survivor allowances for this group average \$1,703.29 per month and total \$478,624.44 per month. The survivor allowances for both

groups of widows and widowers average \$1,143.98 per month and total \$509,070.60 per month, or \$6,108,847.20 per year.

TRS has consulted with its independent actuary and, given that the actuarial assumptions assume that the aforementioned group who do not marry will continue to receive survivor allowances for life, this bill which would allow them to marry would not change those assumptions or the unfunded liability of the retirement system. Accordingly, TRS has not requested any further actuarial analysis of this bill by its independent actuary.

TRS certifies, in compliance with KRS 6.350(2)(c), as follows:

1. There are currently 442 individuals potentially affected by this bill.
2. There would be no change in benefits should this bill be enacted, other than remarriage will no longer serve as a disqualifying event for the receipt of survivor benefits.
3. Given the recent history of remarriage resulting in termination of survivor benefits, if this bill were enacted it would result in an approximate loss of savings to TRS close to a range of \$20,000 to \$50,000 per year for the life of the survivors.
4. This bill would not result in any change in administrative expenses for TRS.

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