



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Interim Executive Director

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February 21, 2018

Ms. Katie Carney
Office of Fiscal Statement Review
Legislative Research Commission
Capitol Annex, Room 104
Frankfort, KY 40601

RE: BR 1239 HB 335
AA Statement 1 of 2
AA Statement Required by KRS 6.350

Dear Ms. Carney:

House Bill 335 (2018 RS BR 1239) amends KRS Chapter 6 to close the Legislators' Retirement Plan (LRP) to new members as of the effective date of the Act; prohibits current legislators from participating in the LRP on or after the effective date of the Act; 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 the effective date of the Act.

Kentucky Retirement Systems staff members have consulted with their actuaries and have examined House Bill 335 (2018 RS BR 1239). We 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 as of the effective date of the Act and thereafter as current legislator retirement accounts are received into the KERS plan from LRP and future legislators begin participation in KERS.

House Bill 335 (2018 RS BR 1239) would increase the actuarial liability of the KERS plan. Assuming that the Commonwealth continues to pay the full Actuarially Determined (Required) Contribution (ARC), there should be no adverse impact on KERS associated with new legislators entering the plan as of the effective date of the Act because the increase in actuarial liability should be offset by employee and employer contributions and investment returns.

In accordance with KRS 6.350 (2)(c), Kentucky Retirement Systems certifies the following:

1. The estimated number of individuals affected as of June 30, 2017 are 36,725 active and 44,848 inactive members in the KERS Nonhaz plan. According to the Legislators' Retirement System website, as of July 1, 2016 there were 101 members of the Legislators Defined Benefit Plan, and 14 members of the Legislators Retirement Hybrid Cash Balance Plan.
2. There is no estimated change in benefit payments;
3. There is no estimated change to employer costs; and

4. There is no estimated change to administrative expenses.

We have not requested any further actuarial analysis of House Bill 335 (2018 RS BR 1239) by the Systems' independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 335 (2018 RS BR 1239).

Sincerely,

A handwritten signature in black ink, appearing to read "David Eager". The signature is written in a cursive, flowing style.

David L. Eager
Interim Executive Director
Kentucky Retirement Systems