



KENTUCKY RETIREMENT SYSTEMS

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February 22, 2018

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

RE: BR 1242 HB 336
AA Statement
AA Statement Required by KRS 6.350

Dear Ms. Carney:

House Bill 336 (2018 RS BR 1242) amends KRS Chapter 6 to close the Legislators' Retirement Plan (LRP) to new members and require new legislators to participate as Non-Hazardous members of the Kentucky Employees Retirement System (KERS-NH). The bill also does the following: for members with a participation date on or after January 1, 2014, move existing hybrid cash balance accumulated account balance to the KERS NH hybrid cash balance plan; for members with a participation date prior to January 1, 2014, provide that service credit previously accrued in the Legislators' Retirement System remain in LRP, but future retirement benefits shall accrue in KERS NH; provide that future legislative retirees on or after the effective date of the Act, have LRP benefits calculated based solely upon legislative salary with no salary reciprocity; amend KRS 61.510 to provide that, for future legislator benefits accrued in KERS NH, "final compensation" is the creditable compensation of the member during all fiscal years of service accrued as a member of the General Assembly on or after the effective date of the Act, divided by the number of years of service as a member of the General Assembly on or after the effective date of the Act; and provide that for legislators, "membership date" is the date upon which the member began participating in any of the state-administered retirement systems. The bill also makes confirming and technical changes to KRS Chapter 6.

Kentucky Retirement Systems staff members have consulted with their actuaries and have examined House Bill 336 (2018 RS BR 1242). We have determined that the bill will not increase benefits in any of the retirement systems administered by Kentucky Retirement Systems. The bill would increase the participation in benefits in the KERS plan and thereafter as current legislator retirement accounts are received into the KERS plan from LRP and future legislators begin participation in KERS.

House Bill 336 (2018 RS BR 1242) 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 because the increase in actuarial liability should be offset by employee and employer contributions and investment returns. Also, additional members/participation in KERS Non-Hazardous could benefit the funding status of the plan since a portion of the employer contribution rate is used to pay down the unfunded liability.

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 benefit payment increase;
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 336 (2018 RS BR 1242) by the Systems' independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 336 (2018 RS BR 1242).

Sincerely,



David L. Eager
Interim Executive Director
Kentucky Retirement Systems