



KENTUCKY RETIREMENT SYSTEMS

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February 6, 2018

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

RE: BR 280 HB 65 – Revised
AA Statement 1 of 2
AA Statement Required by KRS 6.350

Dear Ms. Carney:

House Bill 65 (2018 RS BR 280) amends KRS Chapter 6 to close the Legislators' Retirement Plan (LRP) to new members effective August 1, 2018 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, 2018.

Kentucky Retirement Systems staff members have consulted with their actuaries and have examined House Bill 65 (2018 RS BR 280). During this discussion, our actuaries interpreted that the bill would make the following changes:

1. LRP will be closed to new members at August 1, 2018. All new legislators will earn benefits in KERS.
2. Members who joined LRP on or after January 1, 2014 will cease earning retirement benefits in LRP and will earn future benefits in the KERS system.
3. Members who joined LRP prior to January 1, 2014 will continue to earn retirement benefits in LRP.
4. There will not be a transfer of assets or liability from LRP to KERS. Members who participate in both systems will receive separate benefits from each system.
5. Assumed that the State will contribute the KERS contribution rate on the payroll of members earning retirement benefits in KERS.

Based on this summation, 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 effective August 1, 2018 and thereafter as current legislator retirement accounts are received into the KERS plan from LRP and future legislators begin participation in KERS.

House Bill 65 (2018 RS BR 280) 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 on or after August 1, 2018 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 65 (2018 RS BR 280) by the Systems' independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 65 (2018 RS BR 280).

Sincerely,



David L. Eager
Interim Executive Director
Kentucky Retirement Systems