



TEACHERS' RETIREMENT SYSTEM

of the State of Kentucky

GARY L. HARBIN, CPA
Executive Secretary

ROBERT B. BARNES, JD
Deputy Executive Secretary
Operations and General Counsel

J. ERIC WAMPLER, JD
Deputy Executive Secretary
Finance and Administration

February 14, 2020

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

RE: HB 104 HCS (20 RS BR 463)
AA Statement 1 of 2

Dear Ms. Carney:

HB 104 HCS, an Act relating to changing beneficiaries after retirement in state-administered retirement systems, would in part amend KRS 161.630 to add the birth or adoption of a child as a qualifying event under which a retiree may change their retirement option/beneficiary and would expand the number of days from sixty (60) to one-hundred twenty (120) following the qualifying event during which the retiree may change her or his option/beneficiary.

TRS has examined HB 104 HCS and though it does allow an added qualifying event to change options/beneficiary and slightly extends the window of time for doing so, these modest changes would not increase benefits as a corresponding actuarial discount is required by law whenever a retiree changes her or his retirement option/beneficiary.

In accordance with KRS 6.350 (2)(c), TRS certifies the following: 1. the estimated number of individuals is approximately 125,000 active and retired members which could one day potentially be impacted by this bill should they wish to change their option/beneficiary post retirement; 2. there would be no increase in benefits, only modest expanded opportunities to change retirement options/beneficiary post retirement; 3. no change is estimated to employer costs; and 4. no increase is anticipated in administrative expenses. Given these circumstances, including the actuarial reduction required by law, TRS has not sought further actuarial analysis by its independent actuary.

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. Christy Young



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Executive Director

Perimeter Park West • 1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



February 19, 2020

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

RE: House Bill 104 (2020 RS BR 463) House Committee Substitute
AA Statement Required by KRS 6.350
AA Statement 2 of 2

Dear Ms. Carney:

Kentucky Retirement Systems staff members have examined House Bill 104 (2020 RS BR 463) **House Committee Substitute**. We have determined that the proposed changes in the House Committee Substitute will have the same fiscal impact as that determined for House Bill 104.

Therefore, both the Actuarial Analysis of House Bill 104 performed by the Systems' actuary, GRS Retirement Consulting, dated February 12, 2020; and the separate cover letter prepared by KRS dated February 12, 2020; are applicable to House Bill 104 (2020 RS BR 463) **House Committee Substitute**.

Please let me know if you have any questions regarding our analysis of House Bill 104 (2020 RS BR 463) **House Committee Substitute**.

Sincerely,

A handwritten signature in black ink that reads "David Eager".

David L. Eager
Executive Director
Kentucky Retirement Systems



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Executive Director

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February 12, 2020

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

RE: House Bill 104 (2020 RS BR 463)
AA Statement Required by KRS 6.350
AA Statement 1 of 2

Dear Ms. Carney:

House Bill 104 (2020 RS BR 463), in pertinent part for Kentucky Retirement Systems, amends KRS 61.542 to allow a retiree who experiences a qualifying event, including marriage, remarriage, the birth or adoption of a child, or the death of a designated beneficiary, to elect to change his or her beneficiary and optional payment plan provided the election is made within 120 days of the qualifying event on a form prescribed by Kentucky Retirement Systems and provide that in the case of a divorce, annulment, or dissolution of marriage, the retiree's estate shall become the beneficiary; and the bill amends KRS 61.590, 61.615, and 61.630 to conform.

Kentucky Retirement Systems has consulted with our actuary, GRS Retirement Consulting, and they have prepared an Actuarial Analysis dated February 12, 2020 which is attached to this cover letter. However, KRS staff have identified an anticipated administrative impact to the Systems if the bill were to become law, but this impact is not discussed in the attached analysis. Therefore, in accordance with KRS 6.350 (2)(c), KRS has prepared this supplemental cover letter to briefly explain the estimated change in administrative expenses.

House Bill 104 (2020 RS BR 463) is expected to result in an increase in administrative expenses for Kentucky Retirement Systems. As of June 30, 2019, KRS maintained 114,437 retiree accounts. During the 2019 fiscal year, KRS inactivated 2,025 beneficiaries for retiree accounts.

House Bill 104 (2020 RS BR 463) will require KRS to make multiple amendments to its technical programs and processes to provide retirees an opportunity to elect both a new beneficiary and a new retirement payment option when a qualifying event occurs. While KRS cannot determine the number of divorces, adoptions, or births that may occur, the number of experienced beneficiary deaths over the last year indicate that further correspondence, assumptions, recalculations, and counseling will be required by KRS staff. As a result, KRS anticipates the need for additional retirement benefit counselors to accommodate this proposed legislation.

Please let me know if you have any questions regarding our analysis of House Bill 104 (2020 RS BR 463).

Sincerely,

A handwritten signature in black ink that reads "David Eager". The signature is written in a cursive, flowing style.

David L. Eager
Executive Director
Kentucky Retirement Systems

Attachment:



February 12, 2020

Mr. David Eager Executive Director
Kentucky Retirement Systems 1260 Louisville Road
Frankfort, KY 40601

**Re: Actuarial Analysis of Proposed Pension Reform Legislation HB 104 and its Financial Impact
on the Kentucky Retirement Systems
AA Statement 1 of 2**

Dear Mr. Eager:

We have reviewed the proposed changes in the pension reform legislation HB 104 and the purpose of this letter is to communicate the actuarial analysis of this legislation on the systems maintained by the Kentucky Retirement Systems (KRS).

Summary of Fiscal Impact and Comments on Proposed Legislation

The proposed legislation would allow a member currently in receipt of a retirement allowance to elect a new beneficiary and a new form of payment within 120 days of a qualifying event. A qualifying event is specified to include marriage, remarriage, the birth or adoption of child, or the death of a designated beneficiary.

Pursuant to KRS 61.635, the amount of any optional retirement allowance elected is to be actuarially equivalent to the retirement allowance the member would have received if no optional retirement option was elected. **Therefore, any new form of payment elected would be actuarially equivalent to the retirement allowance the member was receiving prior to the qualifying event, and we have determined this proposed legislation will not have a measurable fiscal impact on any of the systems maintained by KRS.**

Closing

We are not attorneys, and we cannot provide a legal opinion regarding the changes in this proposed legislation. Nothing in this letter should be construed as providing legal, investment or tax advice.

Mr. David Eager
February 12, 2020
Page 2

Mr. White is an Enrolled Actuary. Both of the undersigned are members of the American Academy of Actuaries and we meet all of the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. In addition, all of the undersigned are experienced in performing valuations for large public retirement systems.

Sincerely,

The image shows two handwritten signatures in cursive. The first signature is 'Daniel J. White' and the second is 'Janie Shaw'. Both are written in dark ink.

Daniel J. White, FSA, MAAA, EA
Senior Consultant

Janie Shaw, ASA, MAAA
Consultant