



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

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

RE: HB 401 HCS (20 RS BR 1473)
AA Statement 1 of 1

Dear Ms. Carney:

HB 401 HCS, an Act relating to the Teachers' Retirement System (TRS), in part creates a new section of KRS 161.220 to 161.716 to permit TRS to use electronic signatures; amends KRS 161.290 to provide that public agencies grant paid leave to teacher trustees serving on the board; amends KRS 161.310 to provide further specificity regarding retirement incentives; amends KRS 161.340 to add insurance specifically to the list of services TRS may contract for, deletes requirement for procurement of fiduciary bonds in acknowledgement that this issue is addressed with insurance and allows expenditure of funds for indemnification and self-insurance; amends KRS 161.470 to provide greater specificity regarding account forfeiture upon criminal conviction and more detail for account refund process; amends KRS 161.480 so that marriage prior to membership will designate the spouse as beneficiary in the event of the death of an active member unless the member designates someone else; amends KRS 161.500 to provide more detail regarding apportionment of service credit for contracts that are not 185 days; amends KRS 161.515 to reflect retirement factors enacted during 2008 pension reform legislation when purchasing of out-of-state service; amends KRS 161.540 to specify eligibility requirements for including annual leave in retirement calculations; amends KRS 161.545 to acknowledge paid sabbatical leave requires contributions to TRS; amends KRS 161.553 to update historical funding table; amends KRS 161.560 to update employer reporting requirements; amends KRS 161.597 to provide for a refund of contributions in the event of a default in an installment payment plan for purchase of service credit; amends KRS 161.614 to include binding mediation as means for account adjustment; amends KRS 161.620 to reflect partial-year accruals of the retirement factor after thirty years; amends KRS 161.630 to provide more detail regarding changing options postretirement; amends KRS 161.643 to provide more detail on employer reporting requirements; amends KRS 161.650 so that marriage will designate the spouse as beneficiary in the event of the death of a retired member unless the member designates someone else; amends KRS 161.655 so that marriage prior to membership or retirement

will designate the spouse as beneficiary of the life insurance benefit in the event of the death of the member unless the member designates someone else and require life insurance beneficiary forms to be on file with TRS or at least sent by mail with a postmark no later than the member's death; amends KRS 161.680 to provide greater detail regarding collection of any overpayment of an account.

The House Committee Substitute would add some clarifying, non-substantive language to Section 3 of the bill and would, in Section 9 of the bill, amend KRS 161.520 to provide that in the event of the death of a active contributing member not eligible to retire, the survivor benefit payable to the surviving spouse would not terminate upon remarriage of that spouse, and, that for individuals who become members of TRS on or after the effective date of the bill, the surviving spouse must have been married to the deceased member for at least five years to qualify for this survivor benefit. The House Committee Substitute would not lead to an increase in the survivor benefits that are currently being paid.

TRS has examined HB 401 HCS and determined that it would not increase or decrease retirement benefits or participation in benefits, nor will it change the actuarial liability of the system.

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, and, of these, approximately 442 are spouses receiving a survivor benefit under KRS 161.520; 2. benefit payments are not estimated to change; 3. no change is estimated to employer costs; and 4. no increase is anticipated in administrative expenses. TRS has not requested any further actuarial analysis of HB 401 HCS by the system's 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