



TEACHERS' RETIREMENT SYSTEM

of the State of Kentucky

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February 25, 2020

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

RE: HB 402 GA (20 RS BR 1290)
AA Statement 1 of 1

Dear Ms. Carney:

HB 402, an Act relating to the Teachers' Retirement System (TRS) and declaring an emergency, would in part amend KRS 161.605 to ensure compliance with federal tax law by requiring members to experience a postretirement break in service (before they return to work for a TRS-participating employer) that begins from their date of retirement rather than their last day worked, requires the break in service even if the member is returning to work in a position that is not covered by TRS, require that there be no prearranged agreement between the retiring member and TRS employer for the member to return to work after retirement and apply the break-in-service provisions to the universities. HB 402 also would reduce the minimum guaranteed \$500 per month disability retirement allowance on a dollar-for-dollar basis with any retirement allowance received by another Kentucky state-administered retirement system and would provide that new full-time employees (those who become members on or after July 1, 2020) and members providing part-time or substitute services who apply for disability retirement on or after July 1, 2020, will be eligible for a non-discounted service retirement allowance will not be eligible to apply for disability retirement.

TRS has examined HB 402 and determined that it would not increase retirement benefits or participation in benefits, nor would 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, of this group approximately 74,000 current active employees could one day be potentially impacted by the postretirement provisions of this bill and only a very small portion of the approximately six percent (6%) of the retirees who are retired for reason of disability would be impacted by the disability provisions of this bill; 2. there would be minor decreases in some disability retirement benefit payments and changes in eligibility for disability benefits that would produce slight savings over time; 3. no change is estimated to employer costs; and 4. no increase is anticipated in administrative expenses. TRS has attached a letter from the actuary confirming same.

Please let me know if you have any questions regarding this analysis.

Sincerely,

A handwritten signature in cursive script that reads "RBBarnes".

Robert B. Barnes
Deputy Executive Secretary of Operations and
General Counsel

cc. Christy Young

479 Versailles Road • Frankfort, Kentucky 40601-3800

800-618-1687 • <https://trs.ky.gov>



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February 12, 2020
Mr. Robert B. Barnes
Deputy Executive Secretary of Operation Teachers'
Retirement System of Kentucky
479 Versailles Road
Frankfort, KY 40601-3800
Actuarial Impact – House Bill 402 – 20 RS BR 1290

Dear Beau:

As requested, we have prepared an actuarial analysis of the impact of House Bill 402 – 20 RS BR 1290 on the Teachers' Retirement System of Kentucky. This bill adds language to the return to work provisions under KRS 161.605 of the Statutes to clarify that retired members may return to employment by providing substitute teaching services and to exclude employer-provided medical insurance from the earnings limitation. The bill also adds other language to KRS 161.605 to clarify or restrict the requirements defining separation of service. These provisions would have no cost impact on the Retirement System.

In addition, the bill makes changes to provisions in KRS 161.612 and 161.661 relating to disability retirement that would require minor changes to eligibility and benefits. This would produce a slight savings to the System over time.

If you have any questions, please do not hesitate to contact us.

Sincerely,

Edward J. Koebel, EA, FCA, MAAA
Principal and Consulting Actuary

Cathy Turcot
Principal and Managing Director