



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Executive Director

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March 25, 2020

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

RE: House Bill 408 (2020 RS BR 1030)
AA Statement Required by KRS 6.350
AA Statement 1 of 2

Dear Ms. Carney:

House Bill 408 (2020 RS BR 1030) amends KRS 16.642, 61.650, 78.790, and 161.430, to establish a goal for the Kentucky Retirement Systems and the Teachers' Retirement System to invest at least 1.5% of fund assets in Kentucky private equity fund investments provided any such investment is consistent with the board's fiduciary responsibility and duties; defines Kentucky private equity fund investments as an entity that makes, manages, or sources potential investments in Kentucky businesses from individuals or institutional investors; establishes requirements for the systems to notify the business community of potential investment opportunity with the systems; and requires reporting to the Legislative Research Commission on progress toward the goal of investing system assets in Kentucky private equity funds.

Kentucky Retirement Systems staff members have examined House Bill 408 (2020 RS BR 1030). We have determined that the bill will not increase or decrease benefits or the participation in benefits in any of the retirement systems administered by Kentucky Retirement Systems. Furthermore, House Bill 408 (2020 RS BR 1030) will not change the actuarial liability of any of the retirement systems administered by Kentucky Retirement Systems.

Although there is no anticipated actuarial impact with this bill, we are concerned that the Systems would not be able to implement the bill if it were to become law. The bill would require a collective investment between KRS and Teachers' Retirement System of Kentucky (TRS) of over \$500 million in such investments. **To the knowledge of the KRS investment staff and Investment Committee, the total of all available private equity investments in Kentucky represents only a very small fraction of the over \$500 million requirement. Therefore, the Systems would be unable to comply with the statute if the bill is passed.**

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, 2019 are 132,144 active; 140,130 inactive; and 114,437 retired members in the plans administered by Kentucky Retirement Systems;
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 408 (2020 RS BR 1030) by the Systems' independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 408 (2020 RS BR 1030).

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