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

January 27, 2020

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

RE: House Bill 89 (2020 RS BR 224) GA
AA Statement Required by KRS 6.350
AA Statement 1 of 1

Dear Ms. Carney:

Kentucky Retirement Systems staff members have examined House Bill 89 (2020 RS BR 224) **GA**. We have determined that the proposed changes in the House Committee Substitute will have the same fiscal impact as that determined for House Bill 89.

Therefore, the Actuarial Analysis of House Bill 89 performed by the Systems' actuary, GRS Retirement Consulting, dated January 15, 2020, is applicable to House Bill 89 (2020 RS BR 224) **GA**.

Please let me know if you have any questions regarding our analysis of House Bill 89 (2020 RS BR 224).

Sincerely,

David Eager

David L. Eager
Executive Director
Kentucky Retirement Systems

P: 469.524.0000 | F: 469.524.0003 | www.grsconsulting.co

January 15, 2020

Mr. David Eager Executive Director

Kentucky Retirement Systems 1260 Louisville Road

Frankfort, KY 40601

Re: Actuarial Analysis of Proposed Pension Reform Legislation HB 89 and its Financial Impact on the Kentucky Retirement Systems

AA Statement 1 of 1

Dear Mr. Eager:

We have reviewed the proposed changes in the pension reform legislation HB 89 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

We have determined this proposed legislation will not have a measurable fiscal impact on any of the systems maintained by KRS. This is because this proposed change is expected to have a small impact on the benefits earned by a relatively small number of members participating in the KRS.

Comments regarding the Proposed Legislation

Currently if a member participating in a hazardous system becomes simultaneously employed with a different agency on a part-time basis in a position that is covered by a non-hazardous system, then that member would make contributions on the compensation earned in both positions, but only receive a total of one year of service that is pro-rated between the hazardous and non- hazardous systems. This proposed legislation would provide that a member in this situation would only make contributions to and earn benefits in the hazardous system unless the member elects to simultaneously participate in the non-hazardous system with respect to the member's part-time position that is eligible to earn benefits in the non-hazardous system.

Compared to current provisions, this proposed change is expected to result in Tier 1 and Tier 2 members earning a slightly larger benefit because they will receive a full year of service in the hazardous system (versus the current prorated year). Also, the member's take-home pay will be slightly larger because they will no longer be required to make contributions to the non-hazardous system. Allowing the employee to make an election to participate in the non-hazardous position provides the opportunity for Tier 3 members to make contributions and earn benefits in both systems (i.e. hazardous and nonhazardous), which would result in the member accruing a slightly larger cash balance retirement benefit than if the member only accrued a cash balance account in the hazardous system.

Please note that the IRS Cash or Deferred Arrangement (CODA) rules may require a modification to the proposed legislation to make clear this change applies on a prospective basis.

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. 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.

Sincerel

Daniel J. White, FSA, MAAA, EA

Janie Shaw, ASA, MAAA

K:\3505\2019\Leg\03 - HB89 (Dually Employed)\AA_HB89_011520.docx