



TEACHERS' RETIREMENT SYSTEM

of the State of Kentucky

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February 22, 2021

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

RE: HB 113 GA (21 RS BR 15)
AA Statement 1 of 1

Dear Ms. Carney:

HB 113 GA, 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 113 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, 2021) and members providing part-time or substitute services who apply for disability retirement on or after July 1, 2021, will be eligible for a non-discounted service retirement allowance will not be eligible to apply for disability retirement.

HB 113 also would create a new section of KRS 161.220 to 161.716 to permit TRS to use electronic signatures; would amend KRS 161.290 to provide that public agencies grant paid leave to teacher trustees serving on the board; would amend KRS 161.310 to provide further specificity regarding retirement incentives; would amend 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; would amend KRS 161.470 to provide greater specificity regarding account forfeiture upon criminal conviction and more detail for account refund process; would amend 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; would amend KRS 161.500 to provide more detail regarding apportionment of service credit for contracts that are not 185 days; would amend KRS 161.515 to reflect retirement factors enacted during 2008 pension reform legislation when purchasing of out-of-state service; would amend KRS 161.540 to specify eligibility requirements for including annual leave in retirement calculations; would amend KRS 161.545 to acknowledge paid sabbatical leave requires contributions to TRS; would amend KRS 161.553 to update historical funding table; would amend KRS 161.560 to update employer reporting requirements; would amend 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; would amend KRS 161.614 to include binding mediation as means for account adjustment; would amend KRS 161.620 to reflect partial-year accruals of the retirement factor after thirty years; would amend KRS 161.630 to provide more detail regarding changing options postretirement; would amend KRS 161.643 to provide more detail on employer reporting requirements; would amend 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; would amend 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; would amend KRS 161.680 to provide greater detail regarding collection of any overpayment of an account.

TRS has examined HB 113 and determined that it would not increase retirement benefits or participation in benefits, nor would it change the actuarial liability of the system. There would be some slight savings over time with the proposed changes to the disability retirement provisions.

In accordance with KRS 6.350 (2)(c), TRS certifies the following: 1. Administrative regulations already promulgated under KRS 161.716 to ensure compliance with federal law means that the approximately 74,000 active members potentially subject to the postretirement employment provisions of this bill are already subject to those provisions by administrative regulation and therefore there is no additional impact on them, and only a very small number of the approximately 2,900 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,



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

cc. Mariah Derringer-Lackey



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January 13, 2021

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 113 – 21RS HB 113

Dear Beau:

As requested, we have prepared an actuarial analysis of the impact of House Bill 113 – 21RS HB 113 on the Teachers' Retirement System of Kentucky (TRS). Most of the provisions of the legislation appear to be only in the nature of technical corrections and would have a no cost impact on the Retirement System.

However, the bill amends the anti-spiking provisions for members on and after July 1, 2021, to apply the provisions even if they experience a change in position or length of employment. This change would produce a slight savings to the System over time.

The bill also amend KRS 161.612 to reduce the \$500 minimum monthly disability benefit dollar-for-dollar by benefit payments from all state-administered retirement systems for part-time employees and substitute teachers participating in TRS who apply for disability benefits on or after July 1, 2021, and specify that part-time employees and substitute teachers are not eligible to apply for a disability retirement allowance if they are eligible for an unreduced retirement benefit This change 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

Chief Executive Officer

Cathy Turcot

Principal and Managing Director