



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Executive Director

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March 17, 2021

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

RE: House Bill 483 (2021 RS BR 1705)
AA Statement Required by KRS 6.350
AA Statement 1 of 1

Dear Ms. Carney:

House Bill 483 (2021 RS BR 1705) amends KRS 16.642, 61.650, and 78.790 to limit the amount of assets that the boards of trustees may invest in alternative investments to not more than 25 percent of the assets in the pension and insurance funds of the State Police Retirement System, the Kentucky Employees Retirement System, and the County Employees Retirement System, respectively.

Kentucky Retirement Systems staff members have examined House Bill 483 (2021 RS BR 1705). 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. It is possible that House Bill 483 (2021 RS BR 1705) could change the actuarial liability of the retirement systems administered by Kentucky Retirement Systems because the bill would limit the Systems' discretion in how assets are invested. This could result in lower financial gains for investments than what otherwise could have been achieved.

The Trustees of the Kentucky Retirement Systems have a fiduciary duty to discharge their investment duties and manage the pension and insurance funds solely in the interest of the participants and beneficiaries. The Trustees also have a fiduciary duty to manage those funds in continued recognition of the basic long-term nature of those systems. Because asset allocation is the primary driver of long-term investment performance, KRS reviews asset allocations and retains outside organizations to conduct asset liability valuation studies on a regular basis to help insure the portfolios meet their performance objectives in the long-term.

In addition, each system administered by KRS has been studied and asset allocation guidelines have been established on a system-by-system basis, in recognition of each system's capacity to tolerate investment volatility, or risk. The Board of Trustees requires these asset allocation guidelines to be reviewed annually.

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, 2020 are 128,908 active; 148,367 inactive; and 117,665 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 483 (2021 RS BR 1705) by the Systems' independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 483 (2021 RS BR 1705).

Sincerely,



David L. Eager
Executive Director
Kentucky Retirement Systems