



KENTUCKY RETIREMENT SYSTEMS

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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 507 (2021 RS BR 1624)
AA Statement Required by KRS 6.350
AA Statement 1 of 1

Dear Ms. Carney:

House Bill 507 (2021 RS BR 1624) would amend KRS 61.702 to allow members who began participating in the systems on or after July 1, 2003, who are eligible for a fixed dollar amount towards their health premiums during retirement, to use those fixed dollar amounts towards other health coverage through a premium reimbursement program. The bill would further require the Kentucky Public Pension Authority to submit research and findings to the Public Pension Oversight Board on or before November 15, 2021, on other health savings or reimbursement options that may be established for these members, including but not limited to health savings accounts or health reimbursement arrangements.

Kentucky Retirement Systems staff members have consulted with our actuary and reviewed House Bill 507 (2021 RS BR 1624). The actuary provided KRS with an initial analysis of the bill, but we have not requested a formal Actuarial Analysis with projections to be performed for this bill. We will be happy to do so if the bill is referred to committee or receives a reading.

Our actuary determined that, in general, House Bill 507 (2021 RS BR 1624) would increase the utilization of the subsidy benefit provided by the health insurance funds. The current election assumption for future members receiving the dollar subsidy insurance benefit is 100%, so there is no immediate increase in normal cost or liability of active members in KRS. In a future year, if a member does not elect insurance coverage at retirement, the System would experience a liability gain. However, if future participation is increased due to this legislation, there would be fewer gains in future years, which could increase future employer costs.

The actuary also reviewed current retirees and beneficiaries who are eligible for the dollar subsidy benefit but did not elect insurance coverage. The following table (on page 2) provides the potential increase in the annual dollar subsidy reimbursement for these members if all were to elect coverage under this proposed legislation, as well as the approximate increase in the accrued liability for the insurance funds:

	KERS Nonhaz	KERS Haz	CERS Nonhaz	CERS Haz	SPRS
Annual Increase in Subsidy for Current Retirees and Beneficiaries	\$720,000	\$230,000	\$2,010,000	\$320,000	\$20,000
Increase in Actuarial Accrued Liability (\$Millions)	\$9.2M	\$3.3M	\$24.1M	\$4.4M	\$0.5M
Percent Increase in Total Accrued Liability for Insurance Fund	0.4%	0.8%	0.7%	0.3%	0.2%

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. As noted above, the bill would likely increase the utilization of the subsidy benefit provided by the health insurance funds;
3. There is a possible increase to employer costs; and
4. There is a possible increase to the Systems' administrative expenses.

We have not requested any further actuarial analysis of House Bill 507 (2021 RS BR 1624) by the Systems' independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 507 (2021 RS BR 1624).

Sincerely,



David L. Eager
Executive Director, Kentucky Retirement Systems