



KENTUCKY RETIREMENT SYSTEMS

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January 20, 2021

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

RE: House Bill 52 (2021 RS BR 168)
AA Statement Required by KRS 6.350
AA Statement 1 of 1

Dear Ms. Carney:

House Bill 52 (2021 RS BR 168) amends KRS 61.545 to provide that if a member is working in a regular full-time hazardous duty position that participates in the Kentucky Employees Retirement System (KERS) or the County Employees Retirement System (CERS) and is simultaneously employed in a nonhazardous position that is not considered regular full-time with a different participating employer, the member shall participate solely as a hazardous duty member and shall not participate under the nonhazardous position unless he or she makes an election within 30 days of taking employment in the nonhazardous position; amends KRS 61.680 to conform; and specifies that provisions shall only apply to prospective nonhazardous employment occurring on or after the effective date of the Act.

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 nonhazardous 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 nonhazardous 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 nonhazardous system with respect to the member's part-time position that is eligible to earn benefits in the nonhazardous system.

Kentucky Retirement Systems staff members have examined House Bill 52 (2021 RS BR 168). We have determined this proposed legislation will not have a measurable fiscal impact or change the actuarial liability of the KERS or CERS systems. 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 systems.

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 92,808 active; 93,597 inactive; and 69,318 retired members in the CERS Nonhazardous and CERS Hazardous

systems; and 35,302 active; 54,421 inactive; and 46,834 retired members in the KERS Nonhazardous and KERS Hazardous systems;

2. There would be an estimated change in benefit payments. 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 nonhazardous system. Allowing the employee to make an election to participate in the nonhazardous 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.

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 52 (2021 RS BR 168) by the Systems' independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 52 (2021 RS BR 168).

Sincerely,



David L. Eager
Executive Director
Kentucky Retirement Systems