



# TEACHERS' RETIREMENT SYSTEM of the State of Kentucky

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February 23, 2021

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

RE: HB 87 HCS/BR 14  
AA Statement 1 of 2

Dear Ms. Carney:

HB 87 HCS, AN Act relating state-administered retirement systems, amends, in part, KRS 161.520 to remove marriage as a disqualifying event for a widow or widower who is receiving survivor benefits from TRS.

There is some question, despite legislation only having a prospective application unless specifically made retroactive, whether language in the current statute providing that “this subsection applies to surviving spouses of members who die on or after July 1, 1978” would make this legislation retroactive. If so, then the bill would increase retirement benefits by allowing surviving spouses of members who remarried to once again receive survivor benefits. If retroactive, a data search would not identify every surviving spouse who had their survivor allowance terminated as a result of remarriage since 1978.

However, if HB 87 HCS is not retroactive, it would not increase or decrease participation in retirement benefits; rather, it allows widows and widowers to marry and continue to receive the same survivor allowance they were already receiving. Currently there are 447 spouses who would terminate upon remarriage, of those 168 are receiving \$180 or \$240 per month, and 279 are receiving an annuity based upon what the deceased member would have received once (and at the same time) the member would have been age eligible to retire the account.

TRS certifies, in compliance with KRS 6.350(2)(c), as follows:

1. There are currently 447 individuals potentially affected by this bill if it is prospective only. If it is retroactive to 1978, a data inquiry would not identify all the individuals whose survivor benefits were terminated as a result of remarriage so the number of individuals is indeterminable. As of June 30, 2020, there were approximately 58,000 individuals receiving annuity or survivor payments from TRS.

2. There would be no increase in benefits if this bill is prospective only, other than remarriage will no longer serve as a disqualifying event for the receipt of survivor benefits. If the bill is given a retroactive application, there would be an increase in benefits, but given that the number of individuals impacted would not be determinable, the amount of the increase is not determinable.
3. Given the recent history of remarriage resulting in termination of survivor benefits, if this bill is prospective only it would result in an approximate loss of savings to TRS close to the range of \$20,000 to \$50,000 per year for the life of the survivors. If it were retroactive, there would be not only the loss of savings upon remarriage, but the increase in benefit costs of reinstating surviving spouses' accounts that had been terminated due to remarriage. Again, given that a data query cannot identify all accounts thus terminated since 1978, the amount of increase in benefits cannot be determined.
4. If this bill is prospective only it would not result in any change in administrative expenses for TRS. If the bill is retroactive, there would be additional administrative staff time spent reinstating survivor benefits that had been terminated due to the disqualifying event of remarriage.

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



# KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Executive Director

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February 23, 2021

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

**RE: House Bill 87 (2021 RS BR 14)- HCS 1 Version**  
**AA Statement Required by KRS 6.350**  
**AA Statement 2 of 2**

Dear Ms. Carney:

House Bill 87 (2021 RS BR 14) **HCS 1** amends KRS 16.578 and 61.640 to apply the alternate death benefit calculation options as written prior to 2009 legislation for deaths occurring prior to retirement; amends KRS 61.540 to remove the requirement that the employer and member must file a statement of facts before benefit payments can commence; amends KRS 61.542 to allow a retiree to elect to change his or her beneficiary at any time, if the retiree has selected upon retirement a basic monthly annuity payment as defined in the subsection, a period certain payment option under KRS 61.635(5) to (7), or the Social Security adjustment option without survivorship rights under KRS 61.635(8)(a); requires a retiree to file a beneficiary change form prescribed by the Kentucky Retirement Systems with the retirement office; provides that a retiree may change his or her actual monthly payment option only upon marriage or remarriage and only if he or she files a beneficiary change form within 120 days of marriage or remarriage designating the new spouse as beneficiary and selecting a survivorship payment option under KRS 61.635(2) to (4) and (8)(b), with the resulting payments being actuarially equivalent to the retirement allowance provided at the date of the original retirement; 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 or the County Employees Retirement System and is simultaneously employed in a nonhazardous position that is not considered regular full-time with a different participating employer, the member may elect within 30 days of taking employment to not participate in the system for his or her employment in the nonhazardous position; amends KRS 61.590 to make conforming and technical amendments; amends KRS 61.598 to provide that the ten percent cap on creditable compensation growth during a member's last five years of employment shall not apply to situations where the growth in excess of ten percent during the entire five-year period results in a benefit change of less than \$25 per month; amends KRS 61.615, and 61.630 to make conforming and technical amendments; amends KRS 61.680 to make a conforming amendment; amends KRS 161.520 to provide that a surviving spouse's benefits may continue upon remarriage; provides that the amendments to KRS 16.578 and 61.640 are retroactive to JUNE 25, 2009; provides that members who retired prior to the effective date of the Act, who were married or remarried prior to the effective date of the Act and remain married or remarried to the same spouse, shall have 120 days from the effective date of the Act to select a survivorship option for their spouse under the Act; specifies that the amendment to KRS 61.545 of

the Act shall only apply to prospective nonhazardous employment occurring on or after the effective date of the Act; provides that the implementation date of the amendments to 2017 Ky. Acts ch. 32, sec. 9(28) by the Kentucky Retirement Systems shall be December 1, 2019.

Kentucky Retirement Systems staff members have reviewed House Bill 87 (2021 RS BR 14) **HCS 1**. Our comments only pertain to the systems administered by the Kentucky Retirement Systems. While the changes in the pension spiking provisions will increase benefits by a small amount for a small number of members, our actuaries have determined this proposed legislation will not have a measurable actuarial fiscal impact on any of the systems maintained by KRS (i.e. the proposed legislation will change the actuarially determined contribution rate by less than one basis point).

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, changes in the pension spiking provisions will increase benefits by a small amount for a small number of members;
3. There is no estimated change to employer costs; and
4. There is an estimated change in administrative expenses. It is possible there will be minimal cost savings to the Systems' administrative expenses, due to decreases in KRS staff time spent handling pension spiking cases that do not meet the new threshold. It is also possible there will be an increase in administrative expenses because the bill will require KRS to make multiple amendments to its technical programs and processes to provide retirees an opportunity to elect both a new beneficiary and a new retirement payment option when a qualifying event occurs.

We have not requested any further actuarial analysis of House Bill 87 (2021 RS BR 14) **HCS 1** by the Systems' independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 87 (2021 RS BR 14) **HCS 1**.

Sincerely,



David L. Eager  
Executive Director, Kentucky Retirement Systems