

# Actuarial Analysis Summary

<b>BR or Bill Ref.</b>	HB 348 AA Statement 1 of 1	<b>Actuarial Analysis Conducted For:</b>	
<b>Date:</b>	2/2/2022	<input type="checkbox"/> KERS NH	<input type="checkbox"/> KERS Haz <input checked="" type="checkbox"/> SPRS <input type="checkbox"/> TRS
<b>Actuary:</b>	GRS	<input type="checkbox"/> CERS NH	<input type="checkbox"/> CERS Haz <input type="checkbox"/> LRP <input type="checkbox"/> JRP

## Section I: Executive Summary

In the opinion of the actuary, this bill would make the affected state-administered retirement system(s) actuarially:

**MORE SOUND**    **LESS SOUND**    **NO IMPACT**

If actuarially **MORE SOUND OR LESS SOUND**, please summarize the factors leading to the actuary's opinion:

**The \$12 million appropriation provided in the proposed legislation is sufficient and appropriate to fund this benefit increase and therefore, this proposed legislation does not impact the on-going employer contribution requirement for the SPRS fund.**

Does this bill increase or decrease employer costs?       **INCREASE**  **DECREASE**  **NO IMPACT**  
 Does this bill increase or decrease benefits?               **INCREASE**  **DECREASE**  **NO IMPACT**  
 Does this bill increase or decrease benefit participation?  **INCREASE**  **DECREASE**  **NO IMPACT**

If the bill impacts employer costs, benefits, or benefit participation, please explain and estimate the impact in Sections II and VI.

## Section II: Financial Projections

	Combined Pension and Retiree Health Plan					
	SPRS*		N/A		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
<b>Projected Employer Cost* (\$ in Millions)</b>						
30-Yr Nominal \$	\$1,572	\$1,572	N/A	N/A	N/A	N/A
30-Yr Net Present Value \$	\$836	\$836	N/A	N/A	N/A	N/A
Proj. Normal Cost for New Hire	9.96% of pay	9.96% of pay	N/A	N/A	N/A	N/A

*\*Projected costs are for all employers and all fund sources for entire 30-year period.  
 Proj. normal cost is the normal cost for new hires after subtracting employee contributions.*

	Pension Plan					
	SPRS*		N/A		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
<b>Projected UAL (\$ in Millions)</b>						
Baseline (Year 1)	\$730	\$730	N/A	N/A	N/A	N/A
5 Years	\$638	\$638	N/A	N/A	N/A	N/A
10 Years	\$561	\$561	N/A	N/A	N/A	N/A
20 Years	\$344	\$344	N/A	N/A	N/A	N/A
30 Years	\$0	\$0	N/A	N/A	N/A	N/A
<b>Projected Funding Ratio (%)</b>						
Baseline (Year 1)	31%	31%	N/A	N/A	N/A	N/A
5 Years	39%	39%	N/A	N/A	N/A	N/A
10 Years	45%	45%	N/A	N/A	N/A	N/A
20 Years	63%	63%	N/A	N/A	N/A	N/A
30 Years	100%	100%	N/A	N/A	N/A	N/A

	Retiree Health Plan					
	SPRS*		N/A		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
<b>Projected UAL (\$ in Millions)</b>						
Baseline (Year 1)	\$49	\$49	N/A	N/A	N/A	N/A
5 Years	\$15	\$15	N/A	N/A	N/A	N/A
10 Years	\$17	\$17	N/A	N/A	N/A	N/A
20 Years	\$26	\$26	N/A	N/A	N/A	N/A
30 Years	\$0	\$0	N/A	N/A	N/A	N/A
<b>Projected Funding Ratio (%)</b>						
Baseline (Year 1)	82%	82%	N/A	N/A	N/A	N/A
5 Years	95%	95%	N/A	N/A	N/A	N/A
10 Years	94%	94%	N/A	N/A	N/A	N/A
20 Years	90%	90%	N/A	N/A	N/A	N/A
30 Years	100%	100%	N/A	N/A	N/A	N/A

\* if necessary or plan administers more than one plan/system.

### Section III: Brief Summary of Bill

The proposed legislation provides a one-time 1.5% increase to all monthly retirement allowances paid from the SPRS pension fund as of July 1, 2022. The proposed legislation further appropriates \$12 million in fiscal year 2022/2023 designed to fully finance this benefit increase.

#### **Section IV: Statement of Assumptions and Methods**

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Did the analysis rely solely upon the same assumptions & methods previously established and utilized by the actuary in the retirement system's most recent actuarial valuation?

**YES**    **NO**

**If NO**, please describe each new assumption or method utilized, the basis for selecting the revised assumption or method, and whether each new assumption or method increased or decreased projected employer costs:

N/A

#### **Section V: Comment from Actuary**

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Please see attached.

#### **Section VI: Detailed Actuarial Analysis and Projections** *(May be attached as Appendix)*

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N/A.



February 2, 2022

Mr. David Eager  
Executive Director  
Kentucky Public Pensions Authority  
1260 Louisville Road  
Frankfort, KY 40601

**Re: Actuarial Analysis of Proposed Legislation HB 348 and its Financial Impact  
on the Systems Operated by the Kentucky Public Pensions Authority**

Dear Mr. Eager:

We have reviewed the proposed legislation HB 348 and the purpose of this letter is to communicate the actuarial analysis of this proposed legislation in regards to the State Police Retirement System (SPRS).

#### **Summary of Provisions of Proposed Legislation and Cost Impact**

The proposed legislation provides a one-time 1.5% increase to all monthly retirement allowances paid from the SPRS pension fund as of July 1, 2022. The proposed legislation further appropriates \$12 million in fiscal year 2022/2023 designed to fund this benefit increase. The \$12 million appropriation is sufficient and appropriate to fund this benefit increase and therefore, this proposed legislation does not impact the on-going employer contribution requirement for the SPRS fund.

#### **Basis of Calculations**


GRS based the calculations and analysis in this letter on the member and financial data provided by KPPA for use in performing the actuarial valuation as of June 30, 2021. The projections summarized in the exhibits attached to the cover of this letter assume no actuarial gains or losses will occur in the future, and that members will terminate, retire, become disabled, or die as anticipated by the actuarial assumptions used to perform the June 30, 2021 actuarial valuation. Our calculations are based upon assumptions regarding future events, which may or may not materialize. Depending on actual plan experience, actual results could deviate significantly from our projections.

We are not attorneys and we cannot provide a legal opinion regarding the changes in this proposed legislation. Nothing in this letter should be construed as providing legal, investment or tax advice.

Mr. David Eager  
February 2, 2022  
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Both of the undersigned are Enrolled Actuaries, members of the American Academy of Actuaries, and meet all of the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. In addition, both of the undersigned are experienced in performing valuations for large public retirement systems.

Sincerely,



Daniel J. White, FSA, EA, MAAA



Jamie Shaw, ASA, EA, MAAA

