



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
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March 24, 2022

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

RE: House Bill 777 (22 RS BR 303) – SCS 1 Version
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 3

Dear Ms. Carney:

The Kentucky Public Pensions Authority (KPPA) had previously provided an Actuarial Analysis of House Bill 777 (22 RS BR 303) – HCS 1 Version and House Bill 777 (22 RS BR 303) – GA Version via letter dated March 15, 2022. We have now examined the SCS 1 Version of House Bill 777 (22 RS BR 303).

We have determined that the SCS 1 Version of House Bill 777 (22 RS BR 303) would not impact the previous actuarial statements provided for this legislation. Therefore, the Actuarial Analysis' of House Bill 777 (22 RS BR 303) – HCS 1 Version and House Bill 777 (22 RS BR 303) – GA Version, dated March 15, 2022, are applicable to House Bill 777 (22 RS BR 303) – SCS 1 Version.

We have not requested any further actuarial analysis of House Bill 777 (22 RS BR 303) – SCS 1 Version by the Authority's independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 777 (22 RS BR 303) – SCS 1 Version.

Sincerely,

A handwritten signature in black ink that reads "David Eager".

David L. Eager
Executive Director
Kentucky Public Pensions Authority



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Capitol Annex, Room 104
Frankfort, KY 40601

RE: House Bill 777 (22 RS BR 303) – GA Version
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 3

Dear Ms. Carney:

The Kentucky Public Pensions Authority (KPPA) had previously provided an Actuarial Analysis of House Bill 777 (22 RS BR 303) – HCS 1 Version via letter dated March 15, 2022. We have now examined the GA Version of House Bill 777 (22 RS BR 303).

We have determined that the GA Version of House Bill 777 (22 RS BR 303) would not impact the previous actuarial statement provided for this legislation. Therefore, the Actuarial Analysis of House Bill 777 (22 RS BR 303) – HCS 1 Version, dated March 15, 2022, is applicable to House Bill 777 (22 RS BR 303) – GA Version.

We have not requested any further actuarial analysis of House Bill 777 (22 RS BR 303) – GA Version by the Authority's independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 777 (22 RS BR 303) – GA Version.

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RE: House Bill 777 (22 RS BR 303) – HCS 1 Version
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 3

Dear Ms. Carney:

The Kentucky Public Pensions Authority (KPPA) had previously provided an Actuarial Analysis of House Bill 777 (22 RS BR 303) via letter dated March 14, 2022. We have now examined the HCS 1 Version of House Bill 777 (22 RS BR 303).

We have determined that the HCS 1 Version of House Bill 777 (22 RS BR 303) would not impact the previous actuarial statement provided for this legislation. Therefore, the Actuarial Analysis of House Bill 777 (22 RS BR 303), dated March 9, 2022, is applicable to House Bill 777 (22 RS BR 303) – HCS 1 Version.

We have not requested any further actuarial analysis of House Bill 777 (22 RS BR 303) – HCS 1 Version by the Authority's independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 777 (22 RS BR 303) – HCS 1 Version.

Sincerely,

A handwritten signature in black ink that reads "David Eager".

David L. Eager
Executive Director
Kentucky Public Pensions Authority

Actuarial Analysis Summary

AA Statement 2 and 3 of 3

BR or Bill Ref. HB 777 (22 RS BR 303)

Date: 3/14/2022

Actuary: GRS

Actuarial Analysis Conducted For:

☒ KERS NH ☒ KERS Haz ☐ SPRS ☐ TRS

☐ CERS NH ☐ CERS Haz ☐ LRP ☐ 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:

This proposed legislation creates the Kentucky Board of Emergency Medical Services as an independent agency (Agency). The bill also creates a new section of KRS Chapter 311A to provide a 30-day window to allow applicable employees of this Agency who are currently participating in the 403(b) defined contribution plan maintained by Kentucky Community and Technical College System (KCTCS) to: (1) remain in employment with KCTCS and be assigned to provide services to the Agency, or (2) elect to be transferred and employed directly by the Agency.

Employees who elect to be transferred and employed directly by the Agency shall become members of the Kentucky Employees Retirement System (KERS). The determination of the Tier of Benefits provided to these employees will be based on the earlier of the date of initial participation in KERS and the 403(b) defined contribution plan maintained by KCTCS. However, there shall be no duplication of benefits and the member will not receive additional benefit service credit prior to the transfer date.

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					
	KERS Non-Hazardous*		KERS Hazardous*		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected Employer Cost* (\$ in Millions)						
30-Yr Nominal \$	\$30,345	\$30,345	\$1,212	\$1,212	N/A	N/A
30-Yr Net Present Value \$	\$15,961	\$15,961	\$586	\$586	N/A	N/A
Proj. Normal Cost for New Hire	3.93% of pay	3.93% of pay	6.87% of pay	6.87% of pay	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					
	KERS Non-Hazardous*		KERS Hazardous*		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL (\$ in Millions)						
Baseline (Year 1)	\$13,585	\$13,585	\$513	\$513	N/A	N/A
5 Years	\$12,300	\$12,300	\$377	\$377	N/A	N/A
10 Years	\$10,863	\$10,863	\$339	\$339	N/A	N/A
20 Years	\$6,649	\$6,649	\$242	\$242	N/A	N/A
30 Years	\$0	\$0	\$0	\$0	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	17%	17%	60%	60%	N/A	N/A
5 Years	24%	24%	73%	73%	N/A	N/A
10 Years	30%	30%	78%	78%	N/A	N/A
20 Years	50%	50%	86%	86%	N/A	N/A
30 Years	100%	100%	100%	100%	N/A	N/A
	Retiree Health Plan					
	KERS Non-Hazardous*		KERS Hazardous*		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL (\$ in Millions)						
Baseline (Year 1)	\$1,283	\$1,283	\$(151)	\$(151)	N/A	N/A
5 Years	\$1,062	\$1,062	\$(241)	\$(241)	N/A	N/A
10 Years	\$996	\$996	\$(303)	\$(303)	N/A	N/A
20 Years	\$811	\$811	\$(512)	\$(512)	N/A	N/A
30 Years	\$0	\$0	\$(898)	\$(898)	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	50%	50%	136%	136%	N/A	N/A
5 Years	62%	62%	152%	152%	N/A	N/A
10 Years	66%	66%	163%	163%	N/A	N/A
20 Years	71%	71%	199%	199%	N/A	N/A
30 Years	100%	100%	255%	255%	N/A	N/A

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

Section III: Brief Summary of Bill

This proposed legislation creates the Kentucky Board of Emergency Medical Services as an independent agency (Agency). The bill also creates a new section of KRS Chapter 311A to provide a 30-day window to allow applicable employees of this Agency who are currently participating in the 403(b) defined contribution plan maintained by Kentucky Community and Technical College System (KCTCS) to: (1) remain in employment with KCTCS and be assigned to provide services to the Agency, or (2) elect to be transferred and employed directly by the Agency.

Employees who elect to be transferred and employed directly by the Agency shall become members of the Kentucky Employees Retirement System (KERS). The determination of the Tier of Benefits provided to these employees will be based on the earlier of the date of initial participation in KERS and the 403(b) defined contribution plan maintained by KCTCS. However, there shall be no duplication of benefits and the member will not receive additional benefit service credit prior to the transfer date.

Section IV: Statement of Assumptions and Methods

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

Please see attached.

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

N/A.



March 14, 2022

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

**Re: Actuarial Analysis of Proposed Legislation HB 777 and its Financial Impact
on the Systems Operated by the Kentucky Public Pensions Authority**

Dear Mr. Eager:

We have reviewed the proposed legislation HB 777 (22 RS BR 303) and the purpose of this letter is to communicate the actuarial analysis of this proposed legislation in regards to the Kentucky Employees Retirement System (KERS).

Summary of Provisions of Proposed Legislation and Cost Impact

The proposed legislation creates the Kentucky Board of Emergency Medical Services as an independent agency (Agency). The bill also provides a 30-day window to allow applicable employees of Kentucky Community and Technical College System (KCTCS) that are assigned to provide services of this new Agency to either: (1) remain in employment with KCTCS and continue earning retirement benefits in the 403(b) defined contribution plan maintained by KCTCS, or (2) elect to be transferred and employed directly by the Agency and earn future retirement and retiree health insurance benefits in the Kentucky Employees Retirement System (KERS). While employees that elect to earn benefits under KERS will receive credit for their initial participation date in the 403(b) plan for the purposes of determining their tier of benefits, there shall be no duplication of benefits and the employee will not receive additional benefit service credit prior to the transfer date.

Cost Impact

We have determined this proposed legislation will not have a fiscal impact on the Kentucky Employees Retirement System (Pension and Retiree Health Insurance).

Basis of Calculations

KPPA is unable to identify the specific KCTCS employees who would be eligible to work with this new Agency and earn benefits in KERS if this proposed legislation becomes enacted. We are also unable to identify whether the new Agency employees would earn Non-Hazardous or Hazardous benefits. However, because any of these new Agency employees will earn benefits prospectively in


Mr. David Eager
March 14, 2022
Page 2

KERS there will not be a measurable actuarial loss and there will only be an increase in the normal cost, regardless of the number of actual employees who elect to become Agency employees.

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.

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



Janie Shaw, ASA, EA, MAAA