



# KENTUCKY PUBLIC PENSIONS AUTHORITY

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March 7, 2022

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

**RE: Senate Bill 120 (2022 RS BR 1257) – SCS 1 Version**  
**AA Statement Required by KRS 6.350**  
**AA Statement 1 and 2 of 2**

Dear Ms. Carney:

Senate Bill 120 (2022 RS BR 1257) – SCS 1 Version creates a new section of KRS Chapter 158 to allow local boards of education to establish a police department for local school districts and defines the powers, qualifications and appointments or promotions to the ranks of those departments. From a retirement perspective, the bill would amend KRS 158.441(2) to expand the definition of “school resource officer (SRO)”.

Kentucky Public Pensions Authority staff have examined Senate Bill 120 (2022 RS BR 1257). We have determined that the bill will not increase or decrease benefits in any of the systems administered by KPPA. Kentucky Revised Statute 78.530 requires county and local board of education employees, including school resource officers, to report to the County Employees Retirement System (CERS).

The proposed legislation would potentially increase participation in benefits within CERS for any employee which has not previously retired from at least one of the systems administered by the KPPA. If the school board wants the SRO positions within the newly established police department to be considered Hazardous for retirement purposes, they would need to petition the CERS Board of Trustees as they do for other positions today. Simultaneously, the proposed legislation would most certainly negatively impact the amount of employer contributions and health insurance reimbursements received for retired members that are reemployed under the expanded SRO definition. KRS 78.5540 exempts the employer from paying employer contributions on creditable compensation earned by an SRO as defined by 158.441 during the period of reemployment and from the requirement to reimburse the systems for the cost of the health insurance premiums paid by the systems to provide coverage for the retiree.

Senate Bill 120 (2022 RS BR 1257) – SCS 1 Version would potentially increase the unfunded actuarial liability of the CERS pension plan if an SRO averages 80 or more hours a month over actual days worked in a fiscal year and has not previously retired from one of the systems administered by the KPPA. However, assuming that employers continue to pay the full Actuarially Required Contribution (ARC), there should be no adverse impact on the CERS pension plan administered by the Authority since the increase in the actuarial liability should be offset by employee and employer contributions and investment returns. Likewise, retired members who are reemployed as SROs would not increase the unfunded actuarial liability of the CERS pension plan, however the exemption of employer contributions and reimbursement of the cost of the health insurance premiums to the plans which would otherwise be utilized to pay down the unfunded liability is forfeited.

In accordance with KRS 6.350(2)(c), Kentucky Public Pensions Authority certifies the following:

1. The estimated number of individuals affected is difficult to determine since they would have to meet the qualifications of a school resource officer as defined by KRS 158.441(2). As of June 30, 2021, there are 9,138 active members and 8,814 retired members in the CERS Hazardous plan; 80,378 active members and 63,566 retired members in the CERS Nonhazardous plan;
2. There is no estimated change in benefit payments;
3. There is no estimated increase in employer costs; and
4. There is no estimated increase in administrative expenses.

While the proposed legislation in Senate Bill 120 (2022 RS BR 1257 - SCS 1 Version and others are independently projected to have minimal fiscal impact on the systems administered by KPPA, a pattern of amendments to legislation collectively may become a measurable burden to the systems.

KPPA has not requested any further actuarial analysis of Senate Bill 120 (RS 2022 BR 1257) – SCS 1 Version by the Authority's independent actuary.

Please let me know if you have any questions regarding our analysis of Senate Bill 120 (2022 RS BR 1257) - SCS 1 Version.

Sincerely,



David L. Eager  
Executive Director  
Kentucky Public Pensions Authority