KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
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Kentucky Public Pensions Authority

March 29, 2022

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

RE: Senate Bill 205 (2022 RS BR 1560) – HCS 1 Version
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 5

Dear Ms. Carney:

The Kentucky Public Pensions Authority (KPPA) had previously provided an Actuarial Analysis of Senate Bill 205 (2022 RS BR 1560) via letter dated February 25, 2022, Senate Bill 205 – SCS 1 Version via letter dated March 7, 2022 and Senate Bill 205 – GA Version via letter dated March 9, 2022. We have now examined the HCS 1 Version of Senate Bill 205 (2022 RS BR 1560).

We have determined that the HCS 1 Version of Senate Bill 205 (22 RS BR 1560) would not impact the previous actuarial analysis statement for this legislation. Therefore, the Actuarial Analysis of Senate Bill 205 (22 RS BR 1560) – GA Version, dated March 9, 2022, is applicable to Senate Bill 205 (22 RS BR 1560) – HCS 1 Version.

We have not requested any further actuarial analysis of Senate Bill 205 (22 RS BR 1560) – HCS 1 Version by the Authority's independent actuary. Please let me know if you have any questions regarding our analysis of House Bill 205 (22 RS BR 1560) – HCS 1 Version.

Sincerely,

David Eager

David L. Eager
Executive Director
Kentucky Public Pensions Authority

March 9, 2022

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

RE: Senate Bill 205 (22 RS BR 1560) – GA Version
AA Statement Required by KRS 6.350

Dear Ms. Carney:

The Kentucky Public Pensions Authority (KPPA) had previously provided an Actuarial Analysis of Senate Bill 205 (22 RS BR 1560) – SCS 1 Version via letter dated March 7, 2022. We have now examined the GA Version of Senate Bill 205 (22 RS BR 1560).

We have determined that the GA Version of Senate Bill 205 (22 RS BR 1560) would not impact the previous actuarial statement provided for this legislation. Therefore, the Actuarial Analysis of Senate Bill 205 (22 RS BR 1560) – SCS 1 Version, dated March 7, 2022, is applicable to Senate Bill 205 (22 RS BR 1560) – GA Version.

We have not requested any further actuarial analysis of Senate Bill 205 (22 RS BR 1560) – GA Version by the Authority's independent actuary. Please let me know if you have any questions regarding our analysis of Senate Bill 205 (22 RS BR 1560) – GA Version.

Sincerely,

David Eager

David L. Eager
Executive Director
Kentucky Public Pensions Authority

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David L. Eager, Executive Director

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Kentucky Public Pensions Authority

March 7, 2022

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

RE: Senate Bill 205 (2022 RS BR 1560) - SCS 1 Version
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 5

Dear Ms. Carney:

The Kentucky Public Pensions Authority (KPPA) had previously provided an Actuarial Analysis of Senate Bill 205 (2022 RS BR 1560) via letter dated February 28, 2022. We have now examined the SCS 1 Version of Senate Bill 205 (2022 RS BR 1560).

We have determined that the SCS 1 Version of Senate Bill 205 (2022 RS BR 1560) would not impact the previous actuarial statement provided for this legislation. Therefore, the Actuarial Analysis of Senate Bill 205 (2022 RS BR 1560), dated February 28, 2022, is applicable to Senate Bill 205 (2022 RS BR 1560) – SCS 1 Version.

We have not requested any further actuarial analysis of Senate Bill 205 (2022 RS BR 1560) – SCS 1 Version by the Systems' independent actuary. Please let me know if you have any questions regarding our analysis of Senate Bill 205 (2022 RS BR 1560) – SCS 1 Version.

Sincerely,

David Eager

David L. Eager
Executive Director
Kentucky Public Pensions Authority

KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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Kentucky Public Pensions Authority

February 28, 2022

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

RE: Senate Bill 205 (2022 RS BR 1560)
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 5

Dear Ms. Carney:

Senate Bill 205 (2022 RS BR 1560) declares findings regarding the financial harms of boycotting energy companies for dealing in fossil-fuel based energy and requires the State Treasurer to publish, maintain, and update a list of financial companies engaged in energy company boycotts. The bill requires state governmental entities to notify the Treasurer of the listed financial companies in which the state governmental entity owns direct or indirect holdings and requires state governmental entities to inform and warn listed financial companies that they may become subject to divestment by the state governmental agency unless they clarify their actions or cease their energy company boycott. State governmental entities would be required to divest from the listed financial company if it does not cease its energy company boycott in the timeframes established by the bill; however, the bill provides for exceptions from divestment requirements. For example, state governmental entities shall not be required to divest from any holdings in actively or passively managed investment funds or private equity funds; or if the entity determines that those requirements are inconsistent with the governmental entity's constitutional, statutory, or fiduciary duties related to the issuance, incurrence, or management of debt obligations or the deposit, custody, management, borrowing, or investment of funds.

Kentucky Public Pensions Authority (KPPA) staff members have examined Senate Bill 205 (2022 RS BR 1560). KRS 61.650(1)(c)(1) requires KPPA to discharge investment duties "…solely in the interest of the members and beneficiaries…" and KRS 61.650(1)(c)(4) requires the duties to be executed "…impartially, taking into account any differing interests of members and beneficiaries…" Senate Bill 205 (2022 RS BR 1560) takes these restrictions into consideration and carves out exemptions that would allow KPPA to remain in compliance with KRS 61.650. Therefore, we have determined that the bill will not increase or decrease benefits or the participation in benefits in the KERS, CERS, or SPRS systems. Furthermore, Senate Bill 205 (2022 RS BR 1560) will not change the actuarial liability of the KERS, CERS, or SPRS systems.

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

1. The estimated number of individuals affected as of June 30, 2021 are 123,809 active; 155,506 inactive; and 121,728 retired members in the systems operated by KPPA;

2. There is no estimated change in benefit payments;

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 Senate Bill 205 (2022 RS BR 1560) by the Authority's independent actuary.

Please let me know if you have any questions regarding our analysis of Senate Bill 205 (2022 RS BR 1560).

Sincerely,

David L. Eager
Executive Director
Kentucky Public Pensions Authority

TEACHERS' RETIREMENT SYSTEM
OF KENTUCKY

GARY L. HARBIN, CPA
Executive Secretary
502/848-8500

ROBERT B. BARNES, JD
Deputy Executive Secretary
Operations and General Counsel

J. ERIC WAMPLER, JD
Deputy Executive Secretary
Finance and Administration

SERVING KENTUCKY TEACHERS SINCE 1940

March 29, 2022

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

RE: 22 RS SB 205 HCS 1
AA Statement 3 of 5

Dear Ms. Carney:

22 RS SB 205 HCS 1, an Act relating to state dealings with companies that engage in energy company boycotts, would, in part, require state governmental entities to divest in financial companies that engage in boycotts of fossil-fuel based energy companies and would further prohibit entering into contracts for goods and services with companies that engage in boycotts of fossil-fuel based energy companies. These provisions would not apply if the state governmental agency determines that the requirements would be inconsistent with its fiduciary responsibility.

22 RS SB 205 HCS 1 would not increase or decrease retirement benefits or increase or decrease participation in benefits. 22 RS SB 205 HCS 1 should not negatively impact the actuarial liability of the system as the bill provides a specific exemption from its provisions if the system determines that those provisions are in conflict with the system's fiduciary responsibility or other duties imposed by law. Accordingly, TRS should still be permitted to invest and contract as required by its fiduciary and legal duties which means investing and contracting in the best interest of its membership, including its current substantial investment in fossil-fuel based energy companies.

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

1. There are approximately 133,000 members of TRS, of which approximately 58,000 are retirees.
2. There would be no increase or decrease in benefits, or participation in benefits.
3. There would be no increase in employer cost.
4. There could be some increase in administrative costs in regard to the bill's reporting requirements.

Please let me know if you have any questions regarding this analysis.

Sincerely,

RBBarnes

Robert B. Barnes
Deputy Executive Secretary of Operations and General Counsel

cc. Mariah Derringer-Lackey