

# Actuarial Analysis Summary

## AA Statement 1 of 1

<b>BR or Bill Ref.</b>	HB 216 (24 RS BR 1170)	<b>Actuarial Analysis Conducted For:</b>			
<b>Date:</b>	1/30/2024	<input checked="" type="checkbox"/> KERS NH	<input checked="" 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 \$84 million, \$6 million, and \$5 million, appropriations to the KERS non-hazardous, KERS hazardous, and SPRS pension funds, respectively, are sufficient and appropriate to fund the one-time supplemental payment in July 2024. As a result, this proposed legislation does not have an impact on the on-going employer contribution requirement for either of the KERS pension funds or the SPRS pension 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					
	KERS Non-Hazardous*		KERS Hazardous*		SPRS*	
	Current	Proposed	Current	Proposed	Current	Proposed
<b>Projected Employer Cost* (\$ in Millions)</b>						
30-Yr Nominal \$	\$26,974	\$26,974	\$1,372	\$1,372	\$1,340	\$1,340
30-Yr Net Present Value \$	\$14,531	\$14,531	\$672	\$672	693	693
Proj. Normal Cost for New Hire	4.22% of pay	4.22% of pay	6.66% of pay	6.66% of pay	17.84% of pay	17.84% of pay

\*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*		SPRS	
	Current	Proposed	Current	Proposed	Current	Proposed
<b>Projected UAL (\$ in Millions)</b>						
Baseline (Year 1)	\$12,752	\$12,752	\$472	\$472	\$502	\$502
5 Years	\$11,525	\$11,525	\$424	\$424	\$462	\$462
10 Years	\$10,012	\$10,012	\$337	\$337	\$424	\$424
20 Years	\$5,484	\$5,484	\$232	\$232	\$312	\$312
30 Years	\$0	\$0	\$0	\$0	\$0	\$0
<b>Projected Funding Ratio (%)</b>						
Baseline (Year 1)	22%	22%	65%	65%	54%	54%
5 Years	28%	28%	72%	72%	59%	59%
10 Years	34%	34%	77%	77%	62%	62%
20 Years	58%	58%	89%	89%	73%	73%
30 Years	100%	100%	100%	100%	100%	100%

	Retiree Health Plan					
	KERS Non-Hazardous*		KERS Hazardous*		SPRS	
	Current	Proposed	Current	Proposed	Current	Proposed
<b>Projected UAL (\$ in Millions)</b>						
Baseline (Year 1)	\$344	\$344	\$(256)	\$(256)	\$(1)	\$(1)
5 Years	\$328	\$328	\$(320)	\$(320)	\$(8)	\$(8)
10 Years	\$439	\$439	\$(422)	\$(422)	\$0	\$0
20 Years	\$727	\$727	\$(763)	\$(763)	\$21	\$21
30 Years	\$0	\$0	\$(1,406)	\$(1,406)	\$0	\$0
<b>Projected Funding Ratio (%)</b>						
Baseline (Year 1)	82%	82%	170%	170%	100%	100%
5 Years	84%	84%	185%	185%	103%	103%
10 Years	78%	78%	214%	214%	100%	100%
20 Years	60%	60%	305%	305%	89%	89%
30 Years	100%	100%	424%	424%	100%	100%

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

### Section III: Brief Summary of Bill

The proposed legislation provides recipients of a monthly retirement allowance from the Kentucky Employees Retirement System or the State Police Retirement System a one-time supplemental payment added to their July 2024 retirement allowance payment, equal to the monthly retirement allowance the recipient receives from the system in the month of June 2024.

#### **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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N/A

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

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Please see attached.



January 30, 2024

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

**Re: Actuarial Analysis of Proposed Legislation HB 216 (24 RS BR 1170) and its Financial Impact on the Systems Maintained by KPPA**

Dear Mr. Eager:

We have reviewed the proposed legislation HB 216 (24 RS BR 1170), and the purpose of this letter is to communicate the actuarial analysis of this legislation in regards to the five Systems administered by the Kentucky Public Pensions Authority (KPPA).

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

The proposed legislation provides recipients of a monthly retirement allowance from the Kentucky Employees Retirement System (KERS) or the State Police Retirement System (SPRS) a one-time supplemental payment added to their July 2024 retirement allowance payment, equal to the monthly retirement allowance the recipient receives from the system in the month of June 2024. This payment is often referred to as a 13th Check.

The proposed legislation further appropriates \$84 million to the KERS non-hazardous pension fund, \$6 million to the KERS hazardous pension fund, and \$5 million to the SPRS pension fund in FYE 2024 in order to fund the proposed payments.

**The appropriations in the proposed legislation are sufficient and appropriate to fund the one-time supplemental payment in July 2024. As a result, this proposed legislation does not have an impact on the on-going employer contribution requirement for either of the KERS pension funds or the SPRS pension fund.**

Additionally, since the stipend is a one-time payment, the cost is immediately incurred and distributed. As such, there is no impact to the long-term cost of the pension funds.

The table below provides the number of annuitants in each pension fund as well as the estimated average one-time payment that would be provided to each annuitant.

Pension Fund	Number of Annuitants	Average Stipend Amount
KERS Non-Hazardous	48,409	\$1,738
KERS Hazardous	4,887	\$1,277
SPRS	1,697	\$3,108

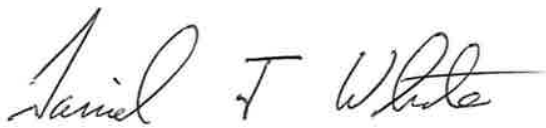
Note: Demographics based on the census data as of July 1, 2023

### Basis of Calculations

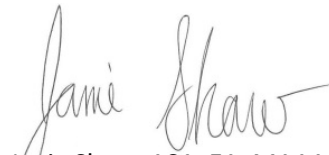
GRS based the calculations and analysis in this letter on the member data provided by KPPA for use in performing the actuarial valuation as of June 30, 2023. Since the stipend is a one-time benefit, there are not any significant assumptions or methods required to determine the fiscal cost.

All three of the undersigned are 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 herein. In addition, all three are independent of KPPA and are experienced in performing valuations for large public retirement systems. This communication shall not be construed to provide tax advice, legal advice or investment advice.

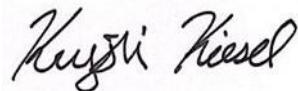
Sincerely,  
**Gabriel, Roeder, Smith & Company**



Daniel J. White, FSA, EA, MAAA  
Senior Consultant and Actuary



Jamie Shaw, ASA, EA, MAAA  
Consultant and Actuary



Krysti Kiesel, ASA, MAAA  
Consultant and Actuary

