

Actuarial Analysis Summary

AA Statement 1 of 1

BR or Bill Ref. HB 416/BR 147 **Actuarial Analysis Conducted For:** _____

Date: 2/22/2024 KERS NH KERS Haz SPRS TRS

Actuary: GRS 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:

Not applicable.

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					
	CERS Non-Hazardous*		CERS Hazardous*		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected Employer Cost* (\$ in Millions)						
30-Yr Nominal \$	\$19,620	\$19,620	\$8,745	\$8,745	N/A	N/A
30-Yr Net Present Value \$	\$8,774	\$8,774	\$3,896	\$3,896	N/A	N/A
Proj. Normal Cost for New Hire	4.04% of pay	4.04% of pay	8.25% of pay	8.25% 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
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	CERS Non-Hazardous		CERS Hazardous		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL (\$ in Millions)						
Baseline (Year 1)	\$6,711	\$6,711	\$2,842	\$2,842	N/A	N/A
5 Years	\$6,442	\$6,442	\$2,735	\$2,735	N/A	N/A
10 Years	\$6,101	\$6,101	\$2,560	\$2,560	N/A	N/A
20 Years	\$4,055	\$4,055	\$1,614	\$1,614	N/A	N/A
30 Years	\$0	\$0	\$0	\$0	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	56%	56%	51%	51%	N/A	N/A
5 Years	61%	61%	58%	58%	N/A	N/A
10 Years	65%	65%	65%	65%	N/A	N/A
20 Years	79%	79%	82%	82%	N/A	N/A
30 Years	100%	100%	100%	100%	N/A	N/A
	Retiree Health Plan					
	CERS Non-Hazardous		CERS Hazardous		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL (\$ in Millions)						
Baseline (Year 1)	(\$806)	(\$806)	(\$11)	(\$11)	N/A	N/A
5 Years	(\$867)	(\$867)	(\$10)	(\$10)	N/A	N/A
10 Years	(\$976)	(\$976)	\$42	\$42	N/A	N/A
20 Years	(\$1,457)	(\$1,457)	\$229	\$229	N/A	N/A
30 Years	(\$2,391)	(\$2,391)	\$0	\$0	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	132%	132%	101%	101%	N/A	N/A
5 Years	130%	130%	101%	101%	N/A	N/A
10 Years	131%	131%	97%	97%	N/A	N/A
20 Years	138%	138%	85%	85%	N/A	N/A
30 Years	147%	147%	100%	100%	N/A	N/A

Section III: Brief Summary of Bill

The proposed legislation provides numerous provisions that impact EMS professionals. Section 4. Subsection 1. of the proposed legislation provides: "An eligible ambulance service shall be entitled to receive an annual supplement of four thousand eight hundred dollars (\$4,800) for each qualified, full-time EMS professional it employs, plus an amount equal to the required employer's

contribution on the supplement to the defined benefit pension plan, or to a plan qualified under Section 401(a) or 457."

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 **YES** **NO** actuarial valuation?

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

The proposed legislation would have negligible impact on the unfunded actuarial accrued liability and the employer contribution requirement for CERS because the number of EMS professionals earning benefits in CERS is relatively small and the increase in the pensionable earnings of the EMS professionals is also relatively small in relation to the total membership and payroll in the NonHazardous and Hazardous Fund.

Based on data provided by KPPA, there are approximately 1,248 full-time EMS professionals earning benefits in CERS (683 Hazardous and 565 Non-Hazardous). This will increase the compensation in the Hazardous System by \$3.3 million (i.e. 0.5% of total membership payroll) and the Non-Hazardous System by \$2.7 million (i.e. 0.1% of total membership payroll).

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



February 22, 2024

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

Re: Actuarial Analysis of Proposed Legislation HB 416 (24 RS BR 147) and its Financial Impact on the County Employees Retirement System

Dear Mr. Eager:

We have reviewed the proposed legislation HB 416 (24 RS BR 147), and the purpose of this letter is to communicate the actuarial analysis of this legislation in regards to the County Employees Retirement System (CERS) administered by the Kentucky Public Pensions Authority (KPPA).

Summary of Provisions of Proposed Legislation and Fiscal Impact

The proposed legislation provides numerous provisions that impact EMS professionals. Section 4. Subsection 1. of the proposed legislation provides: *“An eligible ambulance service shall be entitled to receive an annual supplement of four thousand eight hundred dollars (\$4,800) for each qualified, full-time EMS professional it employs, plus an amount equal to the required employer's contribution on the supplement to the defined benefit pension plan, or to a plan qualified under Section 401(a) or 457.”*

The proposed legislation would have negligible impact on the unfunded actuarial accrued liability and the employer contribution requirement for CERS because the number of EMS professionals earning benefits in CERS is relatively small and the increase in the pensionable earnings of the EMS professionals is also relatively small in relation to the total membership and payroll in the Non-Hazardous and Hazardous Fund.

Based on data provided by KPPA, there are approximately 1,248 full-time EMS professionals earning benefits in CERS (683 Hazardous and 565 Non-Hazardous). This will increase the compensation in the Hazardous System by \$3.3 million (i.e. 0.5% of total membership payroll) and the NonHazardous System by \$2.7 million (i.e. 0.1% of total membership payroll).

Basis of Calculations

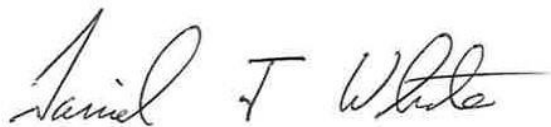
GRS based the analysis using the data provided by KPPA. Our calculations are based upon assumptions regarding future events, which may or may not materialize. Depending on actual plan experience, actual results could deviate significantly from our projections.

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. Our analysis does not reflect the possible fiscal impact of other sections in this proposed legislation that are not related to KPPA.

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

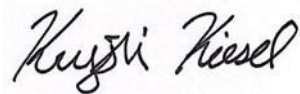


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