

February 20, 2025

Mr. Robert B. Barnes
Deputy Executive Secretary and General Counsel
Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, KY 40601-3800

Re: Actuarial Analysis of House Bill 441

Dear Beau:

We have prepared an actuarial analysis of the impact of House Bill 441 on the Teachers' Retirement System of the State of Kentucky (TRS).

Background

Under House Bill 441, KRS 161.605 is amended as follows:

- Increase the number of Full-Time positions from 3% to 10% of a district's Full-Time TRS-participating employees,
- Remove the requirement that districts certify there are no other qualified applicants before hiring a retiree Full-Time,
- Increase the number of Critical Shortage positions from 1% to 10% and a base minimum of 2 positions per district to 4, and
- Eliminate the "waiver" program where a retiree can waive their retirement allowance and have their original retirement annuity recalculated with additional service and higher salaries.

Actuarial Analysis

House Bill 441 changes the return to work provisions for TRS. Per TRS staff, there are very few, if any, districts that are bumping up against the 3% threshold for Full-Time employees currently so increasing this limit to 10% will have a de minimus impact to TRS.

In addition, the districts are required to pay the actuarial cost of Critical Shortage positions so many districts do not take advantage of this provision, so increasing this limit does not have an impact to TRS either.

Lastly, per TRS staff, there are less than 100 retirees who have currently waived their retirement allowance and had their original benefit recalculated with additional service and higher salaries. Eliminating this "waiver" will have no impact on our liabilities as we do not have an assumption for retirees to do this.



Mr. Robert B. Barnes
February 20, 2025
Page 2

Therefore, since we believe most of these amendments to KRS 161.605 would be de minimus in nature, we believe there is no actuarial impact to the Retirement Annuity Trust, the Health Insurance Trust, or the Life Insurance Trust under TRS for House Bill 441.

Actuarial Assumptions

Any cost estimates contained in this letter are based on the data, methods, assumptions, and provisions used in the June 30, 2024 actuarial valuations for TRS, except as noted. In order to prepare the results in this letter, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

This cost analysis has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statement of Actuarial Opinion of the American Academy of Actuaries.

We have not explored any legal issues with respect to the proposed plan analysis. We are not attorneys and cannot give legal advice on such issues. We recognize that the proposed changes may be affected by federal law and strongly suggest that you review this proposal with counsel.

The undersigned, Edward J. Koebel and Alisa Bennett, are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions, please do not hesitate to contact us.

Sincerely,

Edward J. Koebel, EA, FCA, MAAA
Chief Executive Officer

Alisa Bennett, FSA, EA, FCA, MAAA
President