March 24, 2026

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 642 / GA (26 RS BR 2029)

Dear Beau:

We have prepared an actuarial analysis of the impact of House Bill 642 / GA (26 RS BR 2029) on the Teachers' Retirement System of the State of Kentucky (TRS). This legislation is a housekeeping bill but certain aspects of the bill may have an actuarial impact to TRS.

Background

In summary, House Bill 642 (HB 642) Committee Substitute would:

1. amend KRS 161.520 to remove the requirement for dependent children over the age of 18 to have their mental or physical condition approved by a majority of a medical review committee to receive survivor benefits;

2. amend KRS 161.605 to raise the minimum amount a retired reemployed member may earn per day from $170 to $200, remove the provision for returning to work 1 month earlier if the member forfeits 1 month of their retirement benefit, reinstate the pension waiver program and prohibit members returning to work under its provisions from returning to work as administrators, and make technical changes;

3. amend KRS 161.608 to clarify that the Teachers' Retirement System (TRS) will acknowledge a member's earliest participation date in another state administered retirement system to determine benefit tier;

4. amend KRS 161.620 to allow a member who is a parent to apply for and manage payments to a disabled child without necessity of a court order or other legal authority;

Cost Impact

In this section, we will summarize our thoughts on each of the proposed amendments in HB 642 and its impact on TRS.

1. This amendment will not impact any of our liabilities as we don't believe removing the requirement of a medical review committee will produce any more or less dependent children receiving survivor benefits.

2. Per TRS staff, this amendment is not believed to entice active members to retire earlier than currently anticipated, so therefore, it will not impact any of our liabilities and have no actuarial impact on TRS.

3. This amendment may potentially impact the projections of TRS as we currently assume that all new entrants to TRS hired on or after January 1, 2022 will become TRS 4 members. Per TRS staff, we believe the number of hires into TRS who would qualify under this amendment would be small, so we deem this amendment to be not material to TRS.

4. This amendment will not impact any of our liabilities so there is no cost on this amendment.

Actuarial Assumptions

Any cost estimates contained in this letter are based on the data, methods, assumptions, and provisions used in the June 30, 2025 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