

Kentucky Judicial Form Retirement System

JUDICIAL RETIREMENT PLAN
LEGISLATORS RETIREMENT PLAN

Donna S. Early
Executive Director

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MEMORANDUM

To: Katie Carney
Office of Fiscal Statement Review

From: Donna S. Early, Executive Director

RE: **BR 1005 HB 185 GA**
AA Statement 1 & 2 of 4

Date: March 15, 2018

I have examined **2018 HB 185 (BR 1005)** and have formed the opinion that the proposal contained in HB 185 will insignificantly, if at all, *increase or decrease the benefits or increase or decrease participation in the benefits or change the actuarial accrued liability* of the Judicial Retirement Plan or the Legislators Retirement Plan. Consequently, I have not requested an actuarial analysis by the System's independent actuary.

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

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

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



SERVING KENTUCKY TEACHERS SINCE 1940

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

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

March 20, 2018

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

RE: BR 1005 HB 185 GA
AA Statement 3 of 4

Dear Ms. Carney:

HB 185 GA, an Act relating to death-in-the-line-of-duty benefits and declaring an emergency, in part amends KRS 61.621 to increase the survivor benefit payable to a surviving spouse under that statute from 25% of the member's monthly average pay, to 75% of the member's monthly average pay. The bill further provides that in the event of a line-of-duty-related death, each surviving dependent child, if there is a surviving spouse, shall receive 10% of the average monthly pay, except that the payments to the surviving spouse and children shall not exceed 100% of the deceased member's monthly average pay, and the combined payments to the surviving children, if the spouse while the spouse is living, shall not exceed 25% of the deceased member's monthly average pay. If there is no surviving spouse, and there is one dependent child surviving, 50% of the member's monthly average pay shall be payable to the child. If there are two dependent children, 65% of the member's monthly average pay shall be paid to them, and if there are three or more children, 75% of the member's monthly average pay shall be payable. HB 185 GA reduces the benefit to the surviving spouse to 25% upon remarriage of the surviving spouse.

TRS has examined HB 185 GA and determined that it would increase retirement benefits for survivors of members who suffer death from a "duty-related" incident. However, since KRS 61.621 first became effective on June 1, 2000, TRS has had only one survivor to receive benefits under this statute as a result of the death of a member due to a duty-related injury. TRS has spoken with its actuary and, given the low incidence of the payment of this benefit, it has no material impact on the funded liability of the pension fund.

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

1. There has only been one survivor eligible for benefits due to a duty-related death of a member since the effective date of this statute.

2. The change in benefits would be that a surviving spouse would receive 75%, instead of 25% of the deceased member's monthly average benefit, if the survivor has not remarried. Surviving children, if there is a surviving spouse, shall receive 10% of the average monthly pay, except that the payments to the surviving spouse and children shall not exceed 100% of the deceased member's monthly average pay, and the combined payments to the surviving children, if the spouse while the spouse is living, shall not exceed 25% of the deceased member's monthly average pay. If there is no surviving spouse, and there is one dependent child surviving, 50% of the member's monthly average pay shall be payable to the child. If there are two dependent children, 65% of the member's monthly average pay shall be paid to them, and if there are three or more children, 75% of the member's monthly average pay shall be payable.
3. The increase in employer costs for TRS would be an additional \$27,501 per year for the life of the survivor if the survivor has not remarried, or until the survivor remarries.
4. There would be no change in administrative expenses.

Accordingly, TRS has not requested any further actuarial analysis of this bill by its independent actuary.

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

Sincerely,



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

cc. Kate Talley

March 15, 2018

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

**RE: BR 1005 HB 185 GA
AA Statement 4 of 4**

Dear Ms. Carney:

House Bill 185 (2018 RS BR 1005) makes several amendments to Kentucky Revised Statute chapters 16, 61, and 78 regarding death in line of duty benefits for participants in Kentucky Retirement Systems. House Bill 185 also contains an Emergency clause.

Kentucky Retirement Systems (KRS) had previously provided an actuarial impact of the proposed legislation on January 31, 2018 and an Amended Analysis on February 15, 2018. The Amended Analysis was based on the assumption that 10% of active member deaths were in-line of duty across all of the plans (hazardous and non-hazardous).

While the Amended Analysis from February 15, 2018 is still applicable, we wanted to provide additional information that shows the estimated annualized costs for recipients that the Systems has on record as of March 2018 that would be affected by this bill.

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

Sincerely,

A handwritten signature in black ink that reads "David Eager". The signature is written in a cursive style with a large, stylized "D" and "E".

David L. Eager
Interim Executive Director
Kentucky Retirement Systems

House Bill 185 - Summary of Benefit Changes

- Surviving spouse supersedes unless member signed valid beneficiary form after marriage. Retroactive to January 1, 2017.
- Defines monthly average pay as greater of:
 - A. Final monthly rate of pay, or
 - B. Average of the last 12 months' compensation
- Increases surviving spouse's minimum benefit from 25% to 75% of monthly average pay until death or remarriage.
- If no surviving spouse, increases dependent child payments from 10% of the monthly final pay to monthly average pay:
 - 50% for one dependent
 - 65% for two dependent children
 - 75% for 3 or more children
- Provides that the insurance benefit for the member's spouse and each dependent child shall be paid in full by the systems.

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Death in line of Duty Information

As of March, 2018

Beneficiaries = 50

Dependent Children = 16

Annualized Cost per Beneficiary = \$23,772

Annualized Cost per Dependent = \$3,035

Total Annualized Cost = \$1.237 Million

*Estimated Under HB 185 – Projected based on Eligible Recipients**

Annualized Cost per Beneficiary = \$36,714

Annualized Cost per Dependent = \$ 4,591

Total Annualized Cost = \$1.909 Million

Change = 54%

Prospectively

Higher number of recipients will choose this benefit compared to standard retirement

Benefit expense could increase three fold

*assumes no current beneficiary has remarried

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February 15, 2018

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

**RE: BR 1005 HB 185 – AMENDED
 AA Statement Required by KRS 6.350**

Dear Ms. Carney:

House Bill 185 (2018 RS BR 1005) makes several amendments to Kentucky Revised Statute chapters 16, 61, and 78 regarding death in line of duty benefits for participants in Kentucky Retirement Systems. House Bill 185 also contains an Emergency clause.

On January 31, 2018, Kentucky Retirement Systems (KRS) provided an actuarial impact of the proposed legislation. Since then, KRS staff met with two representatives of the Fraternal Order of Police and have reviewed historical data on deaths in-line of duty. We asked our actuaries to provide an alternative analysis based on the assumption that 10% of active member deaths were in-line of duty across all of the plans (hazardous and non-hazardous). We also asked our actuaries to further review the insurance benefit impact. Our actuaries noted that under HB 185, the minimum income benefit payable to the surviving spouse would increase from 25% of pay to 75% of pay and the surviving spouse would receive 100% subsidized health insurance for the duration of their lifetime (currently only surviving spouses of Tier 1 members receive fully subsidized insurance benefits). Both of these provisions provide an enhanced benefit.

Below is a summary of the fiscal impact for both the pension and insurance funds if the duty-rated death benefit under House Bill 185 (2018 RS BR 1005) is enacted (10% assumption). For purposes of this analysis, the impact below assumes this enhanced death benefit became effective January 1, 2017.

	Retirement Fund				
	KERS NH	KERS H	CERS NH	CERS H	SPRS
Change:					
Unfunded Actuarial Accrued Liability:	\$ 1,905,000	\$ 166,000	\$ 3,303,000	\$ 439,000	\$ 31,000
Funded Ratio:	0.00%	-0.01%	-0.01%	-0.01%	0.00%
Normal Cost Rate:	0.04%	0.04%	0.04%	0.04%	0.04%
Actuarially Determined Contribution:	0.06%	0.06%	0.05%	0.05%	0.05%

	Insurance Funds				
	KERS NH	KERS H	CERS NH	CERS H	SPRS
Change:					
Unfunded Actuarial Accrued Liability	\$ 283,000	\$ 39,000	\$ 523,000	\$ 120,000	10,000
Funded Ratio	0.00%	-0.01%	-0.01%	0.00%	0.00%
Normal Cost	0.01%	0.02%	0.02%	0.01%	0.01%
Actuarially Determined Contribution	0.02%	0.03%	0.02%	0.01%	0.01%

In summary, the bill would cause small increases in the Normal Cost Rate, the Actuarially Determined (Required) Contribution, and the unfunded actuarial liability of the KRS Retirement System plans based on the proposed legislation.

We have not requested any further actuarial analysis of House Bill 185 (2018 RS BR 1005) by the Systems' independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 185 (2018 RS BR 1005).

Sincerely,



David L. Eager
 Interim Executive Director
 Kentucky Retirement Systems