



## KENTUCKY RETIREMENT SYSTEMS

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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 25 HB 32 - AMENDED**  
**AA Statement 1 of 4**  
**AA Statement Required by KRS 6.350**

Dear Ms. Carney:

House Bill 32 (2018 RS BR 25) amends Kentucky Revised Statute chapters 16 and 61 to increase minimum death benefits payable to the surviving spouse of a member of the state-administered retirement systems from 25% to 50% of the deceased member's final rate of pay if the member died as a result of an act occurring in the line of duty. The bill also provides that the surviving spouse will supersede all previously designated beneficiaries in the case of line-of-duty death benefits payable from the systems administered by the Kentucky Retirement Systems unless the member files a valid beneficiary designation form after marriage to his or her spouse; provides that eligible surviving spouses of members who died in the line of duty prior to the effective date of the bill shall receive the increased line of duty death benefits; and provides that a surviving spouse of a hazardous duty member who died as a result of an act occurring in the line of duty on or after January 1, 2017, who was ineligible for the minimum monthly death benefits because he or she was not named beneficiary shall be eligible for the benefits provided by the bill. House Bill 32 also contains an Emergency clause.

On January 30, 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 regarding a similar proposed bill (HB 185) 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) for both HB 185 and HB 32.

Below is a summary of the fiscal impact for both the pension and insurance funds if the duty-rated death benefit under House Bill 32 is enacted (10% assumption). For purposes of this analysis, the impact below assumes this enhanced death benefit became effective January 1, 2017 and the minimum income benefit payable to the surviving spouse would increase from 25% of pay to 50% of pay. There are no changes to the health insurance benefits provided to the surviving spouses.

*BR 25 HB 32 - AMENDED*  
*AA Statement 1 of 4*  
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	Retirement Fund				
	KERS NH	KERS H	CERS NH	CERS H	SPRS
Change:					
Unfunded Actuarial Accrued Liability:	\$ 953,000	\$ 83,000	\$ 1,652,000	\$ 220,000	\$ 15,000
Funded Ratio:	0.00%	0.00%	0.00%	-0.01%	0.00%
Normal Cost Rate:	0.02%	0.02%	0.02%	0.02%	0.02%
Actuarially Determined Contribution:	0.03%	0.03%	0.02%	0.02%	0.02%

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 32 (2018 RS BR 25) by the Systems' independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 32 (2018 RS BR 25).

Sincerely,



David L. Eager  
 Interim Executive Director  
 Kentucky Retirement Systems