

# Actuarial Factor Changes

Effective July 1, 2024

Actuarial factors are occasionally adjusted based on the results of regular Experience Studies conducted by KPPA's independent actuary. These studies compare each plan's actuarial experience to what had been expected to occur (the assumptions) and help ensure the factors remain accurate.

Actuarial factors are used in two main ways:

1. The factors help determine the amount of retirement benefits to be paid under various benefit payment options, including Tier 3 annuity amounts.
2. Actuarial factors are used when calculating the cost of service purchases and Hazardous Conversion Factors.

The [most recent experience study](#) was approved by the CERS and KRS Boards of Trustees in 2022. As a result of changes in the interest rate assumptions, factors will be adjusted effective July 1, 2024. [These factors are published on our website](#). The factors in effect through June 30, 2024 are [available here](#).

## PAYMENT OPTION FACTORS

State law requires all options for receiving a retirement benefit be actuarially equivalent to ensure the various options provide the same level of financial benefit to the member. Depending upon individual circumstances, these factor changes may increase or decrease the benefits payable at the time of retirement.

## SERVICE PURCHASE AND HAZARDOUS CONVERSION FACTORS

This adjustment will impact purchases made on or after July 1, 2024. Depending upon individual circumstances, these factor changes may increase or decrease the cost to purchase service credit. Employees wanting to "lock in" the cost of purchasing service should make a request to the retirement office before July 1, 2024. Once KPPA calculates the cost of service, if the employee fails to make the purchase by the specified deadline in the cost estimate, subsequent cost calculations may be at a higher rate. *Note: Repayments of previously refunded service and contributions for service that was omitted erroneously to KPPA are not subject to this adjustment.*



## TIER 3 ANNUITY FACTORS

A Tier 3 member's accumulated account balance is divided by an actuarial factor to calculate the monthly life annuity option:

| Benefit Formula                                                                                           |                                                                                                         |
|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Accumulated Account Balance                                                                               | ÷ Actuarial Factor                                                                                      |
| Employee Contributions<br>+<br>Base Interest<br>+<br>Employer Pay Credits<br>+<br>Upside Sharing Interest | Age at retirement and type of service<br>(hazardous or nonhazardous)<br>determine the actuarial factor. |

Tier 3 members who are considering retiring soon are encouraged to access their online account at [MyRetirement.ky.gov](http://MyRetirement.ky.gov) to calculate benefit estimates to see how these changes might affect their estimated retirement payment. [Learn more about Tier 3 benefits](#)

## ONLINE CALCULATORS

Members are encouraged to visit [Member Self Service](#) to determine any impact the factor changes may have on retirement estimates or service purchase costs.