

Kentucky Retirement Systems



Cash Flow Review

**Public Pension Oversight Board
November 26, 2018**



Cash Flow Trends

Pension Fund Cash Flows:

- Combined Pension Plans increased in value by \$298 million in the first Quarter FY 2019.
- First Quarter FY 2019 Cash flow for the KERS Pension Plans was:
 - Up \$66.8M without Investments vs -\$34.6M in FY 2018.
 - Up \$127.7M with Investments vs \$57.3M in FY 2018.
 - Benefitting from the higher contribution rates.
 - \$30M lost due to Quasi agencies only paying prior years rate.
- Cash flow for the CERS Pension Plans was:
 - Down \$87.5M without Investments.
 - Up \$125.7M with Investments.
 - Phase in of contribution rates hurt.
- Market decline in October/November will hurt
 - October Investment returns approximately -3.43%, FYTD -1.21%.



Cash Flow Trends

KRS is still relying on contributions as a percentage of payroll



	<u>Actives</u>	<u>Retirees</u>
KERS Non Hazardous	(2,095)	+1,610
CERS Non Hazardous	(380)	+2,929
SPRS	(17)	+64

	<u>Actual</u>	<u>Assumption</u>
KERS Non Hazardous	(3.9%)	0.0%
CERS Non Hazardous	0.6%	2.0%
SPRS	0.4%	0.0%



CASH FLOW – Pension Fund KERS Non Hazardous

For the Fiscal Year Ended of June 30, 2018 (compared to June 30, 2017)
and the Quarter Ended September 30, 2018 (compared to September 30, 2017)
(\$ in millions)

				
Contributions	FY17	FY18	Q1 FY18	Q1 FY19
<i>Member Contributions</i>	\$105.7	\$110.8	\$27.4	\$25.2
<i>Employer Contributions/Appropriations/Cessation</i>	757.1	689.1	183.6	287.8
<i>Northern Trust Settlement</i>	-	0.3	-	-
<i>Investment Income (Net of Expenses)</i>	50.9	34.6	10.8	6.3
Total Cash Inflows	913.7	834.8	221.8	319.3
<i>Benefit Payments/Refunds</i>	960.3	981.0	242.5	247.6
<i>Administrative Expenses</i>	11.0	10.7	3.1	2.5
Total Cash Outflows	971.3	991.7	245.5	250.1
NET Cash Flow Before Gains/(Losses)	(57.6)	(156.9)	(23.8)	69.2
<i>Investment Gains or (Losses)</i>	170.1	113.0	58.2	39.8
Change in Net Plan Assets	112.5	(43.9)	34.4	109.0
Beginning of Period	\$1,980.3	\$2,092.8	\$2,092.8	\$2,048.9
End of Period	\$2,092.8	\$2,048.9	\$2,127.2	\$2,157.9



Note:

- Member contributions include the Health Insurance Contribution (1%) as required by HB1.
- General Fund Appropriations in the amount \$58.2 were received in FY17 and \$68.7 in FY18
- Employer Cessation payments in the amount \$53.2 was received in FY17.
- Per statutory requirements, Tier 3 4% employer pay credit was moved from employer to member contributions.



CASH FLOW – Pension Fund KERS Hazardous

For the Fiscal Year Ended of June 30, 2018 (compared to June 30, 2017)
and the Quarter Ended September 30, 2018 (compared to September 30, 2017)
(\$ in millions)

				
Contributions	FY17	FY18	Q1 FY18	Q1 FY19
<i>Member Contributions</i>	\$18.3	\$18.8	\$4.9	\$4.7
<i>Employer Contributions/Appropriations</i>	53.0	43.7	12.0	16.9
<i>Northern Trust Settlement</i>	-	-	-	-
<i>Investment Income (Net of Expenses)</i>	12.0	9.2	3.0	2.7
Total Cash Inflows	83.3	71.7	19.9	24.3
<i>Benefit Payments/Refunds</i>	63.4	68.1	16.7	17.5
<i>Administrative Expenses</i>	0.9	1.0	0.3	0.2
Total Cash Outflows	64.3	69.1	17.0	17.7
NET Cash Flow Before Gains/(Losses)	19.0	2.6	3.0	6.6
<i>Investment Gains or (Losses)</i>	59.0	42.7	19.9	12.1
Change in Net Plan Assets	78.0	45.3	22.9	18.7
Beginning of Period	\$527.9	\$605.9	\$605.9	\$651.2
End of Period	\$605.9	\$651.2	\$628.8	\$669.9

Note:

- Member contributions include the Health Insurance Contribution (1%) as required by HB1.
- General Fund Appropriations in the amount \$15.0 were received in FY17 and \$10.0 in FY18.
- Decline in Sick Leave Payments from FY17 to FY18.
- Per statutory requirements, Tier 3 4% employer pay credit was moved from employer to member contributions.



CASH FLOW – Pension Fund SPRS

For the Fiscal Year Ended of June 30, 2018 (compared to June 30, 2017)
and the Quarter Ended September 30, 2018 (compared to September 30, 2017)
(\$ in millions)

	SPRS		SPRS	
Contributions	FY19	FY18	Q1 FY18	Q1 FY19
<i>Member Contributions</i>	\$5.5	\$5.7	\$1.6	\$1.2
<i>Employer Contributions/Appropriations</i>	63.2	46.9	13.6	\$19.6
<i>Northern Trust Settlement</i>	-	-	-	-
<i>Investment Income (Net of Expenses)</i>	5.5	4.0	1.3	1.0
Total Cash Inflows	74.2	56.6	16.5	21.8
<i>Benefit Payments/Refunds</i>	56.9	58.8	14.5	15.1
<i>Administrative Expenses</i>	0.2	0.2	0.1	-
Total Cash Outflows	57.1	59.0	14.6	15.1
NET Cash Flow Before Gains/(Losses)	17.1	(2.4)	1.9	6.7
<i>Investment Gains or (Losses)</i>	21.3	14.4	7.2	4.5
Change in Net Plan Assets	38.4	12.0	9.1	11.2
Beginning of Period	\$218.0	\$256.4	\$256.4	\$268.4
End of Period	\$256.4	\$268.4	\$265.5	\$279.6



Note:

- Member contributions include the Health Insurance Contribution (1%) as required by HB1.
- General Fund Appropriations in the amount \$25.0 were received in FY17 and \$10.0 in FY18.
- Per statutory requirements, Tier 3 4% employer pay credit was moved from employer to member contributions.



CASH FLOW – Pension Fund CERS Non Hazardous

For the Fiscal Year Ended of June 30, 2018 (compared to June 30, 2017)
and the Quarter Ended September 30, 2018 (compared to September 30, 2017)
(\$ in millions)

				
Contributions	FY17	FY18	Q1 FY18	Q1 FY19
<i>Member Contributions</i>	\$159.9	\$171.2	\$40.9	\$37.0
<i>Employer Contributions</i>	333.5	358.0	85.9	86.8
<i>Northern Trust Settlement</i>		0.4	-	-
<i>Investment Income (Net of Expenses)</i>	137.7	101.2	34.5	28.7
Contribution Inflow	631.1	630.8	161.3	152.5
<i>Benefit Payments/Refunds</i>	701.9	741.2	182.3	192.0
<i>Administrative Expenses</i>	19.7	19.6	5.8	6.1
Contribution Outflow	721.6	760.8	188.1	198.1
NET Cash Flow Before Gains/(Losses)	(90.5)	(130.0)	(26.8)	(45.6)
<i>Investment Gains or (Losses)</i>	688.2	477.2	221.7	131.0
Change in Net Plan Assets	597.7	347.2	194.9	85.4
Beginning of Period	\$6,141.4	\$6,739.1	\$6,739.1	\$7,086.3
End of Period	\$6,739.1	\$7,086.3	\$6,934.0	\$7,171.7



Note:

- Member contributions include the Health Insurance Contribution (1%) as required by HB1.
- Per statutory requirements, Tier 3 4% employer pay credit was moved from employer to member contributions.



CASH FLOW – Pension Fund CERS Hazardous

For the Fiscal Year Ended of June 30, 2018 (compared to June 30, 2017)
and the Quarter Ended September 30, 2018 (compared to September 30, 2017)
(\$ in millions)

				
Contributions	FY17	FY18	Q1 FY18	Q1 FY19
<i>Member Contributions</i>	\$61.8	\$63.2	\$18.7	\$15.7
<i>Employer Contributions</i>	115.9	127.7	35.7	35.4
<i>Northern Trust Settlement</i>	-	0.1	-	-
<i>Investment Income (Net of Expenses)</i>	44.8	33.4	11.2	9.7
Contribution Inflow	222.5	224.4	65.6	60.8
<i>Benefit Payments/Refunds</i>	229.3	248.3	60.7	64.0
<i>Administrative Expenses</i>	1.4	1.5	0.5	0.3
Contribution Outflow	230.7	249.8	61.2	64.3
NET Cash Flow Before Gains/(Losses)	(8.2)	(25.4)	4.4	(3.5)
<i>Investment Gains or (Losses)</i>	225.7	158.8	73.4	43.8
Change in Net Plan Assets	217.5	133.4	77.8	40.3
Beginning of Period	\$2,010.2	\$2,227.7	\$2,227.7	\$2,361.1
End of Period	\$2,227.7	\$2,361.1	\$2,305.5	\$2,401.4

Note:

- Member contributions include the Health Insurance Contribution (1%) as required by HB1.
- Per statutory requirements, Tier 3 4% employer pay credit was moved from employer to member contributions.