



KPPA

Kentucky Public Pensions Authority

PUBLIC PENSION OVERSIGHT BOARD

Pension & Insurance Cost Projections FY 2023 and FY 2024

September 21, 2021

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Kentucky Public Pensions Authority (KPPA)

Two Cost Components

- ▶ Normal Cost:
 - ▶ The estimated cost for benefits earned by active members during the fiscal year calculated as a % of payroll
- ▶ Unfunded Liability Amortization
 - ▶ The cost to pay this year's portion of the unfunded liability (principal and interest)
 - ▶ As a % of payroll for all plans except for the KERS Non Hazardous
 - ▶ KERS Non Hazardous projected in dollars based on each employer's share of the unfunded liability (UFL)

Two Types of Plans (Data as of 6/30/20)

\$12.7 Billion Pension Assets, 33.6%
Funded

\$5.7 Billion Insurance Assets, 69.8%
Funded

Normal Cost Rates – Pension (FY 22)

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
NORMAL COST RATES - PENSION (Employer's cost for an employee's retirement benefit)					
Tier 1 Cost Before 7/03	8.78%	11.96%	7.90%	13.74%	22.76%
Tier 1 Cost After 7/03	9.16%	11.87%	7.54%	13.55%	22.35%
Tier 2 Cost	6.36%	8.21%	4.73%	10.67%	18.72%
Tier 3 Cost	3.49%	5.14%	3.01%	5.70%	7.18%

Normal Cost Rates – Insurance (FY 22)

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
NORMAL COST RATES	INSURANCE (Employer's cost for an employee's insurance benefit)				
Tier 1 Cost Before 7/03	4.10%	12.29%	5.11%	12.05%	15.78%
Tier 1 Cost After 7/03	2.28%	4.39%	3.20%	3.63%	4.60%
Tier 2 Cost	0.53%	1.94%	1.09%	1.83%	2.73%
Tier 3 Cost	0.37%	1.68%	1.05%	1.94%	2.51%

Average Normal Costs (FY 22)

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
AVERAGE NORMAL COST PENSION	7.90%	8.84%	6.46%	11.00%	19.04%
AVERAGE NORMAL COST INSURANCE	2.20%	4.06%	2.69%	4.90%	7.40%
Total Pension & Insurance	10.10%	12.90%	9.15%	15.90%	26.44%

Unfunded Liability Costs (FY 22)

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
Pension	67.42%	24.59%	17.42%	32.23%	108.95%
Insurance	7.51%	-4.94%	1.48%	3.83%	10.67%
Total Unfunded Liability Cost	74.93%	19.65%	18.90%	36.06%	119.62%

Total Normal & Unfunded Liability Costs (FY 22)

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
Total Normal Cost	10.10%	12.90%	9.15%	15.90%	26.44%
Total Unfunded Liability Cost	74.93%	19.65%	18.90%	36.06%	119.62%
Total Normal & Unfunded Liability Costs	85.03%	33.43%*	28.05%	51.96%	146.06%

*Amounts do not add due to insurance fund rate being less than 0% of pay. Pension required contribution rate is 33.43% of pay and insurance required contribution rate is set to 0%.

Employer Required Contributions

KERS Hazardous	Estimated FY 23 and FY 24	FY 22
PENSION	31.62%	33.43%
INSURANCE	0.00%	0.00%
Total Pension & Insurance	31.62%	33.43%

SPRS	Estimated FY 23 and FY 24	FY 22
PENSION	125.32%	127.99%
INSURANCE	16.45%	18.07%
Total Pension & Insurance	141.77%	146.06%

Employer Required Contributions

CERS Non-Hazardous	Estimated FY 23	FY 22
PENSION	23.08%	22.78%
INSURANCE	3.85%	4.17%
Total Pension & Insurance	26.93%*	26.95%

CERS Hazardous	Estimated FY 23	FY 22
PENSION	41.69%	35.60%
INSURANCE	7.96%	8.73%
Total Pension & Insurance	49.65%**	44.33%

*Phase-In Complete

**One more year of Phase-In (50.26%)

Executive Branch Employer Calculation Inputs

KERS Non-Hazardous	Estimated FY 23	FY 22
Normal Cost	10.10%	10.10%
Total UFL Amortization	\$1,002,658,642	\$1,022,724,699
Executive Branch UFL Amortization	\$766,971,308	\$784,690,828



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