



# KPPA

Kentucky Public Pensions Authority

## Public Pension Oversight Board

### Investment Returns and Cash Flows

Data for periods ending June 30, 2022

August 22, 2022

**David Eager, Executive Director**

**Kentucky Public Pensions Authority (KPPA)**

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**Kentucky Public Pensions Authority (KPPA)**



# KPPA

Kentucky Public Pensions Authority

## KPPA HIGHLIGHTS

FISCAL YEAR 2022

➤ FY 2022 market losses were across the Board

Wilshire 5000 Index - 13.2%

MSCI ACWL Ex US Index - 19.4%

Wilshire Bond Index - 10.3%

Wilshire TUC Universe -10.6%

➤ FY 2022 -5.73% (the worst year since 2009 -17.2%)

➤ Exceeded our benchmarks in 85% of the 1, 3, 5, and 10 year periods



# KPPA

Kentucky Public Pensions Authority

## KPPA HIGHLIGHTS

FISCAL YEAR 2022 (continued)

- Net cash flows positive in all pension funds except CERS NH (\$-12.7 Mil)
- \$215 Mil SPRS appropriation reduced the contribution rate from 140.51% to 99.43% and raised the funded status from 30.7% to 51.1%
- A number of asset allocations are outside of their ranges
  - Cash infusions that have not been fully invested
  - Real estate and Equity targets increased by the Boards
  - All making progress to be compliant

# Pension – Investment Returns

For the period ending June 30, 2022

Net of Fees Rates of Return							
	Market Value (\$ in millions)	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
<b>KERS Non-Hazardous</b>	<b>\$2,992.9</b>	<b>-5.2%</b>	<b>6.0%</b>	<b>6.2%</b>	<b>7.0%</b>	<b>6.5%</b>	<b>7.7%</b>
<i>Plan Index</i>		-4.8%	5.1%	5.7%	6.9%	6.5%	7.6%
<b>KERS Hazardous</b>	<b>\$815.6</b>	<b>-6.0%</b>	<b>5.9%</b>	<b>6.4%</b>	<b>7.3%</b>	<b>6.6%</b>	<b>7.8%</b>
<i>Plan Index</i>		-5.2%	6.1%	6.3%	7.2%	6.7%	7.7%
<b>CERS Non-Hazardous</b>	<b>\$7,948.7</b>	<b>-5.9%</b>	<b>6.1%</b>	<b>6.5%</b>	<b>7.3%</b>	<b>6.6%</b>	<b>7.8%</b>
<i>Plan Index</i>		-6.4%	5.6%	6.1%	7.1%	6.6%	7.7%
<b>CERS Hazardous</b>	<b>\$2,703.1</b>	<b>-6.1%</b>	<b>5.9%</b>	<b>6.5%</b>	<b>7.3%</b>	<b>6.6%</b>	<b>7.8%</b>
<i>Plan Index</i>		-6.4%	5.6%	6.1%	7.1%	6.6%	7.7%
<b>SPRS</b>	<b>\$542.4</b>	<b>-4.6%</b>	<b>5.9%</b>	<b>6.2%</b>	<b>6.9%</b>	<b>6.4%</b>	<b>7.6%</b>
<i>Plan Index</i>		-4.8%	5.1%	5.7%	6.8%	6.5%	7.6%

# Insurance - Investment Returns

For the period ending June 30, 2022

## Net of Fees Rates of Return

	Market Value (\$ in millions)	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
<b>KERS Non-Hazardous</b>	<b>\$1,288.6</b>	<b>-6.2%</b>	<b>5.9%</b>	<b>6.1%</b>	<b>6.9%</b>	<b>6.1%</b>	<b>6.8%</b>
<i>Plan Index</i>		-4.9%	5.9%	6.2%	7.2%	6.6%	7.2%
<b>KERS Hazardous</b>	<b>\$579.5</b>	<b>-4.5%</b>	<b>6.1%</b>	<b>6.6%</b>	<b>7.3%</b>	<b>6.3%</b>	<b>6.9%</b>
<i>Plan Index</i>		-4.9%	5.7%	6.2%	7.2%	6.6%	7.2%
<b>CERS Non-Hazardous</b>	<b>\$3,004.3</b>	<b>-5.4%</b>	<b>5.8%</b>	<b>6.5%</b>	<b>7.2%</b>	<b>6.3%</b>	<b>6.9%</b>
<i>Plan Index</i>		-6.2%	5.2%	5.9%	7.0%	6.5%	7.1%
<b>CERS Hazardous</b>	<b>\$1,508.5</b>	<b>-5.0%</b>	<b>6.0%</b>	<b>6.6%</b>	<b>7.3%</b>	<b>6.3%</b>	<b>6.9%</b>
<i>Plan Index</i>		-6.2%	5.2%	5.9%	7.1%	6.5%	7.1%
<b>SPRS</b>	<b>\$229.0</b>	<b>-4.5%</b>	<b>6.4%</b>	<b>6.9%</b>	<b>7.4%</b>	<b>6.4%</b>	<b>6.9%</b>
<i>Plan Index</i>		-4.9%	5.7%	6.2%	7.2%	6.6%	7.2%

**Pension Fund Contribution Report**  
**(KERS Non Hazardous, KERS Hazardous & SPRS)**  
For the twelve month period ending June 30, 2022 and June 30, 2021  
(\$ in millions)

						
<b>Contributions</b>	<b>FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21</b>
<i>Member Contributions</i>	\$89.6	\$90.2	\$20.6	\$20.0	\$4.8	\$4.8
<i>Employer Contributions</i>	141.1	958.6	59.1	62.2	62.3	59.3
<i>Actuarially Accrued Liability Contributions</i>	912.7	-	-	-	-	-
<i>General Fund Appropriations</i>	-	-	-	-	215.0	0.4
<i>Employer Cessation Contributions</i>	63.1	175.6	-	-	-	-
<i>Net Investment Income</i>	52.7	50.6	15.1	13.9	6.3	5.9
<b>Contribution Inflows</b>	<b>1,259.2</b>	<b>1,275.0</b>	<b>94.8</b>	<b>96.1</b>	<b>288.4</b>	<b>70.4</b>
<i>Benefit Payments/Refunds</i>	1,035.5	1,018.5	82.0	78.3	64.4	63.5
<i>Administrative Expenses</i>	13.5	11.6	1.5	1.3	0.3	0.2
<b>Contribution Outflows</b>	<b>1,049.0</b>	<b>1,030.1</b>	<b>83.5</b>	<b>79.6</b>	<b>64.7</b>	<b>63.7</b>
<b>NET Contributions</b>	<b>210.2</b>	<b>244.9</b>	<b>11.3</b>	<b>16.5</b>	<b>223.7</b>	<b>6.7</b>
<i>Realized and Unrealized Gain/(Loss)</i>	(218.6)	477.9	(67.0)	161.0	(28.5)	56.0
<b>Change in Net Position</b>	<b>(8.4)</b>	<b>722.8</b>	<b>(55.7)</b>	<b>177.5</b>	<b>195.2</b>	<b>62.7</b>
<i>Beginning of Period</i>	<b>3,085.0</b>	<b>2,362.2</b>	<b>874.9</b>	<b>697.4</b>	<b>357.7</b>	<b>295.0</b>
<i>End of Period</i>	<b>\$3,076.6</b>	<b>\$3,085.0</b>	<b>\$819.2</b>	<b>\$874.9</b>	<b>\$552.9</b>	<b>\$357.7</b>

**Pension Fund Contribution Report**  
**(CERS-Non Hazardous and CERS-Hazardous)**  
For the twelve month period ending June 30, 2022 and June 30, 2021  
(\$ in millions)

				
<b>Contributions</b>	<b>FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21</b>
<i>Member Contributions</i>	\$186.6	\$165.7	\$69.6	\$62.4
<i>Employer Contributions</i>	561.2	472.2	210.4	172.2
<i>Net Investment Income</i>	139.9	135.7	49.4	45.8
<b>Contribution Inflows</b>	<b>887.7</b>	<b>773.6</b>	<b>329.4</b>	<b>280.4</b>
<i>Benefit Payments/Refunds</i>	878.0	840.6	311.6	294.7
<i>Administrative Expenses</i>	22.4	21.7	2.0	1.9
<b>Contribution Outflows</b>	<b>900.4</b>	<b>862.3</b>	<b>313.6</b>	<b>296.6</b>
<b>NET Contributions</b>	<b>(12.7)</b>	<b>(88.7)</b>	<b>15.8</b>	<b>(16.2)</b>
<i>Realized and Unrealized Gain/(Loss)</i>	<i>(637.7)</i>	1,648.5	<i>(224.1)</i>	554.9
<b>Change in Net Position</b>	<b>(650.4)</b>	<b>1,559.8</b>	<b>(208.3)</b>	<b>538.7</b>
<i>Beginning of Period</i>	8,670.7	7,110.9	2,934.4	2,395.7
<i>End of Period</i>	<b>\$8,020.3</b>	<b>\$8,670.7</b>	<b>\$2,726.1</b>	<b>\$2,934.4</b>

**Insurance Fund Contribution Report**  
**(KERS Non-Hazardous, KERS Hazardous & SPRS)**  
For the twelve month period ending June 30, 2022 and June 30, 2021  
(\$ in millions)

						
<b>Contributions</b>	<b>FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21</b>
<i>Employer Contributions</i>	\$31.6	\$153.6	\$-	\$-	\$8.8	\$9.3
<i>Actuarially Accrued Liability Contributions</i>	101.7	-	-	-	-	-
<i>Employer Cessation Contributions</i>	2.4	28.4				
<i>Insurance Premiums</i>	0.2	0.2	-	-	-	-
<i>Humana Gain Share</i>	7.3	17.1	0.5	1.2	0.3	0.8
<i>Retired Reemployed Healthcare</i>	5.0	4.7	1.3	1.3	-	-
<i>Health Insurance Contributions (HB1)</i>	6.6	6.3	1.2	1.2	0.2	0.2
<i>Net Investment Income</i>	20.0	18.5	9.5	8.4	3.6	3.1
<b>Contribution Inflow</b>	<b>174.8</b>	<b>228.8</b>	<b>12.5</b>	<b>12.1</b>	<b>12.9</b>	<b>13.4</b>
<i>Healthcare Premiums</i>	120.0	121.5	20.5	19.9	14.4	14.5
<i>Administrative Expenses</i>	0.8	0.8	0.1	0.1	0.1	0.1
<b>Contribution Outflow</b>	<b>120.8</b>	<b>122.3</b>	<b>20.6</b>	<b>20.0</b>	<b>14.5</b>	<b>14.6</b>
<b>NET Contributions</b>	<b>54.0</b>	<b>106.5</b>	<b>(8.1)</b>	<b>(7.9)</b>	<b>(1.6)</b>	<b>(1.2)</b>
<i>Realized and Unrealized Gain/(Loss)</i>	<i>(105.6)</i>	240.1	<i>(36.9)</i>	118.1	<i>(14.4)</i>	47.0
<b>Change in Net Position</b>	<b>(51.6)</b>	<b>346.6</b>	<b>(45.0)</b>	<b>110.2</b>	<b>(16.0)</b>	<b>45.8</b>
<i>Beginning of Period</i>	<b>1,353.1</b>	<b>1,006.5</b>	<b>624.9</b>	<b>514.7</b>	<b>246.0</b>	<b>200.2</b>
<i>Ending of Period</i>	<b>\$1,301.5</b>	<b>\$1,353.1</b>	<b>\$579.9</b>	<b>\$624.9</b>	<b>\$230.0</b>	<b>\$246.0</b>

**Insurance Fund Contribution Report**  
**(CERS Non Hazardous and CERS Hazardous)**  
For the twelve month period ending June 30, 2022 and June 30, 2021  
(\$ in millions)

				
<b>Contributions</b>	<b>FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21</b>
<i>Employer Contributions</i>	\$164.1	\$124.7	\$70.0	\$58.5
<i>Insurance Premiums</i>	0.5	0.5	(0.3)	(0.2)
<i>Humana Gain Share</i>	8.9	20.7	1.3	3.0
<i>Retired Reemployed Healthcare</i>	4.8	5.2	1.5	1.4
<i>Health Insurance Contributions (HB1)</i>	15.9	13.6	3.7	3.1
<i>Net Investment Income</i>	48.5	41.0	24.0	20.3
<b>Contribution Inflows</b>	<b>242.7</b>	<b>205.7</b>	<b>100.2</b>	<b>86.1</b>
<i>Healthcare Premiums</i>	137.7	139.7	89.5	85.4
<i>Administrative Expenses</i>	0.9	0.9	0.5	0.5
<b>Contribution Outflows</b>	<b>138.6</b>	<b>140.6</b>	<b>90.0</b>	<b>85.9</b>
<b>NET Contributions</b>	<b>104.1</b>	<b>65.1</b>	<b>10.2</b>	<b>0.2</b>
<i>Realized and Unrealized Gain/(Loss)</i>	(222.3)	578.6	(103.3)	302.5
<b>Change in Net Position</b>	<b>(118.2)</b>	<b>643.7</b>	<b>(93.1)</b>	<b>302.7</b>
<i>Beginning of Period</i>	<b>3,141.8</b>	<b>2,498.1</b>	<b>1,607.8</b>	<b>1,305.1</b>
<i>End of Period</i>	<b>\$3,023.6</b>	<b>\$3,141.8</b>	<b>\$1,514.7</b>	<b>\$1,607.8</b>

# KPPA Pension Plans (6/30/22)

	Actual	CERS NH Target	Range	Actual	CERS HAZ Target	Range	Actual	KERS NH Target	Range	Actual	KERS HAZ Target	Range	Actual	SPRS Target	Range
<b>Equity</b>															
Public Equity	45.99%	50.0%	35.0% - 65.0%	46.09%	50.0%	35.0% - 65.0%	30.29%	32.5%	24.0% - 42.0%	41.07%	43.5%	30.0% - 50.0%	28.52%	32.5%	24.0% - 42.0%
Private Equity	9.51%	10.0%	7.0% - 13.0%	9.34%	10.0%	7.0% - 13.0%	6.91%	7.0%	5.0% - 9.0%	8.56%	10.0%	7.0% - 13.0%	3.70%	7.0%	5.0% - 9.0%
<b>Fixed Income</b>															
Specialty Credit	21.03%	10.0%	7.0% - 13.0%	21.03%	10.0%	7.0% - 13.0%	19.12%	15.0%	10.5% - 19.5%	20.67%	15.0%	10.0% - 20.0%	16.36%	15.0%	10.5% - 19.5%
Core Fixed Income	11.81%	10.0%	8.0% - 12.0%	11.76%	10.0%	8.0% - 12.0%	21.64%	20.5%	16.5% - 24.5%	13.25%	10.0%	8.0% - 12.0%	21.13%	20.5%	16.5% - 24.5%
Cash	1.04%	0.0%	0.0% - 3.0%	1.67%	0.0%	0.0% - 3.0%	13.39%	5.0%	0.0% - 10.0%	6.85%	1.5%	0.0% - 3.0%	24.26%	5.0%	0.0% - 10.0%
<b>Inflation Protected</b>															
Real Return	3.97%	13.0%	9.0% - 17.0%	3.89%	13.0%	9.0% - 17.0%	3.01%	10.0%	7.0% - 13.0%	3.61%	10.0%	7.0% - 13.0%	2.23%	10.0%	7.0% - 13.0%
Real Estate	6.64%	7.0%	5.0% - 9.0%	6.21%	7.0%	5.0% - 9.0%	5.64%	10.0%	7.0% - 13.0%	5.99%	10.0%	7.0% - 13.0%	3.80%	10.0%	7.0% - 13.0%

# KPPA Insurance Plans (6/30/22)

	Actual	CERS NH Target	Range	Actual	CERS HAZ Target	Range	Actual	KERS NH Target	Range	Actual	KERS HAZ Target	Range	Actual	SPRS Target	Range
<b>Equity</b>															
Public Equity	45.92%	50.0%	35.0% - 65.0%	45.46%	50.0%	35.0% - 65.0%	41.02%	43.5%	30.0% - 50.0%	41.05%	43.5%	30.0% - 50.0%	40.91%	43.5%	30.0% - 50.0%
Private Equity	9.65%	10.0%	7.0% - 13.0%	10.82%	10.0%	7.0% - 13.0%	6.43%	10.0%	7.0% - 13.0%	9.83%	10.0%	7.0% - 13.0%	11.21%	10.0%	7.0% - 13.0%
<b>Fixed Income</b>															
Specialty Credit	20.74%	10.0%	7.0% - 13.0%	20.88%	10.0%	7.0% - 13.0%	20.27%	15.0%	10.0% - 20.0%	21.13%	15.0%	10.0% - 20.0%	21.25%	15.0%	10.0% - 20.0%
Core Fixed Income	11.61%	10.0%	8.0% - 12.0%	11.68%	10.0%	8.0% - 12.0%	12.60%	10.0%	8.0% - 12.0%	12.28%	10.0%	8.0% - 12.0%	12.20%	10.0%	8.0% - 12.0%
Cash	2.51%	0.0%	0.0% - 3.0%	0.82%	0.0%	0.0% - 3.0%	12.14%	1.5%	0.0% - 3.0%	4.50%	1.5%	0.0% - 3.0%	3.66%	1.5%	0.0% - 3.0%
<b>Inflation Protected</b>															
Real Return	3.23%	13.0%	9.0% - 17.0%	3.42%	13.0%	9.0% - 17.0%	3.01%	10.0%	7.0% - 13.0%	3.63%	10.0%	7.0% - 13.0%	3.45%	10.0%	7.0% - 13.0%
Real Estate	6.33%	7.0%	5.0% - 9.0%	6.92%	7.0%	5.0% - 9.0%	5.64%	10.0%	7.0% - 13.0%	7.58%	10.0%	7.0% - 13.0%	7.32%	10.0%	7.0% - 13.0%



# KPPA

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## Pension\* Variance Comments

Outside of Ranges as of 6/30/22

### ➤ Real Estate – Searches in Progress

KERS Non Hazardous	-1.4%
KERS Hazardous	-1.0%
SPRS	-3.2%

### ➤ Specialty Credit Target Decreased by 5% for CERS Funds in 11/2021

CERS Non Hazardous	+8.0%
CERS Hazardous	+8.0%
KERS Hazardous	+0.7%

\* Insurance variances generally similar to Pension



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## Pension\* Variance Comments (continued)

Outside of Ranges as of 6/30/22

➤ SPRS: \$215 Mil Appropriation in 5/2022 = 38% of Assets

Cash +14%

Real Return -4.8%

Real Estate -3.2%

Private Equity -1.3%

➤ Other Cash Variances

KERS Non Hazardous +3.4%

KERS Hazardous +3.9%

\* Insurance variances generally similar to Pension



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## Pension\* Variance Comments (continued)

Outside of Ranges as of 6/30/22

- Real Return Mgr. with \$850 Mil terminated. Targets increased by 3% for CERS Funds in 11/2021.

CERS Non Hazardous	-5%	KERS Non Hazardous	-4.0%
CERS Hazardous	-5.1%	KERS Hazardous	-3.4%
SPRS	-4.8%		

Invested \$794 Mil in Public Equity and Fixed Income (90% in June and 10% in July)

\* Insurance variances generally similar to Pension



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## TIER 3 INTEREST CREDITS

FY 2017 – FY 2022

5 YEAR GEOMETRIC NET INVESTMENT RETURN (GAINR)						
	2017	2018	2019	2020	2021	2022
CERS	7.85%	7.39%	5.51%	5.29%	10.35%	6.24%
KRS	7.41%	6.66%	4.77%	4.76%	9.28%	5.70%
TIER 3 INTEREST CREDIT BY FISCAL YEAR						
	2017	2018	2019	2020	2021	2022
CERS	6.89%	6.54%	5.13%	4.97%	8.76%	5.68%
KRS	6.56%	6%	4.58%	4.57%	7.96%	5.28%