



# KPPA

Kentucky Public Pensions Authority

## Public Pension Oversight Board First Quarter Fiscal Year 2023 Update

Data for periods ending September 30, 2022

October 25, 2022

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**Kentucky Public Pensions Authority (KPPA)**

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**Kentucky Public Pensions Authority (KPPA)**



# KPPA

Kentucky Public Pensions Authority

## KPPA HIGHLIGHTS

First Quarter of Fiscal Year 2023

- While markets remained challenged in the First Quarter of FY 2023, the Pension and Insurance funds continued to produce strong relative performance

Pension Plans exceeded their benchmark by between 120 bps and 170 bps for the quarter\*

Insurance Plans exceeded their benchmark by between 160 bps and 190 bps for the quarter\*

- Plans produced better than top quartile performance with consistent top decile risk-adjusted performance within the Wilshire Public Plans Universe

\*Performance as of 9/30/22 is Preliminary



# KPPA

Kentucky Public Pensions Authority

## KPPA HIGHLIGHTS

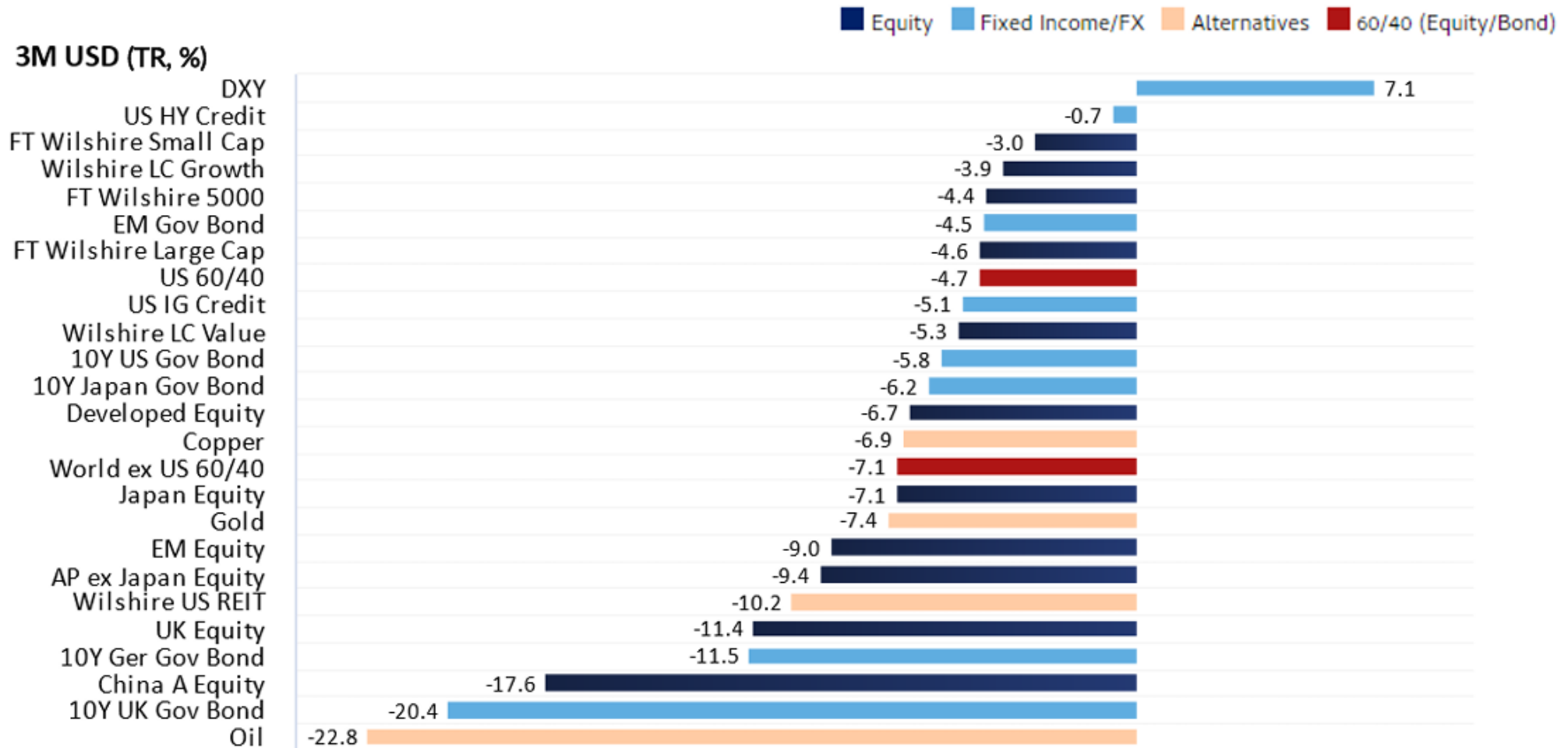
First Quarter of Fiscal Year 2023

- Pension Plans have exceeded their benchmarks in 94% of the QTR, 1, 3, 5, 10, 20 and 30 year periods\*
- Insurance Plans have exceeded their benchmarks in 69% of the QTR, 1, 3, 5, 10, 20 and 30 year periods\*
- Continued to opportunistically work toward revised Asset Allocation targets, committing and deploying nearly \$2 billion across Plans

\*Performance as of 9/30/22 is Preliminary

# First Quarter of Fiscal Year 2023

## Market Asset Class Returns

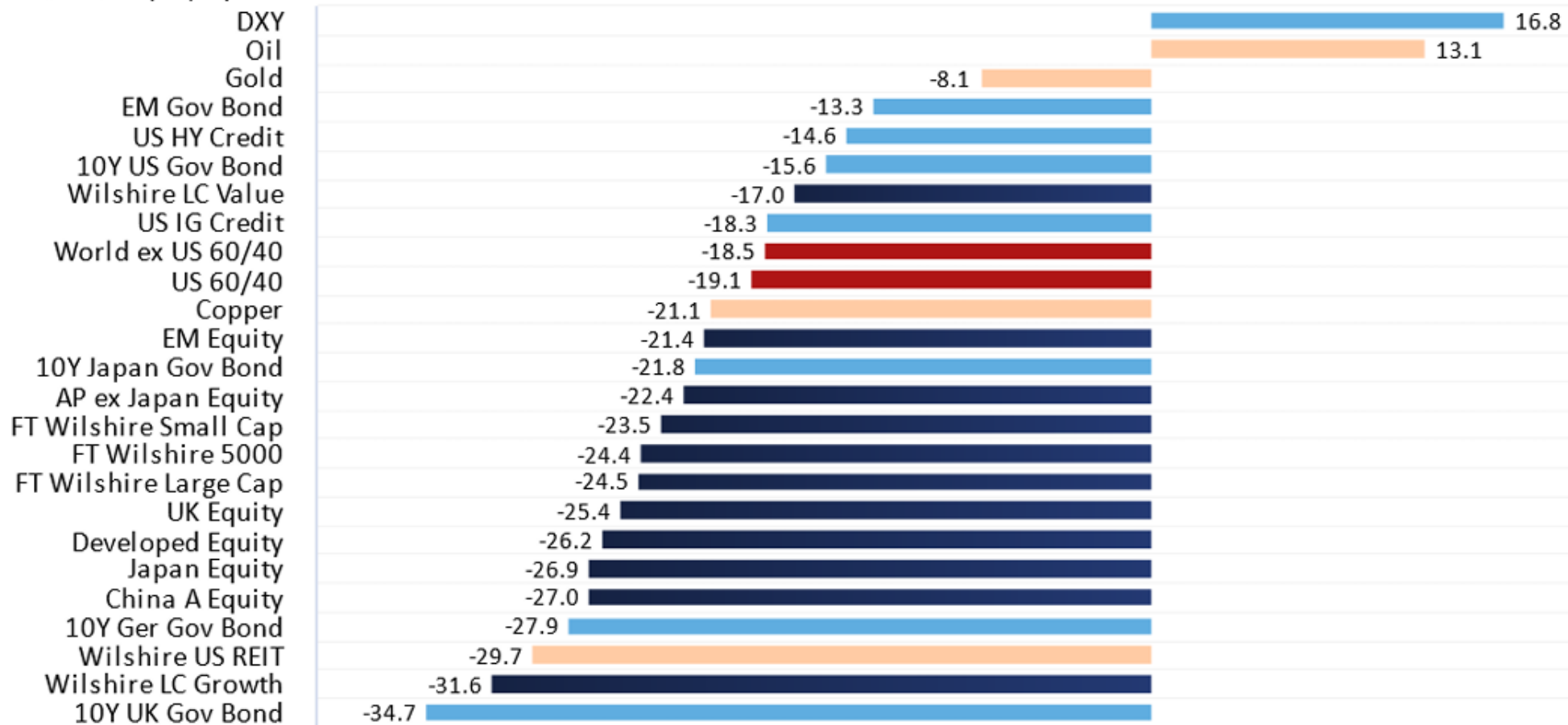


# Year to Date 2022

## Market Asset Class Returns

YTD USD (TR, %)

Equity Fixed Income/FX Alternatives 60/40 (Equity/Bond)



**Pension – Investment Returns**  
**For periods ending September 30, 2022**  
**\*\* PRELIMINARY \*\* Net of Fees Asset Class Performance**

	1 QTR	1 Year	3 Years	5 Years
<b>Total Pension Fund</b>	<b>-2.8%</b>	<b>-9.4%</b>	<b>4.6%</b>	<b>5.1%</b>
<b>Equity</b>				
<b>Public Equity</b>	<b>-6.2%</b>	<b>-22.4%</b>	<b>3.3%</b>	<b>4.1%</b>
Index	-6.8%	-21.6%	3.3%	3.9%
<b>Private Equity</b>	<b>-1.9%</b>	<b>8.3%</b>	<b>17.7%</b>	<b>15.9%</b>
<b>Fixed Income</b>				
<b>Specialty Credit</b>	<b>0.3%</b>	<b>-0.5%</b>	<b>4.2%</b>	<b>4.9%</b>
Index	0.4%	--8.4%	0.9%	2.3%
<b>Core Fixed Income</b>	<b>-2.0%</b>	<b>-7.6%</b>	<b>-0.2%</b>	<b>1.5%</b>
Index	-4.8%	-14.6%	-3.3%	-0.3%
<b>Cash</b>	<b>0.6%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>1.4%</b>
Index	0.5%	0.6%	0.6%	1.1%
<b>Inflation Protected</b>				
<b>Real Return</b>	<b>2.7%</b>	<b>4.8%</b>	<b>5.6%</b>	<b>4.5%</b>
Index	2.0%	9.8%	7.2%	5.5%
<b>Real Estate</b>	<b>2.7%</b>	<b>23.3%</b>	<b>15.2%</b>	<b>13.3%</b>
Index	4.5%	28.3%	11.7%	9.6%



# Pension – Investment Returns

For periods ending September 30, 2022

**\*\*PRELIMINARY\*\* Net of Fees Rates of Return**

	Market Value (\$ in millions)	1 QTR	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
<b>KERS Non-Hazardous</b>	<b>\$2,997.1</b>	<b>-2.3%</b>	<b>-8.2%</b>	<b>4.6%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>6.8%</b>	<b>7.5%</b>
<i>Plan Index</i>		-3.5%	-9.0%	3.5%	4.3%	6.1%	6.8%	7.4%
<b>KERS Hazardous</b>	<b>\$795.6</b>	<b>-2.6%</b>	<b>-9.4%</b>	<b>4.6%</b>	<b>5.1%</b>	<b>6.6%</b>	<b>6.9%</b>	<b>7.6%</b>
<i>Plan Index</i>		-4.2%	-10.2%	4.2%	4.7%	6.4%	7.0%	7.5%
<b>CERS Non-Hazardous</b>	<b>\$7,679.5</b>	<b>-3.0%</b>	<b>-9.8%</b>	<b>4.6%</b>	<b>5.1%</b>	<b>6.6%</b>	<b>6.9%</b>	<b>7.6%</b>
<i>Plan Index</i>		-4.7%	-11.8%	3.6%	4.4%	6.2%	6.9%	7.4%
<b>CERS Hazardous</b>	<b>\$2,630.2</b>	<b>-3.0%</b>	<b>-10.0%</b>	<b>4.4%</b>	<b>5.0%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>7.5%</b>
<i>Plan Index</i>		-4.7%	-11.8%	3.6%	4.4%	6.2%	6.9%	7.4%
<b>SPRS</b>	<b>\$536.9</b>	<b>-2.1%</b>	<b>-7.5%</b>	<b>4.7%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>6.7%</b>	<b>7.5%</b>
<i>Plan Index</i>		-3.5%	-9.0%	3.5%	4.3%	6.1%	6.8%	7.4%

# Insurance – Investment Returns

For periods ending September 30, 2022

**\*\*PRELIMINARY\*\* Net of Fees Rates of Return**

	Market Value (\$ in millions)	1 QTR	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
<b>KERS Non-Hazardous</b>	<b>\$1,262.5</b>	<b>-2.3%</b>	<b>-8.9%</b>	<b>4.7%</b>	<b>4.8%</b>	<b>6.2%</b>	<b>6.7%</b>	<b>6.6%</b>
<i>Plan Index</i>		-4.2%	-10.0%	4.1%	4.7%	6.4%	7.2%	6.9%
<b>KERS Hazardous</b>	<b>\$560.4</b>	<b>-2.6%</b>	<b>-8.2%</b>	<b>4.8%</b>	<b>5.2%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>6.7%</b>
<i>Plan Index</i>		-4.2%	-10.0%	3.9%	4.6%	6.3%	7.2%	6.9%
<b>CERS Non-Hazardous</b>	<b>\$2,911.9</b>	<b>-3.0%</b>	<b>-9.6%</b>	<b>4.3%</b>	<b>5.0%</b>	<b>6.4%</b>	<b>6.8%</b>	<b>6.6%</b>
<i>Plan Index</i>		-4.7%	-11.8%	3.3%	4.2%	6.1%	7.1%	6.8%
<b>CERS Hazardous</b>	<b>\$1,455.6</b>	<b>-3.0%</b>	<b>-9.3%</b>	<b>4.5%</b>	<b>5.2%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>6.7%</b>
<i>Plan Index</i>		-4.7%	-11.8%	3.3%	4.2%	6.1%	7.1%	6.8%
<b>SPRS</b>	<b>\$221.7</b>	<b>-2.6%</b>	<b>-8.4%</b>	<b>5.0%</b>	<b>5.5%</b>	<b>6.7%</b>	<b>6.9%</b>	<b>6.7%</b>
<i>Plan Index</i>		-4.2%	-10.0%	3.9%	4.6%	6.4%	7.2%	6.9%



# KPPA Pension Plans (9/30/22)

	CERS NH			CERS HAZ			KERS NH			KERS HAZ			SPRS		
	Actual	Target	Range	Actual	Target	Range	Actual	Target	Range	Actual	Target	Range	Actual	Target	Range
<b>Equity</b>															
Public Equity	45.7%	50.0%	35% - 65%	45.6%	50.0%	35% - 65%	29.3%	32.5%	24% - 42%	40.0%	43.5%	30% - 50%	29.3%	32.5%	24% - 42%
Private Equity	9.3%	10.0%	7% - 13%	9.1%	10.0%	7% - 13%	6.2%	7.0%	5% - 9%	8.3%	10.0%	7% - 13%	3.4%	7.0%	5% - 9%
<b>Fixed Income</b>															
Specialty Credit	21.8%	10.0%	7% -13%	21.7%	10.0%	7% -13%	19.1%	15.0%	10.5% - 19.5%	21.2%	15.0%	10% -20%	16.6%	15.0%	10.5% - 19.5%
Core Fixed Income	12.0%	10.0%	8% - 12%	11.8%	10.0%	8% - 12%	21.2%	20.5%	16.5% - 24.5%	13.3%	10.0%	8% - 12%	21.0%	20.5%	16.5% - 24.5%
Cash	0.8%	0.0%	0% - 3%	2.1%	0.0%	0% - 3%	16.2%	5.0%	0% - 10%	7.9%	1.5%	0% - 3%	24.1%	5.0%	0% - 10%
<b>Inflation Protected</b>															
Real Return	3.2%	13.0%	9% - 17%	3.1%	13.0%	9% - 17%	2.1%	10.0%	7% - 13%	2.9%	10.0%	7% - 13%	1.8%	10.0%	7% - 13%
Real Estate	7.1%	7.0%	5% - 9%	6.6%	7.0%	5% - 9%	5.9%	10.0%	7% - 13%	6.3%	10.0%	7% - 13%	4.0%	10.0%	7% - 13%

# KPPA Insurance Plans (9/30/22)

	CERS NH			CERS HAZ			KERS NH			KERS HAZ			SPRS		
	Actual	Target	Range	Actual	Target	Range	Actual	Target	Range	Actual	Target	Range	Actual	Target	Range
<b>Equity</b>															
Public Equity	45.8%	50.0%	35% - 65%	45.1%	50.0%	35% - 65%	39.9%	43.5%	30% - 50%	39.8%	43.5%	30% - 50%	39.9%	43.5%	30% - 50%
Private Equity	9.5%	10.0%	7% - 13%	10.7%	10.0%	7% - 13%	7.0%	10.0%	7% - 13%	9.9%	10.0%	7% - 13%	11.1%	10%	7% - 13%
<b>Fixed Income</b>															
Specialty Credit	21.4%	10.0%	7% - 13%	21.6%	10.0%	7% - 13%	20.7%	15.0%	10% - 20%	21.9%	15.0%	10% - 20%	21.9%	15.0%	10% - 20%
Core Fixed Income	11.7%	10.0%	8% - 12%	11.8%	10.0%	8% - 12%	12.6%	10.0%	8% - 12%	12.4%	10.0%	8% - 12%	12.3%	10%	10% - 12%
Cash	2.3%	0.0%	0% - 3%	0.5%	0.0%	0% - 3%	12.7%	1.5%	0% - 3%	5.0%	1.5%	0% - 3%	4.2%	1.5%	0% - 3%
<b>Inflation Protected</b>															
Real Return	2.6%	13.0%	9% - 17%	2.8%	13.0%	9% - 17%	2.3%	10.0%	7% - 13%	2.9%	10.0%	7% - 13%	2.8%	10.0%	7% - 13%
Real Estate	6.8%	7.0%	5% - 9%	7.4%	7.0%	5% - 9%	4.8%	10.0%	7% - 13%	8.1%	10.0%	7% - 13%	7.8%	10.0%	7% - 13%



# KPPA

Kentucky Public Pensions Authority

## Looking Ahead for the KPPA Investment Department

- Developing a 3-5 Year Staffing Plan
  - Adjusting some position responsibilities to reduce siloing and increase collaboration
  - Recruiting for current vacancies
  - Hiring additional junior and support staff
- Focusing on areas to reduce investment-related fees and expenses
- Evaluating opportunities to manage additional assets in-house
- Analyzing our consultant, research and reporting needs