



KPPA

Kentucky Public Pensions Authority

Public Pensions Oversight Board

April 24, 2023

**INVESTMENT, LEGISLATIVE, ACTUARIAL ASSUMPTION AND
LOD DISABILITY/DEATH BENEFITS UPDATE**

DAVID EAGER, EXECUTIVE DIRECTOR
ERIN SURRATT, EXECUTIVE DIRECTOR, OFFICE OF BENEFITS



KPPA

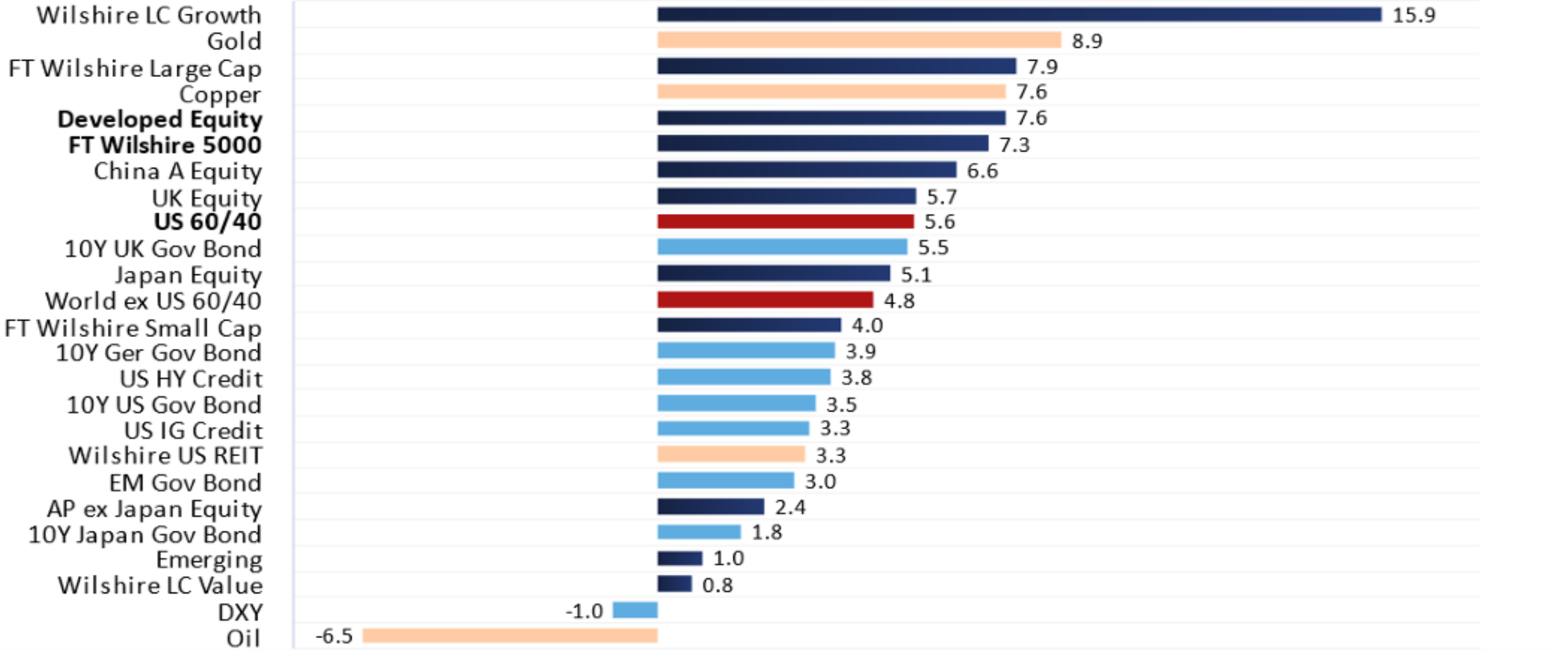
Kentucky Public Pensions Authority

INVESTMENT/CASH FLOW UPDATE



Third Quarter of Fiscal Year 2023 Market Asset Class Returns

3M USD TR (TR, %)



PENSION – INVESTMENT RETURNS
PERIODS ENDING MARCH 31, 2023



PRELIMINARY
NET OF FEES RATES OF RETURN

	MARKET VALUE (\$ IN MILLIONS)	1 MO	FISCAL YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	20 YEARS	30 YEARS
KERS NH	\$3,357.10	1.2%	4.3%	-1.8%	9.6%	5.7%	6.3%	7.0%	7.5%
	PLAN INDEX	.8%	4.2%	-2.5%	9.3%	5.3%	6.3%	7.1%	7.4%
KERS HAZ	\$868.00	1.4%	6.0%	-1.7%	10.9%	6.1%	6.8%	7.2%	7.6%
	PLAN INDEX	.7%	4.9%	-3.3%	10.9%	6.1%	6.8%	7.2%	7.6%
CERS NH	\$8,410.70	1.4%	6.4%	-1.7%	11.1%	6.2%	6.9%	7.2%	7.6%
	PLAN INDEX	1.1%	5.3%	-3.8%	10.6%	5.9%	6.6%	7.2%	7.5%
CERS HAZ	\$2,901.70	1.4%	6.5%	-1.7%	11.0%	6.2%	6.8%	7.2%	7.6%
	PLAN INDEX	1.1%	5.3%	-3.8%	10.6%	5.9%	6.6%	7.2%	7.5%
SPRS	\$573.80	1.2%	5.0%	-0.7%	10.0%	5.8%	6.3%	7.0%	7.4%
	PLAN INDEX	0.8%	4.2%	-2.5%	9.3%	5.3%	6.2%	7.0%	7.4%

INSURANCE – INVESTMENT RETURNS
PERIODS ENDING MARCH 31, 2023



PRELIMINARY
NET OF FEES RATES OF RETURN

	MARKET VALUE (\$ IN MILLIONS)	1 MO	FISCAL YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	20 YEARS	30 YEARS
KERS NH	\$1,395.30	1.3%	6.7%	-0.5%	12.0%	6.6%	7.0%	7.5%	7.0%
	PLAN INDEX	.7%	4.9%	-3.3%	10.7%	6.0%	6.7%	7.5%	7.0%
KERS HAZ	\$600.60	1.3%	6.1%	-0.8%	12.0%	7.1%	7.5%	7.8%	7.2%
	PLAN INDEX	.7%	4.9%	-3.3%	10.5%	5.9%	6.7%	7.5%	7.0%
CERS NH	\$3,154.10	1.3%	6.6%	-1.2%	11.7%	7.0%	7.5%	7.8%	7.2%
	PLAN INDEX	1.1%	5.3%	-3.8%	10.1%	5.7%	6.6%	7.4%	7.0%
CERS HAZ	\$1,560.70	1.3%	6.4%	-1.2%	11.8%	7.1%	7.6%	7.8%	7.2%
	PLAN INDEX	1.1%	5.3%	-3.8%	10.1%	5.7%	6.6%	7.4%	7.0%
SPRS	\$238.90	1.3%	6.1%	-0.9%	12.1%	7.3%	7.7%	7.9%	7.3%
	PLAN INDEX	0.7%	4.9%	-3.3%	10.5%	5.9%	6.7%	7.5%	7.0%



PENSION FUND CONTRIBUTION REPORT (KERS NHZ, KERS HAZ, & SPRS)

FOR THE EIGHT MONTH PERIOD ENDING FEBRUARY 28, 2023 AND FEBRUARY 28, 2022 (\$ IN MILLIONS)

*NET CONTRIBUTIONS ARE LESS NET INVESTMENT INCOME



CONTRIBUTIONS	FY23	FY22	FY23	FY22	FY23	FY22
MEMBER CONTRIBUTIONS	\$69.0	\$59.8	\$16.9	\$13.5	\$4.4	\$3.2
EMPLOYER CONTRIBUTIONS	75.0	105.7	41.9	39.5	37.3	40.9
ACTUARIALLY ACCRUAD LIABILITY CONTRIBUTIONS	599.0	608.5	-	-	-	-
GENERAL FUND APPROPRIATIONS	180.0	-	-	-	-	-
EMPLOYER CESSATION CONTRIBUTIONS	-	50.5	-	-	-	-
NET INVESTMENT INCOME	53.8	29.8	12.8	9.0	9.6	3.5
CONTRIBUTION INFLOWS	976.8	854.3	71.6	62.0	51.3	47.6
BENEFIT PAYMENTS/REFUNDS	689.9	690.6	55.2	54.2	42.6	43.0
ADMINISTRATIVE EXPENSES	8.7	7.8	1.0	0.9	0.2	0.2
CONTRIBUTION OUTFLOWS	698.6	698.4	56.2	55.1	42.8	43.2
NET CONTRIBUTIONS	278.2	155.9	15.4	6.9	8.5	4.4
REALIZED AND UNREALIZED GAIN/(LOSS)	44.1	(21.4)	24.8	(4.9)	10.8	(2.2)
CHANGE IN NET POSITION	322.3	134.5	40.2	2.0	19.3	2.2
BEGINNING OF PERIOD	3,076.7	3,085.0	819.3	874.9	552.9	357.7
END OF PERIOD	3,399.0	3,219.5	859.5	876.9	572.2	359.9
NET CONTRIBUTIONS*	224.4	126.1	2.6	(2.1)	(1.1)	0.9
CASH FLOW AS % OF ASSETS	6.60%	3.92%	0.30%	-0.24%	-0.19%	0.25%
NET INVESTMENT INCOME	53.8	29.8	12.8	9.0	9.6	3.5
YIELD AS % OF ASSETS	1.58%	0.93%	1.49%	1.03%	1.68%	0.97%



PENSION FUND CONTRIBUTION REPORT (CERS NHZ AND CERS HAZ)
FOR THE EIGHT MONTH PERIOD ENDING FEBRUARY 28, 2023 AND FEBRUARY 28, 2022 (\$ IN MILLIONS)

*NET CONTRIBUTIONS ARE LESS NET INVESTMENT INCOME



CONTRIBUTIONS	FY23	FY22	FY23	FY22
MEMBER CONTRIBUTIONS	\$123.2	\$119.2	\$47.5	\$45.5
EMPLOYER CONTRIBUTIONS	401.4	358.5	171.6	139.1
NET INVESTMENT INCOME	110.6	81.6	39.0	29.3
CONTRIBUTION INFLOWS	635.2	559.3	258.1	213.9
BENEFIT PAYMENTS/REFUNDS	607.7	582.0	215.4	206.1
ADMINISTRATIVE EXPENSES	15.5	15.0	1.4	1.3
CONTRIBUTION OUTFLOWS	623.2	597.0	216.8	207.4
NET CONTRIBUTIONS	12.0	(37.7)	41.3	6.5
REALIZED AND UNREALIZED GAIN/(LOSS)	281.4	(19.3)	96.6	(9.9)
CHANGE IN NET POSITION	293.4	(57.0)	137.9	(3.4)
BEGINNING OF PERIOD	8,062.3	8,670.6	2,736.9	2,934.4
END OF PERIOD	8,355.7	8,613.6	2,874.8	2,931.0
NET CONTRIBUTIONS*	(\$98.6)	(\$119.3)	\$2.3	(\$22.8)
-1.18%	-1.18%	-1.39%	0.08%	-0.78%
NET INVESTMENT INCOME	\$110.6	\$81.6	\$39.0	\$29.3
YIELD AS % OF ASSETS	1.32%	0.95%	1.36%	1.00%



INSURANCE FUND CONTRIBUTION REPORT (KERS NHZ, KERS HAZ, & SPRS)

FOR THE EIGHT MONTH PERIOD ENDING FEBRUARY 28, 2023 AND FEBRUARY 28, 2022 (\$ IN MILLIONS)

*NET CONTRIBUTIONS ARE LESS NET INVESTMENT INCOME



CONTRIBUTIONS	FY23	FY22	FY23	FY22	FY23	FY22
EMPLOYER CONTRIBUTIONS	\$23.3	\$21.1	-	-	\$6.1	\$5.8
ACTUARIALLY ACCRUAD LIABILITY CONTRIBUTIONS	58.4	67.8	-	-	-	-
EMPLOYER CESSATION CONTRIBUTIONS	-	9.5	-	-	-	-
INSURANCE PREMIUMS	0.1	0.1	-	-	-	-
HUMANA GAIN SHARE	4.9	7.3	0.4	0.5	0.2	0.3
RETIRED REEMPLOYED HEALTHCARE	3.7	3.3	0.9	0.8	-	-
HEALTH INSURANCE CONTRIBUTIONS (HB1)	5.4	4.3	1.0	0.8	-	-
NET INVESTMENT INCOME	19.9	11.9	8.5	5.3	3.5	2.0
CONTRIBUTION INFLOW	115.7	125.3	10.8	7.4	10.0	8.2
HEALTHCARE PREMIUMS	75.6	78.7	13.5	13.7	9.7	9.5
ADMINISTRATIVE EXPENSES	0.5	0.6	0.1	0.1	-	-
CONTRIBUTION OUTFLOW	76.1	79.3	13.6	13.8	9.7	9.5
NET CONTRIBUTIONS	39.6	46.0	(2.8)	(6.4)	0.3	(1.3)
REALIZED AND UNREALIZED GAIN/(LOSS)	45.2	(12.5)	17.6	2.3	6.8	1.3
CHANGE IN NET POSITION	84.8	33.5	14.8	(4.1)	7.1	-
BEGINNING OF PERIOD	1,301.5	1,353.1	579.9	624.9	230.0	246.0
ENDING OF PERIOD	\$1,386.3	\$1,386.6	\$594.7	\$620.8	\$237.1	\$246.0
NET CONTRIBUTIONS*	19.7	34.1	(11.3)	(11.7)	(3.2)	(3.3)
CASH FLOW AS % OF ASSETS	1.42%	2.46%	-1.90%	-1.88%	-1.35%	-1.34%
NET INVESTMENT INCOME	\$19.9	\$11.9	\$8.5	\$5.3	\$3.5	\$2.0
YIELD AS % OF ASSETS	1.44%	0.86%	1.43%	0.85%	1.48%	0.81%



INSURANCE FUND CONTRIBUTION REPORT (CERS NHZ, & CERS HAZ)

FOR THE EIGHT MONTH PERIOD ENDING FEBRUARY 28, 2023 AND FEBRUARY 28, 2022 (\$ IN MILLIONS)

*NET CONTRIBUTIONS ARE LESS NET INVESTMENT INCOME



CONTRIBUTIONS	FY23	FY22	FY23	FY22
EMPLOYER CONTRIBUTIONS	\$62.7	\$104.5	\$29.4	\$46.2
INSURANCE PREMIUMS	0.30	0.40	(0.20)	(0.20)
HUMANA GAIN SHARE	6.0	8.9	0.9	1.3
RETIRED REEMPLOYED HEALTHCARE	3.1	3.1	1.0	1.0
HEALTH INSURANCE CONTRIBUTIONS (HB1)	10.9	10.0	2.5	2.4
NET INVESTMENT INCOME	44.5	26.8	21.6	13.2
CONTRIBUTION INFLOW	127.5	153.7	55.2	63.9
HEALTHCARE PREMIUMS	91.5	89.9	62.3	58.8
ADMINISTRATIVE EXPENSES	0.6	0.6	0.3	0.3
CONTRIBUTION OUTFLOW	92.1	90.5	62.6	59.1
NET CONTRIBUTIONS	35.4	63.2	(7.4)	4.8
REALIZED AND UNREALIZED GAIN/(LOSS)	106.6	6.5	50.5	8.0
CHANGE IN NET POSITION	142.0	69.7	43.1	12.8
BEGINNING OF PERIOD	2,981.2	3,141.83	1,504.0	1,607.8
ENDING OF PERIOD	\$3,123.2	\$3,211.5	\$1,547.1	\$1,620.6
NET CONTRIBUTIONS*	(\$9.1)	\$36.4	(\$29.0)	(\$8.4)
CASH FLOW AS % OF ASSETS	-0.29%	1.13%	-1.87%	-0.52%
NET INVESTMENT INCOME	\$44.5	\$26.8	\$21.6	\$13.2
YIELD AS % OF ASSETS	1.42%	0.83%	1.40%	0.81%



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Kentucky Public Pensions Authority

LEGISLATIVE UPDATES



SENATE RESOLUTIONS 152, 226, and 251

SUMMARY

Confirms reappointment of **E. Lynn Hampton (SR 152)**; appointment of **Ramsey Bova (SR 226)**; and reappointment of **William E. Summers V (SR 251)** to the Kentucky Retirement Systems Board of Trustees for terms expiring June 17, 2026

EFFECTIVE DATE

Immediate

IMPLEMENTATION PROCESS

COMPLETE

All three (3) trustees have been sworn in and are actively participating on the KRS board

SENATE BILL 20

SUMMARY

Prohibit the use or download of TikTok on any state government network or any state government-issued devices

EFFECTIVE DATE

March 22, 2023
(EMERGENCY clause; signed by Governor 3/22/2023)

IMPLEMENTATION PROCESS

COMPLETE
Tik Tok is not allowed on the KPPA network.



HOUSE BILL 236

SUMMARY

1. Fiduciaries shall only consider “pecuniary factors” when making investment decisions
2. Prohibits consideration of “nonpecuniary interests” – including environmental, social, political, and ideological interests
3. Requires CERS and KRS Boards to adopt a proxy policy statement and ensure that all proxy votes are executed by either the Board, staff designated by the Board, or a proxy voting service
4. Requires a report of proxy votes to be provided to the boards at least once a quarter

EFFECTIVE DATE

June 29, 2023 (Per OAG 23-03 dated April 4, 2023)

IMPLEMENTATION PROCESS

IN PROCESS

1. Existing Investment Policy Statements and Proxy Voting Policy Statements are already in place and in compliance with HB 236
2. Implementation will focus on mitigating the expected increase in administrative costs for each plan to cover the cost of compiling and reporting proxy votes on a quarterly basis



HOUSE BILL 506

SUMMARY

1. Reinstates **Partial Lump Sum Option (PLSO)** as a retirement payment option;
2. Changes the required break in employment for retired reemployed to one (1) **CALENDAR** month separation for ALL retirees
(currently requires 1-3 calendar month break, depending on position)

EFFECTIVE DATE

January 1, 2024 *(Per HB 506, Section 4, page 32)*

IMPLEMENTATION PROCESS

IN PROCESS

1. Preliminary IT design work started. Work group led by DETS and including Subject Matter Experts from Benefits and Communications Divisions holds regular weekly meetings *(2x week, when needed)*
2. Group first determines impacted areas *(LOB, publications, KPPA website, correspondence, etc.)* and then begins making code changes
3. Expected end date for coding = Fall 2023
4. Other activities throughout CY 2023 include: counselor/participating employer training; updates to existing publications, forms, website, etc.; new actuarial factors; and development/publishing of new member educational materials



HOUSE BILL 587

SUMMARY

1. Exempts KPPA Internal Auditor (IA) position from hiring and employment provisions of KRS Chapter 18A; Chapter 45A, and 64.640
2. IA will report directly to KPPA board or board subcommittee; Authority will conduct annual performance review

EFFECTIVE DATE

June 29, 2023 (*Per OAG 23-03 dated April 4, 2023*)

IMPLEMENTATION PROCESS

IN PROCESS

1. KPPA staff is preparing a Memo to the KPPA Board outlining required steps in complying with HB 587. Memo will be discussed with the Board at the April 27 KPPA Annual Meeting.
2. The suggested timeline for accomplishing most of the HB 587 implementation process is April – June 2023.



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Kentucky Public Pensions Authority

ACTUARIAL ASSUMPTION UPDATE



ACTUARIAL ASSUMPTION UPDATE

GRS is currently finalizing an experience study for both economic and demographic assumptions for CERS and for KRS. We anticipate these will be ready within the next couple of weeks. Once the Boards have the opportunity to review the material, they may decide to make assumption changes.

Per RS 2022 HB 76, the economic experience must be reviewed again no later than 2025. The demographic experience must be studied again no later than 2028. The Boards will likely reevaluate the need for either assumption annually but will, at a minimum, reevaluate the need every two years.



KPPA

Kentucky Public Pensions Authority

**LINE OF DUTY
DISABILITY/ DEATH
BENEFITS UPDATE**



LINE OF DUTY BENEFITS

A line of duty incident is a single traumatic event or act of violence that occurs as a result of performing one's job duties or related to one's job duties.

Total and permanent line of duty means a disability which results in the member's incapacity to engage in ANY occupation for remuneration or profit.



Recent Legislative Changes Impacting Line of Duty Benefits

HB 185 (2018)

- In case of line of duty death, the spouse becomes the beneficiary
 - If there is no surviving spouse, provides benefits payable to eligible dependent children
- Added *Monthly Average Pay* (MAP) to the calculation
 - Higher of *Final Rate of Pay* (FROP) or *Average Monthly Creditable Comp* (AMCC)
- Minimum benefit changed from 25% of FROP to 75% of MAP
- Expanded definition of dependent child to include disabled dependent in case of member death
- The health insurance benefit for spouse and dependent child(ren) pays 100% of the contribution rate regardless of member's insurance tier

HB 271 (2020)

- Removed provision that the benefit would be recalculated to 25% of MAP if the surviving spouse remarries

SB 169 (2021)

- Minimum disability retirement benefit for any hazardous member or a nonhazardous member in a position that can be certified as hazardous who is approved for Total & Permanent changed from 25% of FROP to 75% of MAP
- Expanded definition of dependent child to include disabled dependent in case of Total & Permanent line of duty benefits
- The health insurance benefit for member, spouse and dependent child(ren) pays 100% of the contribution rate regardless of member's insurance tier



LINE OF DUTY BENEFIT STATISTICS

NEW DISABILITY RETIREMENT RECIPIENTS:

FISCAL YEAR	RETIREMENT TYPE	NEW DIS RECIPIENTS	CERS NHZ	CERS HZ	KERS NHZ	KERS HZ	SPRS
FY 2021	DISABILITY RETIREMENT	168	110	17	36	3	2
	HAZARDOUS IN LINE OF DUTY (ILOD)*	12	0	9	0	2	1
	NONHAZARDOUS DUTY-RELATED (DR)**	0	0	0	0	0	0
	HAZARDOUS TOTAL&PERM ILOD***	1	0	0	0	1	0
FY 2022	DISABILITY RETIREMENT	141	101	7	28	4	1
	HAZARDOUS IN LINE OF DUTY (ILOD)*	5	0	2	0	2	1
	NONHAZARDOUS DUTY-RELATED (DR)**	0	0	0	0	0	0
	HAZARDOUS TOTAL&PERM ILOD***	1	0	1	0	0	0

*Number included in the count for "Disability Retirement" & ILOD = Hazardous line of duty
 **DR = Number included in the count for "Disability Retirement" and "Nonhazardous line of duty"

***Number included in the count for "Disability Retirement" and "Hazardous Line of Duty"
 Please Note: There were no new recipients for "Nonhazardous DR" during these fiscal years



LINE OF DUTY BENEFIT STATISTICS

LINE OF DUTY RECIPIENTS:

	CERS NHAZ	CERS HAZ	KERS NHAZ	KERS HAZ	SPRS
TOTAL ILOD/DR	12	319	4	33	24
TOTAL T&P*	1	2	0	1	0

*Number included in the count for Total ILOD/DR & CERS NHAZ = member who worked in NHAZ position that could be certified as HAZ.

NEW ACTIVE DEATH SURIVOR BENEFITS:

FISCAL YEAR	TOTAL DEATHS (ACTIVE MEMBER)	CERS NHAZ	CERS NHAZ DR	CERS HAZ	CERS HAZ ILOD	KERS NHAZ	KERS NHAZ DR	KERS HAZ	KERS HAZ ILOD	SPRS	SPRS ILOD
2021	660	447	0	16	0	176	1	21	0	0	0
2022	725	494	1	12	1	199	2	20	0	0	0