



KPPA

Kentucky Public Pensions Authority

Public Pensions Oversight Board

December 11, 2023

Legislative Requests

David Eager, Executive Director



Division of Disability and Death

- Rename to Division of Disability and Survivor Benefits

Office of Financial Management

- Hired our first Chief Financial Officer (CFO) January 2023
- The CFO position would become the Executive Director, Office of Financial Management
- The Division of Accounting would be moved from the Office of Operations. This includes Cash Management and Investment Operations



We are seeking the ability to lease office space for the KPPA Office of Investments notwithstanding the limitations of KRS Chapters 45, 45A, and 56

- KPPA has leased office space in Louisville through Real Properties for approximately twenty (20) years primarily for purposes of disaster recovery
- In 2018, we moved to an upgraded space in Louisville to provide for investment staff
- In December 2022, a pipe burst causing the building to be unsuitable; therefore, we ultimately terminated the lease
- KPPA anticipates leasing 2,000 to 3,000 square feet at an estimated cost of \$22-27/sq ft
- KPPA staff is working with Real Properties to lease a new office space, however there are no current lease options readily available that meet the need
- Approximate annual cost up to \$80,000
- KPPA Board approval will be required



Why are we requesting a bill?

- Our investment staff have been without office space for 12 months. The process under KRS 56 is time consuming. In 2018, the process took 18 months

Why have an investment office in Louisville?

- To emulate a traditional investment management operation
- Improve our ability to recruit and retain investment staff
- Ultimately in order to allow more investments to be managed inhouse to increase control and reduce investment management fees



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Increased Members in KERS Nonhazardous

In FY 23 the increase in active members was as follows:

KERS Nonhazardous				
	Number of Active Members 6/22	Number of Active Members 6/23	Increase	Percent Change
All Members	35,982	37,340	+1,358	+3.8%
State Employee Members	30,049	30,931	+882	+2.9%
Quasi Employee Members	5,933	6,409	+476	+8.0%



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Answer to a Question at the Last PPOB Meeting

Question:

Does the KRS Board of Trustees have the authority to hold (employer contribution) rates steady as opposed to lowering them without either statutory change or budget language?



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Answer to a Question at the Last PPOB Meeting

Answer:

For KERS Nonhazardous

- Employer contribution rates consist of normal costs and Actuarially Accrued Liability Contributions (AALC)
- The KRS Board of Trustees lacks the authority to set normal cost at a rate that is not equivalent to the actuarially determined employer contribution rate
- The KRS Board of Trustees must set the annual dollar amount for the unfunded liability, “...sufficient to amortize the total unfunded actuarially accrued liability of the system over a closed period of thirty (30) years,” but the Board has the option to set it at a higher amount