



KPPA

Kentucky Public Pensions Authority

Public Pensions Oversight Board

April 22, 2024

Investment, Cash Flows and Legislative Update

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Investments

Data for the nine-month period ending March 31, 2024



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KPPA Investment Highlights

- Met or exceeded Pension Policy Performance Benchmarks in 25 of 30 measurement periods
- Inside Policy Asset Allocation Ranges for 23 of 28 asset class measures
 - Closing the gaps as able
- Pension cash flows very favorable
 - K Pension +\$384 mil (\$250 w/o investment income)
 - C Pension +152 mil (-\$48 mil w/o investment income)

PENSION – INVESTMENT RETURNS
 PERIODS ENDING March 31, 2024*



NET OF FEES RETURNS

	MARKET VALUE (IN MILLIONS)	FYTD	3 YEARS	5 YEARS	10 YEARS	20 YEARS	30 YEARS	AROR
KERS NH	\$4,081.83	8.2%	4.9%	7.2%	6.3%	6.3%	7.8%	5.25%
POLICY BENCHMARK		8.0%	4.9%	6.7%	6.1%	6.3%	7.7%	
KERS HAZ	\$1,007.57	9.8%	6.0%	8.0%	7.0%	6.6%	8.0%	6.25%
POLICY BENCHMARK		9.8%	6.2%	7.9%	6.8%	6.6%	8.0%	
SPRS	\$643.51	8.5%	5.3%	7.3%	6.3%	6.3%	7.8%	5.25%
POLICY BENCHMARK		8.0%	4.9%	6.7%	6.1%	6.3%	7.7%	
CERS NH	\$9,518.35	10.1%	6.5%	8.3%	7.1%	6.7%	8.0%	6.50%
POLICY BENCHMARK		11.1%	6.5%	8.1%	6.9%	6.7%	8.0%	
CERS HAZ	\$3,354.70	10.3%	6.5%	8.3%	7.1%	6.7%	8.0%	6.50%
POLICY BENCHMARK		11.1%	6.5%	8.1%	6.9%	6.7%	8.0%	

*Preliminary Performance as of March 31, 2024

INSURANCE – INVESTMENT RETURNS

PERIODS ENDING March 31, 2024*



NET OF FEES RETURNS

	MARKET VALUE (IN MILLIONS)	FYTD	3 YEARS	5 YEARS	10 YEARS	20 YEARS	30 YEARS	AROR
KERS NH	\$1,647.45	9.7%	6.0%	8.0%	6.8%	6.4%	7.0%	6.50%
POLICY BENCHMARK		9.8%	6.2%	7.8%	6.8%	6.5%	7.4%	
KERS HAZ	\$663.03	9.7%	6.4%	8.1%	7.0%	6.5%	7.1%	6.50%
POLICY BENCHMARK		9.8%	6.2%	7.7%	6.8%	6.5%	7.4%	
SPRS	\$267.02	9.6%	6.5%	8.3%	7.2%	6.6%	7.2%	6.50%
POLICY BENCHMARK		9.8%	6.2%	7.7%	6.8%	6.5%	7.4%	
CERS NH	\$3,563.66	10.3%	6.6%	8.2%	7.2%	6.6%	7.2%	6.50%
POLICY BENCHMARK		11.1%	6.3%	7.8%	6.9%	6.6%	7.4%	
CERS HAZ	\$1,719.60	10.3%	6.7%	8.3%	7.2%	6.6%	7.2%	6.50%
POLICY BENCHMARK		11.1%	6.3%	7.8%	6.9%	6.6%	7.4%	

*Preliminary Performance as of March 31, 2024



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Asset Allocation vs. IPS Targets & Ranges

March 31, 2024

	KRS PENSION COMPOSITE			CERS PENSION COMPOSITE			KRS INSURANCE COMPOSITE			CERS INSURANCE COMPOSITE		
	ACTUAL	TARGET*	RANGE*	ACTUAL	TARGET	RANGE	ACTUAL	TARGET	RANGE	ACTUAL	TARGET	RANGE
EQUITY												
PUBLIC EQUITY	35.0%	31.8%	20.9%-41.8%	52.9%	50.0%	35%-65%	44.0%	40.0%	25%-50%	53.1%	50.0%	35%-65%
PRIVATE EQUITY	5.2%	6.4%	3.2%-9.5%	6.8%	10.0%	7%-13%	7.4%	8.0%	4%-12%	7.7%	10.0%	7%-13%
FIXED INCOME												
SPECIALTY CREDIT	19.6%	20.9%	15.9%-25.9%	19.6%	10.0%	7%-13%	22.5%	25.0%	20%-30%	19.7%	10.0%	7%-13%
CORE FIXED INCOME	22.8%	24.0%	19.5%-31.5%	9.6%	10.0%	8%-12%	11.0%	10.0%	8%-15%	9.5%	10.0%	8%-12%
CASH	4.9%	2.0%	0%-5%	2.0%	0.0%	0%-3%	2.1%	2.0%	0%-5%	1.2%	0.0%	0%-3%
INFLATION PROTECTED												
REAL RETURN	7.2%	9.6%	6.6%-12.6%	4.0%	13.0%	9%-17%	7.0%	8.0%	5%-11%	3.5%	13.0%	9%-17%
REAL ESTATE	5.4%	5.4%	3.2%-7.5%	5.1%	7.0%	5%-9%	6.0%	7.0%	4%-10%	5.3%	7.0%	5%-9%

*KRS Pension Composite Targets and Ranges are the Weighted Averages of the Underlying Portfolios



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Cash Flows

Data for the nine-month period ending March 31, 2024
and 2023



PENSION FUND CONTRIBUTION REPORT (KERS NHZ, KERS HAZ, & SPRS)
FOR THE NINE-MONTH PERIODS ENDING MARCH 31, 2024 AND MARCH 31, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS	FY24	FY23	FY24	FY23	FY24	FY23
MEMBER CONTRIBUTIONS	\$71.6	\$62.4	\$16.0	\$12.8	\$4.3	\$3.9
EMPLOYER PAY CREDIT CONTRIBUTIONS	22.1	16.0	8.9	6.4	1.5	1.1
EMPLOYER CONTRIBUTIONS	93.7	84.9	58.2	47.1	45.0	42.2
ACTUARIALLY ACCRUED LIABILITY CONTRIBUTIONS	673.7	673.8	-	-	-	-
GENERAL FUND APPROPRIATIONS	180.0	180.0	-	-	-	-
EMPLOYER CESSATION CONTRIBUTIONS	-	-	-	-	-	-
NET INVESTMENT INCOME	80.3	62.8	18.6	15.5	13.6	11.3
TOTAL INFLOWS	1,121.4	1,079.9	101.7	81.8	64.4	58.5
BENEFIT PAYMENTS/REFUNDS	781.2	776.8	62.8	61.9	47.7	48.1
ADMINISTRATIVE EXPENSES	10.3	10.0	1.1	1.1	0.2	0.2
TOTAL OUTFLOWS	791.5	786.8	63.9	63.0	47.9	48.3
NET FLOWS	329.9	293.1	37.8	18.8	16.5	10.2
REALIZED AND UNREALIZED GAIN/(LOSS)	226.9	79.0	71.0	35.9	36.6	16.8
CHANGE IN NET POSITION	556.8	372.1	108.8	54.7	53.1	27.0
BEGINNING NET POSTION	3,607.2	3,076.7	902.6	819.2	592.8	552.9
ENDING NET POSITION	\$4,164.0	\$3,448.8	\$1,011.4	\$873.9	\$645.9	\$579.9
NET FLOWS (WITHOUT INVESTMENT INCOME)	\$249.6	\$230.3	\$19.2	\$3.3	\$2.9	(\$1.1)
CASH FLOW AS % OF ASSETS	5.99%	6.68%	1.90%	0.38%	0.45%	(0.19%)
NET INVESTMENT INCOME	\$80.3	\$62.8	\$18.6	\$15.5	\$13.6	\$11.3
YIELD AS % OF ASSETS	1.93%	1.82%	1.84%	1.77%	2.11%	1.95%



PENSION FUND CONTRIBUTION REPORT (CERS NHZ AND CERS HAZ)
FOR THE NINE-MONTH PERIODS ENDING MARCH 31, 2024 AND MARCH 31, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS	FY24	FY23	FY24	FY23
MEMBER CONTRIBUTIONS	\$115.5	\$105.3	\$44.9	\$39.8
EMPLOYER PAY CREDIT CONTRIBUTIONS	44.1	37.0	18.8	15.0
EMPLOYER CONTRIBUTIONS	506.1	461.8	216.2	199.7
NET INVESTMENT INCOME	155.0	136.8	55.4	48.0
TOTAL INFLOWS	820.7	740.9	335.3	302.5
BENEFIT PAYMENTS/REFUNDS	720.7	685.9	262.1	242.7
ADMINISTRATIVE EXPENSES	19.3	17.5	1.7	1.5
TOTAL OUTFLOWS	740.0	703.4	263.8	244.2
NET FLOWS	80.7	37.5	71.5	58.3
REALIZED AND UNREALIZED GAIN/(LOSS)	722.6	398.0	255.5	137.1
CHANGE IN NET POSITION	803.3	435.5	327.0	195.4
BEGINNING NET POSITION	8,781.4	8,062.3	3,055.8	2,736.9
ENDING NET POSITION	\$9,584.7	\$8,497.8	\$3,382.8	\$2,932.3
NET FLOWS (WITHOUT INVESTMENT INCOME)	(\$74.3)	(\$99.3)	\$16.1	\$10.3
CASH FLOW AS % OF ASSETS	(0.78%)	(1.17%)	0.48%	0.35%
NET INVESTMENT INCOME	\$155.0	\$136.8	\$55.4	\$48.0
YIELD AS % OF ASSETS	1.62%	1.61%	1.64%	1.64%



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

FOR THE NINE-MONTH PERIODS ENDING MARCH 31, 2024 AND MARCH 31, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS	FY24	FY23	FY24	FY23	FY24	FY23
EMPLOYER CONTRIBUTIONS	\$30.7	\$26.3	-	-	\$7.6	\$6.9
ACTUARIALLY ACCRUED LIABILITY CONTRIBUTIONS	65.7	65.7	-	-	-	-
EMPLOYER CESSATION CONTRIBUTIONS	-	-	-	-	-	-
INSURANCE PREMIUMS	0.1	0.1	-	(0.1)	-	(0.1)
HUMANA GAIN SHARE	8.4	4.9	0.6	0.4	0.4	0.2
RETIRED REEMPLOYED HEALTHCARE	5.4	4.2	1.4	1.0	-	-
HEALTH INSURANCE CONTRIBUTIONS (HB1)	7.8	6.1	1.5	1.2	0.3	0.3
NET INVESTMENT INCOME	29.9	23.9	11.2	10.2	4.7	4.1
TOTAL INFLOWS	148.0	131.2	14.7	12.7	13.0	11.4
HEALTHCARE PREMIUMS	68.9	83.0	14.8	15.1	10.5	10.8
ADMINISTRATIVE EXPENSES	0.5	0.6	0.1	0.1	0.1	0.1
TOTAL OUTFLOWS	69.4	83.6	14.9	15.2	10.6	10.9
NET FLOWS	78.6	47.6	(0.2)	(2.5)	2.4	0.5
REALIZED AND UNREALIZED GAIN/(LOSS)	116.7	61.9	47.5	25.6	18.8	10.2
CHANGE IN NET POSITION	195.3	109.5	47.3	23.1	21.2	10.7
BEGINNING NET POSITION	1,465.5	1,301.5	616.3	579.9	246.8	230.0
ENDING NET POSITION	\$1,660.8	\$1,411.0	\$663.6	\$603.0	\$268.0	\$240.7
NET FLOWS (WITHOUT INVESTMENT INCOME)	\$48.7	\$23.7	(\$11.4)	(\$12.7)	(\$2.3)	(\$3.6)
CASH FLOW AS % OF ASSETS	2.93%	1.68%	(1.72%)	(2.11%)	(0.86%)	(1.50%)
NET INVESTMENT INCOME	\$29.9	\$23.9	\$11.2	\$10.2	\$4.7	\$4.1
YIELD AS % OF ASSETS	1.80%	1.69%	1.69%	1.69%	1.75%	1.70%



INSURANCE FUND CONTRIBUTION REPORT (CERS NHZ & CERS HAZ)

FOR THE NINE-MONTH PERIODS ENDING MARCH 31, 2024 AND MARCH 31, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS

	FY24	FY23	FY24	FY23
EMPLOYER CONTRIBUTIONS	\$2.5	\$72.3	\$15.1	\$34.1
INSURANCE PREMIUMS	0.3	0.3	(0.1)	(0.4)
HUMANA GAIN SHARE	10.5	6.0	1.6	0.9
RETIRED REEMPLOYED HEALTHCARE	5.2	3.6	1.5	1.2
HEALTH INSURANCE CONTRIBUTIONS (HB1)	14.7	12.6	3.7	2.9
NET INVESTMENT INCOME	58.6	51.0	27.2	25.4
TOTAL INFLOWS	91.8	145.8	49.0	64.1
HEALTHCARE PREMIUMS	88.1	100.5	73.8	70.2
ADMINISTRATIVE EXPENSES	0.7	0.7	0.4	0.4
TOTAL OUTFLOWS	88.8	101.2	74.2	70.6
NET FLOWS	3.0	44.6	(25.2)	(6.5)
REALIZED AND UNREALIZED GAIN/(LOSS)	275.8	151.7	133.5	72.8
CHANGE IN NET POSITION	278.8	196.3	108.3	66.3
BEGINNING NET POSITION	3,289.5	2,981.2	1,613.6	1,504.0
ENDING NET POSITION	\$3,568.3	\$3,177.5	\$1,721.9	\$1,570.3
NET FLOWS (WITHOUT INVESTMENT INCOME)	(\$55.6)	(\$6.4)	(\$52.4)	(\$31.9)
CASH FLOW AS % OF ASSETS	(1.56%)	(0.20%)	(3.04%)	(2.03%)
NET INVESTMENT INCOME	\$58.6	\$51.0	\$27.2	\$25.4
YIELD AS % OF ASSETS	1.64%	1.61%	1.58%	1.62%



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Legislative Update

2024 Regular Session



State law requires that gubernatorial appointments to the KRS Board of Trustees receive Senate* approval.

On April 15, three (3) Senate Resolutions confirming Governor Andy Beshear's recent appointments to the KRS board were unanimously adopted by a vote of 38-0:

- 1. Senate Resolution 309** – Confirm appointment of Mary G. Eaves to the KRS Board of Trustees for a term expiring June 21, 2027
- 2. Senate Resolution 310** – Confirm reappointment of Caswell Prewitt Lane to the KRS Board of Trustees for a term expiring June 17, 2027
- 3. Senate Resolution 313** – Confirm reappointment of Pamela Fettig Thompson to the KRS Board of Trustees for a term expiring June 17, 2027

* The Resolutions only required Senate confirmation and did not need to be adopted in the House.



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Retirement-Related Bills:

APPROPRIATIONS

Two bills allocated money to the KERS and SPRS plans:

- 1. House Bill 1** – Allocates money from the Budget Reserve Trust Fund Account (“Rainy Day Fund”) in each FY to be applied to the unfunded liability of:
 - **KERS Nonhazardous pension fund** = \$50 million per year
 - **SPRS pension fund** = \$25 million per year
- 2. House Bill 6** – State/Executive Branch Budget for FY 2024 – 2026
 - Includes full Actuarially Determined Contribution (ADC) rate for KERS & SPRS plans
 - Allocates additional \$250 million in each FY to be paid toward the unfunded liability of the KERS Nonhazardous pension fund



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Retirement-Related Bills

In addition to HB 1 and HB 6, five (5) other KPPA-related bills of note passed this Session.

- 1. Senate Bill 2** – Student safety; amends KRS 61.637 and 78.5540 to conform.
 - Creates “guardian” position that is exempt from having to pay retired/reemployed contributions and health insurance reimbursements
- 2. House Bill 99** – KPPA “Housekeeping” bill
 - Makes technical changes relating to KPPA’s administration of the systems
 - Streamlines disability retirement application review process
- 3. House Bill 277** – Transfer Louisville Metro Public Defender Corporation employees to the Department of Public Advocacy, effective July 1, 2024
 - Allows transferred employees to use the earlier of their employment begin date with the Public Defender Corp or the date they began participating in C/K/S as membership date



Other KPPA-related bills passed this Session (continued):

4. **House Bill 354** – Provides that health insurance reimbursements for retirees who participated in a hazardous position prior to July 1, 2003, and are reemployed by a local school board be paid by the Department of Education instead of the local school board.

5. **House Bill 635** – Actuarial analysis assumptions and methods

Requires an actuary performing an actuarial analysis to:

- Clearly note and describe a new assumption or method
- Explain basis for selecting the assumption or method
- Certify that the information provided in the analysis is accurate