

SEPARATE AND SUSTAIN KRS/CERS PENSIONS



Presented By:

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Tommy Turner, LaRue County Judge/Executive

Eric Kennedy, KSBA Director of Governmental Relations

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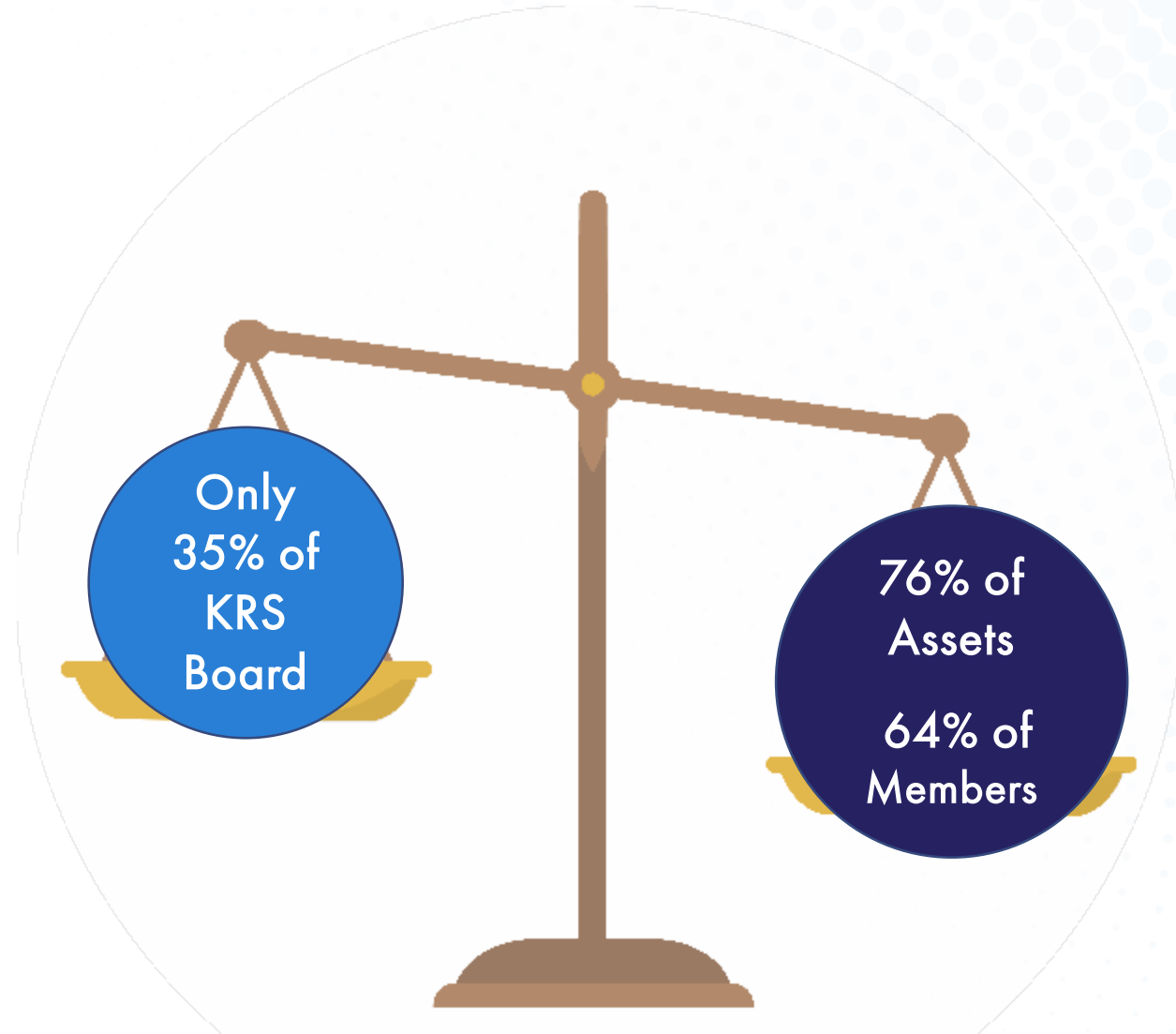
Scott County Magistrate David Livingston, KMCA First Vice President

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Current CERS Status

Unfair Representation

- CERS currently has 76% of the assets and 64% of the membership
- CERS ONLY accounts for 35% of the KRS Board of Trustees
- CERS ONLY accounts 11% of the Investment Committee
- CERS is ONLY 14% of the Actuarial Subcommittee



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Current CERS Status

- KRS has moved more toward low-risk, conservative investments
 - A result of the poor funding level of KERS
 - The KERS nonhazardous pension system is funded at 13.4% compared to 49.1% for CERS nonhazardous
- CERS had a one-year investment return of 5.8% in FY 19
 - Well below peer group returns of 6.4% - 6.8%
 - In the first half of FY 20 – current earning is 5.63%



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KRS/CERS SEPARATION

CERS Board of Trustees

Administers the
County Employees
Retirement System

Kentucky Public Pensions Authority

Provides personnel needs, daily
administrative needs & other duties
specified by CERS Board of Trustees
& KRS Board of Trustees

KRS Board of Trustees

Administers the Kentucky
Employees Retirement System and
the State Police Retirement System

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CERS BOARD OF TRUSTEES

Nine-Member Board

- **3** Trustees elected by CERS members
 - **2** from nonhazardous and **1** from hazardous
- KLC, KACO & KSBA submit lists to the governor for two appointments each
 - **3** must have 10+ years of retirement experience
 - **3** must have 10+ years of investment experience

**Governor could not reject the lists of applicants provided by each group, request a new list or use a different list than the one provided for the current opening.*



LOCAL PENSIONS. LOCAL CONTROL.

CERS/KRS

AFTER SEPARATION



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KRS BOARD OF TRUSTEES

Nine-Member Board

- **1** Trustee elected by SPRS members
- **2** Trustees elected by KERS members
- **6** Trustees appointed by the governor
 - **3** must have 10+ years of retirement experience
 - **3** must have 10+ years of investment experience

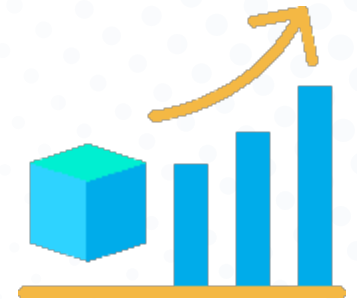


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BOARD OF TRUSTEES

CERS and KRS

- Each board will hire a chief executive officer who will function as the legislative, legal and executive advisor to the board
- Each board will be responsible for investment decisions, actuarial data, auditing, asset allocations, medical and other professional or technical services
- Each board will hold quarterly meetings and publish an annual financial report



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KENTUCKY PUBLIC PENSIONS AUTHORITY

Nine-Member Board

- Chairs of CERS and KRS Boards of Trustees **(2)**
- Chairs of the CERS and KRS Investment Committees **(2)**
- Two Additional CERS Trustees and two KRS Trustees **(4)**
 - **1** Individual from each system must be an elected member
 - **1** Individual from each system must be an appointed member
- Legislative Research Commission submits a list of four to the governor for an appointee **(1)**
 - ❖ *Would only vote in the event of a tie*



LOCAL PENSIONS. LOCAL CONTROL.

CERS/KRS

AFTER SEPARATION



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KENTUCKY PUBLIC PENSIONS AUTHORITY

KPPA will provide:

- Benefit Counseling & Administration
- Information Technology & Services - including a centralized website
- Legal Services
- Employer Reporting & Compliance
- Processing & Distribution of Benefit Payments & Other Financial/Accounting Duties
- Completing & Compiling Financial Data & Reports



LOCAL PENSIONS. LOCAL CONTROL.

CERS/KRS

AFTER SEPARATION



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KENTUCKY PUBLIC PENSIONS AUTHORITY

Nine-Member Board

- KPPA will appoint or contract for an executive director
 - He or she will serve as the chief administrative officer of KPPA, the KRS Board of Trustees and the CERS Board of Trustees
- Current KRS staff will transfer to KPPA
- KPPA will report to PPOB the number of employees and salaries



LOCAL PENSIONS. LOCAL CONTROL.

CERS/KRS

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PROVISIONS OF PENSION BILL

KPPA – CERS – KRS



- CERS, KRS and KPPA Boards would report to the Public Pension Oversight Board
 - KRS and CERS will report their actuarial valuations no later than November 15
 - In addition, CERS will report a summary of their actuarial valuation which shall include employer contribution rates, assumptions, and trends to PPOB by Dec 31



- Legislation would not impact benefits or the inviolable contract
- The governor could not reorganize, replace, amend or abolish any board



- A municipality could not file for bankruptcy protection if it is in default or delinquent in the payment of pension contributions

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EFFECTIVE DATES

KPPA – CERS – KRS

- CERS Board of Trustees, KRS Board of Trustees and KPPA assume new roles April 1, 2021
- KPPA assumes personnel management by July 1, 2021
 - KPPA administrative expenses would be shared by CERS and KRS through a prorated amount determined by KPPA



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