



KPPA

Kentucky Public Pensions Authority

AN OVERVIEW OF KPPA

David Eager, Executive Director

Interim Joint Committee on State Government

June 20, 2023

Systems KPPA Operates



**268,788 total members
(65.5%)**

Pension Assets: \$11.4 billion
Insurance Assets: \$4.7 billion

**Total Assets: \$16.1 billion
(69.7%)**



**138,486 total members
(33.8%)**

Pension Assets: \$4.2 billion
Insurance Assets: \$2.0 billion

**Total Assets: \$6.2 billion
(26.8%)**



**2,808 total members
(0.7%)**

Pension Assets: \$574.7 million
Insurance Assets: \$239.7 million

**Total Assets: \$814.4 million
(3.5%)**



410,082 total members

Total Assets: \$23.1 billion

Total members as of June 30, 2022
Total assets as of March 31, 2023

Administration

CERS BOARD	KPPA BOARD	KRS BOARD
 <ul style="list-style-type: none"> • 3 trustees elected by members • 6 trustees appointed by the Governor selected from lists of candidates provided by KACo, KLC and KSBA 	<ul style="list-style-type: none"> • CERS Board Chair • KRS Board Chair • CERS Investment Committee Chair • CERS Trustee, Elected by Members* • CERS Trustee, Governor Appointee* • KRS Investment Committee Chair • KRS Trustee, Elected by Members** • KRS Trustee, Governor Appointee** <p>*Selected by the CERS Board Chair **Selected by the KRS Board Chair</p>	  <ul style="list-style-type: none"> • 3 trustees elected by members • 6 trustees appointed by the Governor

Employers



Agencies	Classification	Participating Employees
127	P1 State Agencies	26,919
60	Health Departments	2,037
10	Regional Mental Health Units	1,771
7	Universities	1,599
33	Non-P1 State Agencies	594
237	Subtotal	32,920 (99%)
88	All Others	311
325	Total	33,231

Employers



Agencies	Classification	Participating Employees
171	Boards of Education	45,638
118	Fiscal Courts	10,817
221	Cities	10,282
2	Urban Government	6,085
119	Utility Boards	4,013
631	Subtotal	76,835 (86%)
491	All Others	12,933
1,122	Total	89,768

Membership

KERS NH

	Tier 1	Tier 2	Tier 3	Total
Active	12,760	4,859	11,450	29,069
Retired	44,537	382	33	44,952
Inactive	30,665	8,690	11,174	50,529
Total	87,962	13,931	22,657	124,550

CERS NH

	Tier 1	Tier 2	Tier 3	Total
Active	25,552	11,767	42,944	80,263
Retired	63,984	1,202	80	65,266
Inactive	49,981	17,959	34,568	145,529
Total	139,517	30,928	77,592	248,037

Benefits

	TIER 1	TIER 2	TIER 3
Plan Type	Defined Benefit	Defined Benefit	Hybrid Cash Balance Plan
Employee Contribution	NH: 5%	NH 6% (1% to retiree healthcare)	NH: 6%(1% to retiree healthcare)
Who is covered?	Participation before 9/1/2008	Participation 9/1/2008 to 12/31/2013	Participation on or after 1/1/2014
Pension Benefit	<p><u>NH</u> Final Comp: 5-Highest years Benefit Factor: 1.97% - 2.0% (KERS); 2.2% (CERS prior to 8/1/2004) or 2.0% (CERS 8/1/2004 – 9/1/2008) Service: Earned, purchased, sick leave</p>	<p><u>NH</u> Final Comp: Last complete 5 years Benefit Factor: 1.1% - 1.75% based on years of service; 2.0% for years 30 and after Service: Earned, purchased, sick leave (12 months max)</p>	<p><u>NH</u> Employee cont: 5% of pay Employer Credit: 4% of pay Interest Credit: 4% annually plus 75% of the 5-year smoothed excess returns above 4%</p>

Benefits

	TIER 1	TIER 2	TIER 3
Retirement Eligibility (unreduced)	<p><u>NH</u> Age 65/4 years of service; Any age/27 years of service; Age 65/<4 years of service benefit = actuarial equivalent of 2X member contributions and interest</p>	<p><u>NH</u> Age 65/5 years of service; or Rule of 87 (min. age 57) + 30 years</p>	<p>Same as Tier 2 Upon retirement eligibility a member may annuitize their account balance into a lifetime monthly payment or take a refund of their account</p> <p>Vesting: Immediate employee contributions + interest; 5 years for employer contributions + interest</p>
Retiree Health Benefits	<p>Pre-7/2003: Receives %age of contribution rate based on service (full at 20 years) 7/2003 and after: Dollar amount for each year of svc., adj. by 1.5%/yr. Must have 10 years service for eligibility.</p>	<p>Dollar amount for each year of service adj. by 1.5%/yr. Must have 15 years service for eligibility.</p>	<p>Same as Tier 2.</p>

Funded Status and Assets

As of June 30, 2022

Pension

	Funded Status	Assets (billions)
KERS NH	18.5%	\$3.1
CERS NH	52.0%	\$8.2

Insurance

	Funded Status	Assets (billions)
KERS NH	79.1%	\$1.4
CERS NH	132.1%	\$3.2

KERS Employer Pension Contribution History

	2015	2016	2017	2018	2019	2020	2021	2022
KERS Emp. Contrib.	\$549.3M	\$536.4M	\$703.0M	\$652.8M	\$1.0B	\$1.0B	\$1.0B	\$1.1B*
KERS Special Approp.	-	-	\$73.2M	\$77.6M	\$75.9M	-	-	-
KERS Total	\$549.3M	\$536.4M	\$776.2M	\$730.4M	\$1.1B	\$1.0B	\$1.0B	\$1.1B

* Beginning in 2022, the KERS NH Employer Contribution Rate includes the normal cost contribution and the prorated amount of actuarially accrued liability assigned to each Nonhazardous employer in accordance with KRS 61.565(1)(d).

SPRS Employer Pension Contribution History

	2015	2016	2017	2018	2019	2020	2021	2022
SPRS Emp. Contrib.	\$31.4M	\$25.7M	\$38.0M	\$34.5M	\$58.9M	\$58.4M	\$59.3M	\$62.3M
SPRS Special Approp.	-	-	\$25.0M	\$10.0M	\$1.1M	\$1.1M	\$0.4M	\$215.0M
SPRS Total	\$31.4M	\$25.7M	\$63.0M	\$44.5M	\$60.0M	\$59.5M	\$59.3M	\$277.3M

CERS Employer Pension Contribution History

	2015	2016	2017	2018	2019	2020	2021	2022
CERS H & NH Contrib.	\$405.2M	\$387.7M	\$445.8M	\$480.4M	\$531.0M	\$643.5M	\$644.3M	\$828.7M
Total K & C NH/H & SPRS	\$985.9M	\$949.8M	\$1.26B	\$1.26B	\$1.70B	\$1.70B	\$1.70B	\$2.21B

Projected Employer Contributions



Year	Contribution
2022	\$1.0B
2032	\$964M
2042	\$988M
2049	\$61M



Year	Contribution
2022	\$630M
2032	\$729M
2042	\$854M
2049	\$167M

Asset Allocation

As of June 30, 2022

	Global Equity	Private Equity	Specialty Credit	Core Fixed Income	Cash	Real Estate	Real Return
KERS NH	30.3%	6.9%	19.1%	21.6%	13.4%	5.6%	3.0%
CERS NH	46.0%	9.5%	21.0%	11.8%	1.0%	6.6%	4.0%

Investment Performance

KPPA Asset Class Returns - June 30, 2022

	1-Year	3-Year	5-Year
Public Equity	-18.1%	5.5%	6.6%
Private Equity	22.7%	20.4%	17.4%
Specialty Credit	1.2%	4.8%	5.4%
Core Fixed Income	-5.5%	1.0%	2.1%
Cash	0.2%	0.6%	1.1%
Real Estate	28.1%	15.7%	13.4%
Real Return	2.4%	4.9%	4.3%

Pension Portfolio Returns - June 30, 2022

	1-Year	3-Year	5-Year
KERS NH	-5.2%	6.0%	6.2%
KERS NH plan index	-4.8%	5.1%	5.7%
CERS NH	-5.9%	6.1%	6.5%
CERS NH Plan Index	-6.40%	5.60%	6.10%

Recent Pension Milestones

Fiscal Year Highlights

FY 2014

*Tier 3 introduced.
Public Pension
Oversight Board is
introduced*

FY 2015

*Full funding
reinstated by
legislature.*

FY 2017

*The KRS Board
revised economic
assumptions for all
five pension and
insurance plans
which resulted in
pension
contribution rates
rising 50-80%
dependent on plan.*

FY 2019

*New contribution
rates go in effect
7/1/2018.*

FY 2021

*House Bill 8
passes, which
freezes and
allocates the
unfunded liability
to all KERS-NH
employers*

*HB 484 passes,
which creates the
separate CERS
system and the
KPPA*

FY 2022

*SPRS receives an
additional
supplemental
appropriation of
\$215 million.*

*Funded status grew
from 31% to 53%.*

FY 23/24

*Legislature
approves
additional
supplemental
appropriations of
another \$480
million over the
biennium.*

Questions?



KPPPA

Kentucky Public Pensions Authority

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