



KPPA

Kentucky Public Pensions Authority

Interim Joint Committee on State Government

September 24, 2024

Ryan Barrow, Executive Director

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Overview

- 1) Year-end investment returns
- 2) Plan Cash Flows
- 3) Most recently available actuarial statistics
- 4) Legislation KPPA may seek during the 2025 Regular Session
- 5) Federal legislation/changes that could affect KPPA
- 6) Revision to proposed regulation



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1. Investment Returns

Data for the year ending June 30, 2024



- 1) All Plans **exceeded** their **Actuarial Assumed Rates** of Return for Fiscal Year 2024
- 2) All Plans produced **top decile risk adjusted performance** (Sharpe Ratios) within the Wilshire Peer Universe (over three and five-year periods)
- 3) Within Policy **Asset Allocation Ranges**
 - CERS adopted their new asset allocation targets effective 7/1/24
 - KRS adopted their new asset allocation targets effective 2/1/24

PENSION – INVESTMENT RETURNS

PERIODS ENDING JUNE 30, 2024



NET OF FEES RATES OF RETURN

	MARKET VALUE (\$ IN MILLIONS)	FYTD	3 YEARS	5 YEARS	10 YEARS	20 YEARS	30 YEARS	AROR
KERS NH	\$4,208.4	9.5%	3.6%	6.9%	6.1%	6.4%	7.7%	5.25%
PLAN BENCHMARK		10.1%	3.9%	6.5%	6.0%	6.4%	7.7%	
KERS HAZ	\$1,025.9	11.1%	4.6%	7.7%	6.7%	6.8%	7.9%	6.25%
PLAN BENCHMARK		12.4%	5.0%	7.8%	6.7%	6.8%	7.9%	
SPRS	\$651.8	9.6%	4.0%	7.0%	6.0%	6.4%	7.7%	5.25%
PLAN BENCHMARK		10.1%	3.9%	6.5%	5.9%	6.4%	7.7%	
CERS NH	\$9,628.0	11.6%	5.0%	8.0%	6.9%	6.8%	8.0%	6.50%
PLAN BENCHMARK		14.1%	5.4%	8.1%	6.8%	6.8%	8.0%	
CERS HAZ	\$3,412.1	11.7%	5.0%	7.9%	6.9%	6.8%	8.0%	6.50%
PLAN BENCHMARK		14.1%	5.4%	8.1%	6.8%	6.8%	8.0%	

INSURANCE – INVESTMENT RETURNS

PERIODS ENDING JUNE 30, 2024



NET OF FEES RATES OF RETURN

	MARKET VALUE (\$ IN MILLIONS)	FYTD	3 YEARS	5 YEARS	10 YEARS	20 YEARS	30 YEARS	AROR
KERS NH	\$1,677.7	11.1%	4.6%	7.7%	6.5%	6.4%	7.0%	6.50%
PLAN BENCHMARK		12.4%	5.2%	7.7%	6.7%	6.6%	7.4%	
KERS HAZ	\$667.4	11.2%	5.1%	7.8%	6.8%	6.6%	7.1%	6.50%
PLAN BENCHMARK		12.4%	5.2%	7.6%	6.7%	6.6%	7.4%	
SPRS	\$271.2	11.0%	5.1%	7.9%	7.0%	6.6%	7.2%	6.50%
PLAN BENCHMARK		12.4%	5.2%	7.6%	6.7%	6.6%	7.4%	
CERS NH	\$3,581.1	11.8%	5.3%	7.9%	6.9%	6.6%	7.2%	6.50%
PLAN BENCHMARK		14.1%	5.4%	7.8%	6.8%	6.7%	7.4%	
CERS HAZ	\$1,727.1	11.7%	5.3%	7.9%	7.0%	6.6%	7.2%	6.50%
PLAN BENCHMARK		14.1%	5.4%	7.8%	6.8%	6.7%	7.4%	



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2. Cash Flow

Data for the year ending June 30, 2024



As expected:

1) Pension plans expected to be fully funded in 2049

- All plans had positive cash flow for FY24

2) Insurance plans fully or materially funded (4 of 5 insurance plans are fully funded – KERS NHZ is 81.7%)

- Plans had negative cash flow for FY24 (3 of 5)



PENSION FUND CONTRIBUTION REPORT (KERS NHZ, KERS HAZ, & SPRS)
 FOR THE FISCAL YEARS ENDING JUNE 30, 2024, AND JUNE 30, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS	FY24	FY23	FY24	FY23	FY24	FY23
MEMBER CONTRIBUTIONS	\$96.6	\$84.6	\$21.6	\$17.5	\$5.7	\$5.2
EMPLOYER CONTRIBUTIONS	156.0	136.5	89.9	72.8	62.0	58.1
ACTUARIALLY ACCRUED LIABILITY CONTRIBUTIONS	899.7	898.5	-	-	-	-
GENERAL FUND APPROPRIATIONS	240.0	240.0	-	-	-	-
NET INVESTMENT INCOME	112.4	85.5	26.1	20.7	18.7	15.5
TOTAL INFLOWS	1,504.7	1,445.1	137.6	111.0	86.4	78.8
BENEFIT PAYMENTS/REFUNDS	1,043.8	1,035.6	84.7	82.7	64.0	64.0
ADMINISTRATIVE EXPENSES	14.1	13.8	1.6	1.5	0.3	0.3
TOTAL OUTFLOWS	1,057.9	1,049.4	86.3	84.2	64.3	64.3
NET FLOWS	446.8	395.7	51.3	26.8	22.1	14.5
REALIZED AND UNREALIZED GAIN/(LOSS)	243.6	134.8	76.0	56.6	38.3	25.4
CHANGE IN NET POSITION	690.4	530.5	127.3	83.4	60.4	39.9
BEGINNING NET POSTION	3,607.2	3,076.7	902.6	819.2	592.8	552.9
END NET POSTION	\$4,297.6	\$3,607.2	\$1,029.9	\$902.6	\$653.2	\$592.8



PENSION FUND CONTRIBUTION REPORT (CERS NHZ AND CERS HAZ)
FOR THE FISCAL YEARS ENDING JUNE 30, 2024, AND JUNE 30, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS	FY24	FY23	FY24	FY23
MEMBER CONTRIBUTIONS	\$161.1	\$147.7	\$61.4	\$57.0
EMPLOYER CONTRIBUTIONS	764.8	697.7	321.3	308.2
NET INVESTMENT INCOME	217.4	178.0	77.9	62.7
TOTAL INFLOWS	1,143.3	1,023.4	460.6	427.9
BENEFIT PAYMENTS/REFUNDS	965.8	917.6	352.0	326.2
ADMINISTRATIVE EXPENSES	26.5	24.1	2.3	2.1
TOTAL OUTFLOWS	992.3	941.7	354.3	328.3
NET FLOWS	151.0	81.7	106.3	99.6
REALIZED AND UNREALIZED GAIN/(LOSS)	785.3	637.4	277.8	219.3
CHANGE IN NET POSITION	936.3	719.1	384.1	318.9
BEGINNING NET POSITION	8,781.4	8,062.3	3,055.8	2,736.9
END NET POSITION	\$9,717.7	\$8,781.4	\$3,439.9	\$3,055.8



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

FOR THE FISCAL YEARS ENDING JUNE 30, 2024, AND JUNE 30, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS	FY24	FY23	FY24	FY23	FY24	FY23
MEMBER CONTRIBUTIONS	\$10.6	\$8.4	\$2.1	\$1.6	\$0.4	\$0.4
EMPLOYER CONTRIBUTIONS	48.9	41.4	1.8	1.5	10.2	9.3
ACTUARIALLY ACCRUED LIABILITY CONTRIBUTIONS	87.8	87.7	-	-	-	-
OTHER	8.5	4.9	0.7	0.3	0.4	0.1
NET INVESTMENT INCOME	43.3	32.1	15.7	13.1	6.5	5.3
TOTAL INFLOWS	199.1	174.5	20.3	16.5	17.5	15.1
HEALTHCARE PREMIUMS	95.1	105.6	20.4	19.8	12.4	14.3
ADMINISTRATIVE EXPENSES	0.7	0.8	0.1	0.1	0.1	0.1
TOTAL OUTFLOWS	95.8	106.4	20.5	19.9	12.5	14.4
NET FLOWS	103.3	68.1	(0.2)	(3.4)	5.0	0.7
REALIZED AND UNREALIZED GAIN/(LOSS)	123.3	95.9	51.8	39.8	20.3	16.1
CHANGE IN NET POSITION	226.6	164.0	51.6	36.4	25.3	16.8
BEGINNING NET POSITION	1,465.5	1,301.5	616.3	579.9	246.8	230.0
END NET POSITION	\$1,692.1	\$1,465.5	\$667.9	\$616.3	\$272.1	\$246.8



INSURANCE FUND CONTRIBUTION REPORT (CERS NHZ & CERS HAZ)

FOR THE FISCAL YEARS ENDING JUNE 30, 2024, AND JUNE 30, 2023 (\$ IN MILLIONS)



CONTRIBUTIONS

FY24

FY23

FY24

FY23

MEMBER CONTRIBUTIONS

\$20.7

\$17.8

\$5.0

\$4.3

EMPLOYER CONTRIBUTIONS

10.2

106.0

22.7

50.4

OTHER

10.7

6.3

1.4

0.4

NET INVESTMENT INCOME

81.7

65.9

37.8

32.1

TOTAL INFLOWS

123.3

196.0

66.9

87.2

HEALTHCARE PREMIUMS

124.8

126.8

96.2

93.7

ADMINISTRATIVE EXPENSES

0.9

0.9

0.5

0.5

TOTAL OUTFLOWS

125.7

127.7

96.7

94.2

NET FLOWS

(2.4)

68.3

(29.8)

(7.0)

REALIZED AND UNREALIZED GAIN/(LOSS)

298.8

240.0

145.6

116.6

CHANGE IN NET POSITION

296.4

308.3

115.8

109.6

BEGINNING NET POSITION

3,289.5

2,981.2

1,613.6

1,504.0

END NET POSITION

\$3,585.9

\$3,289.5

\$1,729.4

\$1,613.6



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3. Actuarial Statistics

Data for the fiscal years ending June 30, 2023



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Actuary Statistics

PENSION FUNDING STATUS				
PERIODS ENDING JUNE 30, 2023				
	Actuarial Liability	Actuarial Value of Assets	Unfunded Liability	Funding Ratio
KERS NH	\$16.3 B	\$ 3.6 B	\$12.8 B	21.79%
KERS HAZ	\$ 1.4 B	\$ 0.9 B	\$ 0.5 B	65.40%
SPRS	\$ 1.1 B	\$ 0.6 B	\$ 0.5 B	54.03%
CERS NH	\$15.3 B	\$ 8.6 B	\$ 6.7 B	56.12%
CERS HAZ	\$ 5.8 B	\$ 3.0 B	\$ 2.8 B	51.42%

INSURANCE FUNDING STATUS				
PERIODS ENDING JUNE 30, 2023				
	Actuarial Liability	Actuarial Value of Assets	Unfunded Liability	Funding Ratio
KERS NH	\$ 1.9 B	\$ 1.5 B	\$ 0.3 B	81.66%
KERS HAZ	\$ 0.4 B	\$ 0.6 B	(\$ 0.3) B	170.43%
SPRS	\$ 0.2 B	\$ 0.2 B	(\$ 0.001) B	100.46%
CERS NH	\$ 2.6 B	\$ 3.4 B	(\$ 0.8) B	131.48%
CERS HAZ	\$ 1.6 B	\$ 1.6 B	(\$ 0.01) B	100.70%



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4. Potential Legislation

2025 Regular Session



1) KPPA Reorganization- Create a new Office of Financial Management

- As with most public and private organizations elevate the CFO to the Executive Level
- Split the current Division of Accounting into two Divisions
 - Division of Accounting
 - Division of Investment Operations



2. Pension Spiking - Address across-the-board raises and Increases in Creditable Compensation given to all Employees in a Specified Class

This is being requested due to a Kentucky Court of Appeals opinion which found:

*“**across-the-board raises and reallocations to a higher pay grade given to a specific group of employees constituted a professional advancement in substantially the same line of work which falls under the definition of a bona fide promotion or career advancement**”*



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5. Federal Legislation/Changes Affecting KPPA



Inflation Reduction ACT and Guidance Final 4/1/2024

1) Bottom Line

- Improves Pharmacy Benefits for Retired Members
- Increasing the 2025 premiums for KPPA and downward pressure on the funding levels

2) Key Changes

- Cap Beneficiary out-of-pocket spending at \$2,000 with option to smooth the cost
- Accumulation towards the Cap is based on “incurred costs”
- New shared liability is established in the catastrophic phase



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Thank you