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Kentucky Public Pensions Authority

Impact of Supplemental Payments into the KERS Non-Hazardous and SPRS Retirement Funds

**Budget Review Subcommittee on General Government,
Finance, Personnel and Public Retirement
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Scenario #1: Impact of an additional one-time \$100 million appropriation to the KERS Non-Hazardous Pension Fund

Scenario #2: Impact of an additional one-time \$100 million appropriation to the SPRS Pension Fund

SCENARIO #1

(\$ in Millions)

KERS NONHAZARDOUS	2021 VALUATION	ADDITIONAL \$100M APPROPRIATION
	(1)	(2)
1. FUNDED STATUS		
A. ACTUARIAL ACCRUED LIABILITY	\$16,321	
B. ACTUARIAL VALUE OF ASSETS	\$2,736	
C. UNFUNDED ACTUARIAL ACCRUED LIABILITY	\$13,585	
D. FUNDED RATIO	16.8%	
INCREASE IN THE FUNDED RATIO ATTRIBUTABLE TO EACH \$100M APPROPRIATION. THE INCREASE IN FUNDED RATIO IS RECOGNIZED ON THE JUNE 30 AFTER THE APPROPRIATION IS MADE.		0.6%
2. CONTRIBUTION AMOUNT (PENSION ONLY)		
A. EMPLOYER NORMAL COST	\$104	\$104
B. AMORTIZATION	\$906	\$897
C. TOTAL CONTRIBUTIONS	\$1,010	\$1,001
D. CHANGE		(9)
E. PAYROLL	\$1,349	\$1,349
3. CONTRIBUTION RATE		
A. NORMAL COST	7.82%	7.82%
B. AMORTIZATION	N/A	N/A
C. PENSION CONTRIBUTION RATE	7.82%	7.82%
D. INSURANCE CONTRIBUTION RATE	2.15%	2.15%
E. TOTAL CONTRIBUTION RATE	9.97%	9.97%
F. CHANGE IN TOTAL CONTRIBUTION RATE		N/A

SCENARIO #2

(\$ in Millions)

SPRS	2021 VALUATION	ADDITIONAL \$100M APPROPRIATION
	(1)	(2)
1. FUNDED STATUS		
A. ACTUARIAL ACCRUED LIABILITY	\$1,053	
B. ACTUARIAL VALUE OF ASSETS	\$323	
C. UNFUNDED ACTUARIAL ACCRUED LIABILITY	\$730	
D. FUNDED RATIO	30.7%	FUNDED RATIO (FR) IN 2021
	51.1%	EXPECTED FR IN 2022
INCREASE IN THE FUNDED RATIO ATTRIBUTABLE TO EACH \$100M APPROPRIATION. THE INCREASE IN FUNDED RATIO IS RECOGNIZED ON THE JUNE 30 AFTER THE APPROPRIATION IS MADE.		9.5%
2. CONTRIBUTION AMOUNT (PENSION ONLY)		
A. EMPLOYER NORMAL COST	\$8	\$8
B. AMORTIZATION	\$30	\$22
C. TOTAL CONTRIBUTIONS	\$38	\$30
D. CHANGE		(8)
E. PAYROLL	\$45	\$45
3. CONTRIBUTION RATE		
A. NORMAL COST	18.60%	18.60%
B. AMORTIZATION	66.72%	48.10%
C. PENSION CONTRIBUTION RATE	85.32%	66.70%
D. INSURANCE CONTRIBUTION RATE	14.11%	14.11%
E. TOTAL CONTRIBUTION RATE	99.43%	80.81%
F. CHANGE IN TOTAL CONTRIBUTION RATE		-18.62%



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The Impact of Compound Interest

\$200 million invested in 2024 @ 5.25 % will grow to \$477 million in 2041

\$200 million invested every year from 2024 to 2040 will grow to \$5,419 million in 2041

It is like getting a 5.25% return on a State investment



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Project the impact of the Legislature granting an annual \$200 million supplemental appropriation for the KERS Non-Hazardous Pension Fund in each biennium budget:

Scenario #3: **Stable Contributions** - Use the additional \$200 million to directly pay down the unfunded liability (like making extra mortgage payments to pay off the mortgage sooner)

Scenario #4: **Declining Contributions** - Use the additional \$200 million each year to reduce what otherwise would have had to be paid each year (the maturity does not change)

NOTE: The actuary can't build that extra \$200 million recurring appropriation into its annual valuation because it has not yet been legislated. It can, however, show the projections as if it will happen.

KERS Non-Hazardous Retirement Fund

Scenario 3

\$200M Annual Appropriations to the Retirement Fund

Maintain Employer Amortization Cost to Accelerate Plan Funding

(\$ in Millions)

Fiscal Year	Unfunded Liability			Funded Ratio		Amortization and Appropriation	
	Pension Plan Only			Pension Plan Only		Pension Plan Only	
	Current Plan	W/Addl Funding	Difference	Current Plan	W/Addl Funding	Current Plan	W/Addl Funding
Beginning July 1,							
2024	\$12,351	\$12,351	-	24%	24%	\$862	\$1,062
2029	\$11,099	\$ 9,960	(\$1,139)	29%	37%	\$867	\$1,067
2034	\$ 9,394	\$ 6,783	(\$2,611)	36%	54%	\$867	\$1,067
2039	\$ 7,192	\$ 2,680	(\$4,512)	47%	80%	\$867	\$1,067
2042	\$ 5,537	-	(\$5,537)	57%	100%	\$940	-

KERS Non-Hazardous Retirement Fund
Scenario 4
\$200M Annual Appropriations to the Retirement Fund
Contribute a Decreasing Actuarial Determined Contribution Amount Each Future Year
(Advance Fund in Near Term to Reduce Contribution Requirements in Future Years)
(\$ in Millions)

Fiscal Year Beginning July 1,	Unfunded Liability Pension Plan Only			Funded Ratio Pension Plan Only		Amortization and Appropriation Pension Plan Only		
	Current Plan	W/Addl Funding	Difference	Current Plan	W/Addl Funding	Current Plan	W/Addl Funding	Difference
	2024	\$12,351	\$12,351	-	24%	24%	\$862	\$1,046
2029	\$11,099	\$10,191	(\$908)	29%	35%	\$867	\$985	\$118
2034	\$9,394	\$7,769	(\$1,625)	36%	47%	\$867	\$879	\$12
2039	\$7,192	\$5,212	(\$1,980)	47%	62%	\$867	\$789	(\$78)
2044	\$4,150	\$2,412	(\$1,738)	67%	81%	\$943	\$667	(\$276)
2049	-	-	-	100%	100%	-	-	-



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QUESTIONS?