



**COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
FUNDING POLICY**

Effective: September 29, 2021

**I. Introduction**

- A. Adoption of Board Funding Policy: Pursuant to the provisions of Kentucky Revised Statutes (KRS) 78.782, the Board of Trustees (Board) of the County Employees Retirement System (System) is permitted to adopt policies regarding the administration of the System as needed.
- B. Background. The Board administers the County Employees Retirement System (the Plan), a public employee retirement system pension plan with a nonhazardous plan and a hazardous plan. The Board also administers a health insurance trust fund with a nonhazardous and hazardous plan for eligible members and beneficiaries of the Plan.
- C. Statement of Purpose of Board Funding Policy: Adoption of a formal policy defining priorities and guidelines for the funding of retirement and health insurance benefits is a best practice for public employee retirement systems. This Funding Policy outlines the Board's goals and strategies for financing the Plan and health insurance trust fund it administers, including the principal goal of achieving a funded ratio<sup>1</sup> that is equal to or greater than one hundred percent (100%) for the Plan and the insurance trust fund. In the event that this Funding Policy conflicts with state or federal law, the law shall prevail.

**II. Scope of authority**

- A. The Kentucky General Assembly determines:
  - 1. The design of the Plan's retirement and insurance benefits;
  - 2. Employee (member) contributions;
  - 3. The frequency and deadlines for the Board to conduct an actuarial valuation and recommend employer contributions;

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<sup>1</sup> "Funded ratio" is defined as the actuarial value of Plan's assets divided by the Plan's actuarial accrued liability before adjustments for changes in benefits, actuarial methods, and/or actuarial assumptions.

4. A minimum frequency for the Board to cause an actuarial investigation to be made of all the experience under the Plan relative to the actuarial assumptions and funding methods previously adopted by the Board;
  5. Actuarial methods to be used in setting employer contributions; and
  6. Limits on employer contributions to the Plan administered by the Board.
- B. The Board has authority to establish, approve, and revise actuarial assumptions<sup>2</sup>, and the Board has the authority over the investment of trust assets, including determining and approving the asset allocation, investment policies, and strategies for investment asset classes.

### **III. Funding goals**

- A. The principal funding goal of the Board is to fully fund the long-term cost of retirement and health insurance benefits provided to the Plan's members and beneficiaries by statute through disciplined and timely collection of required contributions and the prudent investment of assets.
- B. The Board's principal funding goal is to strive to have the funded ratio for the Plan and the health insurance fund to be equal to or greater than one hundred percent (100%).
- C. In order to achieve the principal funding goal, employee contributions, employer contributions, and net investment returns, when combined, should be sufficient to pay benefits to eligible members and beneficiaries of the Plan.
- D. The Board shall ensure full payment of employer contributions in compliance with Kentucky Revised Statutes 78.635, including the payment of normal cost contributions and actuarially accrued liability contributions.

### **IV. Benchmarks**

- A. To achieve the previously outlined funding goals, the Board shall cause an actuarial valuation to be made annually in compliance with Kentucky Revised Statutes 78.784.
- B. Additionally, no fewer than every five (5) years, in compliance with Kentucky Revised Statutes 78.784, the Board shall cause an actuarial investigation to be made of all the experience under the Plan relative to the actuarial assumptions and funding methods previously adopted by the Board, and the Board shall make the appropriate revisions following this actuarial investigation.
- C. As required by Kentucky Revised Statutes 78.784, all actuarial investigations, analyses, and valuations shall be certified to the Board by an actuary who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries.

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<sup>2</sup> However, the General Assembly provides oversight concerning the actuarial assumptions.

- D. The annual actuarial valuation conducted in accordance with Kentucky Revised Statutes 78.784 shall specify employer contributions to be paid by employers participating in the System, and such employer contributions shall be equal to the sum of the “normal cost contribution” and the “actuarially accrued liability contribution” as required by Kentucky Revised Statutes 78.635.
- E. Increases in benefits for members and beneficiaries of the Plan shall only be provided in accordance with Kentucky Revised Statutes 78.5518.

**V. Actuarial methods**

Pursuant to Kentucky Revised Statutes 78.635, the Board shall use the following methods for the purpose of actuarial valuations and, accordingly, for determining employer contributions:


- A. Cost method: The cost method shall be the entry age normal cost funding method.
- B. Asset smoothing: Investment gains and losses shall be spread over a five (5) year period.
- C. Amortization policy: The actuarially accrued liability contribution shall be amortized as required by Kentucky Revised Statutes 78.635.

**VI. Review of funding policy**


This Funding Policy shall be reviewed no less frequently than every five (5) years, following the actuarial experience investigation conducted pursuant to Kentucky Revised Statutes 78.784, although it is the intent of the Board to review this Funding Policy more frequently. This Funding Policy may be amended at any time to reflect changes to the System’s enabling statutes, Board policies, or best practices for public employee retirement plans.

**VII. Certification**

We, the Chair of the Board of Trustees of the County Employees Retirement System, and the Chief Executive Officer of the County Employees Retirement System, do hereby certify that this Funding Policy was made effective by the Board of Trustees of the County Employees Retirement System on the 29th day of September, 2021.

  
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Chair of the Board of Trustees  
County Employees Retirement System

09/29/2021  
\_\_\_\_\_  
Date

  
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Chief Executive Officer  
County Employees Retirement System

09/29/2021  
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Date