

**Kentucky Retirement Systems Board of Trustees
Annual Board Meeting
April 9, 2024, 10:00 a.m. EST
Live Video Conference/Facebook Live
AGENDA**

- | | |
|---|-------------------------------------|
| 1. Call to Order | Lynn Hampton |
| 2. Legal Public Statement | Office of Legal Services |
| 3. Roll Call/Public Comment | Sherry Rankin |
| 4. Approval of Minutes – March 13, 2024* | Lynn Hampton |
| 5. Election of KRS Board of Trustee Officers*
Chair and Vice Chair | John Chilton |
| 6. Assignments to KPPA Board, Investment Committee
Chair, and Committees | Board Chair |
| 7. PPW Board of Directors Election* | Steve Willer |
| 8. ACFR Recommendation* | Michael Lamb |
| 9. Investment Update | Steve Willer |
| 10. KPPA Update | David Eager |
| 11. KRS Update | John Chilton
Board Chair |
| 12. Closed Session** - Litigation | Board Chair |
| 13. Adjourn* | Board Chair |

**Board Action Required*

***Board Action May Be Required*

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES MEETING
MARCH 13, 2024, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the Kentucky Retirement Systems Board of Trustees held on March 13, 2024 the following members were present: Lynn Hampton (Chair), Ramsey Bova, Mary Eaves, Prewitt Lane, Keith Peercy, Pamela Thompson and William Summers, V. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Connie Pettyjohn, Michael Board, Victoria Hale, Leigh Ann Davis, Michael Lamb, Connie Davis, D’Juan Surratt, Steve Willer, Anthony Chiu, Brian Caldwell, Katie Park, Shaun Case, and Sherry Rankin. Others present included Chris Tessman and David Lindberg with Wilshire, Adam Gordon and Linda Hinton with the Auditor of Public Accounts, and Tracey Garrison, Larry Loew, and Carla Whaley with Humana.

Ms. Hampton called the meeting to order.

Ms. Hale read the Legal Public Statement.

There being no **Public Comment** submitted, Ms. Rankin called roll.

Ms. Hampton introduced agenda item **Approval of Minutes – December 5, 2023; December 20, 2023; and January 30, 2024** (Video 00:08:44 to 00:09:35). A motion was made by Mr. Lane and seconded by Mr. Peercy to approve all minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item **Acceptance of FY 2023 Proportionate Share Audits** (Video 00:09:36 to 00:14:12). Mr. Adam Gordon with the Auditor of Public Accounts (APA) presented the draft FY 2023 Proportionate Share Audits. End of field work for the audit will be at the next meeting of the Authority on March 21, 2024. Mr. Gordon advised that the full report will be released once approved by the Authority. He stated that there were no findings or issues; therefore, the APA anticipates issuing a modified/clean opinion.

Ms. Eaves made a motion to accept the FY 2023 Proportionate Share Audits as presented. Mr. Summers seconded the motion and the motion passed unanimously.

Ms. Hampton introduced the ***Joint Retiree Health Plan Committee Report*** (Video 00:14:13 to 00:24:37). Ms. Pettyjohn stated that the Joint Retiree Health Plan Committee met on February 15, 2024. The Committee reviewed an informational presentation from Humana regarding the 2023 Member Satisfaction Results, the Inflation Reduction Act, CMS Call Notices, and 2024 Stars Outreach. Ms. Pettyjohn provided a summary of the information presented.

Open Enrollment (October 1, 2023 to December 31, 2023) statistics were also presented.

Ms. Hampton introduced agenda item ***Quarterly Financial Reports*** (Video 00:24:38 to 00:38:20). Mr. Lamb reviewed the Quarterly Financial Reports with the KRS Board of Trustees. He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of December 31, 2023. Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the six-month period ending December 31, 2023. The KRS Pension Funds Contribution Report was also presented.

Mr. Lamb went on to present the Combining Statement of Fiduciary Net Position of Insurance Funds as of December 31, 2023, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the six-month period ending December 31, 2023, with the KRS Board of Trustees. Next, he reviewed the KRS Insurance Funds Contribution Report for the six-month period ending December 31, 2023. The KRS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were also presented to the Trustees.

Next, the FY 2023-2024 KPPA Administrative Budget – Budget-to-Actual Summary Analysis for the six-month period ending December 31, 2023, was highlighted by Mr. Lamb. Lastly, the Mr. Lamb briefly reviewed the separation/plan-specific expenses and the JP Morgan Chase Credit Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2024.

Ms. Hampton introduced agenda item ***Quarterly Investment Performance Report*** (Video 00:38:21 to 00:47:39). The KRS Investment Committee met on February 21, 2024. The Committee reviewed informational items only; therefore, no items required ratification by the KRS Board of Trustees,

reported Mr. Willer. He reviewed plan performance data for the quarter ending December 31, 2023, as presented to the KRS Investment Committee. Mr. Willer provided a brief update on current projects within the KPPA Office of Investments.

Ms. Hampton introduced agenda item ***Dentons Bingham Greenebaum Contract*** (Video 00:47:40 to 00:50:38). Ms. Hampton stated that the Dentons Bingham Greenebaum contract renewal had been discussed at a previous meeting. At that time, the KRS Board of Trustees elected to further review the pricing within the contract. Ms. Hampton reported that she and Mr. Chilton met with Dentons Bingham Greenebaum to discuss the services provided by the firm and the pricing. The duration of the personal service contract will run from April 1, 2024, through June 30, 2025, at a flat hourly rate of \$350.00 for all professionals in the firm.

Mr. Lane made a motion to approve the contract with Dentons Bingham Greenebaum as presented. The motion was seconded by Ms. Thompson. Ms. Eaves abstained from the vote; however, the motion passed.

Ms. Hampton introduced agenda item ***KRS CEO Update*** (Video 00:50:39 to 00:55:10). Mr. Chilton provided a brief oral report on the happenings since the last meeting of the KRS Board of Trustees. He advised that Trustees will be required to complete their ethics disclosure prior to April 15, 2024. Mr. Chilton also reminded Trustees to use only their KPPA provided email address when conducting/discussing KRS business. Trustee Education requirements and qualifying education topics were also highlighted by Mr. Chilton.

Ms. Hampton introduced agenda item ***KPPA Update*** (Video 00:55:11 to 01:11:05). Mr. Eager provided the KRS Board of Trustees with a written KPPA Update. He orally reported on the 2024 Regular Legislative Session and reviewed the status of legislation impacting KPPA. Ms. Adkins elaborated on Mr. Eager's update on obtaining a Louisville Office for the KPPA Office of Investments.

Ms. Hampton introduced agenda item ***New Business*** (Video 01:11:06 to 01:16:16). Ms. Hampton stated that the topic she wished to cover had already been discussed. There was no additional new business brought forth by the KRS Board of Trustees.

Ms. Hampton introduced agenda item ***Closed Session*** (*Video 01:16:17 to 01:13:15*) and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Ms. Eaves and seconded by Mr. Lane. The motion passed unanimously.

Mr. Board read the following statement and the meeting moved into closed session: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider litigation, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. All public attendees exited the meeting.

Closed Session (*Video - Part 2 - 00:00:22 to 00:00:32*)

Ms. Hampton called the meeting back to open session. There was no action taken by the KRS Board of Trustees.

There being no further business, Ms. Hampton adjourned the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held March 13, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on March 13, 2024, were approved on April 9, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the March 13, 2024, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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TO: County Employees Retirement System (CERS) Board of Trustees
Kentucky Retirement Systems (KRS) Board of Trustees
Kentucky Public Pensions Authority (KPPA) Board

FROM: Michael Lamb, KPPA, Chief Financial Officer

M. Lamb 4/11/2024

CC: David Eager, KPPA, Executive Director; Rebecca Adkins, KPPA Deputy Executive Director;
Michael Board, KPPA Executive Director, Office of Legal Services; Ed Owens III, CERS
Chief Executive Officer; John Chilton, KRS Chief Executive Officer

DATE(S): April 8, 2024; CERS Annual Board Meeting
April 9, 2024; KRS Annual Board Meeting
April 25, 2024; KPPA Annual Board Meeting

RE: Annual Comprehensive Financial Report (ACFR) presentation

SUMMARY:

During the November 28, 2022, CERS and KRS Joint Audit Committee meeting, a discussion ensued regarding the presentation of the financial statements in the June 30, 2022, ACFR. This discussion included the relevance of a KPPA total in the financial statements as well as the potential for separate CERS and KRS audit opinions and separate CERS and KRS ACFRs. During that meeting it was agreed that further research needed to be conducted, and during the February 28, 2023, CERS and KRS Joint Audit Committee meeting, a timeline for that research was presented.

Having completed this research it has been concluded that there are multiple options available on how to present the audited financial statements of CERS, KRS, or KPPA that are appropriate and allowable, and ultimately the decision is at the discretion of the board(s) of trustees and KPPA management.

RECOMMENDATION:

Beginning with fiscal year ended June 30, 2024, I recommend that KPPA contract with an outside certified public accountant to perform two separate financial statement audits and have KPPA publish two separate Annual Comprehensive Financial Reports:

- One ACFR for the County Employees Retirement System, and their related pension and insurance trust plans.
- and
- One ACFR for the Kentucky Retirement Systems, inclusive of the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS), and their related pension and insurance trust plans.

APPENDIX OF RESEARCH

BACKGROUND

The Kentucky Employees Retirement System (KERS) was established by the State Legislature on July 1, 1956. The State Police Retirement System (SPRS) and the County Employees Retirement System (CERS) were established by the State Legislature on July 1, 1958.

Prior to 2021 all three systems were governed by a single board of trustees. This board of trustees, management and staff were all referred to as the Kentucky Retirement Systems (KRS). Under this single board of trustees KRS issued one ACFR, including all three systems and their related pension plans and the insurance trust plans (the last ACFR issued under this governance structure was for the fiscal year ended 6/30/2020).

Effective April 1, 2021, the KRS Board of Trustees was replaced by three boards:

- A new 9-member board of trustees to oversee CERS (CERS Board). Three trustees are elected by CERS membership, and six are appointed by the Governor from a list of applicants submitted by the Kentucky League of Cities, the Kentucky Association of Counties, and the Kentucky School Boards Association.
- A reconstituted 9-member board of trustees, retaining the KRS name, to oversee KERS and SPRS (KRS Board). Two trustees are elected by KERS membership, one is elected by SPRS membership, and six are appointed by the Governor.
- A new 8-member board, to oversee the professional employees who provide administrative support, investment management and conduct other activities on behalf of the CERS and KRS Boards. These employees are part of the agency now called Kentucky Public Pensions Authority (KPPA) and the board is referred to as the KPPA Board.
 - The KPPA Board is composed of four trustees from the CERS Board and four trustees from the KRS Board as follows:
 - The chair of KRS and the chair of CERS,
 - The KRS investment committee chair and the CERS investment committee chair,
 - Two KRS trustees selected by the KRS chair, one who was elected and one who was appointed, and
 - Two CERS trustees selected by the CERS chair, one who was elected and one who was appointed.

This new structure was in place for the fiscal year ended June 30, 2021, and has been in place ever since, including fiscal years ended June 30, 2022, and June 30, 2023.

For these past three fiscal years KPPA has continued to issue one ACFR including all three systems and their related pension plans and the insurance trust plans. The external audits and related opinions for these years were on the total of all three systems and the insurance trust plan (the KPPA total). This was due to KPPA management concluding that KPPA met the definition of a Public Employees Retirement System (PERS) under GASB. However, the appropriateness of that conclusion and subsequent presentation of the financial statements was questioned prompting research to clarify how the financial statements of these retirement systems and the insurance trust plan should be presented going forward.

GASB AUTHORITATIVE GUIDANCE:

GASB 67, paragraph 51 defines a public employee retirement system (PERS) as

“A **special-purpose government** that **administers** one or more **pension plans**; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.”

Special-purpose government: GASB 34 paragraph 134 discusses special-purpose governments but does not offer a definition of the term. However, through the literature, we conclude that a special-purpose government: is not a **general-purpose government**, that provides a single or limited set of services or programs; has **separate legal status**; may be a **component unit** or **other stand-alone government**; and can either be **fiscally independent** or **fiscally dependent**.

General-purpose government: Entities such as states, cities, counties, towns, and villages (GASB 34 paragraph 134). These governments provide multiple services, such as public safety, roads, fire protection, and record keeping.

Separate legal status – a legally recognized organization with its own rights and obligations.

Component unit (GASB 14 paragraph 20): Legally separate organizations for which the elected officials of the primary government are financially accountable.

Other stand-alone government (GASB 14 paragraph 66): Legally separate organizations that (a) do not have a separately elected governing body and (b) do not meet the definition of a component unit as discussed in paragraph 20. Other stand-alone governments include some special-purpose governments, joint ventures, jointly governed organizations, and pools.

Fiscally independent or fiscally dependent (GASB 14 Paragraph 16):

A special-purpose government is fiscally independent if it has the authority to do all three of the following:

- a) Determine its budget without another government’s having the authority to approve and modify that budget.
- b) Levy taxes or set rates or charges without approval by another government.
- c) Issue bonded debt without approval by another government.

A special-purpose government that is not fiscally independent is fiscally dependent on the primary government that holds one or more of those powers. A special-purpose government may be fiscally dependent on another state or local government regardless of whether it receives financial assistance from that state or local government; fiscal dependency does not necessarily imply that a financial benefit or burden relationship exists.

Administers: The term is not defined in the GASB literature. Through our technical inquiry with GASB we asked them to provide a definition, but they would not do so because the literature does not do so.

There has been significant discussion between KPPA management and our external audit firm regarding this definition and whether administer could also mean “govern”, as GASB would not confer with that assumption, KPPA management does not interpret this definition to incorporate the term govern.

Merriam-Webster defines administers as: “to manage or supervise the execution, use, or conduct of.”

Pension plan: (GASB 67 paragraph 51): arrangement through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

Public employee retirement system (PERS)	CERS	KRS	KPPA	Comments
Special-purpose government	Yes	Yes	Yes	
Not a general-purpose government	Yes	Yes	Yes	
Provides single or limited services	Yes	Yes	Yes	
Separate legal status	Yes	Yes	Yes	
Component unit or other stand-alone government.	Yes	Yes	Yes	CERS & KRS = Component Units; KPPA = other stand-alone government (as KPPA Board is not separately elected)
Fiscally independent	No	No	No	KPPA Budget approved by the State
Fiscally dependent	Yes	Yes	Yes	CERS & KRS do not have budgets.
Administers	Yes	Yes	Yes	
One or more pension plans	Yes	Yes	Yes	<p>KRS 78.782(1) The County Employees Retirement System shall be administered by the board of trustees...</p> <p>KRS 61.645(1) The Kentucky Employees Retirement System and State Police Retirement System shall be administered by the board of trustees of the Kentucky Retirement Systems...</p> <p>KRS 16.640 The government and control of the system [SPRS] is hereby vested in the board of trustees of the Kentucky Retirement Systems</p> <p>KRS 61.505 KPPA is charged with administering day to day needs of CERS and KRS including the three components of a pension plan (determination, accumulation, payment).</p> <p>KRS 78.782(9a) & KRS 61.645(9a) – establishes the executive director of KPPA as the chief administrative officer of the CERS and KRS Boards.</p>
Other types of employee benefit plans	Yes	Yes	Yes	
Meets GASB definition of a PERS	YES	YES	YES	

The GASB guidance requires the following:

GASB Codification (Sp20 .117):

“...A PERS that administers more than one defined benefit pension plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Po50 **[which the CERS, KERS, and SPRS pension and insurance trust plans do]** is required to present in its financial report combining financial statements for all plans administered by the system and, if applicable, required schedules for each plan. A PERS should meet this financial statement requirement by (a) presenting a separate column for each plan administered on the statement of fiduciary net position and the statement of changes in fiduciary net position or (b) presenting combining statements for those plans as part of the basic financial statements. [GASBS 34, ¶140, as amended by GASBS 63, ¶8, GASBS 67, ¶5 and ¶11, and GASBS 73, ¶5, ¶7, ¶115, and ¶116 and GASBS 74, ¶3, ¶5, and ¶18].

For the past three years, KPPA has met this GASB requirement in their Annual Comprehensive Financial Report (ACFR) by presenting combining statements (as allowed by (b) above) for all the pension and insurance plans that KPPA administered (all CERS and KRS plans), with a KPPA total (not a separate CERS or KRS total).

GASB CONCLUSIONS

KPPA management has concluded that both CERS and KRS, meet the definition of a PERS, as both these systems (which include pension plans and other types of employee benefit plans) are administered by their respective boards (statutorily). However, KRS 61.505 also grants the 8 member KPPA board administrative duties related to the pension plans and other plans of both CERS and KRS, and KRS 78.782(9)(a) and KRS 61.645(9)(a) both designate the KPPA executive director as the chief administrative officer for both the CERS Board and the KRS Board. As such, KPPA management can conclude that KPPA also meets the definition of a PERS under GASB.

However, it does not seem likely that two special-purpose governments can both administer the same pension plans at the same time. Therefore, concluding on who is administering the “one or more pension plans” and is therefore defined as the PERS under GASB is ultimately the decision of the board(s) of Trustees and KPPA management.

Based on the statutes granting KPPA most of the administrative duties of the pension plans, and the fact that the statutes designate the KPPA executive director as the chief administrative officer for both the CERS Board and the KRS Board, KPPA management concludes that KPPA shall be designated as the PERS under GASB.

INDUSTRY EXAMPLES:

Having reviewed all 50 State Pension System ACFRS we have noted three examples of ACFR presentations.

Example 1: Closely “mimics” current KPPA ACFR presentation, administration, and governance.

Alabama – The Retirement Systems of Alabama’s (RSA) ACFR indicates that RSA includes the Teachers Retirement System (TRS), the Employees Retirement System (ERS), and the Judicial Retirement Fund (JRF). TRS and ERS are governed by two separate Boards of Control, yet RSA issues one combined ACFR, and the independent auditor’s report’s opinion is on the total “Retirement Systems of Alabama” (not the individual systems).

Wyoming – The Wyoming Retirement System (WRS) includes a wide variety of plans, and the responsibility for the administration and operation of most plans is vested in the Wyoming Retirement Board. However, the Volunteer Firefighter, Emergency Medical Technicians (EMT) and Search & Rescue Pension Plan is controlled by a separate board and administered by the Executive Director of the Wyoming Retirement System. Despite this separate administration WRS issues one combined ACFR, and the independent auditor’s report’s opinion is on the total “Wyoming Retirement System” (not the individual plans or systems).

Example 2: Multiple audit opinions within one ACFR

Rhode Island – The Employees Retirement System of Rhode Island is responsible for administering 7 defined benefit plans, and 1 defined contribution plan. They have only one governing body, the State of Rhode Island Retirement Board, which governs all eight of these plans. The Basic Financial Statements show eight columns (one for each plan). In addition, there is a separate “Memorandum Total” column showing the sum of these eight plans. The independent auditor’s report’s opinion states “...the auditor audited the accompanying financial statements of the plans...” (Individual plans are audited and opined upon)

Washington –The Washington State Department of Retirement Systems (DRS) administers 8 statewide retirement systems composed of 15 defined benefit plans. They have a state investment board (for all systems/plans), but some systems have separate governing boards. The financial statements show all 15 of these plans separately and a total column. The independent auditor’s report’s opinion states “...we audited the accompanying financial statements (including the individual fund financial statements) of the Washington State Department of Retirement Systems (DRS)...” (Individual plans are audited and opined upon)

Example 3: Produce separate and distinct ACFRs.

Alaska - The Alaska Retirement Management Board governs two retirement systems: The Alaska Public Employees Retirement Systems and the Alaska Teachers’ Retirement System. Both systems’ administration is performed by the Division of Retirement and Benefits (DRB), and DRB publishes two separate ACFRs, one for each system.

Michigan - Michigan has one administrative agency; that administers several retirement systems, some of which are governed by separate boards, and each system issues a separate ACFR.

INDUSTRY EXAMPLES CONCLUSIONS:

KPPA management presented and discussed these example ACFR presentations during our GASB inquiry and were told that GASB could not argue against the presentation of any of the examples provided.

KPPA management has concluded that the current presentation of one ACFR with a "KPPA total" is compliant with GASB standards and can continue with the current practice if we choose to.

KPPA management has also investigated the possibility of producing one ACFR with multiple audit opinions as presented in Example 2 and has concluded that this presentation would be compliant with GASB standards as well.

Furthermore, producing two separate audit opinions and two separate ACFRs would also be compliant with GASB standards.

KPPA management has discussed the various options with users of the financial statements, mainly the Office of the Controller, within the Finance and Administration Cabinet, of the Commonwealth of Kentucky. KPPA management has consulted our own external audit firm, and a non-related external audit firm. KPPA management has discussed these examples with the KPPA audit committee, various trustees of both the CERS Board and KRS Board, as well as the CEOs of CERS and KRS. Furthermore, there have been multiple internal discussions among KPPA management and staff as to the practicality and appropriateness of all three examples presented above.

KPPA management concludes that there are multiple options available on how to present the audited financial statements of CERS, KRS, or KPPA that are appropriate and allowable, and ultimately the decision is at the discretion of the board(s) of trustees and KPPA management.

However, we understand that the presentation and "audit" of a "KPPA total" has little relevance to the health and stability of the specific individual retirement systems, whereas a more stringent materiality at a CERS and KRS level would bring more transparency to the health and stability of the specific retirement systems, and therefore be more relevant.

Therefore, KPPA management recommends separate presentations of the CERS and the KRS in their own freestanding ACFR.

STATUTES APPLICABLE TO ACFR PRESENTATION(S)

BOLD and [] are emphasis added by KPPA management.

ITEM	CERS	KERS	SPRS	KPPA
Establishment	<p>KRS 78.520 Retirement system established -- Fund created.</p> <p>There is hereby created and established:</p> <p>(1) A retirement system for employees to be known as the "County Employees Retirement System" by and in which name it shall, pursuant to the provisions of KRS 78.510 to 78.852, transact all of its business and shall have the powers and privileges of a corporation; and</p> <p>(2) (a) A fund, called the "County Employees Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 78.510 to 78.852.</p> <p>(b) All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 78.510 to KRS 78.852.</p>	<p>KRS 61.515 Retirement system established -- Fund created.</p> <p>There is hereby created and established:</p> <p>(1) A retirement system for employees to be known as the "Kentucky Employees Retirement System" by and in which name it shall, pursuant to the provisions of KRS 61.510 to 61.705, transact all its business and shall have the powers and privileges of a corporation; and</p> <p>(2) (a) A fund, called the "Kentucky Employees Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 61.570 to 61.585.</p> <p>(b) All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 61.510 to 61.705.</p>	<p>KRS 16.510 Retirement system established -- Fund created.</p> <p>There is hereby created and established:</p> <p>(1) A retirement system for state police to be known as the "State Police Retirement System" by and in which name it shall, pursuant to the provisions of KRS 16.510 to 16.652, transact all of its business, and shall have the powers and privileges of a corporation; and</p> <p>(2) A fund, to be known as the "State Police Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 16.555. All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 16.505 to KRS 16.652.</p>	<p>KRS 61.505 - Kentucky Public Pensions Authority -- Purpose -- Membership, vacancies, compensation, and meetings -- Authority granted powers and privileges of corporation -- Executive director, internal auditor, and employees -- Expenses -- Authorization of administrative expenses -- Duties of members.</p> <p>(1) There is created an eight (8) member Kentucky Public Pensions Authority</p>

ITEM	CERS	KERS	SPRS	KPPA
<p>Assets</p>	<p>KRS 78.630 System's assets. Except as provided by KRS 61.701, all of the assets of the system shall be held in the county employees' retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts...</p>	<p>KRS 61.570 Fund assets. All of the assets of the system shall be held and invested in the Kentucky employees retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts...</p>	<p>KRS 16.555 Assets of the system -- Accounts. All the assets of the system shall be held and invested in the State Police Retirement Fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts...</p>	<p>KRS 61.505 - Kentucky Public Pensions Authority... (1) There is created an eight (8) member Kentucky Public Pensions Authority whose purpose shall be to administer and operate... (d) Any jointly held assets used for the administration of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to real estate, office space, equipment, and supplies;</p>
<p>Administration</p>	<p>KRS 78.782 County Employees Retirement System board of trustees... (1) The County Employees Retirement System shall be administered by the board of trustees... (9)(a) " ... The executive director of the Kentucky Public Pensions Authority shall be the chief administrative officer of the [CERS] board." (9)(c) The board shall have a system of accounting</p>	<p>KRS 61.645 Board of trustees... (1) The Kentucky Employees Retirement System and State Police Retirement System shall be administered by the board of trustees of the Kentucky Retirement Systems... (9)(a) " ... The executive director of the Kentucky Public Pensions Authority shall be the chief administrative officer of the [KRS] board."</p>	<p>KRS 16.640 Administration of system. The government and control of the system is hereby vested in the board of trustees of the Kentucky Retirement Systems. The board shall carry out the provisions of KRS 16.510 to 16.652 in the same manner in which it administers the Kentucky Employees Retirement System. In all matters concerning the administration of KRS 16.510 to 16.652, the same rights, duties, and obligations shall apply to the board, as now</p>	<p>KRS 61.505 - Kentucky Public Pensions Authority... (1) There is created an eight (8) member Kentucky Public Pensions Authority whose purpose shall be to administer and operate... (a) A single personnel system for the staffing needs of the Kentucky Retirement Systems and the County Employees Retirement System; (b) A system of accounting that is developed by the Authority for the Kentucky Retirement Systems and the County Employees Retirement System;</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>established by the Kentucky Public Pensions Authority.</p> <p>(12) (a) The Kentucky Public Pensions Authority shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities for the systems.</p> <p>[Plural in the C Statute?][CERS] The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards... the board may select the independent certified public accountant hired by the Kentucky Public Pensions Authority or the Auditor of Public Accounts to perform the audit.... The Kentucky Public Pensions Authority shall make copies of the audit...available for examination by any member, retiree, or beneficiary...A copy of the annual audit shall be sent electronically to the Legislative Research Commission no later than ten (10) days after receipt by the [CERS] board.</p>	<p>(9) (d) The board shall have a system of accounting established by the Kentucky Public Pensions Authority.</p> <p>(12) (a) The Kentucky Public Pensions Authority shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities for the systems.[KERS & SPRS] The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards... the board may select the independent certified public accountant hired by the Kentucky Public Pensions Authority or the Auditor of Public Accounts to perform the audit... The Kentucky Public Pensions Authority shall make copies of the audit... available for examination by any member, retiree, or beneficiary...A copy of the annual audit shall be sent to the Legislative Research Commission no later than ten (10) days after receipt by the [KERS] board.</p>	<p>apply under the provisions of KRS 61.510 to 61.692, except that members of the board, when acting for the State Police Retirement System, shall be paid a per diem of thirty dollars (\$30) plus actual expenses.</p>	<p>(c) Day-to-day administrative needs of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to:</p> <ol style="list-style-type: none"> 1. Benefit counseling and administration; 2. Information technology and services, including a centralized website for the Authority, the Kentucky Retirement Systems, and the County Employees Retirement System; 3. Legal services; 4. Employer reporting and compliance; 5. Processing and distribution of benefit payments, and other financial, investment administration, and accounting duties as directed by the Kentucky Retirement Systems board of trustees or the County Employees Retirement System board of trustees; 6. All administrative actions, orders, decisions, and determinations necessary to carry out benefit functions required by the Kentucky Retirement Systems and the County Employment Retirement System

ITEM	CERS	KERS	SPRS	KPPA
				<p>statutes, including but not limited to administration of reduced and unreduced retirement benefits, disability retirement, reemployment after retirement, service purchases, computation of sick-leave credit costs, correction of system records, qualified domestic relations orders, and pension spiking determinations; and</p> <p>7. Completing and compiling financial data and reports;</p> <p>(d) Any jointly held assets used for the administration of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to real estate, office space, equipment and supplies;</p> <p>(e) The hiring of a single actuarial consulting firm who shall serve both the Kentucky Retirement Systems and the County Employees Retirement System;</p> <p>(f) The hiring of a single external certified public accountant who shall perform audits for both the Kentucky Retirement Systems and the County Employees Retirement System;</p>

ITEM	CERS	KERS	SPRS	KPPA
				<p>(g) The promulgation of administrative regulations as an authority or on behalf of the Kentucky Retirement Systems and the County Employees Retirement System, individually or collectively, provided such regulations are not inconsistent with the provisions of this section and KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in order to carry out the provisions of this section and duties authorized by KRS 16.505 to 16.652 and 61.510 to 61.705;</p> <p>(h) A system of contracting management for administrative services; and</p> <p>(i) Other tasks or duties as directed solely or jointly by the boards of the Kentucky Retirement Systems or the County Employees Retirement System.</p>
<p>Board Powers & Privileges</p>	<p>KRS 78.782 County Employees Retirement System board of trustees...</p> <p>... (2) The [CERS] board is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:</p>	<p>KRS 61.645 Board of trustees...</p> <p>... (2) The [KRS] board is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:</p>		<p>KRS 61.505 - Kentucky Public Pensions Authority...</p> <p>... (3) The Kentucky Public Pensions Authority is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>(a) To sue and be sued in its corporate name;</p> <p>(b) To make bylaws not inconsistent with the law;</p> <p>(c) To conduct the business and promote the purposes for which it was formed;</p> <p>(d) Except as provided in KRS 78.790(6), to contract for investment counseling, auditing, medical, and other professional or technical services as required to carry out the obligations of the board subject to the provisions of KRS Chapters 45, 45A, 56, and 57. Actuarial consulting services shall be provided by a firm hired by the Kentucky Public Pensions Authority; ...</p>	<p>(a) To sue and be sued in its corporate name;</p> <p>(b) To make bylaws not inconsistent with the law;</p> <p>(c) To conduct the business and promote the purposes for which it was formed;</p> <p>(d) Except as provided in KRS 61.650(6), to contract for investment counseling, auditing, medical, and other professional or technical services as required to carry out the obligations of the board subject to KRS Chapters 45, 45A, 56, and 57. Actuarial consulting services shall be provided by a firm hired by the Kentucky Public Pensions Authority; ...</p>		<p>(a) To sue and be sued in its corporate name;</p> <p>(b) To make bylaws not inconsistent with the law and in accordance with its duties as provided by this section;</p> <p>(c) To conduct the business and promote the purposes for which it was formed;</p> <p>(d) To carry out the obligations of the Authority subject to KRS Chapters 45, 45A, 56, and 57;</p>
<p>Financial Reports</p>	<p>KRS 78.782 County Employees Retirement System board of trustees...</p> <p>(18) In order to improve public transparency regarding the administration of the</p>	<p>KRS 61.645 Board of trustees...</p> <p>(19) In order to improve public transparency regarding the administration of the systems, the board of</p>		<p>KRS 78.782 (12) (a) and KRS 61.645 (12) (a). They both read the same.</p> <p>The Kentucky Public Pensions Authority shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>system, the board of trustees shall adopt a best practices model by posting the following information to the Kentucky Public Pensions Authority's website and shall make available to the public:</p> <p>b) The Annual Comprehensive Financial Report with the information as follows:</p> <ol style="list-style-type: none"> 1. A general overview and update on the system [CERS] by the executive director; 5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding progress, and other supporting data; 6. Investment information, including a general overview, a list of the system's professional consultants, a total net of fees return on system investments over a 	<p>trustees shall adopt a best practices model by posting the following information to the Kentucky Public Pensions Authority's website and shall make available to the public:</p> <p>(b) The Annual Comprehensive Financial Report with the information as follows:</p> <ol style="list-style-type: none"> 1. A general overview and update on the retirement systems [KRS] by the executive director; 5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding progress, and other supporting data; 6. Investment information, including a general overview, a list of the retirement system's professional consultants, a total net of fees return on retirement 		<p>for the systems. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards....</p> <p>KRS 61.505(1) (b) A system of accounting that is developed by the Authority for the Kentucky Retirement Systems and the County Employees Retirement System;</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;</p> <p>7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and</p> <p>8. A general statistical section, including information on contributions, benefit payouts, and retirement system demographic data;</p> <p>(c) All external audits;</p>	<p>systems investments over a historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;</p> <p>7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and</p> <p>8. A general statistical section, including information on contributions, benefit payouts, and retirement systems' demographic data;</p> <p>(c) All external audits;</p>		

STATUTORY CONCLUSIONS:

KRS 78.782, Stipulates that CERS shall be administered by the CERS board of trustees, KRS 61.645 Stipulates that KERS and SPRS shall be administered by the KRS board of trustees, and KRS 61.505 Charges KPPA with administrating day to day needs of CERS and KRS including the three components of a pension plan (determination, accumulation, payment), and KRS 78.782(9a) & KRS 61.645(9a) – establishes the executive director of KPPA as the chief administrative officer of both the CERS and KRS Boards

Therefore, KPPA management concludes that under GASB CERS, KRS, and KPPA all meet the definition of a PERS.

However, it does not seem likely that two special-purpose governments can both administer the same pension plans at the same time. Therefore, concluding on who is administering the “one or more pension plans” and is therefore defined as the PERS under GASB is ultimately the decision of the board(s) of Trustees and KPPA management.

Based on the statutes granting KPPA most of the administrative duties of the pension plans, and the fact that the statutes designate the KPPA executive director as the chief administrative officer for both the CERS Board and the KRS Board, KPPA management concludes that KPPA shall be designated as the PERS under GASB.

KRS 78.782 (12) (a): Requires KPPA to publish an annual financial report showing all receipts, disbursements, assets, and liabilities of the systems. As this is a CERS statute, we interpret this to be an annual report for CERS. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards, and the CERS board of trustees must select either the independent certified public accountant hired by KPPA or the Auditor of Public Accounts to perform the audit.

KRS 61.645 (12)(a): Requires KPPA to publish an annual financial report showing all receipts, disbursements, assets, and liabilities of the systems. As this is a KRS statute, we interpret this to be an annual report for KERS and SPRS. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards, and the KRS board of trustees must select either the independent certified public accountant hired by KPPA or the Auditor of Public Accounts to perform the audit.

These statutes are, at a minimum, vague regarding whether there should be a separate ACFR for the CERS and KRS systems. KPPA management has concluded that these statutes allow for the board(s) of Trustees and KPPA management to decide on how to produce the ACFR for the systems.

KPPA management recommends separate presentations of the CERS and the KRS in their own freestanding ACFR.

KRS 61.505 (1)(e) Directs KPPA to hire a single external certified public accountant who shall perform audits for both the [KRS and the CERS]. While KRS 78.782(2)(d) and KRS 61.645(2)(d) – Allows both the CERS and the KRS boards “to contract for investment counseling, **auditing**, medical, and other professional or technical services as required to carry out the obligations of the board subject to the provisions of KRS Chapters 45, 45A, 56, and 57.”

KPPA management concludes that KRS 78.782(2)(d) and KRS 61.645(2)(d) allows the board(s) to hire their own auditor for other audits such as forensic, internal control, other agreed upon procedures, etc.; however, for the ACFR and related audit, KPPA management has interpreted KRS 78.782 (12) (a) and KRS 61.645 (12)(a) to require CERS and KRS to use the KPPA hired certified public accountant or the Auditor of Public Accounts.



Investment Office Update

April 9, 2024

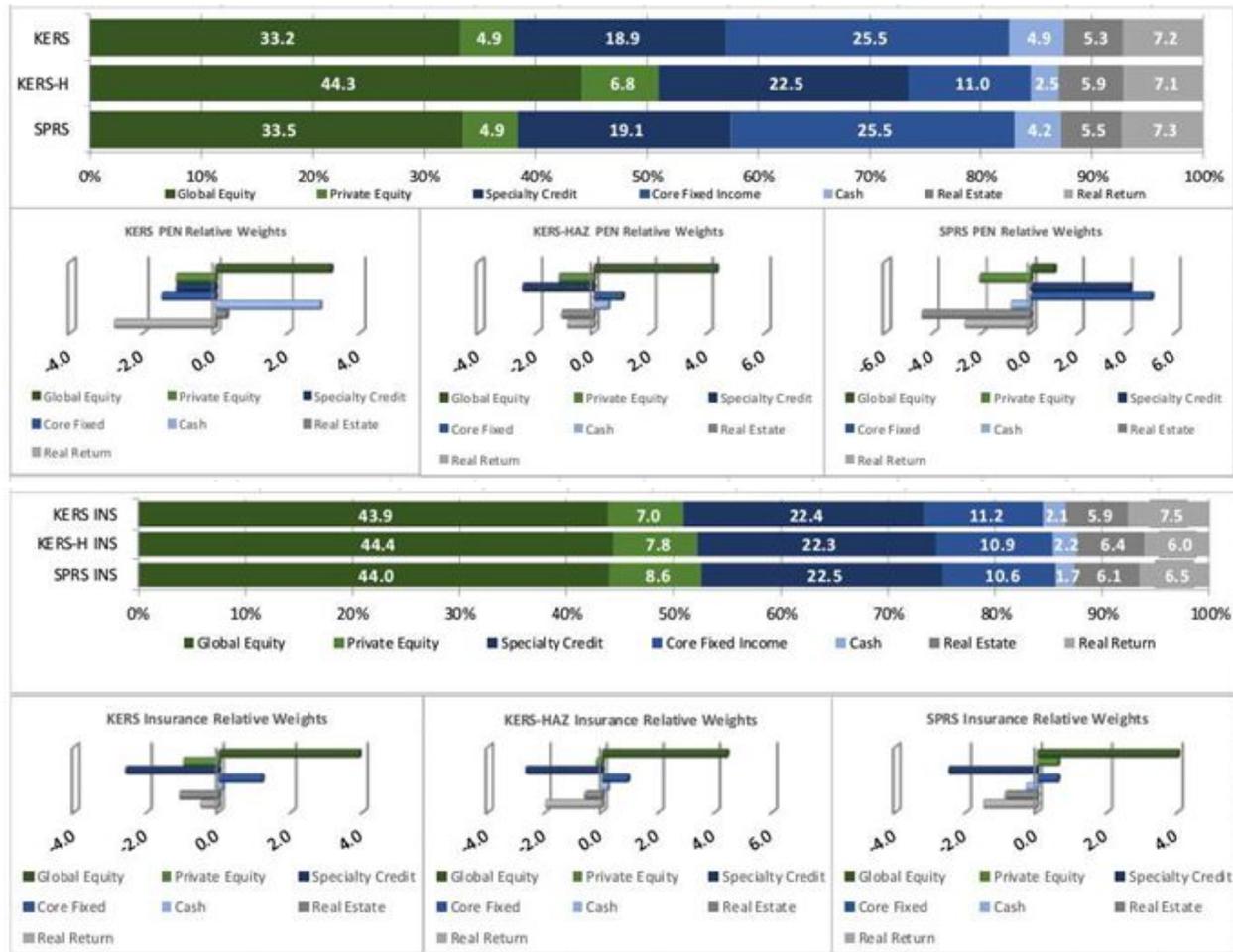
Pension Portfolios Performance

KERS, KERS-HAZ, & SPRS - PENSION FUND - PLAN NET RETURNS - 02/29/24											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS	3,990,179,555.26	1.51	4.20	6.18	10.14	4.83	6.82	6.32	6.23	7.58	8.70
KY Ret. KERS Plan IPS Index		1.67	3.98	6.35	10.08	4.77	6.52	6.10	6.21	7.55	8.75
KERS- H	983,454,189.00	2.13	5.19	7.38	12.36	5.92	7.64	6.88	6.54	7.78	8.86
KY Ret. KERS Haz Plan IPS Index		2.54	4.84	7.84	12.57	6.20	7.65	6.79	6.55	7.78	8.93
SPRS	631,223,851.44	1.58	4.42	6.45	10.34	5.15	7.02	6.26	6.23	7.57	8.70
KY Ret. SPRS Plan IPS Index		1.67	3.98	6.35	10.08	4.77	6.52	6.08	6.19	7.54	8.75
KPPA PENSION FUND UNIT - NET RETURNS - 02/29/24 - PROXY PLAN ASSET PERFORMANCE											
Structure		Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY		4.40	10.38	11.79	20.87	5.73	10.09	8.12	7.37	8.83	10.33
MSCI ACWI		4.29	9.94	12.51	23.15	6.06	10.04	8.12	7.29	8.62	10.20
PRIVATE EQUITY		0.26	-0.35	2.50	7.40	14.75	12.10	12.78	11.19		11.56
Russell 3000 + 3%(Qtr Lag)		9.32	1.38	12.93	15.61	11.30	14.79	14.30	11.81		12.07
SPECIALTY CREDIT		0.53	3.04	7.44	11.25	6.79	6.41				6.25
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		0.60	3.65	8.07	11.29	3.81	4.75				4.56
CORE FIXED INCOME		-1.40	2.13	3.77	4.83	0.00	2.40	2.49			2.60
Bloomberg US Aggregate		-1.41	2.08	1.63	3.33	-3.16	0.56	1.43			1.57
CASH		0.43	1.37	3.47	4.88	2.37	1.99	1.50	1.82	2.75	3.35
FTSE Treasury Bill-3 Month		0.43	1.38	3.73	5.45	2.55	2.02	1.35	1.46	2.38	2.97
REAL ESTATE		0.09	-4.81	-8.06	-11.49	6.43	7.36	8.62	7.57	6.14	6.30
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.00	-2.10	-4.93	-12.88	6.19	4.72	7.19	6.64	7.45	6.22
REAL RETURN		2.03	0.58	8.12	11.21	10.60	7.82	5.16			5.22
US CPI +3%		0.78	0.98	3.39	6.09	9.00	6.88	4.23			4.19

Insurance Portfolios Performance

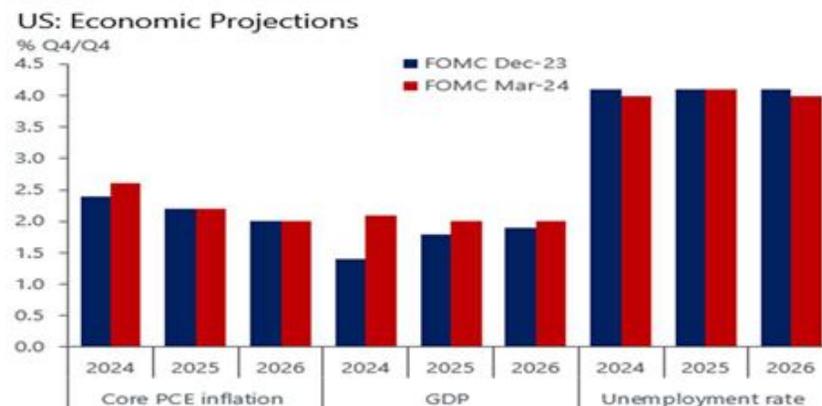
KERS INS, KERS-HAZ INS, SPRS INS - INSURANCE FUND - PLAN NET RETURNS - 02/29/24											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS INS	1,607,005,469.33	2.20	5.42	7.34	12.28	5.85	7.65	6.64	6.21	6.85	7.33
KY Ins. KERS Plan IPS Index		2.54	4.84	7.84	12.57	6.15	7.63	6.79	6.41	7.22	7.66
KERS - H INS	650,699,166.94	2.10	5.27	7.38	12.23	6.39	7.75	6.90	6.37	6.96	7.42
KY Ins. KERS Haz Plan IPS Index		2.54	4.84	7.84	12.57	6.15	7.48	6.78	6.40	7.22	7.65
SPRS INS	261,799,095.87	2.10	5.23	7.33	12.37	6.46	7.94	7.08	6.46	7.02	7.47
KY Ins. SPRS Plan IPS Index		2.54	4.84	7.84	12.57	6.15	7.48	6.79	6.41	7.22	7.66
KPPA INSURANCE FUND UNIT - NET RETURNS - 02/29/24 - PROXY PLAN ASSET PERFORMANCE											
Structure		Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY		4.39	10.37	11.74	20.69	5.72	10.06	8.18	7.31		8.76
MSCI ACWI		4.29	9.94	12.51	23.15	6.04	10.02	8.12	7.14		8.59
PRIVATE EQUITY		0.22	0.56	3.92	8.80	17.27	12.20	13.95	10.88		10.80
Russell 3000 + 3%(Qtr Lag)		9.32	1.38	12.93	15.61	11.30	14.79	14.30	11.50		11.64
SPECIALTY CREDIT		0.58	3.09	7.60	11.42	6.96	6.42				6.16
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		0.60	3.65	8.07	11.29	3.81	4.75				4.56
CORE FIXED INCOME		-1.44	2.08	3.62	4.69	-0.17	2.21	2.21			2.32
Bloomberg US Aggregate		-1.41	2.08	1.63	3.33	-3.16	0.56	1.43			1.57
CASH		0.43	1.38	3.47	4.88	2.35	1.87	1.36	1.66		2.51
FTSE Treasury Bill-3 Month		0.43	1.38	3.73	5.45	2.55	2.02	1.35	1.46		2.42
REAL ESTATE		0.09	-4.62	-7.71	-11.45	6.30	7.35	8.51			8.56
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.00	-2.10	-4.93	-12.88	6.19	4.72	7.19			5.54
REAL RETURN		1.76	0.43	7.00	10.67	9.30	7.45	4.90			4.91
US CPI +3%		0.78	0.98	3.39	6.09	8.35	6.89	4.29			4.23

Allocations as of March 22, 2024



Market Highlights

- As expected, the Fed left the Fed Funds rate unchanged at their March meeting
- While the median FOMC participant projection for three rate cuts this year remains, the Fed expects stronger growth, slightly higher core inflation and a slightly lower unemployment rate by the end of 2024
- An upward shift in the out years of the dot plot, particularly the longer run, suggest a more significant embrace of the “higher for longer” mantra
- The FOMC is still looking for greater confidence before cutting rates, however, current markets have a 75% probability of the first 25 basis point cut happening this summer

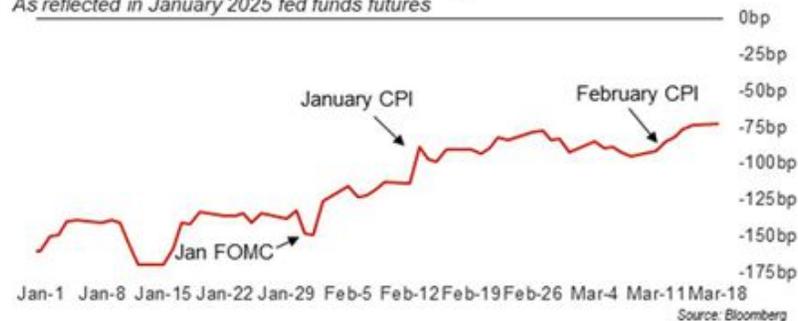


Market Highlights

- The bond market is currently trading with less optimism for 2024 policy easing than the start of the year
- At the beginning of 2024, futures markets had priced in almost seven 25 basis point cuts
- Fed funds futures trading have slowly converged with the March dot plot's median projection for three 25 basis point cuts in 2024
- Given the macro backdrop, the Fed wants to slowly let air out of the restrictive policy balloon on its way to normalization, sequential cuts are more in response to a concern about growth slowing from monetary policy staying restrictive for too long

Expectations for cumulative 2024 change in fed funds

As reflected in January 2025 fed funds futures

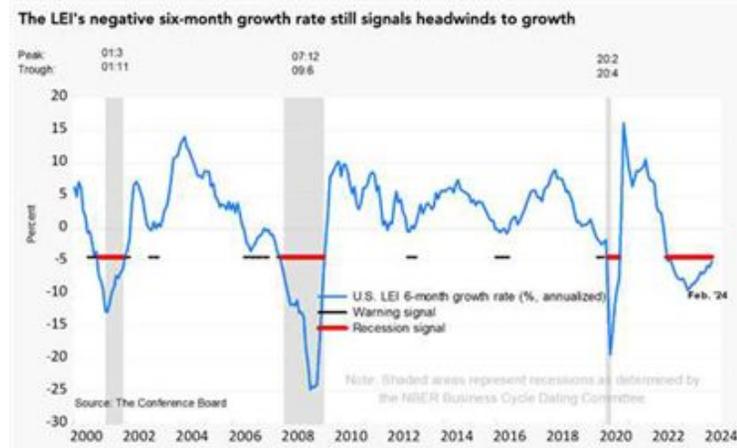
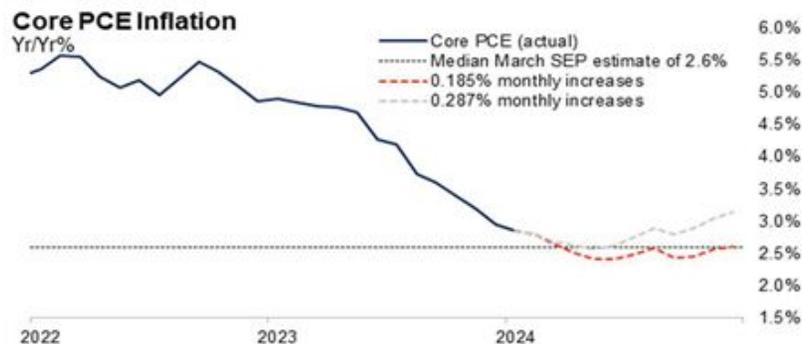


Source: Bloomberg

CME FEDWATCH TOOL - MEETING PROBABILITIES									
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
5/1/2024				0.0%	0.0%	0.0%	0.0%	4.2%	95.8%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	61.0%	36.4%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	25.5%	51.3%	22.1%
9/18/2024	0.0%	0.0%	0.0%	0.1%	3.5%	26.1%	48.4%	19.9%	0.0%
11/7/2024	0.0%	0.0%	0.0%	0.0%	0.7%	7.5%	31.4%	43.7%	16.6%
12/18/2024	0.0%	0.0%	0.5%	5.4%	24.2%	40.0%	24.9%	5.0%	0.0%
1/29/2025	0.0%	0.2%	2.5%	13.1%	30.7%	33.8%	16.7%	3.0%	0.0%
3/19/2025	0.1%	1.5%	8.7%	23.4%	32.5%	23.8%	8.7%	1.2%	0.0%
4/30/2025	0.7%	4.5%	14.6%	27.2%	28.9%	17.5%	5.6%	0.7%	0.0%

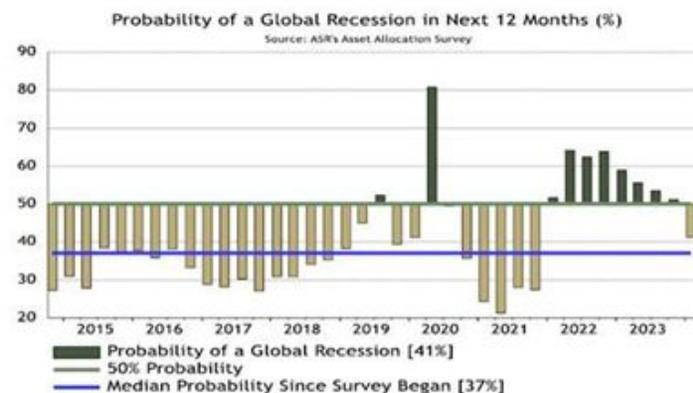
Market Highlights

- Rising inflation expectations driven by a few inflation reports, have increased concerns there will be fewer rate cuts
- Due to these inflation concerns the 10-Year Treasury rate has increased 36 basis points YTD
- The FED's current assessment is the January and February inflation data represents pockets of turbulence on the disinflationary path, but does not put a much higher bar on the inflation reports that come out this spring
- With the end of the massive fiscal stimulus, which supported the post-pandemic recovery boom, combining with the lagged effects of tight monetary conditions, the fading fiscal tailwind may cause real GDP growth to decelerate
- All eyes will be on the next PCE report for March released at the end of April which is one day before the next FOMC meeting

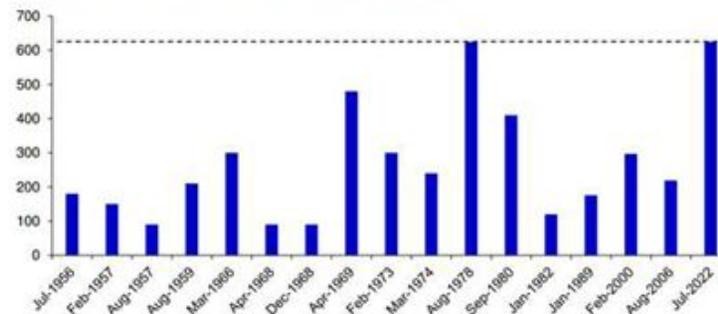


Market Highlights

- The 2s10s yield curve inversion has now surpassed the longest period of continuous inversion in history
- While the inverted yield curve has a good track record of predicting recessions, recent survey data's key economic call is that a recession within the next twelve months is no longer viewed as a certainty
- The high-frequency economic data continue to present mixed signals, following solid growth in 2023, the economy has shown remarkable resilience despite the most rapid monetary tightening in decades
- Longer-term demographic trends, muted labor force and productivity growth should be supportive of yields in the long term



Length of all US 2s10s yield curve inversions (Days) that were longer than 3 months. The current one is now the longest...



Note: Daily data only available from 1977, for monthly data prior to that it is assumed that one month equals 30 days.
Source: FRED, Bloomberg Finance LP, Deutsche Bank



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road · Frankfort, Kentucky 40601
 kyret.ky.gov · Phone: 502-696-8800 · Fax: 502-696-8822



To: Kentucky Retirement Systems Board

From: David Eager, Executive Director

Date: April 9, 2024

Subject: KPPA Update

I. STAFFING: We currently have a staff of 258 which is below our cap of 270. We requested an increase in the cap to 284 over the next two years. However, the increase has been struck from the budget bill. We are trying to get those put back in.

II. RETIREMENTS: Below represents the historical data regarding the membership numbers:

	Membership as of June 30, 2018	Membership as of June 30, 2023
CERS	242,185	277,371
KRS	134,477	141,386
SPRS	<u>2,626</u>	<u>2,852</u>
Total	379,288	421,609

In comparison to the 11% increase in membership, KPPA staff numbers remained relatively flat only increasing approximately 1% from 247 as of June 30, 2018 to 250 as of June 30, 2023.

KERS retirements have decreased from 1,761 in 2019 to 1,254 in 2024. CERS retirements have decreased from 3,805 in 2019 to 3,261 in 2024. There was also a decrease SPRS retirements from 60 in 2019 to 11 in 2024.

III. LOUISVILLE OFFICE: On January 18th, KPPA Executive Staff met with leadership from the Finance and Administration Cabinet, including Secretary Johnson, to discuss options for the lease of office space in Louisville for KPPA Investments Staff. We are no longer pursuing a legislative fix to the issue; however, we are continuing to work with the Finance and Administration Cabinet to issue an “invitation” (RFP) for potential property. Finance staff have been responsive, and they now have the available staff to address our needs. Between January 31st and February 23rd, KPPA and Finance staff met several times to finalize our Agency Request. The request is for approximately 3,500 square feet and will include a conference room in addition to offices and workstations. Finance is finalizing the invitation (the "property RFP"). We anticipate that the invitation will be issued in the coming weeks.

IV. ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) and SUMMARY ANNUAL FINANCIAL REPORT (SAFR): The [ACFR](#) was published to the KPPA website on December 8, 2024, and the [SAFR](#) was published to the KPPA website on January 10, 2024. Below are additional details regarding the distribution of the SAFR.

Print Distribution:

- 4,000 print copies were ordered
- Copies were mailed to 1,420 participating employers the week of February 19th
- Copies were provided to the Legislative Research Commission (LRC) on February 19th for distribution to legislators
- Two (2) copies were provided to all Trustees via U.S. Mail
- Copies are available onsite at KPPA

Currently, the ACFR is available in electronic form only.

LEGISLATIVE UPDATE: Kentucky General Assembly 2024 Regular Session Update

Several retirement-related bills have passed both chambers of the General Assembly and are currently under review by the Governor.

[House Bill 99](#) (Rep DJ Johnson), the KPPA Housekeeping bill, amends various sections of KRS Chapters 16, 61, and 78 to make technical and housekeeping changes relating to KPPA's administration of the systems. Of particular note, the bill changes the disability application review process to permit one medical examiner to review initial applications and approve a member for disability with no additional reviews required. If disability is denied, up to two more examiners will review the application to achieve majority consensus for approval or disapproval of disability. This change is expected to speed up the review process and provide cost savings to KPPA's administrative expenses while maintaining the applicant's right to a thorough review of their application.

House Bill 99 was sent to the Governor on March 28 for his review and consideration.

[House Bill 1](#) (Rep Jason Petrie, *et al*) allocates money from the Budget Reserve Trust Fund Account, commonly known as the state's "Rainy Day Fund," to be applied to the unfunded liability of the KERS Nonhazardous pension fund and the SPRS pension fund (\$50 million and \$25 million each fiscal year, respectively). The Senate's version of the bill included money to pay for a one-time "13th Check" for some KERS and SPRS retirees but that allocation was removed from the final version of the bill.

[House Bill 6](#) (Rep Jason Petrie, *et al*) is the State/Executive Branch budget bill for the biennium beginning July 1, 2024, through June 30, 2026. The budget includes the full actuarially determined employer contribution rate for the KERS and SPRS plans, and it allocates an additional \$250 million in each fiscal year to be paid toward the unfunded liability of the KERS Nonhazardous pension fund. The budget includes a 3% raise for state employees in each year of the biennium, and it restores some, but not all, of the money KPPA requested to spend from our restricted

funds toward our administrative budget (no General Fund monies are used for this purpose: this is pension fund money but the General Assembly grants KPPA permission to use it). House Bill 6 does not contain a COLA or other form of supplemental payment (such as a “13th check”) for retirees. This means there are no budget bills that contain a COLA or other form of supplemental payment for retirees in any of the systems administered by KPPA.

[House Bill 277](#) (Rep Jason Nemes) transfers employees of the Louisville and Jefferson County Public Defender Corporation to the Department of Public Advocacy in the state personnel system to provide employment and retirement benefits based on their service with the Corporation. It is estimated that 95 current employees would be affected by this transfer. No more than 25 of these 95 employees might be eligible to receive an earlier participation date based on their employment date with the Corporation, which means those employees may receive higher benefit payments than if they had received benefits under Tier 3. However, due to the limited number of individuals who might qualify for an earlier participation date, GRS does not expect this bill to have a material financial impact on any of the systems. The bill has an Emergency clause, and the transfer would take effect on July 1, 2024.

[House Bill 354](#) (Rep DJ Johnson) requires the Department of Education to pay to KPPA the health insurance premium reimbursements required for retirees who participated in a hazardous position prior to July 1, 2003, and are reemployed by a local school board. It also provides that local school board employees who are retirees who participated in a hazardous position prior to July 1, 2003, shall have the cost of their retiree health insurance reimbursed to KPPA.

[House Bill 635](#) (Rep David Meade) implements additional reporting requirements for actuarial analyses and expands the required supporting documentation and explanations of findings for fiscal and corrections impact statements. In pertinent part to KPPA, the bill amends KRS 6.350 to require an actuary performing an actuarial analysis to clearly note and describe a new assumption or method and the basis for selecting the assumption or method, including any documentation, studies, written opinions, calculations, or citations in support of their choice. It also requires the actuary to certify that the information provided in the analysis is accurate. House Bill 635 was delivered to the Governor for his consideration on March 28.

The General Assembly is currently scheduled to return to Frankfort on Friday, April 12 for Legislative Day 59 of the 2024 Regular Session, and will adjourn *Sine Die* on Monday, April 15, 2024.

V. ACTUARIAL ANALYSIS STATEMENTS: Staff has prepared 75 Actuarial Analysis Statements during the 2024 Regular Legislative Session to date.

VI. NEWSLETTERS: 2023 was the first time since 2008 that KPPA issued three Member and Retiree Newsletters in a single year. We are continuing this practice in 2024 as our newsletter metrics continue their upward trend. The KPPA Division of Communications emailed the [2024 Winter Edition of Pension Insights](#) to 213,369 members on February 26, 2024. As of March 1st, that newsletter had a 50% open rate. The 2023 Fall Edition's 53% open rate is the highest that

KPPA has experienced since our ability to accurately track newsletter performance began in May of 2019. During the past five years, the open rate has ranged from 39% to 53%.

VII. ALL EMPLOYEE MEETINGS: Our most recent All Employee Meetings were held onsite in the Building C Boardroom and virtually on March 26th and 27th .