

**Kentucky Public Pensions Authority  
Quarterly Meeting  
June 28, 2023, at 10:00 a.m. EST  
Live Video Conference/Facebook Live  
AGENDA**

- |   |  |
|---|--|
| <b>1. Call to Order</b>   | <b>Keith Percy</b>                                       |
| <b>2. Legal Opening Statement</b>   | <b>Michael Board</b>                                     |
| <b>3. Roll Call</b>   | <b>Sherry Rankin</b>                                     |
| <b>4. Public Comment</b>  | <b>Sherry Rankin</b>                                     |
| <b>5. Approval of Minutes – April 27, 2023, and May 26, 2023*</b>   | <b>Keith Percy</b>                                       |
| <b>6. FY24 Administrative Budget, FY24 Hybrid Percentage, FY24 Investment Budget, and FY23 Board Separation Expenses*</b> | <b>Mike Lamb</b>   |
| <b>7. KPPA Audit Committee Meeting Summary*</b>   | <b>Kristen Coffey</b>                                    |
| <b>8. Implementation of HB 587*</b>   | <b>Michael Board</b>                                     |
| <b>9. Administrative Regulation 105 KAR 1:457*</b>  | <b>Carrie Bass<br/>Jessica Beaubien<br/>Jillian Hall</b> |
| <b>10. Office of Financial Management Reorganization*</b>   | <b>David Eager</b>                                       |
| <b>11. Investment Department Update</b>   | <b>Steve Willer</b>                                      |
| <b>12. KPPA Update</b>  | <b>David Eager</b>                                       |
| <b>13. New Business*</b>  | <b>Keith Percy</b>                                       |
| <b>14. Closed Session**</b>   | <b>Keith Percy</b>                                       |
| <b>15. Adjourn*</b>   | <b>Keith Percy</b>                                       |

*\*Board Action Required*

*\*\*Board Action May Be Required*

**MINUTES OF MEETING  
KENTUCKY PUBLIC PENSIONS AUTHORITY  
MEETING VIA LIVE VIDEO TELECONFERENCE  
APRIL 27, 2023, AT 10:00 AM ET**

At the meeting of the Kentucky Public Pensions Authority held on April 27, 2023, the following Members were present: Jerry Powell (Chair), Prewitt Lane, William O’Mara, Betty Pendergrass, Dr. Merl Hackbart, Lynn Hampton, and Keith Percy. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Lori Casey, Steve Willer, Anthony Chiu, Brian Caldwell, Michael Lamb, Connie Davis, Kristen Coffey, D’Juan Surratt, Ashley Gabbard, Victoria Hale, Leigh Ann Davis, Jillian Hall, Jessica Beaubien, Ann Case, Katie Park, Glenna Frasher and Sherry Rankin.

Mr. Powell called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no **Public Comment**, Mr. Powell introduced agenda item **Approval of Meeting Minutes – March 14, 2023** (Video 00:06:00 to 00:06:31). Ms. Pendergrass made a motion and was seconded by Mr. Lane to approve the minutes as presented. The motion passed unanimously.

Mr. Powell introduced agenda item **Election of Chair** (Video 00:06:32 to 00:07:38). Mr. Powell thanked the Authority Members for their support during his term as Chair. Mr. Eager commended Mr. Powell for his service to the Authority and requested nominations for Chair. Ms. Hampton nominated Mr. Keith Percy for the position of Chair. Mr. Powell seconded the nomination. Ms. Pendergrass made a motion to close nominations and to approve Keith Percy as Chair of the KPPA for the next year. The motion was seconded by Mr. Powell and passed unanimously.

Mr. Percy introduced agenda item **Election of Vice-Chair and Committee Assignments** (Video 00:07:39 to 00:09:24) and opened the floor for nominations for the position of Vice-Chair. Ms. Pendergrass nominated Mr. Jerry Powell for the position of Vice-Chair. Ms. Hampton seconded the nomination. Ms. Pendergrass made a motion to close nominations and to approve Jerry Powell as Vice-Chair of the KPPA for the next year. The motion passed unanimously.

Mr. Peercy indicated that the one (1) standing KPPA Committee was full; therefore, there was no discussion of committee assignments.

Mr. Peercy introduced agenda item ***Implementation of HB 587*** (Video 00:09:25 to 00:57:40). Mr. Michael Board presented a memo describing the implementation of HB 587 which will become effective on June 28, 2023. Mr. Board advised the KPPA of several action items that must be completed to fully implement HB 587. Additionally, the KPPA Office of Legal Services proposed a timeline to complete these items.

There was extensive discussion of whether to form a KPPA Audit Committee or appoint a KPPA liaison, as suggested by Mr. Powell, to manage the required administrative duties. Ms. Pendergrass suggested that a KPPA Personnel Committee be established to address human resources related issues associated with the KPPA Division of Internal Audit. Ms. Pendergrass made a motion to create a KPPA Personnel Committee to handle human resource issues for the KPPA Division of Internal Audit and the Executive Director. Additionally, to transition the CERS and KRS Joint Audit Committee to an Audit Committee of the KPPA. Dr. Hackbart seconded the motion.

Ms. Hampton made a motion to table the motion made by Ms. Pendergrass to further review and evaluate all options. Mr. Lane seconded the motion. A roll call vote was taken: four (4) ayes; three (3) nays; and one (1) absent. Therefore, the motion was tabled.

Mr. O'Mara made a motion to establish a KPPA Audit Committee with four (4) Authority Members. Ms. Pendergrass seconded the motion. Mr. Board advised that the current members of the CERS and KRS Joint Audit Committee are also KPPA Members; therefore, those Members (Ms. Pendergrass, Mr. O'Mara, Ms. Hampton, and Mr. Summers V.) may stay on the new KPPA Audit Committee if it is the will of the Authority. Additionally, the Joint Audit Committee would remain until the effective date of the legislation (June 28, 2023). There was also discussion of creating a KPPA Ad Hoc Audit Committee. Circling back to the motion made by Mr. O'Mara, Mr. Board advised that the proposed KPPA Audit Committee may meet prior to the effective date of HB 587 to discuss the implementation of the legislation but should not overlap the work of the CERS and KRS Joint Audit Committee. Further, Mr. Board reminded the Members that the law does not affect the Audit Committee, but the Internal Auditor position and transitioning that reporting structure to the KPPA. The motion passed unanimously. Ms. Pendergrass, Mr. O'Mara, and Ms. Hampton stated that they

would be willing to serve on the KPPA Audit Committee. Mr. Peercy appointed Mr. Summers, V. who was absent.

There was additional discussion of creating a KPPA Ad Hoc Audit Committee. Mr. Peercy stated that the already established KPPA Audit Committee should meet and provide recommendations to the KPPA at its next regular meeting on June 28, 2023. Ms. Adkins advised the Authority Members that the position of Internal Auditor does not need to be filled by June 28, 2023.

Mr. Peercy introduced agenda item **Administrative Regulation 105 KAR 1:220** (Video 00:57:41 to 00:59:08). Ms. Jessica Beaubien presented the item. 105 KAR 1:220 is an amended administrative regulation detailing the process for employment and medical staff reviews for recipients of a disability retirement allowance to determine if the recipient's disability retirement allowance should be continued or discontinued. This regulation also details time periods for medical and employment review requirements, reporting gainful employment, and appeal rights. There was no discussion or questions regarding the regulation. Ms. Pendergrass made a motion to approve regulation 105 KAR 1:220 as presented, and to direct staff to file the regulation with the Office of the Regulations Compiler at LRC. The motion was seconded by Mr. Powell passed unanimously.

Mr. Peercy introduced agenda item **KPPA Update** (Video 00:59:09 to 01:05:13). Mr. Eager provided the KPPA with a written report. He briefly reviewed strategic planning, staffing, housekeeping bill, Public Pensions Oversight Board (PPOB), CEM benchmarking, Government Officials Newsletter, working with legislation, IT security, All employees' meetings, and Microsoft 365 conversion.

Mr. Peercy introduced agenda item **KPPA Service Recognition Awards** (Video 01:05:14 to 01:10:50). Ms. Lori Casey, Division Director of Human Resources, presented the KPPA Service Recognition Awards. She congratulated those celebrating 5, 10, 15, 20, and 25 years of service.

Mr. Peercy introduced agenda item **New Business** (Video 01:10:51 to 01:11:00) – None.

Mr. Peercy introduced agenda item **Closed Session** (Video 01:11:01 to 01:12:00). Ms. Pendergrass made a motion and was seconded by Mr. Powell to enter closed session for the purpose of litigation. The motion passed unanimously.

Mr. Peercy read the following closed session statement: 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.

Coming back into open session, Mr. Peercy stated that the Board would be taking no action as result of the closed session discussions.

There being no further business, Mr. Peercy *adjourned* the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA Board held April 27, 2023, 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 Board 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

We, the Chair of the Board of Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on April 27, 2023, were approved on June 28, 2023.

\_\_\_\_\_  
KPPA Board Chair

\_\_\_\_\_  
Executive Director

I have reviewed the Minutes of the April 27, 2023, Kentucky Public Pensions Authority Meeting for content, form, and legality.

\_\_\_\_\_  
Executive Director, Office of Legal Services

**MINUTES OF MEETING  
KENTUCKY PUBLIC PENSIONS AUTHORITY  
MEETING VIA LIVE VIDEO TELECONFERENCE  
MAY 26, 2023, AT 10:00 AM ET**

At the meeting of the Board of the Kentucky Public Pensions Authority held on May 26, 2023, the following members were present: Keith Peercy (Chair), Dr. Merl Hackbart, Lynn Hampton, Prewitt Lane, William O'Mara, Betty Pendergrass, Jerry Powell and William Summers, V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steve Willer, D'Juan Surratt, Victoria Hale, Leigh Ann Davis, Phillip Cook, Katie Park, and Sherry Rankin. Others presented included Katie Wright with Frost Brown Todd and Eric Branco with Johnson Bowman Branco, LLP.

Mr. Peercy called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no **Public Comment**, Mr. Peercy introduced agenda item **Closed Session (Part 1 - Video 00:06:01 to 00:06:50)**. Mr. Powell made a motion and was seconded by Mr. Lane to enter closed session for the purpose of litigation. The motion passed unanimously.

Mr. Peercy read the following closed session statement: 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.

*The following attendees exited the meeting prior to the start of Closed Session:* KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Victoria Hale, Steve Willer, D'Juan Surratt, Phillip Cook, Katie Park and Eric Branco with Johnson Bowman Branco, LLP.

*Coming back into open session, the following attendees reentered the meeting:* KRS CEO John

Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Victoria Hale, Steve Willer, D’Juan Surratt, Phillip Cook, Katie Park and Eric Branco with Johnson Bowman Branco, LLP.

Mr. Peercy stated that the Board would be taking no action as result of the closed session discussions (*Part 2 - Video 00:01:00 to 00:01:06*).

Mr. Peercy introduced agenda item ***Executive Director Contract Extension*** (*Part 2 - Video 00:01:07 to 00:19:39*). Mr. Board presented a memo from KPPA Executive Director, David Eager, requesting a one-year extension to his current contract which expires June 30, 2023. Mr. Eager indicated that he intends to retire following the extension. He also requested salary increase and provided comparison salary information. Mr. Board reviewed a proposed redline contract with the Authority Members. Pension spiking was briefly discussed.

Mr. O’Mara made a motion to approve a one-year extension to the Executive Director’s contract as presented. Mr. Powell seconded the motion and the motion passed unanimously.

Ms. Hampton made a motion to increase the compensation for the Executive Director as presented. Mr. Powell seconded the motion. A roll call vote was taken: six (6) ayes and two (2) nays. Therefore, the motion carried.

Mr. Powell made a motion to accept all other contract amendments as presented. Ms. Hampton seconded the motion and the motion passed unanimously.

There being no further business, Mr. Peercy ***adjourned*** the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA Board held May 26, 2023, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

*The remainder of this page left blank intentionally.*

**CERTIFICATION**

I do certify that I was present at this meeting, and I have recorded the above actions of the Board 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

We, the Chair of the Board of Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on May 26, 2023, were approved on June 28, 2023.

\_\_\_\_\_  
KPPA Board Chair

\_\_\_\_\_  
Executive Director

I have reviewed the Minutes of the May 26, 2023, Kentucky Public Pensions Authority Meeting for content, form, and legality.

\_\_\_\_\_  
Executive Director. Office of Legal Services



FY 2024 Budget Workgroup  
KPPA Board Presentation 6-28-2023





# Workgroup

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- Ms. Lynn Hampton, KPPA Board Member and Chair-Kentucky Retirement System (KRS) Board of Trustees,
- Mr. William O'Mara, KPPA Board Member and County Employees Retirement System (CERS) Trustee,
- Mr. David Eager, KPPA Executive Director,
- Mr. Ed Owens III, CERS CEO,
- Mr. John Chilton, KRS CEO,
- Ms. Rebecca Adkins, KPPA Deputy Executive Director,
- Mr. Mike Lamb, KPPA Chief Financial Officer

In addition, multiple KPPA employees contributed to and participated in the multiple Workgroup meetings, and we express our sincere thanks for all their efforts.



# FY 2023 Separation Costs

Type of Expense	Comments	FY 2021	FY 2022	FY 2023	FY 2024
Staff Salaries & Benefits	Staff Implementation Hours	\$ 182,426	\$ -	\$ -	To be determined by end of FY 2024
	CERS CEO	-	135,423	172,723	
	KRS CEO	-	41,384	79,168	
Legal Fees	CERS General Counsel	-	95,428	108,718	
	KRS General Counsel	-	52,661	42,099	
CERS, KRS, and KPPA Board Meeting Expenses	Initial meetings for set up of new boards	18,196	-	-	
Logo Design, Signage; Badges, etc.	KPPA, KRS, and CERS Logos, Office Signs, employee badges	11,007	1,434	-	
Additional Board Member & CEO Costs	Training, Equipment, Software, etc.	-	6,210	-	
<b>Total</b>		<b>\$ 211,629</b>	<b>\$ 332,540</b>	<b>\$ 402,707</b>	<b>\$ -</b>



# FY 2024 Hybrid Percentage

Same methodology from prior years to determine the FY 2024 hybrid percentage with three changes.

1. Used actual rather than budget amounts.
2. Reclassified one employee from KPPA staff to KPPA Executive staff
3. Excluded separation and direct costs charged 100% to either CERS or KRS.

CERS and KRS Boards of Trustees have approved their own internal allocation for the plans under their purview.

FY 2024 HYBRID %		
CERS Nonhazardous	59.13%	64.34%
CERS Hazardous	5.21%	
KERS Nonhazardous	31.434%	35.660%
KERS Hazardous	3.517%	
SPRS	0.709%	
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>



# FY 2024 Administrative Budget

ADMINISTRATIVE EXPENSES	FY 2023 ADMIN BUDGET	FY 2024 PROPOSED ADMIN BUDGET	FY 2024 BUDGET vs FY 2023 BUDGET	% Change
<b>PERSONNEL</b>				
Subtotal	\$ 36,355,548	\$ 34,520,287	(1,835,262)	-5.05%
<b>LEGAL CONTRACTS</b>				
Subtotal	\$ 980,000	\$ 1,210,000	230,000	23.47%
<b>AUDITING</b>				
Subtotal	\$ 200,000	\$ 300,000	100,000	50.00%
<b>ACTUARIAL SERVICES</b>				
Subtotal	\$ 500,000	\$ 500,000	-	0.00%
<b>MEDICAL EXAMINERS / HEARING OFFICERS</b>				
Subtotal	\$ 1,800,000	\$ 1,800,000	-	0.00%
<b>OTHER PERSONNEL</b>				
Subtotal	\$ 188,000	\$ 500,000	312,000	165.96%
<b>PERSONNEL TOTAL</b>	<b>\$ 40,023,548</b>	<b>\$ 38,830,287</b>	<b>\$ (1,193,262)</b>	<b>-2.98%</b>
<b>OPERATIONAL</b>				
<b>RENTALS - BUILDING &amp; EQUIPMENT</b>				
Subtotal	\$ 1,128,500	\$ 1,166,500	38,000	3.37%
<b>INFORMATION TECHNOLOGY</b>				
Subtotal	\$ 3,578,000	\$ 4,190,000	612,000	17.10%
<b>OTHER OPERATIONAL</b>				
Subtotal	\$ 1,367,900	\$ 1,371,200	3,300	0.24%
<b>OPERATIONAL TOTAL</b>	<b>\$ 6,074,400</b>	<b>\$ 6,727,700</b>	<b>\$ 653,300</b>	<b>10.75%</b>
<b>RESERVE</b>				
	\$ 4,086,552	\$ 4,882,814	796,262	19.48%
<b>ADMINISTRATIVE BUDGETED AMOUNT</b>	<b>\$ 50,184,500</b>	<b>\$ 50,440,800</b>	<b>\$ 256,300</b>	<b>0.51%</b>



# FY 2024 Administrative Budget

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**PERSONNEL SUBTOTAL:** Employer paid retirement down \$2.8M (contribution rates decreasing from 78% to 66.17%); offset by \$900k increase in salaries (due to 6% state employee raise).

**LEGAL CONTRACTS SUBTOTAL:** The Workgroup worked with KPPA legal staff and closely examined estimated costs for on-going and pending cases.

**AUDITING SUBTOTAL:** FY 2024 ACFR will be audited by the Auditor of Public Accounts.

**INFORMATION TECHNOLOGY:** Increase is related to infrastructure refreshes, upgrades, modernization, and increased costs for contractors and external assessments.

**RESERVE:** The reserve amount represents the difference between the already approved FY 2024 biennial budget amount of \$50,440,800 and the Workgroup's best estimate of expenditures FY 2024.

**ADMINISTRATIVE BUDGET OVERSPEND:** During the FY, if an administrative expenses sub-category exceeds or is likely to exceed the approved budget amount (e.g., personnel, or legal contracts, etc.), KPPA staff will obtain KPPA Board approval to reclassify the appropriate amount from the RESERVE to the appropriate line item(s) within the relevant sub-category.



# FY 2024 Investment Budget

Investment Budget				
	FY 2023 Budget	Proposed FY24 Budget	Difference	% Change
CONSULTING SERVICES				
SUBTOTAL	1,620,000	1,640,000	20,000	1.23%
LEGAL & AUDITING SERVICES				
SUBTOTAL	1,912,500	4,950,000	3,037,500	158.82%
CONTRACTURAL SERVICES				
SUBTOTAL	5,047,500	3,680,500	(1,367,000)	-27.08%
TOTAL	\$8,580,000	\$ 10,270,500	1,690,500	19.70%

### Consulting Services:

Increasing for inflationary components.

### Legal Services:

Due to increased activity in ongoing investment litigation, and the KPPA fiduciary insurance policy has expired.

### Contractual services:

The FY 2024 budget and is now in line with more historical actuals for custodial fees.



## KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601  
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To: Kentucky Public Pensions Authority (KPPA) Board  
From: Mike Lamb, KPPA, Chief Financial Officer   
Date: June 28, 2023  
Subject: FY 2024 Budget Planning Workgroup recommendations.

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The FY 2024 Budget Planning Workgroup (the Workgroup) was formed during the March 14, 2023, KPPA Board meeting and includes:

- Ms. Lynn Hampton, KPPA Board Member and Chair-Kentucky Retirement System (KRS) Board of Trustees,
- Mr. William O'Mara, KPPA Board Member and County Employees Retirement System (CERS) Trustee,
- Mr. David Eager, KPPA Executive Director,
- Mr. Ed Owens III, CERS CEO,
- Mr. John Chilton, KRS CEO,
- Ms. Rebecca Adkins, KPPA Deputy Executive Director,
- Mr. Mike Lamb, KPPA Chief Financial Officer

In addition, multiple KPPA employees contributed to and participated in the multiple Workgroup meetings.

The Workgroup makes the following recommendations to the KPPA Board:

### RECOMMENDATIONS:

1. Approve the FY 2023 separation expenses of \$402,707 to be paid by the CERS system.
2. Approve the FY 2024 hybrid percentage of 64.34% for CERS and 35.66% for KRS to be applied to the administrative expenses of KPPA and continue to allow the KRS and the CERS Boards to determine the split for the plans under their administrative purview.
3. Approve the FY 2024 KPPA administrative budget of \$50,440,800, as presented.
4. Approve the KPPA investment budget of \$10,270,500 as presented.

**SEPARATION EXPENSES:**

In accordance with KRS 61.505(11)(a)(2), the KPPA Board is responsible for determining initial costs and any ongoing annual administrative and investment expenses that are attributable solely to establishing a separate CERS board and the KPPA. These costs shall be paid by the CERS until June 30, 2024. The FY 2023 costs are \$402,707 as presented below.

Type of Expense	Comments	FY 2021	FY 2022	FY 2023	FY 2024
Staff Salaries & Benefits	Staff Implementation Hours	\$ 182,426	\$ -	\$ -	To be determined by end of FY 2024
	CERS CEO	-	135,423	172,723	
	KRS CEO	-	41,384	79,168	
Legal Fees	CERS General Counsel	-	95,428	108,718	
	KRS General Counsel	-	52,661	42,099	
CERS, KRS, and KPPA Board Meeting Expenses	Initial meetings for set up of new boards	18,196	-	-	
Logo Design, Signage; Badges, etc.	KPPA, KRS, and CERS Logos, Office Signs, employee badges	11,007	1,434	-	
Additional Board Member & CEO Costs	Training, Equipment, Software, etc.	-	6,210	-	
<b>Total</b>		<b>\$ 211,629</b>	<b>\$ 332,540</b>	<b>\$ 402,707</b>	<b>\$ -</b>

**FY 2024 HYBRID PERCENTAGE:**

In accordance with KRS 61.505(11)(a), the KPPA Board has the responsibility of determining how to prorate, assign or allocate costs incurred by or on behalf of the KPPA to both the CERS and the KRS.

On March 24, 2022, and June 6, 2022 (see attached memos in the Appendix), the KPPA Board agreed upon a hybrid percentage methodology to determine how to allocate administrative costs to the CERS and the KRS. The KPPA Board continues to reevaluate the hybrid percentage annually.

The methodology and background are outlined in detail in those two attached memos, and below are the notable changes related to the recommended FY 2024 hybrid percentage that is to go into effect July 1, 2024:

1. Actual vs. Budgeted amounts

- The hybrid percentage used for both FY 2022 and FY 2023 was calculated using the FY 2022 Administrative Budget.
- For the FY 2024 hybrid percentage the Workgroup used FY 2022 actual administrative costs (not budgeted). These amounts were tied to the 6/30/2022 ACFR.
  - FY 2023 actual amounts are not used as they will not be final (and audited) until well into FY 2024, and
  - The Workgroup determined Actual FY 2022 amounts were more accurate than FY 2023 budgeted amounts.

2. Employee Classification Change

- The Workgroup continued with the same methodology for various classes of KPPA personnel in the calculation of the hybrid percentage. For example, KPPA Executive staff costs are identified as 50/50 between CERS and KRS, and KPPA Investment staff costs are incorporated using Assets Under Management (AUM).
- There was no change to this method; however, for the FY 2022 and FY 2023 hybrid percentage the Executive Director-Office of Benefits was included in the KPPA staff line item (which is incorporated based on membership). For FY 2024 the Workgroup moved this position into the Executive line item (as the position is an Executive position) and identifies it at 50/50 along with all other executive positions.

FY 2024 hybrid percentage positions:

KPPA Personnel Executive 50/50	KPPA Personnel Legal 50/50	KPPA Personnel Legal Advocacy MEM	KPPA Personnel Investments AUM
David Eager	Andrea Freadreacea	Carrie Slayton	Anthony Chiu
Rebecca Adkins	Barry Seidl	Deiadra Douglas	Carol Johnson
Erin Surratt	Beth Camic	Kari Clark	Jared Crawford
Michael Board	Carrie Bass	Kathy Rupinen	Joe Gilbert
Sherry Rankin	Chase O'Dell	Kevin Edelman	Steven Herbert
Ashley Gabbard	Crystal Smith	Laura Stevens	Steve Willer
	Jenny Jones	Leigh Ann Davis	
	Jessica Beaubien	Nathan Goodrich	
	Jillian Hall		
	Kristi Wackowski		
	Lisa Perry		
	Tracy Chambers		
	Vicki Hale		

Prior year hybrid percentage positions: \*

KPPA Personnel Executive 50/50	KPPA Personnel Legal 50/50	KPPA Personnel Legal Advocacy MEM	KPPA Personnel Investments AUM
David Eager	Andrea Freadreacea	Carrie Slayton	Anthony Chiu
Rebecca Adkins	Barry Seidl	Kathy Rupinen	Carol Johnson
Michael Board	Beth Camic	Kevin Edelman	Jared Crawford
Sherry Rankin	Carrie Bass	Laura Stevens	Joe Gilbert
Ashley Gabbard	Crystal Smith	Leigh Ann Davis	Steven Herbert
	Jenny Jones	Nathan Goodrich	Steve Willer
	Jessica Beaubien	Paralegal	
	Jillian Hall	Staff Attorney III	
	Kristi Wackowski	Staff Attorney Supervisor	
	Legal Secretary		
	Lisa Perry		
	Staff Attorney III		
	Tracy Chambers		
	Vicki Hale		

\*Unfilled positions were included in the calculation, as it was based on budget.

3. Not including direct and/or separation costs to determine the FY 2024 hybrid percentage.

Since the prior year's hybrid percentage was based on budget, the hybrid percentage included all budgeted administrative costs, including CEO salaries, budgeted legal costs (that were specific to CERS or KRS), as well as costs eventually deemed to be separation costs. While all these costs were charged to the appropriate plan, the inclusion of them in the budget impacted the calculation of the hybrid percentage.

By using actual costs, the Workgroup was able to isolate these costs and not include them in the hybrid percentage calculation for FY 2024.

FY 2024 hybrid percentage: CERS 64.34% and KRS 35.66%

BUDGET CATEGORY	6/30/2022 Actual Amounts			
		Total	CERS	KRS
	Membership	410,082 100.00%	268,788 65.54%	141,294 34.46%
AUM (in thousands)	\$ 15,002,684 100.00%	\$ 10,651,800 71.00%	\$ 4,350,884 29.00%	
<b>PERSONNEL</b>				
KPPA Staff	MEM	\$ 26,489,558	\$ 17,361,256	\$ 9,128,302
KPPA Exec	50/50	1,454,854	727,427	727,427
KPPA Legal	50/50	1,270,529	635,264	635,264
KPPA Legal Advocacy	MEM	815,697	534,608	281,089
KPPA Investments	AUM	1,769,497	1,256,343	513,154
Subtotal		\$ 31,800,134	\$ 20,514,898	\$ 11,285,236
Legal Contracts	50/50	192,546	96,273	96,273
Auditing	50/50	141,883	70,941	70,941
Actuarial Services	50/50	474,411	237,206	237,206
Medical Examiners / Hearing Officers	MEM	1,593,144	1,044,146	548,997
Other (Facility, HR consults, Misc)	50/50	122,340	61,170	61,170
Subtotal		\$ 2,524,323	\$ 1,509,736	\$ 1,014,587
<b>OPERATIONAL</b>				
Rentals - Building and Equipment	MEM	1,103,226	723,054	380,172
Information Technology	MEM	2,972,053	1,947,883	1,024,169
Other	MEM	963,786	631,666	332,121
CONTINGENCY	50/50	-	-	-
Subtotal		\$ 5,039,065	\$ 3,302,603	\$ 1,736,462
<b>TOTAL COSTS FOR HYBRID CALCULATION</b>		\$ 39,363,522	\$ 25,327,237	\$ 14,036,285
<b>HYBRID PERCENTAGE</b>		<b>64.34% 35.66%</b>		
PERSONNEL SEPARATION COSTS	100%	176,808	176,808	
CERS/KRS GENERAL COUNSEL	100%	148,088	148,088	
OTHER SEPARATION COSTS	100%	7,644	7,644	
CERS SPECIFIC COSTS (MOSTLY LEGAL)	100%	66,227	66,227	
KRS SPECIFIC COSTS (MOSTLY LEGAL)	100%	719,155		719,155
Removed from Hybrid		\$ 1,117,922	\$ 398,767	\$ 719,155
NonCashAdminCost		\$ 40,481,444	\$ 25,726,004	\$ 14,755,441
(Depreciation/Amortization/Accruals)	Not Allocated	\$ (739,000)		
<b>TOTAL PENSION FUND ADMIN COSTS (PAGE 119 ACFR)</b>		\$ 39,742,444		

FY 2024 hybrid percentage comparison to prior year

BUDGET CATEGORY	6/30/2022 Actual Amounts			Prior Year Amounts Used (FY 22 Budgeted)			CHANGES			% of impact by line item				
	Total	CERS	KRS	Total	CERS	KRS	Total	CERS	KRS					
	Membership	410,082	268,788	141,294	401,043	260,821	140,222	9,039	7,967		1,072			
	100.00%	65.54%	34.46%	100.00%	65.04%	34.96%	2.25%	3.05%	0.76%					
AUM (in thousands)	\$ 15,002,684	\$ 10,651,800	\$ 4,350,884	AUM (in thousands)	\$ 15,787,985	\$ 11,525,860	\$ 4,262,125	\$ (785,301)	\$ (874,060)	\$ 88,759				
	100.00%	71.00%	29.00%	0.00%	73.04%	26.96%	-4.97%	-7.58%	2.08%	CERS KRS				
<b>PERSONNEL</b>														
KPPA Staff	MEM	\$ 26,489,558	\$ 17,361,256	\$ 9,128,302	MEM	\$ 29,665,107	\$ 19,294,186	\$ 10,370,921	\$ (3,175,549)	\$ (1,932,929)	\$ (1,242,620)	0.68%	-0.53%	
KPPA Exec	50/50	1,454,854	727,427	727,427	50/50	1,300,000	650,000	650,000	154,854	77,427	77,427	-0.03%	0.03%	
KPPA Legal	50/50	1,270,529	635,264	635,264	50/50	1,600,000	800,000	800,000	(329,471)	(164,736)	(164,736)	0.06%	-0.07%	
KPPA Legal Advocacy	MEM	815,697	534,608	281,089	MEM	900,000	585,360	314,640	(84,303)	(50,752)	(33,551)	0.02%	-0.01%	
KPPA Investments	AUM	1,769,497	1,256,343	513,154	AUM	2,100,000	1,533,840	566,160	(330,503)	(277,497)	(53,006)	0.10%	-0.02%	
Subtotal		\$ 31,800,134	\$ 20,514,898	\$ 11,285,236		\$ 35,565,107	\$ 22,863,386	\$ 12,701,721	\$ (3,764,973)	\$ (2,348,487)	\$ (1,416,485)	0.82%	-0.61%	
Legal Contracts	50/50	192,546	96,273	96,273	50/50	725,000	362,500	362,500	(532,454)	(266,227)	(266,227)	0.09%	-0.11%	
Auditing	50/50	141,883	70,941	70,941	50/50	118,350	59,175	59,175	23,533	11,766	11,766	0.00%	0.01%	
Actuarial Services	50/50	474,411	237,206	237,206	50/50	700,000	350,000	350,000	(225,589)	(112,795)	(112,795)	0.04%	-0.05%	
Medical Examiners / Hearing Officers	MEM	1,593,144	1,044,146	548,997	MEM	1,284,600	835,504	449,096	308,544	208,643	99,901	-0.07%	0.04%	
Other (Facility, HR consults, Misc)	50/50	122,340	61,170	61,170	50/50	153,350	76,675	76,675	(31,010)	(15,505)	(15,505)	0.01%	-0.01%	
Subtotal		\$ 2,524,323	\$ 1,509,736	\$ 1,014,587		\$ 2,981,300	\$ 1,683,854	\$ 1,297,446	\$ (456,977)	\$ (174,118)	\$ (282,859)	0.06%	-0.12%	
<b>OPERATIONAL</b>														
Rentals - Building and Equipment	MEM	1,103,226	723,054	380,172	MEM	1,100,000	715,440	384,560	3,226	7,614	(4,388)	0.00%	0.00%	
Information Technology	MEM	2,972,053	1,947,883	1,024,169	MEM	4,294,137	2,792,907	1,501,230	(1,322,084)	(845,023)	(477,061)	0.30%	-0.20%	
Other	MEM	963,786	631,666	332,121	MEM	-	-	-	963,786	631,666	332,121	-0.22%	0.14%	
CONTINGENCY	50/50	-	-	-	50/50	4,064,956	2,032,478	2,032,478	(4,064,956)	(2,032,478)	(2,032,478)	0.71%	-0.87%	
Subtotal		\$ 5,039,065	\$ 3,302,603	\$ 1,736,462		\$ 9,459,093	\$ 5,540,825	\$ 3,918,268	\$ (4,420,028)	\$ (2,238,222)	\$ (2,181,807)	0.78%	-0.94%	
<b>TOTAL COSTS FOR HYBRID CALLULATION</b>														
		\$ 39,363,522	\$ 25,327,237	\$ 14,036,285		\$ 48,005,500	\$ 30,088,064	\$ 17,917,436	\$ (8,641,978)	\$ (4,760,827)	\$ (3,881,151)	1.67%	-1.67%	
<b>HYBRID PERCENTAGE</b>		<b>64.34% 35.66%</b>			<b>PY HYBRID %</b>		62.68%	37.32%	<b>CHANGE TO %</b>		1.67%	-1.67%	1.67%	-1.67%
PERSONNEL SEPARATION COSTS		100%	176,808	176,808										
CERS/KRS GENERAL COUNSEL		100%	148,088	148,088										
OTHER SEPARATION COSTS		100%	7,644	7,644										
KRS-SPECIFIC COSTS (MOSTLY LEGAL)		100%	719,325	719,325										
Removed from Hybrid			\$ 1,117,922	\$ 398,767		\$ 719,155								
			\$ 40,481,441	\$ 25,726,001		\$ 14,755,441								
NonCashAdminCost														
(Depreciation/Amortization/Accruals) Not Allocated \$ (739,000)														
TOTAL PENSION FUND ADMIN COSTS (PAGE 119 ACFR) \$ 39,742,441														

On June 5, 2023, and on June 14, 2023, the KRS, and CERS Boards of Trustees, respectively, approved their own internal allocation of the above hybrid percentages for the plans under their administrative purview as follows:

FY 2024 HYBRID %		
CERS Nonhazardous	59.13%	64.34%
CERS Hazardous	5.21%	
KERS Nonhazardous	31.434%	35.660%
KERS Hazardous	3.517%	
SPRS	0.709%	
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**FY 2024 KPPA ADMINISTRATIVE BUDGET**

The KPPA administrative budget is funded with restricted funds, meaning it is not a general fund appropriation. These restricted funds used for the administrative budget come from the five pension trusts funds administered by KPPA, and not the insurance trust funds. The administrative expenses are allocated among these five pension trust funds based on the approved hybrid %.

Despite the administrative budget being funded with restricted funds, KRS 61.505(11)(b), KRS 78.782(13) and KRS 61.645(13) require all KPPA, CERS and KRS administrative expenses be included in the Commonwealths biennial budget. Before October 1st of odd years, executive branch agencies submit a two-year budget request to the Office of the State Budget Director (OSBD) and to the Legislative Research Commission (LRC). Prior to this submission KPPA shall approve the biennial budget request (KRS 61.505(11)(b)).

OSBD assists the Governor’s Office in developing a budget bill. Simultaneously, LRC assists the legislature in developing a budget bill, and during the General Assembly’s session in even years, a biennial budget is passed. OSBD, LRC and the legislature can add to or subtract from the KPPA biennial budget request as the legislature deems necessary. For example, since KPPA staff are under the state’s personnel system, OSBD may add funds to the request to allow for a raise for state employees, and in some cases, due to budget cuts, all agencies budget submissions may be reduced.

Historical Administrative Budget Amounts	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
KPPA Budget Amount Requested	\$ 47,613,500	\$ 48,327,600	\$ 47,702,500	\$ 47,702,500	\$ 48,255,100	\$ 48,801,700
Budget Bill Approved Amount	\$ 47,307,300	\$ 47,702,500	\$ 48,888,200	\$ 48,005,500	\$ 50,184,500	\$ 50,440,800

The proposed FY 2024 administrative budget total amount of \$50,440,800, has already been approved by the Commonwealth through this process. Today, we are presenting the detailed administrative budget for the KPPA Board to approve.

The Workgroup reviewed historical spending by budget line item from FY 2019 through FY 2023. Accounting, executive, human resources, investment, IT, legal and other KPPA staff contributed to defining for the Workgroup the types of services provided by each budget line item, as well as multiple discussions on anticipated changes to existing expenditures and potential new expenditures. Furthermore, detailed analysis was performed on various line items in creating an accurately projected FY 2024 administrative budget.

Immediately below is the proposed FY 2024 administrative budget, and presented further below are summarized explanations of the Workgroups discussions and conclusions for significant line items:

**ADMINISTRATIVE BUDGET (Page 1 of 2)**

ADMINISTRATIVE EXPENSES	FY 2023 ADMIN BUDGET	FY 2023 PROJECTED ACTUAL	FY 2023 BUDGET vs FY 2023 PROJECTED ACTUAL	FY 2024 PROPOSED ADMIN BUDGET	FY 2024 BUDGET vs FY 2023 BUDGET	% Change Budget vs Budget
<b>PERSONNEL</b>						
Salaries	\$ 17,000,000	\$ 16,386,682	\$ 613,318	\$ 17,900,000	\$ 900,000	5.29% <sup>1</sup>
Wages(Overtime)	250,000	188,201	61,799	250,000	-	0.00%
Wages(Block50)	35,000	25,171	9,829	35,000	-	0.00%
Emp Paid FICA	1,270,448	1,206,361	64,087	1,294,772	24,324	1.91%
Emp Paid Retirement	14,865,100	12,481,389	2,383,711	12,033,015	(2,832,086)	-19.05% <sup>2</sup>
Emp Paid Health Ins	2,700,000	2,371,203	328,797	2,687,500	(12,500)	-0.46%
Emp Paid Life Ins	3,000	2,952	48	3,000	-	0.00%
Emp Paid Sick Leave	115,000	213,594	(98,594)	250,000	135,000	117.39% <sup>3</sup>
Workers Compensation	75,000	11,116	63,884	12,000	(63,000)	-84.00% <sup>4</sup>
Unemployment	8,000	8,834	(834)	10,000	2,000	25.00%
Employee Training	18,000	11,697	6,303	25,000	7,000	38.89%
Other Personnel costs/benefits (Escrow for Admin, adoption, tuition, bonds)	16,000	-	16,000	20,000	4,000	25.00%
<b>Subtotal</b>	<b>\$ 36,355,548</b>	<b>\$ 32,907,200</b>	<b>\$ 3,448,348</b>	<b>\$ 34,520,287</b>	<b>\$ (1,835,262)</b>	<b>-5.05%</b>
<b>LEGAL CONTRACTS</b>						
Legal Hearing Officers	100,000	183,889	(83,889)	150,000	50,000	50.00% <sup>5</sup>
Legal (Stoll, Keenon)	150,000	74,994	75,006	250,000	100,000	66.67% <sup>6</sup>
Frost Brown (Tax Advisor)	80,000	344,263	(264,263)	300,000	220,000	275.00% <sup>7</sup>
Reinhart	25,000	276	24,724	50,000	25,000	100.00%
Ice Miller	300,000	108,666	191,334	300,000	-	0.00%
Johnson, Bowman, Branco LLC	150,000	104,378	45,623	100,000	(50,000)	-33.33% <sup>8</sup>
Dentons Bingham & Greenebaum	150,000	38,979	111,021	50,000	(100,000)	-66.67% <sup>9</sup>
Legal Expense	25,000	23	24,977	10,000	(15,000)	-60.00%
<b>Subtotal</b>	<b>\$ 980,000</b>	<b>\$ 855,467</b>	<b>\$ 124,533</b>	<b>\$ 1,210,000</b>	<b>\$ 230,000</b>	<b>23.47%</b>
<b>AUDITING</b>						
<b>Subtotal</b>	<b>\$ 200,000</b>	<b>\$ 109,510</b>	<b>\$ 90,490</b>	<b>\$ 300,000</b>	<b>\$ 100,000</b>	<b>50.00%</b> <sup>10</sup>
<b>ACTUARIAL SERVICES</b>						
<b>Subtotal</b>	<b>\$ 500,000</b>	<b>\$ 523,627</b>	<b>\$ (23,627)</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>0.00%</b>
<b>MEDICAL EXAMINERS / HEARING OFFICERS</b>						
<b>Subtotal</b>	<b>\$ 1,800,000</b>	<b>\$ 1,247,420</b>	<b>\$ 552,580</b>	<b>\$ 1,800,000</b>	<b>\$ -</b>	<b>0.00%</b>
<b>OTHER PERSONNEL</b>						
Escrow for Actuary Fees	-	(32,866)	32,866	-	-	-
Miscellaneous Contracts	100,000	75,223	24,777	390,000	290,000	290.00% <sup>11</sup>
Human Resources Consulting	8,000	-	8,000	10,000	2,000	25.00%
Health Ins. Admin Expense	-	-	-	-	-	-
Facility Security Charges	80,000	33,782	46,218	100,000	20,000	25.00%
<b>Subtotal</b>	<b>\$ 188,000</b>	<b>\$ 76,139</b>	<b>\$ 111,861</b>	<b>\$ 500,000</b>	<b>\$ 312,000</b>	<b>165.96%</b>
<b>PERSONNEL TOTAL</b>	<b>\$ 40,023,548</b>	<b>\$ 35,719,365</b>	<b>\$ 4,304,185</b>	<b>\$ 38,830,287</b>	<b>\$ (1,193,262)</b>	<b>-2.98%</b>

**ADMINISTRATIVE BUDGET (Page 2 of 2)**

ADMINISTRATIVE EXPENSES	FY 2023 ADMIN BUDGET	FY 2023 PROJECTED ACTUAL	FY 2023 BUDGET vs FY 2023 PROJECTED ACTUAL	FY 2024 PROPOSED ADMIN BUDGET	FY 2024 BUDGET vs FY 2023 BUDGET	% Change Budet vs Budget
<b>OPERATIONAL</b>						
<b>RENTALS - BUILDING &amp; EQUIPMENT</b>						
Rent-NonState Building	56,000	37,982	18,018	56,000	-	0.00%
Building Rental - PPW	1,000,000	962,097	37,903	1,000,000	-	0.00%
Equipment Rental	-	-	-	-	-	-
Copier Rental	67,000	92,916	(25,916)	105,000	38,000	56.72%
Rental Carpool	5,500	4,364	1,136	5,500	-	0.00%
<b>Subtotal</b>	<b>\$ 1,128,500</b>	<b>\$ 1,097,359</b>	<b>\$ 31,141</b>	<b>\$ 1,166,500</b>	<b>\$ 38,000</b>	<b>3.37%</b>
<b>INFORMATION TECHNOLOGY</b>						
MARS Usage	50,000	29,564	20,436	50,000	-	0.00%
COT Charges	25,000	24,849	151	40,000	15,000	60.00%
Computer Equip./Software	3,503,000	2,510,416	992,584	4,100,000	597,000	17.04%
<b>Subtotal</b>	<b>\$ 3,578,000</b>	<b>\$ 2,564,829</b>	<b>\$ 1,013,171</b>	<b>\$ 4,190,000</b>	<b>\$ 612,000</b>	<b>17.10%</b>
<b>OTHER OPERATIONAL</b>						
Natural Gas & Electric	160,000	146,089	13,911	175,000	15,000	9.38%
Vehicle/Equip. Mainten.	1,000	-	1,000	1,000	-	0.00%
Postage	420,000	383,732	36,268	420,000	-	0.00%
Freight	200	45	155	200	-	0.00%
Printing (State & non-state)	117,000	74,641	42,359	100,000	(17,000)	-14.53%
Insurance	12,000	6,079	5,921	10,000	(2,000)	-16.67%
Garbage Collection	6,000	6,716	(716)	6,500	500	8.33%
Conference Expense	37,000	18,976	18,024	50,000	13,000	35.14%
COVID-19 Expenses	12,000	4,836	7,164	-	(12,000)	-100.00%
Office Supplies	75,000	75,676	(676)	100,000	25,000	33.33%
Furniture & Office Equipment	20,000	654	19,346	12,000	(8,000)	-40.00%
Travel (In-State)	16,500	13,899	2,601	16,500	-	0.00%
Travel (Out of State)	175,500	68,258	107,242	215,000	39,500	22.51%
Dues & Subscriptions	88,500	76,564	11,936	85,000	(3,500)	-3.95%
Miscellaneous	70,200	51,941	18,259	55,000	(15,200)	-21.65%
Telephone & Video Conference	157,000	111,258	45,742	125,000	(32,000)	-20.38%
<b>Subtotal</b>	<b>\$ 1,367,900</b>	<b>\$ 1,039,363</b>	<b>\$ 328,537</b>	<b>\$ 1,371,200</b>	<b>\$ 3,300</b>	<b>0.24%</b>
<b>OPERATIONAL TOTAL</b>	<b>\$ 6,074,400</b>	<b>\$ 4,701,552</b>	<b>\$ 1,372,850</b>	<b>\$ 6,727,700</b>	<b>\$ 653,300</b>	<b>10.75%</b>
RESERVE	\$ 4,086,552	\$ -	\$ 4,086,552	\$ 4,882,814	\$ 796,262	19.48%
<b>ADMINISTRATIVE BUDGETED AMOUNT</b>	<b>\$ 50,184,500</b>	<b>\$ 40,420,916</b>	<b>\$ 9,763,588</b>	<b>\$ 50,440,800</b>	<b>\$ 256,300</b>	<b>0.51%</b>

**SALARIES<sup>1</sup>**

Currently KPPA has 293 approved positions: 270 full time (FT) and 23 Interim, Intern, or part-time positions through the personnel cabinet.

Out of the 270 FT positions 20 are currently not filled leaving a FT headcount of 250. The average FT filled positions since 2018 has been 249. In addition, the turnover rate for FT KPPA positions has averaged 12% over the past five years.

The Workgroup examined salaries by area, department, and position. They discussed with KPPA staff what vacant positions are likely to be filled, which positions are likely to remain vacant, and discussed the need for additional positions in certain areas. In addition, the Workgroup accounted for the 12% annual turnover rate, and the 6% raise for all state employees.

	Positions	Salaries
Current FT positions	250	\$ 16,400,000
Vacant FT Positions likely to be filled	10	600,000
Adjust for Turnover ratio	(12)	(700,000)
Additional FT Positions	2	200,000
<b>Total full time positions</b>	<b>250</b>	<b>\$ 16,400,000</b>
Current Interim positiosn filled	7	400,000
<b>Total Positions to budget for</b>	<b>257</b>	<b>\$ 16,800,000</b>
6% State Raise		\$ 17,900,000

**EMPLOYER PAID RETIREMENT<sup>2</sup>**

The FY 2024 proposed budget amount is significantly less than the PY FY 2023 budgeted amount. The OSBD memo dated May 10, 2023, indicates that the employer contribution rate for KERS nonhazardous plan participants for FY 2024 is 66.17%; whereas the prior year rate was 78%.

**EMPLOYER PAID SICK LEAVE<sup>3</sup>**

This represents the actuarial costs an employer must pay to the pension funds when an employee retires, and that employee's accumulated sick leave is converted into their retirement. KPPA has a significant number of employees eligible to retire with significant sick leave balances, and we underestimated this line item in the prior year.

**WORKERS COMPENSATION<sup>4</sup>**

This represents KPPA's portion of the Commonwealths' worker's compensation insurance policy premium. The Workgroup confirmed the FY 2024 premium would remain the same as prior years actual. The premium is based on our headcount and claims history and finalized each biennial budget.

### **LEGAL HEARING OFFICERS<sup>5</sup>**

For FY 2023 actual costs exceeded the budget as KPPA increased the hourly rate for hearing officers on contract and worked deliberately through the large backlog of cases. The FY 2024 budget more accurately reflects the ongoing costs.

### **LEGAL CONTRACTS<sup>6,7,8,9</sup>**

The Workgroup worked with KPPA legal staff and closely examined estimated costs for on-going and pending cases.

### **AUDITING<sup>10</sup>**

The FY 2024 Administrative budget reflects the Auditor of Public Accounts (APA) engagement letter estimates for the FY 2024 ACFR and proportionate share audits. KPPA is required by statute to be audited by the APA every 5 years, and the APA has historically been much more expensive than external audit firms obtained via the RFP process.

### **MISCELLANEOUS CONTRACTS<sup>11</sup>**

The Workgroup has budgeted for the following items: The CEM Benchmarking study for investments, a university sponsored research study, year one of the strategic plan with Provaliant, and an employee executive search firm to assist in replacing the Executive Director and fill vacant investment positions.

### **COMPUTER EQUIPMENT / SOFTWARE<sup>12</sup>**

The initial proposed budget for this line item was well over \$5M. The Workgroup asked KPPA staff to go through the initial proposal and refine the details to reflect what is truly anticipated for FY 2024.

The KPPA IT team did a thorough job evaluating all IT related projects and costs and the revised amount for computer equipment/software is \$4.1M, which is \$600k higher than the FY 2023 budget for this line

This increase is comprised of several items related to infrastructure refreshes, upgrades, and modernization such as: a phone system upgrade (\$200k), a new badge system (\$150k), and server replacements (\$138k). In addition, FY 2024 will have increased costs for SDS contractors, and external assessments.

One item that is not included in this proposed budget is a premium for a potential cyber insurance policy.

### **RESERVE<sup>13</sup>**

The reserve amount represents the difference between the already approved FY 2024 biennial budget amount of \$50,440,800 and the Workgroup's best estimate of expenditures by line item for FY 2024.

Rather than "artificially inflate" individual line items in the administrative budget to reach a total budget of \$50,440,800, the Workgroup has attempted to present the most accurate budget by line item and account for the difference as a reserve.

This practice of separately identifying a reserve amount appears to have initiated in FY 2021. For that year the reserve amount was \$7.7M and was referred to as "Major Legislation Implementation". The FY 2022 reserve amount was \$3.7M, the FY 2023 amount was \$4.1M, and the proposed FY 2024 reserve amount is \$4.9M.

This amount is not expected to be utilized during the fiscal year unless business needs change. For example: a new unanticipated service is contracted, a new court case emerges, we have a costly cyber incident, or the legislature passes legislation that results in unanticipated costs.

### **ADMINISTRATIVE BUDGET OVERSPEND**

During the FY, if an administrative expenses sub-category exceeds or is likely to exceed the approved budget amount (e.g., personnel, or legal contracts, etc.), KPPA staff will obtain KPPA Board approval to reclassify the appropriate amount from the RESERVE to the appropriate line item(s) within the relevant sub-category. If, however, an individual line item within a sub-category exceeds or is likely to exceed the approved budget amount (e.g., employer paid sick leave, or office supplies, etc.), KPPA staff will notify the KPPA Board of the line item that is over budget at the next regularly scheduled quarterly meeting.

### **FY 2024 KPPA INVESTMENT BUDGET**

KPPA spending related to investments is paid directly from the trust funds (both the pension and the insurance trust funds, based on assets under management). These costs are not included in the administrative budget, and they are not submitted to OSBD or LRC as part of biennial budget process.

However, KRS 61.505 (11) (3) requires that KPPA report investment expenses to the Public Pension Oversight Board (PPOB). In addition, KPPA staff and prior Workgroups identified the need for trustees to be provided more detail on investment expenses. Therefore, an investment budget was established (in FY 2023) and budget to actual reporting for investment expenses have been provided to the Investment Committee of both CERS and KRS quarterly.

The below proposed investment budget does not include manager fees. Manager fees rise and fall with the markets and estimating total fees is challenging and provides little value in relation to a budget and oversight of spending. Therefore, as in the prior year, the Workgroup recommends only reporting the actual manager fees for the fiscal year quarterly to the CERS and KRS boards as well as to the PPOB when requested, without being accompanied by an estimated budget.

Non-manager fees are more easily budgeted and generally represent goods and services that support the management of the funds. For example, custodial bank fees,

benchmarking services and legal defense. The below proposed investment budget has non-manager fees broken into three subcategories: consulting services, legal & auditing services, and contractual services.

**Consulting Services:**

The FY 2024 proposed budget is only increasing for inflationary components.

**Legal Services:**

When establishing the investment budget in the prior year, extensive discussions were held regarding the pros and cons of including legal fees for investment related litigation within the administrative budget or within the investment budget. The final recommendation was to budget legal costs related to investment litigation within the investment budget to effectively report all investment related costs and to follow industry best practices. The current Workgroup has adopted this same methodology for investment related costs.

The FY 2024 proposed budget is \$3M higher than the FY 2023 budget. This increase in the budget is due to increased activity in ongoing investment litigation. In addition, the KPPA fiduciary insurance policy that was providing defense costs has expired.

**Contractual services:**

The FY 2024 proposed budget is \$1.4M lower than the FY 2023 budget and is now in line with more historical actuals for BNYM custodial fees. The Workgroup discussed the historical fees including custodial, transactional, reporting, performance, regulatory and compliance related fees charged by BNYM.

<b>Investment Budget</b>				
	<b>FY 2023 Budget</b>	<b>Proposed FY24 Budget</b>	<b>Difference</b>	<b>% Change</b>
<b>CONSULTING SERVICES</b>				
Wilshire Associates	\$1,190,000	\$ 1,200,000	\$ 10,000	0.84%
Albourne	270,000	275,000	5,000	1.85%
MercerInsight	160,000	165,000	5,000	3.13%
<b>SUBTOTAL</b>	<b>1,620,000</b>	<b>1,640,000</b>	<b>20,000</b>	<b>1.23%</b>
<b>LEGAL &amp; AUDITING SERVICES</b>				
Faegre Drinker	375,000	100,000	(275,000)	-73.33%
Intelligent Management Solutions (IMS)	75,000	350,000	275,000	366.67%
McClain/Goldberg	25,000	100,000	75,000	300.00%
Reinhart	437,500	2,500,000	2,062,500	471.43%
Stoll-Keenon-Ogden	250,000	750,000	500,000	200.00%
Haystack	140,000	100,000	(40,000)	-28.57%
Umberg Zipser	360,000	850,000	490,000	136.11%
Frost Brown Todd	50,000	-	(50,000)	-100.00%
Swansburg & Smith		50,000	50,000	
Eddins Domine	-	50,000	50,000	
Taft		50,000	50,000	
Miscellaneous	200,000	50,000	(150,000)	-75.00%
<b>SUBTOTAL</b>	<b>1,912,500</b>	<b>4,950,000</b>	<b>3,037,500</b>	<b>158.82%</b>
<b>CONTRACTURAL SERVICES</b>				
Bloomberg	150,000	150,000	-	0.00%
BNYM Custodial Fees	4,000,000	2,600,000	(1,400,000)	-35.00%
eVestment (Solovis RMS)	35,000	35,000	-	0.00%
Solovis (Reporting & Analytics)	265,000	275,000	10,000	3.77%
FactSet	150,000	150,000	-	0.00%
*Russell Index Subscription	1,500	1,500	-	0.00%
S&P Global	75,000	75,000	-	0.00%
TradeWeb	7,500	7,500	-	0.00%
State Street/Elkins McSherry	10,000	10,000	-	0.00%
ISS	37,000	60,000	23,000	62.16%
MSCI	1,000	1,000	-	0.00%
KPMG Tax Guarantor Services	7,500	7,500	-	0.00%
Jayant Ghevaria and CO	55,000	55,000	-	0.00%
India Renewal Fee (SEBI)	3,000	3,000	-	0.00%
Miscellaneous & New Services	250,000	250,000	-	0.00%
<b>SUBTOTAL</b>	<b>5,047,500</b>	<b>3,680,500</b>	<b>(1,367,000)</b>	<b>-27.08%</b>
<b>TOTAL</b>	<b>\$8,580,000</b>	<b>\$ 10,270,500</b>	<b>\$1,690,500</b>	<b>19.70%</b>

**APPENDIX**

The memo Dated March 24, 2022, and the memo Dated June 16, 2022, are attached on the following pages.

KPPA Meeting - Administrative Expense Allocation



**KENTUCKY PUBLIC PENSIONS AUTHORITY**

**David L. Eager, Executive Director**

1260 Louisville Road · Frankfort, Kentucky 40601  
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**To:** Kentucky Public Pensions Authority Board  
**From:** Administrative Expense Allocation Work Group  
William O'Mara, CERS Trustee and CERS Finance Committee Chair  
C. Prewitt Lane, KRS Trustee and KRS Investment Committee Chair  
David L. Eager, KPPA Executive Director  
Ed Owens III, CERS CEO  
John Chilton, KRS CEO  
**Date:** March 24, 2022  
**Subject:** Allocation of Administrative Expenses

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In accordance with KRS 61.505 11(a), the Kentucky Public Pensions Authority (KPPA) Board has the responsibility of determining how to prorate, assign or allocate to County Employees Retirement System and to Kentucky Retirement Systems all expenses incurred by or on behalf of the KPPA.

KPPA administrative expenses are reported quarterly to the CERS, KRS and KPPA boards. The report includes any plan-specific legal expenses that are allocated exclusively to one or more of the plans via end-of-fiscal year adjustments. The issue for the Board's consideration is which methodology to utilize to allocate the bulk of administrative expenses.

The KPPA Board assigned the task of researching allocation options to a work group of trustees and staff leadership who have been meeting since October 2021. The group was tasked with bringing an allocation recommendation back to the KPPA Board. The following is a summary of the research that was considered and the recommendation.

Current Allocation Calculation

Under the previous governance structure, the former Kentucky Retirement Systems Board of Trustees allocated administrative expenses based on the number of members (retired, active and inactive) in each of the pension funds administered by that Board. This was the basis of the calculation for many years.

KPPA Meeting - Administrative Expense Allocation

Direct expenses were allocated to the specific plan in which the cost occurred and were not reflected in the administrative budget but were tracked within the trust expenditures. Examples of direct expenses are benefit payments, insurance premium costs, and legal case expenses specific to investments. Investment fees are not tracked in administrative expenses and are allocated based on asset allocation. If it is an investment administrative expense, like a research/news resource, the allocation is based on the overall asset allocation of the entire portfolio. Manager fees are based on the specific manager's account asset allocation.

The reasoning behind this methodology is that the number of members who require services would be a significant factor in determining the number of counselors required, brochures ordered, benefits calculated, postage, server storage for data and images, etc. As membership increases, the costs of providing services to the membership also increases. This is especially true for staffing which is a significant portion of the administrative budget. In fiscal year 2021, salaries and benefits accounted for 82% of the actual administrative expenditures (\$29,308,549 of \$35,750,705).

Potential Allocation Methodologies

While exploring possible allocation methodologies, the work group strived to be both equitable and simple – equitable to all plans and yet simple enough to maintain transparency and auditability and to limit manual entries.

Membership

As has been done historically, this allocation methodology uses the premise that more membership necessitates more KPPA staff, and staff is a critical component of administrative expenses. Conversely, not all staffing types are membership dependent. For example, not all administrative expenses increase or decrease with membership changes. For example, the actuary has stated that preparing the valuation costs about the same for KERS as it does for CERS. The systems are so large that the difference in membership is not a factor in costs.

Additionally, the work group decided there are different types of staffing positions and that while some positions increased with membership increases not all did. Legal staff, for example, is more dependent on the number of court cases, legislative changes and system complexity than with membership count.

KPPA Meeting - Administrative Expense Allocation

**Assets Under Management**

Staff explored basing the allocation on percentage of assets under management (AUM) as of June 30 of the previous fiscal year. Important to note is that investment expenses are not tracked within administrative expenses. Neither are assets and liabilities connected to non-investment staffing and compensation levels which can be a driver of administrative costs. However, the work group did consider that AUM is a driver for investment staff compensation.

**Even Division between CERS and KRS**

Another option explored is a 50/50 split between the CERS and KRS funds. The primary reasoning on this option is that not all services are membership dependent. The example provided earlier is the actuary. Additionally, while staffing constitutes a major portion of the administrative budget, not all staffing positions increase when membership increases. Executive leadership, for example, is based on defined roles and not on membership. Information Technology security and development is not exclusively driven by the number of members but also by the complexity of the plan rules.

**Hybrid**

A final option considered by staff is a hybrid of membership count, sharing expenses evenly and AUM. The premise for this is that while there is merit to each allocation methodology. None is a perfect solution on its own.

With the overarching goals of being equitable to all plans and yet simple enough to maintain transparency and auditability and to limit manual errors, the work group decided a hybrid approach may be best. However, for simplicity one percentage to use on all expenditures is critical to reduce human error. Therefore, the decision was made to use a hybrid approach to calculate one percentage for each Board for all expenses.

The administrative budget was split into large categories. Large categories were defined as the usual budget categories and any line items that are \$100,000 or more. Each category was assigned the allocation method that best fit that category. Multiplying the budget for that category by the methodology percentage, an overall total budgeted dollar amount by system was calculated. Using the total dollar amount by system and the total fiscal year budget a single hybrid percentage was calculated for each Board.

KPPA Meeting - Administrative Expense Allocation

Budget Category	Allocation Method	Budgeted FY22	CERS	KRS
Membership as of 6/30/21		100.00%	65.04%	34.96%
50/50		100.00%	50.00%	50.00%
AUM (pension only) as of 6/30/21		100.00%	73.04%	26.96%
<b>PERSONNEL</b>				
KPPA Staff	Mem	\$29,665,107	\$19,294,186	\$10,370,921
KPPA Exec	50/50	\$1,300,000	\$650,000	\$650,000
KPPA Legal	50/50	\$2,500,000	\$1,250,000	\$1,250,000
KPPA Investments	AUM	\$2,100,000	\$1,533,840	\$566,160
Legal contracts	50/50	\$725,000	\$362,500	\$362,500
Auditing	50/50	\$118,350	\$59,175	\$59,175
Actuarial Services	50/50	\$700,000	\$350,000	\$350,000
Medical Examiners/Hearing Off.	Mem	\$1,284,600	\$835,504	\$449,096
Other Services (facility security, HR consults, misc contracts)	50/50	\$153,350	\$76,675	\$76,675
<b>OPERATIONAL</b>				
Building Rental (Frkt)	Mem	\$1,100,000	\$715,440	\$384,560
Operations (IT,Lville rent, travel, dues, office supplies)	Mem	\$4,294,137	\$2,792,907	\$1,501,230
Contingency	50/50	\$4,064,956	\$2,032,478	\$2,032,478
<b>TOTALS</b>		<b>\$48,005,500</b>	<b>\$29,952,704</b>	<b>\$18,052,796</b>
<b>Hybrid Percentage</b>			<b>62.39%</b>	<b>37.61%</b>

**Comparison of Methodologies**

FY 2022 Budget is \$48,000,500

	Membership		AUM		Even Split		Hybrid	
CERS	65.04%	\$ 31,222,777	73.04%	\$ 35,063,217	50.00%	\$ 24,002,750	62.39%	\$ 29,950,631
KRS	34.96%	\$ 16,782,723	26.96%	\$ 12,942,283	50.00%	\$ 24,002,750	37.61%	\$ 18,054,869
TOTAL	100.00%	\$ 48,005,500	100.00%	\$ 48,005,500	100.00%	\$ 48,005,500	100.00%	\$ 48,005,500

KPPA Meeting - Administrative Expense Allocation

**Recommendation:**

The work group recommends the following:

1. A combination of all of these methodologies be used to define a fiscal percentage for CERS and for KRS  
CERS 62.39%  
KRS 37.61%
2. Allow KRS and CERS Boards to determine the split for the plans under their administrative purview
3. Reevaluate the CERS/KRS split prior to the beginning of every fiscal year
4. Make the effective date of the recommended CERS/KRS percentages July 1, 2021, and instruct KPPA accounting staff to make correcting entries to implement that date
5. Since the evaluation process was just completed, use the FY 2022 hybrid percentage for FY 2023

KPPA Meeting - Quarterly Financial Statements



**KENTUCKY PUBLIC PENSIONS AUTHORITY**

David L. Eager, Executive Director  
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To: Kentucky Public Pensions Authority Board  
 From: Rebecca H Adkins, Deputy Executive Director  
 Date: June 16, 2022  
 Subject: Allocation of Administrative Expenses FY 2022 and FY 2023 - UPDATE

At the KPPA quarterly meeting on March 24, 2022, the KPPA Board elected to adopt the recommendations presented by the Cost Allocation Work Group. KPPA agreed that the hybrid allocation would be used for FY22 and FY23 and would be reevaluated each following year.

Additionally, the KPPA Board decided that the CERS Board and the KRS Board should decide how to allocate the administrative expenses assigned to CERS or KRS among the plans that are controlled by the Boards. CERS met on April 20, 2022, and determined to base the CERS Nonhazardous and CERS Hazardous split on membership. KRS met on June 6, 2022, and determined to base the SPRS, KERS Nonhazardous and KERS Hazardous split on membership.

The hybrid percentages approved by KPPA on March 24:  
 KRS 37.32%  
 CERS 62.68%

Plan-specific percentages after decisions by the CERS Board and the KRS Board:

	Membership as of 6/30/21	Percentage of Membership	Percentage of Admin Expenses
CERS Nonhazardous	239,626	91.87%	57.58%
CERS Hazardous	21,195	8.13%	5.10%
<b>CERS Total</b>	<b>260,821</b>	<b>100%</b>	<b>62.68%</b>
KERS Nonhazardous	123,857	88.33%	32.965%
KERS Hazardous	13,661	9.74%	3.635%
SPRS	2,704	1.93%	0.720%
<b>KRS Total</b>	<b>140,222</b>	<b>100%</b>	<b>37.320%</b>
<b>Total</b>	<b>401,043</b>		<b>100%</b>

Recommendation:  
 This memo is for informational purposes.



**Combining Statement of Fiduciary Net Position - Pension Funds**  
 As of March 31, 2023, with Comparative Totals as of March 31, 2022 (\$ in Thousands) (Unaudited)

ASSETS	CERS		KERS		SPRS	KPPA TOTAL		Percentage of Change	Note
	Nonhazardous	Hazardous	Nonhazardous	Hazardous		FY 2023	FY 2022		
<b>CASH AND SHORT-TERM INVESTMENTS</b>									
Cash Deposits	\$1,137	\$121	\$863	\$99	\$25	\$2,244	\$751	198.94%	1
Short-term Investments	229,862	96,223	653,139	71,204	132,907	1,183,335	1,502,663	(21.25)%	2
<b>Total Cash and Short-term Investments</b>	<b>230,999</b>	<b>96,345</b>	<b>654,001</b>	<b>71,303</b>	<b>132,932</b>	<b>1,185,579</b>	<b>1,503,414</b>	<b>(21.14)%</b>	
<b>RECEIVABLES</b>									
Accounts Receivable	66,223	22,912	88,210	4,195	5,276	186,816	175,344	6.54%	
Accounts Receivable - Investments	54,853	19,565	22,893	6,166	4,488	107,966	159,956	(32.50)%	3
<b>Total Receivables</b>	<b>121,077</b>	<b>42,477</b>	<b>111,103</b>	<b>10,361</b>	<b>9,764</b>	<b>294,782</b>	<b>335,300</b>	<b>(12.08)%</b>	
<b>INVESTMENTS, AT FAIR VALUE</b>									
Core Fixed Income	813,224	302,469	644,763	107,193	113,858	1,981,508	2,156,382	(8.11)%	
Public Equities	4,184,544	1,432,065	1,061,428	376,178	187,206	7,241,421	6,859,605	5.57%	
Private Equities	681,432	227,671	155,140	62,367	16,367	1,142,977	1,303,761	(12.33)%	4
Specialty Credit	1,739,345	597,784	606,019	180,621	94,025	3,217,794	3,078,942	4.51%	
Derivatives	986	360	769	126	135	2,375	(6,542)	(136.31)%	5
Real Return	262,663	87,071	69,014	24,154	10,045	452,947	426,266	6.26%	
Real Estate	519,206	165,278	175,894	48,159	20,857	929,393	844,242	10.09%	6
<b>Total Investments, at Fair Value</b>	<b>8,201,400</b>	<b>2,812,697</b>	<b>2,713,027</b>	<b>798,798</b>	<b>442,493</b>	<b>14,968,414</b>	<b>14,662,656</b>	<b>2.09%</b>	
Securities Lending Collateral Invested	198,614	68,437	79,620	20,591	13,647	380,909	463,606	(17.84)%	7
<b>CAPITAL/INTANGIBLE ASSETS</b>									
Capital Assets	1,701	153	929	91	11	2,885	2,885	0.00%	
Intangible Assets	9,961	827	5,920	494	100	17,301	17,301	0.00%	
Accumulated Depreciation	(1,701)	(153)	(929)	(91)	(11)	(2,885)	(2,885)	0.00%	
Accumulated Amortization	(9,931)	(826)	(5,893)	(493)	(100)	(17,242)	(16,889)	2.09%	
<b>Total Capital Assets</b>	<b>30</b>	<b>1</b>	<b>27</b>	<b>1</b>	<b>-</b>	<b>59</b>	<b>412</b>	<b>(85.71)%</b>	
<b>Total Assets</b>	<b>8,752,120</b>	<b>3,019,956</b>	<b>3,557,778</b>	<b>901,053</b>	<b>598,836</b>	<b>16,829,743</b>	<b>16,965,387</b>	<b>(0.80)%</b>	
<b>LIABILITIES</b>									
Accounts Payable	4,855	803	2,449	523	54	8,684	5,988	45.03%	8
Investment Accounts Payable	53,931	19,182	26,880	6,044	5,204	111,240	331,634	(66.46)%	9
Securities Lending Collateral	198,614	68,437	79,620	20,591	13,647	380,909	463,606	(17.84)%	10
<b>Total Liabilities</b>	<b>257,399</b>	<b>88,422</b>	<b>108,948</b>	<b>27,158</b>	<b>18,905</b>	<b>500,832</b>	<b>801,228</b>	<b>(37.49)%</b>	
<b>Total Fiduciary Net Position Restricted for Pension Benefits</b>	<b>\$8,494,721</b>	<b>\$2,931,534</b>	<b>\$3,448,829</b>	<b>\$873,896</b>	<b>\$579,931</b>	<b>\$16,328,911</b>	<b>\$16,164,159</b>	<b>1.02%</b>	

**NOTE - Variance Explanation Differences due to rounding**

- 1) The variance is a result of continuous fluctuation of deposits and transactions that flow through the cash account. As a result of an Internal Audit finding, we continue to evaluate the optimum cash balances at JP Morgan Chase.
- 2) Short term investments are primarily comprised of cash on hand at the custodial bank, the variance in the balance is a result of the cash flows of each plan.
- 3) The variance in Investment Accounts Receivable is the result of pending trades.
- 4) The decline in private equity is a result of unrealized losses and distributions. Note: KRS pension funds did not commit to any new private equity funds from 2011-2020, therefore, there are less contributions and appreciation from newer funds to offset the distributions from the older funds.
- 5) The variance in Derivatives is a result of hedging and arbitration of risk within the portfolios.
- 6) The increase in Real Estate is due to additional funding of current managers.
- 7) The variance is a result of the demand of the Securities Lending Program.
- 8) The variance in Accounts Payable is due to an increase in outstanding employer credit invoices.
- 9) The variance in Investment Accounts Payable is due to pending trades.
- 10) The variance is a result of the demand of the Securities Lending Program.



**Combining Statement of Changes In Fiduciary Net Position - Pension Funds**

For the nine month period ending March 31, 2023, with Comparative Totals for the nine month period ending March 31, 2022 (\$ in Thousands) (Unaudited)

	CERS	CERS	KERS	KERS	SPRS	KPPA Total		Percentage of Change	Note
	Nonhazardous	Hazardous	Nonhazardous	Hazardous		FY 2023	FY 2022		
<b>ADDITIONS</b>									
Member Contributions	\$142,280	\$54,856	\$78,368	\$19,258	\$5,027	\$299,790	\$272,661	9.95%	
Employer Contributions	461,766	199,583	84,888	47,067	42,185	835,490	793,925	5.24%	
Actuarially Accrued Liability Contributions (AALC)	-	-	673,831	-	-	673,831	684,575	(1.57)%	
General Fund Appropriation	-	-	180,000	-	-	180,000	-	100.00%	1
Pension Spiking Contributions	36	150	9	29	-	224	92	142.96%	2
Health Insurance Contributions (HB1)	(18)	(20)	(9)	(4)	(6)	(57)	(2)	2,811.07%	3
Employer Cessation Contributions	-	-	-	-	-	-	50,464	(100.00)%	4
<b>Total Contributions</b>	<b>604,064</b>	<b>254,570</b>	<b>1,017,088</b>	<b>66,350</b>	<b>47,207</b>	<b>1,989,279</b>	<b>1,801,715</b>	<b>10.41%</b>	
<b>INVESTMENT INCOME</b>									
From Investing Activities									
Net Appreciation (Depreciation) in FV of Investments									
	398,006	137,055	79,039	35,879	16,785	666,764	64,955	926.51%	5
Interest/Dividends	170,462	59,311	72,470	18,928	12,806	333,976	313,891	6.40%	
Total Investing Activities Income	568,468	196,366	151,509	54,807	29,591	1,000,740	378,846		
Less: Investment Expense	36,153	12,096	10,211	3,429	1,515	63,403	53,899	17.63%	6
Less: Performance Fees	1,295	206	(264)	112	43	1,391	81,858	(98.30)%	7
Net Income from Investing Activities	531,020	184,064	141,562	51,267	28,033	935,945	243,089		
From Securities Lending Activities									
Securities Lending Income	6,223	2,173	2,039	603	343	11,380	758		
Less: Securities Lending Borrower Rebates (Income)/Expense	5,441	1,900	1,755	523	297	9,916	(960)		
Less: Securities Lending Agent Fees	117	41	43	12	7	220	257		
Net Income from Securities Lending	665	233	241	68	39	1,245	1,460	(14.72)%	8
<b>Net Investment Income</b>	<b>531,685</b>	<b>184,296</b>	<b>141,803</b>	<b>51,334</b>	<b>28,072</b>	<b>937,191</b>	<b>244,549</b>	<b>283.23%</b>	
<b>Total Additions</b>	<b>1,135,749</b>	<b>438,867</b>	<b>1,158,891</b>	<b>117,684</b>	<b>75,279</b>	<b>2,926,470</b>	<b>2,046,264</b>	<b>43.02%</b>	
<b>DEDUCTIONS</b>									
Benefit Payments	667,835	238,504	767,922	58,869	47,892	1,781,022	1,744,058	2.12%	
Refunds	18,054	4,217	8,845	3,058	165	34,340	32,238	6.52%	
Administrative Expenses	17,485	1,539	10,038	1,098	217	30,377	28,499	6.59%	
<b>Total Deductions</b>	<b>703,374</b>	<b>244,260</b>	<b>786,805</b>	<b>63,025</b>	<b>48,274</b>	<b>1,845,738</b>	<b>1,804,795</b>	<b>2.27%</b>	
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits									
	432,375	194,606	372,087	54,659	27,004	1,080,731	241,469		
<b>Total Fiduciary Net Position Restricted for Pension Benefits</b>									
<b>Beginning of Period</b>	<b>8,062,346</b>	<b>2,736,928</b>	<b>3,076,743</b>	<b>819,237</b>	<b>552,926</b>	<b>15,248,180</b>	<b>15,922,691</b>	<b>(4.24)%</b>	
<b>End of Period</b>	<b>\$8,494,721</b>	<b>\$2,931,534</b>	<b>\$3,448,829</b>	<b>\$873,896</b>	<b>\$579,931</b>	<b>\$16,328,911</b>	<b>\$16,164,159</b>	<b>1.02%</b>	

**NOTE - Variance Explanation**

*Differences due to rounding.*

- 1) General Fund Appropriation 3rd Quarter (KERS only): HB1 \$101,250,000; HB604 \$78,750,000;
- 2) Pension Spiking contributions increased due to an increase in KERS Hazardous and CERS Hazardous.
- 3) Health Insurance Contributions continue to fluctuate in the Pension accounts due to Tier 2 and Tier 3 retiree health insurance system costs as well as corrections being processed to previous fiscal years.
- 4) Employer Cessation payment received from Kentucky Housing Corporation FY2022.
- 5) The increase in Net Appreciation in Fair Value of Investments is the result of unrealized gains in public equity.
- 6) The increase in Investment Expense is primarily the result of increased management fees and partnership expenses for Specialty Credit.

**NOTE - Variance Explanation continued on next page.**

- 7) *The decrease in performance fees is the result in less than favorable market conditions causing returns to drop, impacting those fees directly related to performance most notably Private Equity, Real Estate and Specialty Credit.*
- 8) *The variance is a result of the demand of the Securities Lending Program.*



### Combining Statement of Fiduciary Net Position - Insurance Funds

As of March 31, 2023, with Comparative Totals as of March 31, 2022 (\$ in Thousands) (Unaudited)

ASSETS	CERS		KERS		SPRS	KPPA Total		Percentage of Change	Note
	Nonhazardous	Hazardous	Nonhazardous	Hazardous		FY 2023	FY 2022		
<b>CASH AND SHORT-TERM INVESTMENTS</b>									
Cash Deposits	\$531	\$10	\$196	\$9	\$20	\$767	\$255	201.24%	1
Short-term Investments	81,259	31,774	178,246	20,172	7,343	318,793	681,607	(53.23)%	2
<b>Total Cash and Short-term Investments</b>	<b>81,790</b>	<b>31,784</b>	<b>178,442</b>	<b>20,181</b>	<b>7,363</b>	<b>319,560</b>	<b>681,862</b>	<b>(53.13)%</b>	
<b>RECEIVABLES</b>									
Accounts Receivable	11,731	3,541	13,187	570	982	30,012	35,064	(14.41)%	3
Investment Accounts Receivable	23,823	10,297	9,980	3,738	1,652	49,491	69,251	(28.53)%	4
<b>Total Receivables</b>	<b>35,554</b>	<b>13,838</b>	<b>23,167</b>	<b>4,309</b>	<b>2,634</b>	<b>79,503</b>	<b>104,315</b>	<b>(23.79)%</b>	
<b>INVESTMENTS, AT FAIR VALUE</b>									
Core Fixed Income	322,291	145,930	161,379	70,696	27,743	728,039	805,268	(9.59)%	
Public Equities	1,577,082	769,964	602,807	266,175	105,582	3,321,609	3,177,676	4.53%	
Private Equities	267,458	150,445	89,906	53,312	23,790	584,911	621,667	(5.91)%	
Specialty Credit	656,811	326,856	278,843	133,284	52,886	1,448,680	1,395,527	3.81%	
Derivatives	398	184	194	91	33	900	(2,314)	(138.88)%	5
Real Return	79,171	42,379	29,799	17,308	6,459	175,116	165,360	5.90%	
Real Estate	179,983	98,669	56,515	41,452	15,857	392,478	356,748	10.02%	6
<b>Total Investments, at Fair Value</b>	<b>3,083,194</b>	<b>1,534,428</b>	<b>1,219,443</b>	<b>582,318</b>	<b>232,350</b>	<b>6,651,733</b>	<b>6,519,932</b>	<b>2.02%</b>	
Securities Lending Collateral Invested	48,831	24,067	21,255	9,200	8,781	112,133	152,038	(26.25)%	7
<b>Total Assets</b>	<b>3,249,369</b>	<b>1,604,117</b>	<b>1,442,307</b>	<b>616,008</b>	<b>251,128</b>	<b>7,162,928</b>	<b>7,458,147</b>	<b>(3.96)%</b>	
<b>LIABILITIES</b>									
Accounts Payable	156	15	126	14	1	312	308	1.29%	
Investment Accounts Payable	19,692	8,972	9,973	3,764	1,642	44,043	139,255	(68.37)%	8
Securities Lending Collateral	48,831	24,067	21,255	9,200	8,781	112,133	152,038	(26.25)%	9
<b>Total Liabilities</b>	<b>68,678</b>	<b>33,053</b>	<b>31,354</b>	<b>12,978</b>	<b>10,424</b>	<b>156,488</b>	<b>291,601</b>	<b>(46.33)%</b>	
<b>Total Fiduciary Net Position Restricted for OPEB</b>	<b>\$3,180,690</b>	<b>\$1,571,064</b>	<b>\$1,410,953</b>	<b>\$603,030</b>	<b>\$240,703</b>	<b>\$7,006,441</b>	<b>\$7,166,546</b>	<b>(2.23)%</b>	

**NOTE - Variance Explanation Differences due to rounding**

- 1) The variance is a result of continuous fluctuation of deposits and transactions that flow through the cash account. As a result of an Internal Audit finding, we continue to evaluate the optimum cash balances at JP Morgan Chase.
- 2) Short term investments are primarily comprised of cash on hand at the custodial bank, the balance decline is the result of cash being invested.
- 3) The decrease in Accounts Receivable is due to a decrease in the member/employer month-end accrual due to the decreased insurance transfer rate.
- 4) The variance in Investment Accounts Receivable is the result of pending trades.
- 5) The variance in Derivatives is a result of hedging and arbitration of risk within the portfolios.
- 6) The increase in Real Estate is due to additional funding of current managers.
- 7) The variance is a result of the demands of the Securities Lending Program.
- 8) The variance In Investment Accounts Payable is due to pending trades.
- 9) The variance is a result of the demands of the Securities Lending Program.



### Combining Statement of Changes In Fiduciary Net Position - Insurance Funds

For the nine month period ending March 31, 2023, with Comparative Totals for the nine month period ending March 31, 2022 (\$ In Thousands) (Unaudited)

	CERS Non-hazardous	CERS Hazardous	KERS Non-hazardous	KERS Hazardous	SPRS	KPPA Total		Percentage of Change	Note	
						FY 2023	FY 2022			
<b>ADDITIONS</b>										
Employer Contributions	\$72,337	\$34,077	\$26,329	\$38	\$6,875	\$139,657	\$202,211	(30.94)%	1	
Actuarially Accrued Liability Contributions (AALC)	-	-	65,748	-	-	\$65,748	\$76,233	(13.75)%	2	
Medicare Drug Reimbursement	-	-	3	-	-	3	3	0.00%		
Insurance Premiums	286	(370)	49	(56)	(96)	(187)	201	(193.14)%	3	
Humana Gain Share Payment	5,951	914	4,851	368	224	12,308	18,381	(33.04)%	4	
Retired Re-employed Healthcare	3,599	1,178	4,232	1,046	-	10,055	9,369	7.33%		
Health Insurance Contributions (HB1)	12,600	2,952	6,111	1,158	260	23,081	20,020	15.29%	5	
Employer Cessation Contributions	-	-	-	-	-	-	9,536	(100.00)%	6	
<b>Total Contributions</b>	<b>94,774</b>	<b>38,751</b>	<b>107,322</b>	<b>2,554</b>	<b>7,263</b>	<b>250,664</b>	<b>335,954</b>	<b>(25.39)%</b>		
<b>INVESTMENT INCOME</b>										
From Investing Activities										
Net Appreciation (Depreciation) in FV of Investments	151,759	72,760	61,836	25,584	10,183	322,122	73,755	336.75%	7	
Interest/Dividends	67,411	33,016	30,177	13,003	5,239	148,846	136,673	8.91%		
<b>Total Investing Activities Income</b>	<b>219,170</b>	<b>105,776</b>	<b>92,013</b>	<b>38,587</b>	<b>15,422</b>	<b>470,968</b>	<b>210,428</b>			
Less: Investment Expense	13,400	7,041	5,102	2,752	1,104	29,400	24,882	18.16%	8	
Less: Performance Fees	65	(62)	1,315	107	17	1,443	43,500	(96.68)%	9	
<b>Net Income from Investing Activities</b>	<b>205,705</b>	<b>98,796</b>	<b>85,596</b>	<b>35,728</b>	<b>14,301</b>	<b>440,126</b>	<b>142,047</b>			
From Securities Lending Activities										
Securities Lending Income	1,949	938	786	321	137	4,131	319			
Less: Securities Lending Borrower Rebates (Income)/Expense	1,686	810	673	277	118	3,564	(378)			
Less: Securities Lending Agent Fees	40	19	17	7	3	85	104			
<b>Net Income from Securities Lending</b>	<b>224</b>	<b>108</b>	<b>96</b>	<b>37</b>	<b>16</b>	<b>482</b>	<b>592</b>	<b>(18.69)%</b>	<b>10</b>	
<b>Net Investment Income</b>	<b>205,929</b>	<b>98,904</b>	<b>85,692</b>	<b>35,765</b>	<b>14,317</b>	<b>440,607</b>	<b>142,639</b>	<b>208.90%</b>		
<b>Total Additions</b>	<b>300,703</b>	<b>137,656</b>	<b>193,014</b>	<b>38,319</b>	<b>21,580</b>	<b>691,271</b>	<b>478,593</b>	<b>44.44%</b>		
<b>DEDUCTIONS</b>										
Healthcare Premiums Subsidies	98,092	70,049	81,719	15,043	10,823	275,725	279,793	-1.45%		
Administrative Expenses	707	391	583	93	55	1,830	1,847	(0.91)%		
Self-Funded Healthcare Costs	2,437	129	1,280	56	13	3,915	4,011	(2.37)%		
Excise Tax Insurance	-	-	-	-	-	-	9	(100.00)%	11	
<b>Total Deductions</b>	<b>101,237</b>	<b>70,569</b>	<b>83,582</b>	<b>15,191</b>	<b>10,892</b>	<b>281,471</b>	<b>285,660</b>	<b>(1.47)%</b>		
<b>Net Increase (Decrease) in Fiduciary Net Position Restricted for OPEB</b>	<b>199,466</b>	<b>67,087</b>	<b>109,432</b>	<b>23,128</b>	<b>10,689</b>	<b>409,801</b>	<b>192,933</b>			
<b>Total Fiduciary Net Position Restricted for OPEB</b>										
<b>Beginning of Period</b>	<b>2,981,224</b>	<b>1,503,977</b>	<b>1,301,522</b>	<b>579,902</b>	<b>230,015</b>	<b>6,596,640</b>	<b>6,973,613</b>	<b>(5.41)%</b>		
<b>End of Period</b>	<b>\$3,180,690</b>	<b>\$1,571,064</b>	<b>\$1,410,953</b>	<b>\$603,030</b>	<b>\$240,703</b>	<b>\$7,006,440</b>	<b>\$7,166,546</b>	<b>(2.23)%</b>		

**NOTE - Variance Explanation.** Differences due to rounding  
 1) Employer Contributions decreased due to a decrease in the employer insurance rate as well as the CERS/CERH correction.  
**NOTE - Variance Explanation.** Differences due to rounding

- 2) *AALC will fluctuate year to year based on the actuarial valuation.*
- 3) *Health Insurance Premiums decreased primarily due to refunds processed to hazardous retirees for premiums paid for dependents that should have been covered by KPPA.*
- 4) *The Humana Gain Share payment will fluctuate year to year based on claims paid.*
- 5) *Health Insurance Contributions will continue to rise as Tier 2 and Tier 3 members increase.*
- 6) *Employer Cessation payment received from Kentucky Housing Corporation FY2022.*
- 7) *The increase in Net Appreciation in Fair Value of Investments is the result of unrealized gains in public equity.*
- 8) *The increase in Investment Expense is primarily the result of increased management fees and partnership expenses for Specialty Credit.*
- 9) *The decrease in performance fees is the result in less than favorable market conditions causing returns to drop, impacting those fees directly related to performance most notably Private Equity, Real Estate and Specialty Credit.*
- 10) *The variance is a result of the demand of the Securities Lending Program.*
- 11) *The Excise Tax will fluctuate based on the timing of the posting of the payment.*

## Pension Funds Contribution Report

For the nine month period ending March 31, 2023, with Comparative Totals for the nine month period ending March 31, 2022 (\$ in Millions)



### County Employees Retirement System

	Nonhazardous		Hazardous	
	FY23	FY22	FY23	FY22
Member Contributions	\$142.3	\$135.4	\$54.9	\$51.6
Employer Contributions	461.8	405.4	199.7	157.1
Net Investment Income	133.7	95.2	47.2	34.1
<b>Total Inflows</b>	<b>737.8</b>	<b>636.0</b>	<b>301.8</b>	<b>242.8</b>
Benefit Payments/Refunds	685.9	656.4	242.7	232.6
Administrative Expenses	17.5	17.0	1.5	1.5
<b>Total Outflows</b>	<b>703.4</b>	<b>673.4</b>	<b>244.2</b>	<b>234.1</b>
<b>NET CONTRIBUTIONS</b>	<b>34.4</b>	<b>(37.4)</b>	<b>57.6</b>	<b>8.7</b>
Realized Gain/(Loss)	(25.1)	358.0	(10.3)	120.8
Unrealized Gain/(Loss)	423.1	(294.7)	147.3	(103.1)
<b>Change in Net Position</b>	<b>432.4</b>	<b>25.9</b>	<b>194.6</b>	<b>26.4</b>
<b>Beginning of Period</b>	<b>8,062.3</b>	<b>8,670.7</b>	<b>2,736.9</b>	<b>2,934.4</b>
<b>End of Period</b>	<b>\$8,494.7</b>	<b>\$8,696.6</b>	<b>\$2,931.5</b>	<b>\$2,960.8</b>

*Differences due to rounding.*

Net Contributions*	(\$99.3)	(\$132.6)	\$10.4	(\$25.4)
Cash Flow as % of Assets	(1.17)%	(1.52)%	0.35%	(0.86)%
Net Investment Income	\$133.7	\$95.2	\$47.2	\$34.1
Yield as % of Assets	1.57%	1.09%	1.61%	1.15%

*\*Net Contributions are less Net Investment Income.*

### Pension Funds Contribution Report

For the nine month period ending March 31, 2023, with Comparative Totals for the nine month period ending March 31, 2022 (\$ in Millions)

	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous		FY23	FY22
	FY23	FY22	FY23	FY22		
Member Contributions	\$78.4	\$67.0	\$19.2	\$15.1	\$5.0	\$3.5
Employer Contributions	84.9	140.8	47.1	44.3	42.2	46.3
Actuarially Accrued Liability Contributions	673.8	684.6	-	-	-	-
Employer Cessation Contributions	-	50.4	-	-	-	-
General Fund Appropriations	180.0	-	-	-	-	-
Net Investment Income	62.8	35.8	15.5	10.4	11.3	4.2
<b>Total Inflows</b>	<b>1,079.9</b>	<b>978.6</b>	<b>81.8</b>	<b>69.8</b>	<b>58.5</b>	<b>54.0</b>
Benefit Payments/Refund	776.8	777.6	61.9	61.3	48.1	48.3
Administrative Expenses	10.0	8.8	1.1	1.0	0.2	0.2
<b>Total Outflows</b>	<b>786.8</b>	<b>786.4</b>	<b>63.0</b>	<b>62.3</b>	<b>48.3</b>	<b>48.5</b>
<b>NET CONTRIBUTIONS</b>	<b>293.1</b>	<b>192.2</b>	<b>18.8</b>	<b>7.5</b>	<b>10.2</b>	<b>5.5</b>
Realized Gain/(Loss)	(21.3)	93.4	(3.5)	34.5	(4.3)	10.9
Unrealized Gain/(Loss)	100.3	(110.0)	39.4	(32.5)	21.1	(12.3)
<b>Change in Net Position</b>	<b>372.1</b>	<b>175.6</b>	<b>54.7</b>	<b>9.5</b>	<b>27.0</b>	<b>4.1</b>
<b>Beginning of Period</b>	<b>3,076.7</b>	<b>3,085.0</b>	<b>819.2</b>	<b>874.9</b>	<b>552.9</b>	<b>357.7</b>
<b>End of Period</b>	<b>\$3,448.8</b>	<b>\$3,260.6</b>	<b>\$873.9</b>	<b>\$884.4</b>	<b>\$579.9</b>	<b>\$361.8</b>

Differences due to rounding.

Net Contributions*	\$230.3	\$156.4	\$3.3	\$(2.9)	\$(1.1)	\$1.3
Cash Flow as % of Assets	6.68%	4.80%	0.38%	(0.32)%	(0.18)%	0.37%
Net Investment Income	\$62.8	\$35.8	\$15.5	\$10.4	\$11.3	\$4.2
Yield as % of Assets	1.82%	1.10%	1.77%	1.18%	1.95%	1.15%

\*Net Contributions are less Net Investment Income.

## Insurance Fund Contribution Report

For the nine month period ending March 31, 2023, with Comparative Totals for the nine month period ending March 31, 2022 (\$ in Millions)



## County Employees Retirement System

	Nonhazardous		Hazardous	
	FY23	FY22	FY23	FY22
Employer Contributions	\$72.3	\$118.3	\$34.1	\$52.3
Insurance Premiums	0.3	0.4	(0.4)	(0.3)
Humana Gain Share	5.9	8.9	0.9	1.3
Retired Reemployed Healthcare	3.6	3.5	1.2	1.2
Health Insurance Contributions	12.6	11.4	3.0	2.7
Net Investment Income	54.2	31.3	26.1	15.3
<b>Total Inflows</b>	<b>148.9</b>	<b>173.8</b>	<b>64.9</b>	<b>72.5</b>
Healthcare Premiums	100.5	102.0	70.2	66.5
Administrative Expenses	0.7	0.7	0.4	0.4
<b>Total Outflows</b>	<b>101.2</b>	<b>102.7</b>	<b>70.6</b>	<b>66.9</b>
<b>NET Contributions</b>	<b>47.7</b>	<b>71.1</b>	<b>(5.7)</b>	<b>5.6</b>
Realized Gain/(Loss)	(10.2)	126.9	(3.9)	67.8
Unrealized Gain/(Loss)	161.9	(88.6)	76.7	(42.3)
<b>Change in Net Position</b>	<b>199.4</b>	<b>109.4</b>	<b>67.1</b>	<b>31.1</b>
<b>Beginning of Period</b>	<b>2,981.2</b>	<b>3,141.8</b>	<b>1,504.0</b>	<b>1,607.8</b>
<b>End of Period</b>	<b>\$3,180.6</b>	<b>\$3,251.2</b>	<b>\$1,571.1</b>	<b>\$1,638.9</b>

Differences due to rounding.

Net Contributions*	\$(6.5)	\$39.9	\$(31.8)	\$(9.7)
Cash Flow as % of Assets	(0.20)%	1.23%	(2.03)%	(0.59)%
Net Investment Income	\$54.2	\$31.3	\$26.1	\$15.3
Yield as % of Assets	1.70%	0.96%	1.66%	0.94%

\*Net Contributions are less Net Investment Income.

**Insurance Fund Contribution Report**  
 For the nine month period ending March 31, 2023, with Comparative Totals for the nine month period ending March 31, 2022 (\$ in Millions)

	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous		FY23	FY22
	FY23	FY22	FY23	FY22		
Employer Contributions	\$26.3	\$25.1	\$-	\$-	\$6.9	\$6.5
Actuarially Accrued Liability Contributions	65.7	76.2	-	-	-	-
Employer Cessation Contributions	-	9.5	-	-	-	-
Insurance Premiums	0.1	0.1	(0.1)	0.0	(0.1)	-
Humana Gain Share	4.9	7.3	0.4	0.5	0.2	0.3
Retired Reemployed Healthcare	4.2	3.7	1.0	1.0	-	-
Health Insurance Contributions	6.1	4.9	1.2	0.9	0.3	0.2
Net Investment Income	23.9	13.9	10.2	6.1	4.1	2.3
<b>Total Inflows</b>	<b>131.2</b>	<b>140.7</b>	<b>12.7</b>	<b>8.5</b>	<b>11.4</b>	<b>9.3</b>
Healthcare Premiums	83.0	89.1	15.1	15.5	10.8	10.7
Administrative Expenses	0.6	0.6	0.1	0.1	0.1	0.1
<b>Total Outflows</b>	<b>83.6</b>	<b>89.7</b>	<b>15.2</b>	<b>15.6</b>	<b>10.9</b>	<b>10.8</b>
<b>NET Contributions</b>	<b>47.6</b>	<b>51.0</b>	<b>(2.5)</b>	<b>(7.1)</b>	<b>0.5</b>	<b>(1.5)</b>
Realized Gain/(Loss)	(8.8)	41.0	(1.6)	24.9	(0.8)	10.5
Unrealized Gain/(Loss)	70.7	(43.3)	27.2	(16.4)	11.0	(6.7)
<b>Change in Net Position</b>	<b>109.5</b>	<b>48.7</b>	<b>23.1</b>	<b>1.4</b>	<b>10.7</b>	<b>2.3</b>
<b>Beginning of Period</b>	<b>1,301.5</b>	<b>1,353.1</b>	<b>579.9</b>	<b>624.9</b>	<b>230.0</b>	<b>246.0</b>
<b>End of Period</b>	<b>\$1,411.0</b>	<b>\$1,401.8</b>	<b>\$603.0</b>	<b>\$626.3</b>	<b>\$240.7</b>	<b>\$248.3</b>

Differences due to rounding.

Net Contributions*	\$23.7	\$37.2	\$(12.6)	\$(13.2)	\$(3.6)	\$(3.8)
Cash Flow as % of Assets	1.68%	2.65%	(2.09)%	(2.11)%	(1.51)%	(1.53)%
Net Investment Income	\$23.9	\$13.9	\$10.2	\$6.1	\$4.1	\$2.3
Yield as % of Assets	1.69%	0.99%	1.69%	0.98%	1.72%	0.92%

\*Net Contributions are less Net Investment Income.

KPPA ADMINISTRATIVE BUDGET FY 2022-2023						
BUDGET-TO-ACTUAL ANALYSIS						
FOR THE NINE MONTH PERIOD ENDING MACH 31, 2023, WITH COMPARATIVE TOTALS FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2022						
Account Name	Budgeted	FY 2023 Expense	Remaining	Percent Remaining	FY 2022 Expense	Percent Difference
<b>PERSONNEL</b>						
<b>Staff</b>						
Salaries/Wages	\$17,000,000	\$12,181,863	\$4,818,137	28.34%	\$11,779,326	3.42%
Wages (Overtime)	285,000	161,741	123,259	43.25%	147,766	9.46%
Emp Paid Retirement	14,865,100	9,300,601	5,564,499	37.43%	9,404,829	(1.11)%
Emp Paid Health Ins	2,700,000	1,757,627	942,373	34.90%	1,876,528	(6.34)%
Emp Paid Sick Leave	115,000	213,594	(98,594)	(85.73)%	73,621	190.13%
Adoption Assistance Benefit	8,000	-	8,000	100.00%	-	0.00%
Workers Compensation	75,000	11,116	63,884	85.18%	75,163	(85.21)%
Unemployment	8,000	8,009	(9)	(0.11)%	-	100.00%
Other Personnel	1,273,448	896,204	377,244	29.62%	841,179	6.54%
Employee Training	18,000	8,041	9,959	55.33%	7,264	10.70%
Bonds	-	-	-	0.00%	81	(100.00)%
<b>Staff Subtotal</b>	<b>36,347,548</b>	<b>24,538,797</b>	<b>11,808,751</b>	<b>32.49%</b>	<b>24,205,757</b>	<b>1.38%</b>
<b>LEGAL &amp; AUDITING SERVICES</b>						
Legal Hearing Officers	100,000	129,545	(29,545)	(29.55)%	52,541	146.56%
Legal (Stoll, Keenon)	150,000	51,775	98,225	65.48%	78,867	(34.35)%
Frost Brown (Tax Advisor)	80,000	113,219	(33,219)	(41.52)%	21,397	429.13%
Reinhart	25,000	276	24,724	98.90%	-	0.00%
Ice Miller	300,000	91,866	208,134	69.38%	34,775	164.17%
Johnson, Bowman, Branco LLC	150,000	76,195	73,805	49.20%	53,008	43.74%
Dentons Bingham & Greenebaum	150,000	34,136	115,864	77.24%	-	100.00%
Legal Expense	25,000	23	24,977	99.91%	92	(75.00)%
Auditing	200,000	100,479	99,521	49.76%	85,655	17.31%
<b>Total Legal &amp; Auditing Services</b>	<b>1,180,000</b>	<b>597,515</b>	<b>582,485</b>	<b>49.36%</b>	<b>326,335</b>	<b>83.10%</b>
<b>CONSULTING SERVICES</b>						
Medical Reviewers	1,800,000	660,075	1,139,925	63.33%	1,037,696	(36.39)%
Escrow for Actuary Fees	-	(28,866)	28,866	0.00%	-	(100.00)%
<b>Total Consulting Services</b>	<b>1,800,000</b>	<b>631,209</b>	<b>1,168,791</b>	<b>64.93%</b>	<b>1,037,696</b>	<b>(39.17)%</b>
<b>CONTRACTUAL SERVICES</b>						
Miscellaneous Contracts	100,000	19,295	80,705	80.70%	16,179	19.26%
Human Resources Consulting	8,000	-	8,000	100.00%	5,794	(100.00)%
Actuarial Services	500,000	252,280	247,720	49.54%	362,868	(30.48)%
Facility Security Charges	80,000	28,003	51,997	65.00%	57,162	(51.01)%
Tuition Assistance	8,000	-	8,000	100.00%	-	0.00%
<b>Contractual Subtotal</b>	<b>696,000</b>	<b>299,578</b>	<b>396,422</b>	<b>56.96%</b>	<b>442,003</b>	<b>(32.22)%</b>
<b>PERSONNEL SUBTOTAL</b>	<b>\$40,023,548</b>	<b>\$26,067,098</b>	<b>\$13,956,450</b>	<b>34.87%</b>	<b>\$26,041,669</b>	<b>0.10%</b>
<b>OPERATIONAL</b>						
Natural Gas	35,000	28,796	6,204	17.73%	24,556	17.27%
Electric	125,000	85,321	39,679	31.74%	82,521	3.39%
Rent-Non State Building	56,000	37,982	18,018	32.18%	37,982	0.00%
Building Rental - PPW	1,000,000	721,573	278,427	27.84%	721,573	0.00%
Copier Rental	67,000	62,939	4,061	6.06%	60,765	3.58%
Rental Carpool	5,500	3,174	2,326	42.29%	2,911	9.03%
Vehicle/Equip. Maint.	1,000	-	1,000	100.00%	249	(100.00)%
Postage	420,000	293,304	126,696	30.17%	321,650	(8.81)%
Freight	200	41	159	79.28%	155	(73.55)%
Printing (State)	12,000	995	11,005	91.71%	4,548	(78.12)%
Printing (non-state)	105,000	50,640	54,360	51.77%	57,405	(11.78)%
Insurance	12,000	5,572	6,428	53.57%	5,422	2.77%
Garbage Collection	6,000	4,512	1,488	24.79%	4,412	2.27%
Conference Expense	35,000	10,868	24,132	68.95%	8,657	25.54%
Conference Exp. Investment	-	64	(64)	0.00%	-	100.00%
Conference Exp. Audit	2,000	714	1,286	64.30%	-	100.00%
MARS Usage	50,000	20,325	29,675	59.35%	20,325	0.00%

<b>KPPA ADMINISTRATIVE BUDGET 2022-23</b>						
<b>BUDGET-TO-ACTUAL ANALYSIS</b>						
FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2023, WITH COMPARATIVE TOTALS FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2022						
<b>Account Name</b>	<b>Budgeted</b>	<b>FY 2023 Expense</b>	<b>Remaining</b>	<b>Percent Remaining</b>	<b>FY 2022 Expense</b>	<b>Percent Difference</b>
COVID-19 Expenses	12,000	2,421	9,579	79.83%	9,733	(75.13)%
Office Supplies	75,000	71,446	3,554	4.74%	67,451	5.92%
Furniture & Office Equipment	20,000	204	19,796	98.98%	300	100.00%
Travel (In-State)	15,000	10,264	4,736	31.57%	4,792	114.19%
Travel (In-State) Investment	1,000	41	959	95.94%	39	0.00%
Travel (In-State) Audit	500	-	500	100.00%	-	0.00%
Travel (Out of State)	75,000	21,542	53,458	71.28%	382	5,539.27%
Travel (Out of State) Investment	100,000	10,578	89,422	89.42%	-	100.00%
Travel (Out of State) Audit	500	1,077	(577)	(115.40)%	-	100.00%
Dues & Subscriptions	70,000	49,607	20,393	29.13%	36,719	35.10%
Dues & Subscriptions Invest	17,000	11,542	5,458	32.11%	12,228	(5.61)%
Dues & Subscriptions Audit	1,500	400	1,100	73.33%	265	50.94%
Miscellaneous	70,000	43,344	26,656	38.08%	32,591	32.99%
Miscellaneous Investment	-	-	-	0.00%	-	0.00%
Miscellaneous Audit	200	-	200	100.00%	-	0.00%
COT Charges	25,000	14,435	10,565	42.26%	15,760	(8.41)%
Telephone - Wireless	7,000	5,143	1,857	26.53%	4,063	26.58%
Telephone - Other	150,000	74,975	75,025	50.02%	91,667	(18.21)%
Telephone - Video Conference	-	4,836	(4,836)	0.00%	-	100.00%
Computer Equip./Software	3,500,000	1,609,836	1,890,164	54.00%	1,788,674	(10.00)%
Comp. Equip./Software Invest	-	-	-	0.00%	-	0.00%
Comp. Equip./Software Audit	3,000	24,407	(21,407)	(713.56)%	-	100.00%
<b>OPERATIONAL SUBTOTAL</b>	<b>\$6,074,400</b>	<b>\$3,282,918</b>	<b>\$2,791,482</b>	<b>45.95%</b>	<b>\$3,419,455</b>	<b>(3.99)%</b>
<b>SUB-TOTAL</b>	<b>\$46,097,948</b>	<b>\$29,350,017</b>	<b>\$16,747,931</b>	<b>36.33%</b>	<b>\$29,461,124</b>	<b>(0.38)%</b>
<b>Reserve</b>	<b>4,086,552</b>	<b>-</b>	<b>4,086,552</b>	<b>100.00%</b>	<b>-</b>	<b>0.00%</b>
<b>TOTAL</b>	<b>\$50,184,500</b>	<b>\$29,350,017</b>	<b>\$20,834,483</b>	<b>41.52%</b>	<b>\$29,461,125</b>	<b>(0.38)%</b>

*Differences due to rounding*

<b>Plan</b>	<b>Budgeted</b>	<b>FY 2023 Expense</b>	<b>% of Total KPPA FY 2023 Expense</b>
<b>CERS Nonhazardous</b>	<b>\$28,896,235</b>	<b>\$16,899,740</b>	<b>57.58%</b>
<b>CERS Hazardous</b>	<b>2,559,410</b>	<b>1,496,851</b>	<b>5.10%</b>
<b>KERS Nonhazardous</b>	<b>16,543,320</b>	<b>9,675,233</b>	<b>32.965%</b>
<b>KERS Hazardous</b>	<b>1,824,207</b>	<b>1,066,873</b>	<b>3.635%</b>
<b>SPRS</b>	<b>361,328</b>	<b>211,320</b>	<b>0.720%</b>
<b>TOTAL</b>	<b>\$50,184,500</b>	<b>\$29,350,017</b>	

<b>JP MORGAN CHASE CREDIT EARNINGS AND FEES FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2023</b>			
	<b>Earnings</b>	<b>Fees</b>	<b>Net Earnings</b>
June-22	\$5,289	\$(5,906)	\$(616)
July-22	8,921	(5,814)	3,107
August-22	17,621	(6,185)	11,436
September-22	17,026	(6,033)	10,993
October-22	24,574	(6,031)	18,543
November-22	59,589	(5,070)	54,519
December-22	10,556	(6,884)	3,673
January-23	10,331	(6,550)	3,781
February-23	1,707	(6,524)	(4,817)
March-23	2,825	(6,510)	(3,685)
<b>Total</b>	<b>\$143,576</b>	<b>\$(41,922)</b>	<b>\$101,654</b>

<b>JP MORGAN CHASE HARD INTEREST EARNED FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2023</b>				
	<b>Clearing Account</b>	<b>CERS</b>	<b>KERS</b>	<b>Total</b>
February-23	\$20,504	\$5,149	\$3,415	\$29,068
March-23	15,428	6,688	4,505	\$26,621
<b>Total</b>	<b>\$35,931</b>	<b>\$11,837</b>	<b>\$7,920</b>	<b>\$55,689</b>



## KENTUCKY PUBLIC PENSIONS AUTHORITY Outstanding Invoices by Type and Employer

Invoice Type	3/31/2023	12/31/2022	Change H/(L)
Actuarially Accrued Liability Contribution	\$2,652,617	\$2,267,851	17%
Averaging Refund to Employer	(373,896)	(255,232)	46%
Employer Free Military and Decompression Service	321,476	255,478	26%
Member Pension Spiking Refund	(36,412)	(35,912)	1%
Monthly Reporting Invoice	(70,817)	(258,448)	(73)%
Penalty – Monthly Reporting	236,617	226,302	5%
Reinstatement	181,136	180,361	0%
Other Invoices**	(113,579)	(143,798)	(21)%
<b>Total</b>	<b>2,797,142</b>	<b>2,236,603</b>	
Health Insurance Reimbursement	1,211,864	1,285,805	(6)%
Omitted Employer	1,413,424	1,543,030	(8)%
Employer Pension Spiking*	1,548,475	1,589,286	(3)%
Standard Sick Leave	3,937,496	3,898,235	1%
USERRA Protected Military	354,117	319,086	11%
<b>Total</b>	<b>8,465,376</b>	<b>8,635,442</b>	(2)%
<b>Grand Total</b>	<b>\$11,262,518</b>	<b>\$10,872,046</b>	4%

\*Pension Spiking invoices on this report are Employer Pension Spiking. By statute these invoices are due 12 months from the invoice date. Employer Pension Spiking is in effect only for retirements prior to July 1, 2018, therefore, unless there has been a recently created invoice for a backdated retirement, all of these invoices are greater than 12 months old.

\*\*Other Invoices include Expense Allowance; Expired Post Pending; IPS Employer Refund; Master Commissioner Employer (ANOC); Omitted Employer PPEND; Penalty EOY Reporting; Personnel Adjustment; and, Refunded Member Contributions Due.

Employer Name (Top Ten)	3/31/2023	12/31/2022	Change H/(L)
Kentucky State Police	\$4,074,942	\$3,498,911	16%
Kentucky River Community Care	2,547,639	2,175,323	17%
Kentucky River Regional Jail	893,893	893,893	0%
City of Covington	407,533	393,864	3%
Kenton County Airport Board	375,004	369,818	1%
TARC Transit Authority River City	271,869	197,460	38%
City of Fort Thomas	250,942	246,316	2%
Judicial Dept Admin Office of the Courts	247,251	169,967	45%
Livingston County Fiscal Court	230,872	228,567	1%
Dept for Behavioral Health Dev Intellectual Dis.	193,920	117,901	64%
Henry County Fiscal Court	\$207,652	\$207,652	0%

	Total Unpaid Balance	Invoice Count
CERS	\$2,189,997	1,510
CERH	1,377,414	181
KERS	4,073,256	1,010
KERH	609,119	46
SPRS	3,012,731	62
<b>Grand Total:</b>	<b>\$11,262,518</b>	<b>2,809</b>

**KENTUCKY PUBLIC PENSIONS AUTHORITY**  
**Penalty Invoices Report**  
**From: 1/1/2023 To: 3/31/2023**  
**Note: Delinquent Interest amounts are included in the totals for the invoice**

Invoice Amount	Invoice Remaining Balance	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Plan	Comments
\$1,000	\$-	\$-	2/6/2023	5/20/2017	CANC	County Attorneys	KERS	New employer reporting official
1,000	-	-	2/6/2023	5/20/2017	CANC	County Attorneys	CERS	New employer reporting official
1,000	-	-	2/24/2023	11/9/2022	CANC	Special Districts & Boards	CERS	KPPA system issue
75,190	-	-	1/5/2023	1/20/2023	CANC	Urban Government Agencies	CERS	Employer file issues
1,000	-	-	3/6/2023	3/3/2023	CANC	County Attorneys	KERS	New employer reporting official
1,000	-	-	3/10/2023	3/31/2023	CANC	Cities	CERS	New employer reporting official
1,000	-	-	3/10/2023	3/31/2023	CANC	Cities	CERS	New employer reporting official
1,000	-	-	3/6/2023	3/31/2023	CANC	County Attorneys	KERS	New employer reporting official
<b>TOTAL:</b>	<b>\$82,190</b>	<b>\$-</b>						
\$1,000	\$1,000	\$-	1/9/2023	2/8/2023	CRTD	County Attorneys	CERS	
2,751	2,751	-	1/24/2023	2/23/2023	CRTD	Boards of Education	CERS	
1,000	1,000	-	1/30/2023	3/1/2023	CRTD	Master Commissioner	KERS	
1,000	1,000	-	2/9/2023	3/11/2023	CRTD	Housing Authorities	CERS	
1,000	1,000	-	2/13/2023	3/15/2023	CRTD	Cities	CERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/14/2023	3/16/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/16/2023	3/18/2023	CRTD	County Attorneys	CERS	
1,000	1,000	-	2/16/2023	3/18/2023	CRTD	County Attorneys	CERS	
1,000	1,000	-	2/16/2023	3/18/2023	CRTD	County Attorneys	CERS	
1,000	1,000	-	2/16/2023	3/18/2023	CRTD	County Attorneys	CERS	
1,000	1,000	-	2/17/2023	3/19/2023	CRTD	Cities	CERS	
1,000	1,000	-	2/17/2023	3/19/2023	CRTD	Cities	CERS	
1,000	1,000	-	2/20/2023	3/22/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	2/20/2023	3/22/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	3/1/2023	3/31/2023	CRTD	County Attorneys	KERS	
1,000	1,000	-	3/6/2023	4/5/2023	CRTD	Conservation Districts	CERS	
1,000	1,000	-	3/8/2023	4/7/2023	CRTD	Housing Authorities	CERS	
1,000	1,000	-	3/17/2023	4/16/2023	CRTD	Non-P1 State Agencies	KERS	
113,377	113,377	-	3/20/2023	4/19/2023	CRTD	Urban Government Agencies	CERS	
1,000	1,000	-	3/20/2023	4/19/2023	CRTD	County Attorneys	CERS	
1,000	1,000	-	3/20/2023	4/19/2023	CRTD	Fiscal Courts	CERS	

**Penalty Invoices Report**  
**From: 1/1/2023 To: 3/31/2023**  
**Note: Delinquent Interest amounts are included in the totals for the invoice**

Invoice Amount	Invoice Remaining Balance	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Plan	Comments
1,000	1,000	-	3/21/2023	4/20/2023	CRTD	Special Districts & Boards	CERS	
1,000	1,000	-	3/24/2023	4/23/2023	CRTD	County Attorneys	KERS	
<b>TOTAL:</b>	<b>\$143,129</b>	<b>\$143,129</b>						
\$1,395	\$-	\$-	1/30/2023	5/20/2022	PAID	Cities	CERS	
1,000	-	-	2/13/2023	10/19/2022	PAID	Cities	CERS	
1,000	-	-	1/24/2023	10/22/2022	PAID	Special Districts & Boards	CERS	
1,000	-	-	3/1/2023	1/4/2023	PAID	Fiscal Courts	CERS	
1,000	-	-	1/10/2023	1/5/2023	PAID	Housing Authorities	CERS	
1,000	-	-	3/9/2023	1/11/2023	PAID	Universities	KERS	
1,000	-	-	1/11/2023	1/18/2023	PAID	Cities	CERS	
1,000	-	-	1/11/2023	1/18/2023	PAID	Fiscal Courts	CERS	
1,000	-	-	2/17/2023	1/20/2023	PAID	Non-P1 State Agencies	KERS	
2,439	-	-	2/13/2023	1/21/2023	PAID	Boards of Education	CERS	
1,000	-	-	3/1/2023	1/26/2023	PAID	Fiscal Courts	CERS	
1,000	-	-	1/26/2023	2/2/2023	PAID	Cities	CERS	
1,000	-	-	1/10/2023	2/4/2023	PAID	Fiscal Courts	CERS	
1,000	-	-	2/9/2023	2/9/2023	PAID	Housing Authorities	CERS	
2,108	-	-	2/9/2023	2/17/2023	PAID	Airport Boards	CERS	
1,000	-	-	2/8/2023	2/17/2023	PAID	Regional Mental Health Units	KERS	
1,000	-	-	3/9/2023	2/22/2023	PAID	County Attorneys	CERS	
1,000	-	-	2/20/2023	2/25/2023	PAID	Cities	CERS	
1,000	-	-	3/9/2023	3/1/2023	PAID	Universities	KERS	
1,000	-	-	2/23/2023	3/18/2023	PAID	Fiscal Courts	CERS	
1,000	-	-	3/15/2023	3/19/2023	PAID	Utility Boards	CERS	
81,723	-	-	3/17/2023	3/19/2023	PAID	Urban Government Agencies	CERS	
1,000	-	-	3/17/2023	3/19/2023	PAID	Non-P1 State Agencies	KERS	
1,000	-	-	3/9/2023	3/22/2023	PAID	Universities	KERS	
1,000	-	-	3/9/2023	3/22/2023	PAID	Universities	KERS	
<b>TOTAL:</b>	<b>\$108,664</b>	<b>\$-</b>						

**Notes:**  
**Invoice Status:**  
 CANC - Cancelled  
 CRTD - Created  
 PAID - Paid



## 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 Public Pensions Authority

From: William O'Mara, Chair  
Joint Audit Committee  
Kristen N. Coffey, CICA *KNC*  
Division Director, Internal Audit Administration

Date: June 28, 2023

Subject: Summary of Joint Audit Committee Meeting

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The County Employees Retirement System (CERS) and Kentucky Retirement Systems (KRS) Joint Audit Committee held a regularly scheduled meeting on May 25, 2023.

1. **Requested actions by the Kentucky Public Pensions Authority (KPPA)**
  - a. Annual Audit Plan – The Joint Audit Committee and the Boards of Trustees for CERS and KRS approved the Audit Plan as presented.  
**Requested Action: The Joint Audit Committee requests that KPPA approve the Audit Plan.**
2. The Division of Internal Audit Administration has issued the following audit reports since the last KPPA meeting. KPPA staff will work on implementing the corrective action(s) presented as a part of management's response to the findings.
  - a. Accuracy of Information Sent to Humana and Department of Employer Insurance – *no reportable findings.*
  - b. Plan Liquidity – Phase 3 – *one reportable finding and one management letter item.*
3. The following other items were also discussed during the Joint Audit Committee meeting. **These are presented for informational purposes only.**
  - a. Financial statements for the Quarter ended March 31, 2023.
  - b. Information disclosures.
  - c. Anonymous Tips.
  - d. Internal Audit Budget – *12.09% overall remaining. Approximately 25% remaining for salary items, with one quarter remaining. No expenses anticipated for other line items.*
  - e. Status of current internal audits – *Five audits closed, none remain open. Six projects closed, eight open.*
  - f. Open internal audit findings and recommendations – *Six recommendations not yet implemented.*
  - g. Update on Structure of Audit Committee.
  - h. Professional Article on Internal Audit role in Corporate Governance.
  - i. Presentation on Internal Audit month.



**KENTUCKY PUBLIC PENSIONS AUTHORITY**

David L. Eager, Executive Director

1260 Louisville Road - Frankfort, Kentucky 40601  
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To: Members of the Joint Audit Committee

From: Kristen N. Coffey, CICA *KNC*  
Division Director, Internal Audit Administration

Date: May 25, 2023

Subject: Fiscal Year 2024 Risk Assessment and Audit Plan

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Internal Audit has performed a risk assessment for fiscal year (FY) 2024. This assessment was conducted based on past risks noted within KPPA and audits conducted during fiscal year 2023. After the risks were identified, they were ranked based on inherent risk and inherent likelihood. A scale of 0-10 was used (0 = less inherent risk/unlikely to occur, 10 = high inherent risk/probable to occur). The scores were then averaged to obtain an overall risk score. The items were then sorted based on the risk score (highest to lowest). The following audits are being recommended in response to the completed risk assessment

**FY 2024 Audit Plan**

1. Review of investment administrative fees.
2. Review of investment manager fees, including reconciliation process and fee reporting process.\*
3. Review of outstanding employer invoices.
4. Review of process to ensure new legislation is properly implemented.
5. Review of interest calculated and applied to member accounts.
6. Review of employer contributions, including the balancing process.\*
7. Review of member/employer information utilized for retirement (addressing risk that information may be altered to increase benefits).
8. Review of correspondence process (to address risk of personal information disclosures).
9. Review of refund calculations.
10. Review of administrative expense allocation.\*

\* These projects have been previously approved by the Joint Audit Committee.

**FY 2024 Other Projects**

In addition to the audits above, Internal Audit staff will also work on the following projects throughout fiscal year 2024.

1. Completion of self-assessment for peer review.
2. Review of the FY 2024 Annual Comprehensive Financial Report.
3. Review of the FY 2024 Summary Annual Financial Report.
4. Participation on the Trustee Election Vendor selection panel.
5. Completion of FY 2025 Risk Assessment and Audit Plan.
6. Updating audit related charters.
7. Updating Board Election policies.
8. Completion of process documentation for audit procedures.
9. Participation on various KPPA projects/work groups (e.g., IT Governance Group)
10. Preparation for and presentation to various Board and Committee meetings.

The Division of Internal Audit currently has one director and four additional staff members. Staff are expected to complete 2-3 audits a year, in addition to work completed on other projects. While this audit plan contains a substantial number of projects, it is feasible.

**Carry-over from approved FY 2023 Audit Plan**

The items below were included on the FY 2023 audit plan but were not recommended as a part of the FY 2024 audit plan because they were assessed at a lower risk during the FY 2024 risk assessment. Multiple higher risk items for the divisions were recommended for the FY 2024 audit plan. Should all above audits be completed, staff will work on the items below.

1. Review of reconciliation between Great Plains and BNY Mellon.
2. Review of investment direct repo process.
3. Review of cash receipt process.
4. Review of the accounts payable process (follow-up audit).
5. Review of investment contract process.

**Joint Audit Committee Action Needed:** The Division of Internal Audit has completed most of the audits from the FY 2023 audit plan. Without approval of the FY 2024, staff are unable to start any new projects. The Division of Internal Audit is requesting that the Joint Audit Committee take one of the following actions:

1. Approve the full FY 2024 Audit Plan.
2. Approve of the two items highlighted in yellow and submit the full FY 2024 Audit Plan to the KPPA Audit Committee and/or full KPPA Board for approval.

Joint Audit Committee Meeting - Joint Audit Committee Administrative Updates

KPPA Internal Audit Risk Assessment Report

Entity Path	Strategic Risk Title	Inherent	Reviewed in the Past 5 years?	Notes	Risk Level	
					High Risk	Medium Risk
Office of Investments	Lack of Oversight of Investment Admin Fees	8.00	No	Recommended for FY 2024 Audit Plan	Item being recommended for the FY 2024 audit plan. Carry-over from prior plan. Will be included on FY 2024 plan. Included as a part of every audit.	
Office of Investments	Lack of Oversight of Manager Fees	8.00	No	Recommended for FY 2024 Audit Plan		
Office of Investments	Lack of Oversight of Performance Fees	8.00	No	Tentatively recommended for FY 2024 Audit Plan. If the other two investment audits are able to be completed quickly, without too much burden on investment staff, this will also be completed in FY 2024. Otherwise this will be included on the FY 2025 plan.		
Office of Investments	Proxy Voting does not Comply with Policy	8.00	No	Two other audits are scheduled with investments. Additionally, this is a new process. This is recommended for the FY 2025 plan.		
Division of Accounting > Cash Management Branch	Pension and Insurance Contributions Split Correctly	8.00	No	This is related to an issue previously reported to the Audit Committee. Requesting that the Audit Committee weigh-in on whether to make this item a priority for the FY 2024 audit plan.		
Division of Employer Reporting, Compliance, and Education	Outstanding Employer Invoices	8.00	No	Recommended for FY 2024 Audit Plan		
Board of Trustees	Perimeter Park West, Inc	7.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Executive Director	Board of Trustees May Not Receive Proper Information Timely	7.00	No	This is not audited separately, but combined in every audit.		
Executive Director	New Legislation Not Implemented	7.00	Yes	Recommended for FY 2024 Audit Plan		
Executive Director	Segregation of Duties	7.00	Yes	This is not audited separately, but combined in every audit.		
Office of Investments	Establishment and Usage of Retirement Allowance Account	7.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Office of Investments	Insufficient Cash Balance	7.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Office of Investments	Tier 3 Calculation May Be Inaccurate	7.00	No	Two other audits are scheduled with the Office of Investments. So as not to over burden one group, we will revisit this item for the FY 2025 plan.		
Division of Accounting > Cash Management Branch	Accounts not Properly Reconciled	7.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Accounting > Cash Management Branch	Manual Journal Entry Process	7.00	No	This could be impacted based on the Chase audit from FY 2023. Will revisit for the FY 2025 audit plan.		
Division of Accounting > Cash Management Branch	Manual Mailing of Checks Processed by Treasury	7.00	No	This could be impacted based on the Chase audit from FY 2023. Will revisit for the FY 2025 audit plan.		
Division of Accounting > Cash Management Branch	Overpayment Invoices may not be Monitored	7.00	No	This could be impacted based on the Chase audit from FY 2023. Will revisit for the FY 2025 audit plan.		
Division of Accounting > Investment Operations Branch	Custodial Bank does not Reconcile to Great Plains	7.00	No	This could be impacted based on the Chase audit from FY 2023. Will revisit for the FY 2025 audit plan.		
Division of Accounting > Investment Operations Branch	Interest on Member Accounts Calculated Improperly	7.00	No	Recommended for FY 2024 Audit Plan		
Division of Employer Reporting, Compliance, and Education	Delinquent Employers	7.00	No	Two other audits are scheduled with ERCE. So as not to over burden one group, we will revisit this item for the FY 2025 plan.		
Division of Employer Reporting, Compliance, and Education	Employer Contributions are Inaccurate	7.00	No	Recommended for FY 2024 Audit Plan (carry-over)		
Division of Employer Reporting, Compliance, and Education	Inactive Employers not Reporting	7.00	No	Two other audits are scheduled with ERCE. So as not to over burden one group, we will revisit this item for the FY 2025 plan.		
Division of Enterprise and Technology Services > Security	Mission Critical Systems are Compromised	7.00	No	This is addressed by a third party vendor audit each year.		
Division of Enterprise and Technology Services > Security	Staff have Improper System Access	7.00	Yes	Recently audited, will not be on the FY 2024 plan.		

Joint Audit Committee Meeting - Joint Audit Committee Administrative Updates

KPPA Internal Audit Risk Assessment Report

		<div style="display: flex; justify-content: space-between; align-items: center;"> <span style="background-color: #f8d7da; padding: 2px;">High Risk</span> <span style="background-color: #fff3cd; padding: 2px;">Medium Risk</span> <span style="background-color: #d4edda; padding: 2px;">Low Risk</span> </div>			
Entity Path	Strategic Risk Title	Inherent	Reviewed in the Past 5 years?	Notes	
Division of Enterprise and Technology Services > Enterprise Project Management	COOP is Outdated, Inaccurate, or Insufficient	7.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Division of Procurement and Office Services > Procurement Branch	Inventory Process	7.00	No	This process is currently being established. It will likely be included as a part of the FY2025 plan.	
Division of Procurement and Office Services > Office Services Branch	Disclosures Occur During Correspondence	7.00	No	Recommended for FY 2024 Audit Plan	
Division of Member Services > Finals	Member Information Altered Prior to Uploading to Their Account	7.00	No	Recommended for FY 2024 Audit Plan	
Division of Membership Support	Refunds may be Processed Inaccurately	7.00	No	Recommended for FY 2024 Audit Plan	
Division of Membership Support	Retirement/Recalculations Amounts are Inaccurate	7.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Executive Director	Disclosure of Personal Information	6.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Executive Director	Lack of Back-ups in Key Areas of KPPA	6.00	Yes	This is not audited separately, but considered a risk in every audit.	
Executive Director	Manual Workarounds Required for Outstanding IT Issues	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Executive Director	Policies and Procedures not Accurate	6.00	Yes	This is not audited separately, but considered a risk in every audit.	
Executive Director	Staff not Properly Trained to Perform Job Duties	6.00	No	This is not audited separately, but considered a risk in every audit.	
Executive Director	Use of Signature Stamp (including access to Digital Signature)	6.00	No	This is not audited separately, but considered a risk in every audit.	
Executive Director	Violation of Record Retention Policy	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Office of Investments	Inconsistent Payment of Vendors	6.00	No	This could be impacted based on the Chase audit from FY 2023. Will revisit for the FY 2025 audit plan.	
Office of Investments	Investment Procurement Policy not Followed	6.00	No	Recently audited, will not be on the FY 2024 plan.	
Office of Investments	Investment Transactions Not Approved Properly	6.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Office of Investments	Number of Transfers Between Accounts	6.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Office of Legal Services - Non-Advocacy	Violation of Retired/Re-Employed Statutes	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Communications	Forms on the Website may be Inaccurate	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Communications	Inaccurate Information Communicated to Members	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Human Resources	Hiring Process is Inefficient	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Human Resources	HR Policies not Applied Consistently	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Accounting > Cash Management Branch	Accounts Receivable Process	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Accounting > Cash Management Branch	Accurate Financial Statements not Prepared Timely	6.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Division of Accounting > Cash Management Branch	Allocation of Expenses may be Inaccurate	6.00	No	Recommended for FY 2024 Audit Plan (carry-over)	
Division of Accounting > Cash Management Branch	Service Purchases Processed Improperly	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Accounting > Investment Operations Branch	New Investment Accounts not Set-up Accurately	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Employer Reporting, Compliance, and Education	Employer Report Process	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Employer Reporting, Compliance, and Education	Pension Spiking	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Enterprise and Technology Services	Disaster Recovery Plan is Insufficient	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Enterprise and Technology Services > Security	Staff not Properly Trained on IT Security	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Procurement and Office Services > Procurement Branch	Procurement Process	6.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Division of Procurement and Office Services > Office Services Branch	Electronic Faxes not Handled Properly	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Procurement and Office Services > Office Services Branch	Imaging Process is Inefficient/Inaccurate	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	

Item being recommended for the FY 2024 audit plan. Carry-over from prior plan. Will be included on FY 2024 plan. Included as a part of every audit.

Joint Audit Committee Meeting - Joint Audit Committee Administrative Updates

KPPA Internal Audit Risk Assessment Report

		<div style="display: flex; justify-content: space-between; align-items: center;"> <span style="background-color: #f8d7da; padding: 2px;">High Risk</span> <span style="background-color: #fff3cd; padding: 2px;">Medium Risk</span> <span style="background-color: #d4edda; padding: 2px;">Low Risk</span> </div>		<div style="background-color: #d4edda; padding: 2px;">Item being recommended for the FY 2024 audit plan. Carry-over from prior plan. Will be included on FY 2024 plan. Included as a part of every audit.</div>	
Entity Path	Strategic Risk Title	Inherent	Reviewed in the Past 5 years?	Notes	
Division of Procurement and Office Services > Office Services Branch	Incoming Mail is not Handled Properly	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Disability and Survivor Benefits > Disability Branch	Applications Voided Incorrectly	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Disability and Survivor Benefits > Disability Branch	Cost/Benefit of Medical Review Vendor	6.00	Yes	Currently under review by Benefits	
Division of Disability and Survivor Benefits > Disability Branch	Disability Claims not Reviewed Timely/Accurately	6.00	No	Likely tied into a review recently performed by Benefits related to medical officers. Will revisit for the FY 2025 plan.	
Division of Disability and Survivor Benefits > Disability Branch	Disability Recipient Working at Unapproved Job	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Disability and Survivor Benefits > Survivor Benefits Branch	Overpayment Process	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Membership Support	Phone Calls not Answered Timely	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Member Services > Counseling	Service Purchases are Calculated Incorrectly	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Member Services > Finals	Final Retirements Not Processed Timely or Accurately	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Member Services > Finals	QDRO Process	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Quality Assurance > Post-Retirement Branch	Post Retirement Audits not Completed Timely or Accurately	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Quality Assurance > Pre-Retirement Branch	Pre-Retirement Audits not Completed Timely or Accurately	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Health Care	Medicare as Secondary Payer Process	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Health Care	Premiums Paid are Inaccurate	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Health Care	Retiree Insurance Payments Processed Incorrectly	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Services Payroll	Benefit Payment is not Accurate	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Services Payroll	Benefits Received by Wrong Individual	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Services Payroll	Dependent Child Payments are Inaccurate	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Services Payroll	Monthly Payroll is Inaccurate	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Retiree Services Payroll	Supplemental Payroll is Inaccurate	6.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Board of Trustees	Lack of Training for Board of Trustees	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Board of Trustees	Violation of Open Meetings	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Executive Director	Cash Receipt Process	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Office of Investments	Capital Call Process	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Office of Investments	Investment Services Provided by Duplicate Vendors	5.00	Yes	Currently being reviewed by Investments	
Office of Investments	Repo Process	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Office of Legal Services - Advocacy	Non-compliance with HIPAA.	5.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Office of Legal Services - Non-Advocacy	Administrative Regulations may be Expired	5.00	Yes	FY 2024 plan complete, will re-evaluate for FY 2025.	
Office of Legal Services - Non-Advocacy	Violation of Open Records Request	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Communications	Communications to Legislatures may not be Timely	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Human Resources	Non-Compliance with FMLA	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Human Resources	Non-Compliance with Worker's Compensation	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Accounting > Cash Management Branch	Accounts Payable Process	5.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Division of Accounting > Cash Management Branch	Accrual Process	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Accounting > Cash Management Branch	Excise Tax Calculation and Payment Process	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.	
Division of Accounting > Cash Management Branch	Expenditures Coded Improperly	5.00	Yes	Recently audited, will not be on the FY 2024 plan.	
Division of Accounting > Investment Operations Branch	Transfers to Mellon may not be Routed to Proper Account	5.00	Yes	Recently audited, will not be on the FY 2024 plan.	

Joint Audit Committee Meeting - Joint Audit Committee Administrative Updates

KPPA Internal Audit Risk Assessment Report

Entity Path	Strategic Risk Title	Inherent	Reviewed in the Past 5 years?	Notes	Risk Level	
					High Risk	Medium Risk
Division of Enterprise and Technology Services > Application Services	System Build Process is Inefficient	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Disability and Survivor Benefits > Disability Branch	Additional Disability Payments not Reported to KPPA	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Disability and Survivor Benefits > Survivor Benefits Branch	Benefit Payments not Properly Supported	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Disability and Survivor Benefits > Survivor Benefits Branch	Members/Beneficiaries Reported as Deceased are Still Living	5.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Disability and Survivor Benefits > Survivor Benefits Branch	Members/Beneficiaries Reported as Living are Deceased	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Membership Support	Forms are not User Friendly	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Retiree Health Care	Inaccurate Enrollment Numbers	5.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Retiree Services Payroll	1099-R Process	5.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Communications	Print Vendor is not Efficient	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Human Resources	Badge System	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Human Resources	Improper Handling of Classified versus Unclassified Employees	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Human Resources	Time Reporting may not be Accurate	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Accounting > Cash Management Branch	Budget Process	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Accounting > Cash Management Branch	Employer Penalty Invoices Waived Improperly	4.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Accounting > Cash Management Branch	ProCard Process	4.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Accounting > Cash Management Branch	Travel Reimbursement Process	4.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Employer Reporting, Compliance, and Education	Hazardous Duty Classification is Inaccurate	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Enterprise and Technology Services	Hardware/Software is Outdated	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Procurement and Office Services > Procurement Branch	Contracts not Tracked Properly	4.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Procurement and Office Services > Office Services Branch	Building not Physically Secure	4.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Division of Disability and Survivor Benefits > Disability Branch	Reasonable Accommodations Requirement not Met	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Disability and Survivor Benefits > Survivor Benefits Branch	Unclaimed Account Process	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Retiree Health Care	Ineligible Dependents on Insurance	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Retiree Services Payroll	Deductions Entered Inaccurately	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Retiree Services Payroll	EFT Return Process	4.00	No	FY 2024 plan complete, will re-evaluate for FY 2025.		
Division of Enterprise and Technology Services > Desktop Support	Support Tickets not Resolved Timely	3.00	Yes	Recently audited, will not be on the FY 2024 plan.		
Board of Trustees	Improper Board of Trustees Composition	2.00	Yes	Reviewed with each Trustee change.		
Division of Communications	Legislation that Impacts KPPA may not be Tracked	2.00	Yes	Reviewed by Communications		

Item being recommended for the FY 2024 audit plan. Carry-over from prior plan. Will be included on FY 2024 plan. Included as a part of every audit.



## Kentucky Public Pensions Authority

### Internal Audit Administration



Kentucky Public  
Pensions Authority

To: Members of the Joint Audit Committee

From: Kristen N. Coffey, CICA *KNC*  
Division Director, Internal Audit Administration

Date: May 25, 2023

Subject: Final Audit Report Released

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Please find attached the final audit report entitled **Accuracy of Information Sent to Humana and DEL**. The report is dated April 14, 2023. The Division of Internal Audit Administration noted three findings, all verbal, which are summarized below. The final audit report is attached for your review.

#### **Summary of Audit Results**

1. It was found that several procedures still referred to Kentucky Retirement Systems. The procedures have since been updated, resolving this issue.
2. During review of procedures, it was found that the output names for several semi-automated processes were incongruent with what was indicated by the procedures. The procedures have since been updated.
3. During calendar year 2021, several discrepancies and issues reported to Retiree Health Care were not resolved in a timely manner, with an average open time of 275 days. Management is currently determining a deadline for resolving discrepancies. Procedures will be updated to reflect the new process.

Attachment

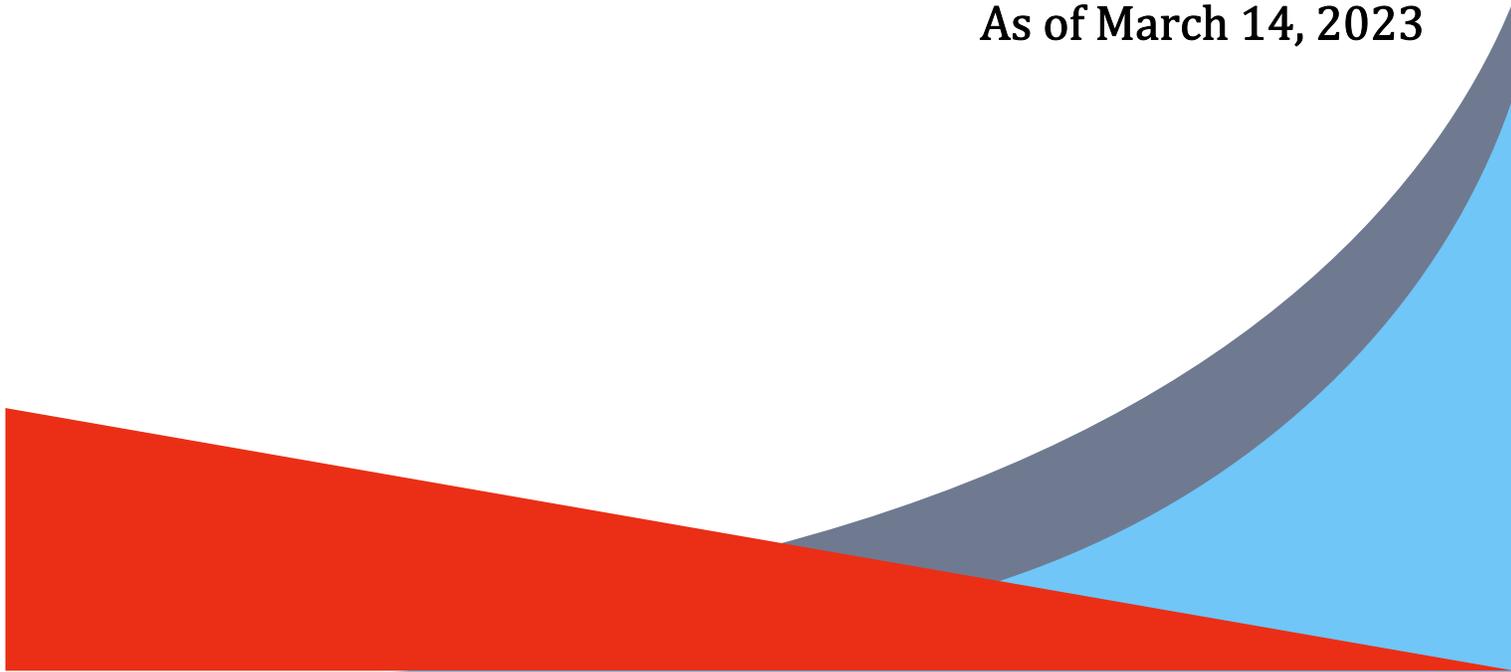
**No action is required of the Committee.**



**KPPA**

Kentucky Public Pensions Authority

**Accuracy of Information Sent to Humana and DEI  
As of March 14, 2023**



## **Acronyms**

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement System
4. DETS – Division of Enterprise Technology Services
5. RHC – Retiree Health Care
6. DEI – Department of Employee Insurance
7. LOB – Line of Business
8. KPPA Executive Management team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA CIO, KPPA Executive Director-Office of Legal Services, and KPPA Executive Director-Office of Benefits

## **Objective**

The objectives of our review of the Accuracy of Information Sent to Humana and DEI were to ensure internal controls have been designed and are operating effectively and efficiently. We also ensured compliance with applicable state and federal statutes and regulations as well as policies established by the CERS and KRS Boards and procedures developed by KPPA staff.

## **Executive Summary**

Our review found that processes related to Accuracy of Information Sent to Humana and DEI are operating effectively and efficiently and comply with state and federal statutes and regulations as well as agency policies and procedures. Additional information is noted in the Commendations section of the report.

## **Commendations**

We would like to acknowledge both RHC and DETS for their cooperation and prompt responses during this audit, despite the latter not being the main subject of the audit. Our interactions with RHC over the course of this audit have shown us that they strive to exhibit excellent customer service with everyone, not just our members.

In addition to our interactions with RHC during this audit, we would also like to acknowledge their achievements as a department. Since the start of the COVID-19 pandemic, RHC has reduced overtime, met deadlines, and maintained a consistent level of customer service despite increasing numbers of members and their dependents. They have also implemented several successful tele-services including Telehealth, retiree webinars, and retiree outreach with the goal of keeping retirees informed about their benefits.

## **Risks Identified During the Project**

Risks that were identified and tested during the audit are listed below. For each risk identified, auditors determined if a control had been established to mitigate the risk. If so, auditors ensured the internal controls established were designed and operating effectively and efficiently. Where applicable, auditors ensured the process complied with applicable statutes, regulations, and policies.

1. Files are not sent to DEI/Humana at all or are not sent timely.
2. Batches do not run each night.
3. Files are transferred to DEI/Humana prematurely during open enrollment and other events.
4. Remittance files not submitted timely to DEI and Humana after monthly payroll.
5. Changes could occur to a file in the time between when it is generated and when it is transferred to DEI/Humana or some changes to member profiles are not captured by the Master Schedule.
6. Changes needed in response to DEI and Humana files are not made in a timely manner.
7. Member information in START differs from the information held by DEI/Humana.
8. Members are signed up for plans for which they do not qualify.

### **Scope, Sampling, and Methodology**

The scope of the audit was January 1, 2021 through December 31, 2021. During that time frame, there were 1,243 reports, which included over 12,000 KPPA members.

While most of our testing featured the complete populations of relevant data, some tests required sampling due to the size and manual nature of the review.

In populations where a sample was determined to be appropriate, the population was broken down by unique individuals, rather than individual appearances of members on the reports. The unique individuals were then assigned a number by order of appearance and randomly selected for testing.

The following steps were performed to ensure the processes and procedures surrounding the information flowing between KPPA, DEI, and Humana complied with applicable state and federal guidelines as well as policies and procedures established by the KPPA Board and management.

- Reviewed current KPPA policies and procedures to determine if they were accurate and properly reflected the actual processes being followed.
- Verified the inclusion of files meant to synchronize data between KPPA and DEI in the monthly batch schedule.
- Ensured that files communicated daily to DEI and Humana had an appropriate file archived.
- Determined the plausibility of changes occurring to the archived files before they were sent to DEI and Humana
- Reviewed employee access to archived files.
- Compared data from DEI and Humana to member profiles to determine if changes were appropriate and if so, ensured the changes were made.
- Ensured changes to member information were made in a timely manner and documented appropriately.

### **Recommendations for Future Audits**

During this audit, we noted one item that has been recommended for review in a future audit.

- Reimbursements of Overpayments Related to DEI and Humana

## **Background**

To ensure member information is consistent between KPPA, DEI, and Humana, DETS facilitates the near daily communication of the updates RHC makes to member information to DEI and Humana. In turn, DEI and Humana provide regular reports to RHC regarding discrepancies between themselves and the information contained in LOB. RHC counselors identify all issues indicated in these reports and investigate the discrepancies. During their research, they may find that updates need to be made to the member's profile in LOB or that information needs to be updated on file at DEI or Humana.

This report is intended solely for use by the Joint Audit Committee; the CERS and KRS Boards; the Executive Management teams for KPPA, CERS, and KRS; the Division of Retiree Health Care; and the Division of Enterprise Technology Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.



## Kentucky Public Pensions Authority

### Internal Audit Administration



Kentucky Public  
Pensions Authority

To: Members of the Joint Audit Committee

From: Kristen N. Coffey, CICA *KNC*  
Division Director, Internal Audit Administration

Date: May 25, 2023

Subject: Final Audit Report Released

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The Division of Internal Audit Administration recently completed the Plan Liquidity – Daily Cash Review audit. Two findings were noted, which are summarized below. The final audit report, which includes detailed findings and recommendations as well as management’s responses are attached for your review. We have also included a copy of the Management Letter issued as a part of this audit.

#### **Summary of Audit Results**

1. Investment fees not allocated correctly.
2. Reconciliation failed to detect errors (management letter item).

Attachment

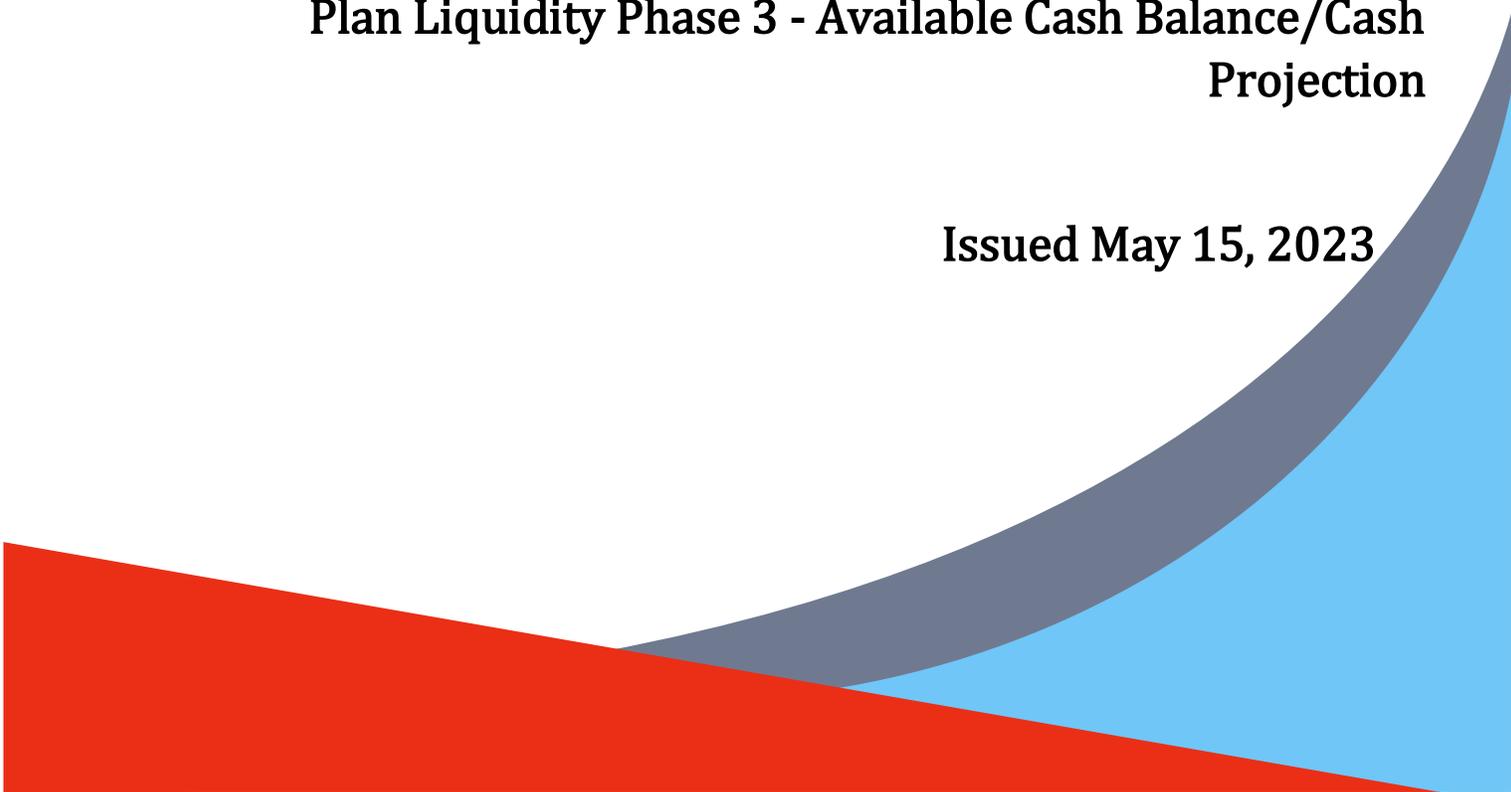
**No action is required of the Joint Audit Committee.**



**KPPA**  
Kentucky Public Pensions Authority

**Plan Liquidity Phase 3 - Available Cash Balance/Cash  
Projection**

**Issued May 15, 2023**



**Acronyms**

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement System
4. KPPA Executive Management team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA CIO, KPPA Executive Director-Office of Legal Services, and KPPA Executive Director-Office of Benefits
5. Investment Operations – KPPA Division of Accounting, Investment Operations branch
6. Internal Audit – KPPA Division of Internal Audit Administration
7. Repo -Repurchase Agreement
8. ISF – Institutionally Secured Funding
9. BNY Mellon/custodial bank - Bank of New York Mellon

**Objective**

The objectives of our Plan Liquidity Phase 3 – Available Cash Balance/Cash Projection audit were to ensure internal controls have been designed and are operating effectively and efficiently. We also ensured compliance with applicable state statutes and regulations as well as policies established by the CERS and KRS Boards and procedures developed by KPPA staff.

**Executive Summary**

The following findings were noted during our review of Plan Liquidity Phase 3 – Available Cash Balance/ Cash Projection. The related recommendations can be found in the Audit Results section of the report.

1. Investment fees allocated incorrectly

We noted one other matter that we communicated to Investment Operations in a separate letter dated May 15, 2023.

**Commendations**

Internal Audit staff appreciate the cooperation of the KPPA Investment Operations staff. This audit involved multiple meetings and questions to clarify the established internal controls. Investment Operations took initiative to correct errors found during the audit and they began developing procedures to address the risks identified.

**Sampling, Risks, Methodology, and Testing Results**

No sampling was used. 100% of the 4,160 transactions were reviewed.

Methodology Matrix	
<b>Risk: BNY Mellon cash projection differs from the Investment Operation's cash projection.</b>	
Control	Testing
Investment Operations compares the daily cash projection worksheet to the cash projection worksheet from BNY Mellon. The acceptable variance threshold is \$100,000 between the two projections. If the difference is above the acceptable variance, Investment Operations staff determine what is causing the difference and this is noted in the investable cash email.	Auditor compared the two projections and found the difference between the Investment Operations and BNY Mellon calculations. If the variance was more than \$100,000 then auditor requested an explanation for the difference to determine if the variance was reasonable.
<b>Results of testing:</b> No exceptions noted.	

<b>Risk: The same person who affirmed a repo is the same person who reviewed BNY cash projection against OPS projection.</b>	
Control	Testing
To create a segregation of duties, the same person should not be preparing the investable cash email and affirming repos.	Auditor compared initials of staff who prepped the investable cash email and who affirmed the day's repo.
<b>Results of testing:</b> No exceptions noted.	
<b>Risk: Investable cash email is sent to the Investment directors late causing the Repo investment to be delayed.</b>	
Control	Testing
Investable cash email is sent around 10:00 am.	Compared time stamp of "Investable cash email" from Investment Operations staff to Investment Portfolio Managers against the target time of 10:00 a.m. Auditor considered the email to be sent timely if it was sent by 10:30 (allowed 30-minute window). If the email for any day was sent outside of this window, auditor requested an explanation of why the email was late to determine if the delay was reasonable.
<b>Results of testing:</b> No exceptions noted.	
<b>Risk: Transactions flow through cash account incorrectly.</b>	
Control	Testing
Investment Operations staff saves all backup documentation and records the transaction in the Cash Projection Worksheet and Cashflow Worksheet. BNY Mellon's Cash Projection Worksheet is compared against Investment Operations Daily Cash Projection Worksheet and BNY Mellon's Settled Cash Statement is compared against Investment Operations Cashflow Worksheet.	Auditor compared all transaction backup documents to the Settled Cash Statement to confirm that the total and date were accurate according to the corresponding supporting documents.
Results of testing: One distribution was approved by BNY for the wrong total and the corresponding day's reconciliation did not catch the error. (Addressed in a management letter)	
<b>Risk: Transaction is not approved appropriately.</b>	
Control	Testing
Appendix C of the contract with BNY Mellon specifies access and approval capabilities within Nexen.	Auditor compared the approving user ID to the Authorized Signer List. Auditor noted who sent KPPA Accounting wires to verify that appropriate staff sent the wires.
<b>Results of testing:</b> No exceptions noted.	
<b>Risk: Transactions are allocated across the 5 plans incorrectly.</b>	
Control	Testing
The daily cash reconciliation procedures compare the Plan Percent report cash balances from the prior day and current day activity against current day's closing balance from corresponding Plan Percent report. These two sums should match indicating that all custom allocations were applied correctly by BNY Mellon staff.	Auditor created a database with all transactions showing the total and the breakdown between the five plans. Using this database, Auditor reconciled all 261 business days for the Pension and Insurance master trust funds. This was to verify custom allocations. For non-custom allocations, Auditor compared the manager's accounting number from the plan schematics against the account number shown on the settled cash statement.
<b>Results of testing:</b>	
1. Sixteen daily reconciliations did not catch that investment fees were allocated incorrectly. (See finding #1: Investment fees allocated incorrectly)	

2. Two capital calls for L-A VII were approved for L-A VII B. The total of the capital calls was keyed correctly but the allocation was applied to the incorrect manager. The corresponding daily reconciliations did not catch this error. (Addressed in a management letter)	
<b>Risk: Plan accounts or the master trust accounts are overdrawn.</b>	
Control	Testing
Projected end of day cash balance is calculated using the Cash Projection worksheet, which captures all known incoming and outgoing transactions.	During testing of daily reconciliations, Auditor verified that plan accounts and master trust accounts were not overdrawn by confirming that these accounts never had a \$0 balance.
<b>Results of testing:</b> No exceptions noted.	
<b>Risk: Details for Repos are approved for incorrect REPO details.</b>	
Control	Testing
Investment Operations staff approving the repo compares the Letter of Direction from the Investment team to information entered into Cantor Fitzgerald portal. If total, interest rate and interest at maturity match, then Investment Operations staff approves the trade. Investment Operations staff then takes a screenshot of the approved repo.	Auditor compared the Letter of Direction to the screenshot of the approved repo to confirm that all details matched.
<b>Results of testing:</b> No exceptions noted.	

**Recommendations for Future Audits**

1. Evaluate how each manager balance is monitored on an individual basis to ensure that management fees, performance fees and capital calls follow the agreed upon investment relationship.
2. Investment fee re-calculation and reconciliation.
3. Repo and ISF creation process by Investment Portfolio Managers.
4. Monthly reconciliation between BNY Mellon and Great Plains.

This report is intended solely for use by the Joint Audit Committee; the CERS and KRS Boards; the Executive Management teams for KPPA, CERS, and KRS; and Investment Operations. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

**Audit Results**

**1. Investment fees allocated incorrectly**

<b>Responsible Area(s):</b>	Investment Operations																												
<b>Condition:</b>	<p>Sixteen daily reconciliations (8 Pension and 8 Insurance) did not detect that investment fees were allocated in a manner differently than directed by the custom allocations provided by Investment Operations. After auditor reconciled KRS AVG reports against interest income and investments fees, the residual difference explained by fees being allocated incorrectly across the plans is shown in the following charts.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Total residual difference</th> <th>KERS</th> <th>KHAZ</th> <th>CERS</th> <th>CHAZ</th> <th>SPRS</th> <th>PEN Total</th> </tr> </thead> <tbody> <tr> <td>\$ (274,692.82)</td> <td>\$ 4,735.83</td> <td>\$ 238,608.79</td> <td>\$ 65,158.41</td> <td>\$ (33,951.30)</td> <td>\$ (141.09)</td> <td></td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Total residual difference</th> <th>KERS</th> <th>KHAZ</th> <th>CERS</th> <th>CHAZ</th> <th>SPRS</th> <th>INS Total</th> </tr> </thead> <tbody> <tr> <td>\$ (30,654.12)</td> <td>\$ 15,284.01</td> <td>\$ (6,660.95)</td> <td>\$ 20,724.53</td> <td>\$ 5,306.74</td> <td>\$ 4,000.21</td> <td></td> </tr> </tbody> </table>	Total residual difference	KERS	KHAZ	CERS	CHAZ	SPRS	PEN Total	\$ (274,692.82)	\$ 4,735.83	\$ 238,608.79	\$ 65,158.41	\$ (33,951.30)	\$ (141.09)		Total residual difference	KERS	KHAZ	CERS	CHAZ	SPRS	INS Total	\$ (30,654.12)	\$ 15,284.01	\$ (6,660.95)	\$ 20,724.53	\$ 5,306.74	\$ 4,000.21	
Total residual difference	KERS	KHAZ	CERS	CHAZ	SPRS	PEN Total																							
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\$ (30,654.12)	\$ 15,284.01	\$ (6,660.95)	\$ 20,724.53	\$ 5,306.74	\$ 4,000.21																								
<b>Criteria:</b>	Investment Operations staff prepare a custom allocation and provide these via email to the BNY Mellon Cash Management and Accounting teams. The BNY Mellon Accounting team then copies and pastes the values from the email into a spreadsheet used to apply custom allocations.																												
<b>Cause:</b>	<ol style="list-style-type: none"> <li>1. Investment Operations did not include BNY Mellon Accounting team on the email showing how the fee should be allocated.</li> <li>2. BNY Mellon Cash Management team did not forward the email from Investment Operations to the BNY Mellon Accounting team.</li> <li>3. Investment Operations did not reconcile investment fees to the KRS AVG report generated mid-month, which shows allocations for investment fees, litigation income, and interest.</li> </ol>																												
<b>Effect:</b>	Each plan was charged the wrong amount for investment fees causing a misstatement on financial records. Since the KRS AVG report is not reviewed and is only taken as realized/loss gain, inaccurate transactions may go undetected.																												
<b>Recommendations:</b>	<ol style="list-style-type: none"> <li>1. Investment Operations staff should continue working with BNY Mellon staff to determine how far back this issue has persisted. Once the total amount is known, Investment Operations should ensure correcting entries are made to the plan accounts.</li> <li>2. Investment Operations should establish procedures to ensure that the allocation of investment fees shown in the KRS AVG report matches the allocation from Investment Operation emails.</li> </ol>																												
<b>Recurring Issue:</b>	No																												
<b>Management Response:</b>	We concur with the finding and have taken action to ensure the allocation of investment administrative expenses are properly reviewed. This was implemented in fiscal year 2023. We are currently working with BNY Mellon to quantify and correct any historical discrepancies. Depending on the availability of historical data from BNY Mellon we expected to have this completed by June 30, 2023.																												
<b>Implementation Date:</b>	12/29/2023																												

## Exhibit A

### Background

#### **Section A: Daily cash projection procedures**

There are a total of ten worksheets and statements used in this process. Six worksheets and statements are created by BNY Mellon Cash Management or BNY Mellon Accounting staff. The remaining four worksheets were created by KPPA Investment Operations staff.

#### **BNY Mellon Worksheet Descriptions**

Every morning BNY Mellon automatically sends one email with a zip file that contains the *Plan Percent* and *Unit Trade* spreadsheets. BNY Mellon Cash Management team then sends Investment Operations two additional excel files pertaining to the prior business day: *Cash Account Accruals* and *Unit Trade Details*. These files are saved to the Office of Investments shared drive.

1. *Unit Trade Details*- This shows the total incoming and outgoing transfers for each system for the prior business day. The first two tabs show incoming and outgoing wires for the day, which would capture transactions such as the daily qualification wire, recurring/supplemental payroll, and Department of Employee Insurance/Humana payments. The next two tabs called "Pension Strip" and "Insurance Strip" provide the BNY Mellon account number, total amount, asset class/name of the manager for all other types of transactions. To the right of this information there is the allotment percentage used to breakdown the total into the system specific amount for each fund. The "strip" tabs show the allocation across the five systems for all non-custom transactions and trade transfer requests (custom and non-custom).
2. *Unit Trade* - This spreadsheet reports the purchase and sale of cash units and any realized gain/loss associated with those transactions.
3. *Plan Percent* - This spreadsheet provides each system's ownership of each unit at the end of the prior day.
4. *Cash Account Accruals* - This spreadsheet provides the posting of accruals for anticipated income. The information in this worksheet is generated based on work performed by the BNY Mellon Accounting team.

The above reports are all general ledger reports prepared by the BNY Mellon Accounting team utilizing the same data set. As such, a comparison of these reports is not a true reconciliation because the data is not being compared to an independent, original source document.

In addition to the four reports explained above, Investment Operations staff also log into BNY Mellon Nexen to generate two *Settled Cash Statements* of all non-zero balances, one for the prior day and one for the current business day, as well as a *Current Projected Cash Worksheet* for the current business day. The information in these documents is generated based on work performed by the BNY Cash Management team.

## Description of Transactions

While the six worksheets and statements above are being sent by BNY Mellon or generated in Nexen, the backup documentation for other account activity is being sent to Investment Operations. As of the completion of fieldwork for Phase III, this audit reviewed 12 types of transactions that move through the investment cash accounts at BNY Mellon. Most have backup documentation, but some are automatic transactions handled by BNY Mellon Cash Management and/or Accounting teams that do not have independent backup documentation.

The chart below shows the 12 types of transactions reviewed; the required backup documentation; and which groups are responsible for preparing, keying, approving, recording, and allocating each transaction.

### Definition of actions:

- Prepare – This group reviewed the data to create the transaction type and has notified Investment Operations of what will happen in the cash accounts. If a custom allocation is needed, then the breakdown is provided. A custom allocation is a breakdown of a transaction that is not predetermined in BNY Mellon’s system.
  - KPPA groups who “prepare” a transaction type have separate procedures on SharePoint or the group’s KPPA drive to explain the review conducted of the data involved. Specific questions about how these transactions are created should be directed to the appropriate group.
- Key – This group took action in Nexen to create a movement to or from the cash accounts at BNY Mellon.
- Approve – This group reviewed what was keyed into Nexen and matched it to the details in the Nexen system.
- Record – This group added a transaction to one of the four worksheets used by Investment Operations to track and monitor the cash accounts.
- Allocate – This group split a transaction up across the five systems (KERS, KHAZ, CERS, CHAZ, SPRS) in the BNY Mellon cash accounts according to the predetermined percent breakdown in the Nexen system or by the given custom allocation.
- No action – This group has no involvement in the actions described above.

#	Transaction type	Required Backup Documents	Team Actions			
			KPPA Cash Management	KPPA Investment OPS	KPPA Investment Directors	BNY Staff
1	Daily Qualification Wires		Prepare	Record	No Action	Key & Approve from flow thru, Allocate
2	DEI, Humana and WEX Health Payments	Email from KPPA cash management with custom allocation	Prepare, Key, Approve	Record	No Action	Allocate
3	Recurring Supplemental Payments		Prepare, Key, Approve	Record	No Action	Allocate
4	KPPA Admin Expenses		Prepare, Key, Approve	Record	No Action	Allocate
5	Trade Transfer Requests	Email from KPPA Investment Director with direction on allocation type. Either "At current allocation" or a given custom allocation.	No Action	Record	Prepare	Key, Approve, Allocate
6	Repo/ ISF trades	Repo - Letter of direction from Investment directors ISF - Trade ticket submitted by Investment Directors	No Action	Approve Repo Only, Record Both	Prepare	Key Both, Approve ISF, Allocate Both
7	Capital Calls	Notification from Investment Manager	No Action	Approve (LP Only) and Record	No Action	Prepare, Key, Approve (Non-LP), Allocate
8	Distribution, Shares and Redemptions		No Action	Record	No Action	Prepare, Key, Approve, Allocate
9	Investment Fees	Invoice from vendor	No Action	Prepare, Key, Approve	No Action	Allocate
10	Residual Cash	No independent documentation due to automatic process	No Action	Record	No Action	Prepare, Key, Approve, Allocate
11	Interest Earned on Cash accounts		No Action	Record	No Action	Prepare, Key, Approve, Allocate
12	Foreign Exchange Transactions		No Action	Record	No Action	Prepare, Key, Approve, Allocate

**Description of KPPA created worksheets and how they achieve Investment Operations objectives**

The main objective of Investment Operations is to ensure that there is enough cash available to cover expenses and to complete daily investment activities. The secondary objective of Investment Operations is to confirm that BNY Mellon staff has correctly applied and allocated each deposit and expense according to the percent breakdown for each manager or KPPA created custom allocation. To keep track of all these transactions and to confirm the accuracy of BNY Mellon daily investable cash, Investment Operations created four worksheets: the Daily Cash Projection Worksheet, the Cashflow Worksheet, the Daily Cash Reconciliation Worksheet, and the Working Database.

**Cash flow worksheets**

	KERS	KERS HAZ	CERS	CHAZ	SPRS	TOTAL		
<i>Make sure to correctly label the transaction in column H for cash flow tracking (see bottom of sheet) - it must exactly match the descriptions</i>								
Monday Dividend Sweeps								
Recurring Humana wire for Insurance every 30th							TODAY'S REPO PURCHASE	
Fill in first business day in cell below- all other days will populate - beware of holidays - copy this tab each month						Repo Interest Due	TODAY'S INTEREST RATE	0.00
July 1, 2020						0.00	at Cantor	
						0.00	ISF Note/ Muni Interest & Maturity	
						0.00	ISF Note/ Muni Interest & Maturity	
							ISF Purchase	
							ISF Purchase	
July 1, 2020	(0.01)	(18,303.72)	(202,300.89)	(69,049.19)	(5,770.19)	(295,424.00)	Capital Call	NMP IV
July 1, 2020	(56,369.93)	(17,361.50)	(191,472.35)	(65,937.72)	(6,729.77)	(337,871.27)	Capital Call	IFM USIDF
July 1, 2020	(0.01)	(15,037.07)	(166,196.47)	(56,726.06)	(4,740.39)	(242,700.00)	Capital Call	BHEP III
July 1, 2020	(3.94)	(0.50)	(4.71)	(1.47)	(0.26)	(10.87)	Investment Cash Outflow	Keyhaven Capital III
July 1, 2020	1,644,423.68					1,644,423.68	Accounting Contributions	Wire
July 1, 2020	0.39	0.12	1.34	0.46	0.05	2.36	Investment Cash Inflow	PIMCO All Asset
July 1, 2020	2,229,587.84	691,236.98	7,624,760.21	2,520,627.59	275,397.54	13,341,610.16	Investment Cash Inflow	ArrowMark

Figure 1: Right side of 7/1/2020 Pension Cashflow. This displays how each transaction was split up between the five systems (KERS, KHAZ, CERS, CHAZ, SPRS). The Keyhaven Capital III and PIMCO All



- ii. Any transactions that occur after the investable cash email is sent to Short Term Investment Fund (STIF) accounts by BNY Mellon staff because they will not be included in the repo calculation.

The **Daily Cash Projection Worksheet** is filled out next. The worksheet and all back up documentation for each day is saved on the Office of Investments shared drive. Each month has its own workbook and a tab is created for each business day. All transactions scheduled to take place "today" are posted in the top portion of the worksheet. The transactions in this section are separated into their assigned fund/system specific amount designated by the **Plan Percent Worksheet** or custom allocation. The sum of this section is called "Current Projected Cash." Transactions not yet due to be withdrawn or deposited are posted in the bottom section also separated into fund/system specific amounts, again, designated by the plan percent or the given custom allocation. The sum of this section is called "Future Projected Cash."

		KERS	KHAZ	CERS	CHAZ	SPRS	
6.30.20		124,045,671.57	23,007,485.04	184,178,597.56	69,269,422.26	9,931,110.13	410,432,286.56
7.1.20 - Wire		1,644,423.68					1,644,423.68
7.1.20 - NMP IV - Capital Call	PE 2013	(0.01)	(18,303.72)	(202,300.89)	(69,049.19)	(5,770.19)	(295,424.00)
7.1.20 - IFM USIDF - Capital Call	IFM INFRA DEBT	(56,369.88)	(17,361.48)	(189,112.84)	(66,300.33)	(6,729.77)	(337,871.27)
7.1.20 - BHEP III - Capital Call	PE 2013		(15,037.07)	(166,196.47)	(56,726.06)	(4,740.39)	(242,700.00)
<b>Current Projected Cash Balance</b>		<b>125,633,725.36</b>	<b>22,956,782.77</b>	<b>183,620,987.36</b>	<b>69,077,346.68</b>	<b>9,913,869.78</b>	<b>411,200,714.97</b>
<b>Current Projected Cash Balance</b>		<b>125,633,725.36</b>	<b>22,956,782.77</b>	<b>183,620,987.36</b>	<b>69,077,346.68</b>	<b>9,913,869.78</b>	<b>411,200,714.97</b>
7.2.20 - Reurring/Supplemental		(300,023.41)	(56,316.91)	(272,326.05)	(45,363.39)	(5,000.00)	(679,029.76)
7.7.2 - - SVSS IV - Capital Call	PE 2018		(75,991.50)	(932,032.51)	(290,976.00)		(1,299,000.00)
7.10.20 - VEP VI - Capital Call							(133,523.00)
7.13.20 - VEP III - Capital Call							(35,454.00)
7.13.20 - VEP IV - Capital Call							(106,306.00)
7.15.20 - Patron - Capital Call							(€ 195,100.00)
7.15.20 - LLCP V - Capital Call							(251,774.00)
7.15.20 - LLCP VI - Capital Call							(328,125.00)
7.16.20 - BHEP III - Capital Call							(177,980.00)
<b>Future Projected Cash</b>		<b>125,333,701.95</b>	<b>22,824,474.36</b>	<b>182,416,628.80</b>	<b>68,741,007.29</b>	<b>9,908,869.78</b>	<b>407,994,423.21</b>
<b>Anticipated Cash Inflow</b>							
7.7.20 - MWREIF - Dist							349,081.97
<b>Future Projection with Inflow</b>		<b>125,333,701.95</b>	<b>22,824,474.36</b>	<b>182,416,628.80</b>	<b>68,741,007.29</b>	<b>9,908,869.78</b>	<b>408,343,505.18</b>

Figure 3: Screen shot of 7/1/2020 Pension Daily Cash Projection worksheet. The Cashflow worksheet and the Daily Cash Projection worksheet differ because the automatic transactions from Keyhaven Capital III and PIMCO All Assets have not yet occurred on the morning of 7/1/2020.

- 4. An Investment Operations staff member then opens the Daily Cash Projection worksheet for the day and keys in the same known incoming and outgoing transactions in the appropriate sections for each day that were keyed in step #2. For example, Investment Operations receives a capital call notice on 7/1/2020 that is not due until 7/10/2020. This capital call will be recorded in the "Future Projected Balance" section from 7/1/2020 until 7/9/2020.

On 7/10/2020 the posting then moves up to the "Current Projected" section. This is the final posting of this call.

5. After all known information is keyed in the Daily Cash Projection worksheet, the preparing Investment Operations staff member will compare the sum of everything in the "Current Projected Balance" section to the Projected Cash Worksheet from BNY Mellon generated in Nexen by an Investment Operations staff member. The "Current Projected Balance" and the balance on BNY Mellon's projected cash worksheet should be similar. During this audit, it was noted that a variance of \$100,000 was deemed acceptable. As of February 2022, this threshold was dropped to \$25,000. If the difference is outside the acceptable threshold, the preparing Investment Operations staff researches the discrepancy to determine the cause of the difference. The reason for the difference should be noted on the spreadsheet. KPPA staff may need to contact BNY Mellon for assistance identifying the cause of the difference. Typically, the difference is the result of accruals in the cash account, which is a result of the anticipated interest due for outstanding cash investments such as repo, ISF and STIF.
  - i. The acceptable variance threshold will change over time due to the cash balance and interest earned on STIF accounts.
    1. The cash balance is influenced by Investment Portfolio Manager actions. Sometimes it will be high if investment staff are wanting to fund new managers. Other times it will be low to balance out asset classes.
    2. The interest earned on STIF accounts is not an item that KPPA can control or predict. This is also not documented, which means it will not show up in the Daily Cash Projection worksheet, which will cause a difference.
6. The preparing Investment Operations staff member will send an email as soon as possible to KPPA Investment Portfolio Managers with the BNY Mellon projected cash amounts. If Investment Operations staff run into issues during step #5, Investment Portfolio Managers will be notified that investable cash email will be sent later during the day. BNY Mellon is the custody of all the above KPPA financial information which means that their projected cash should be correct. This projected cash is used in a calculation by Investment Portfolio Managers to determine how much can be invested in the short-term vehicles, Repos and Institutional Secure Funding Program (ISFs). In the event of negative cash balances in the future, Investment Operations staff should alert the Office of Investments.

Finally, the ***Daily Cash Reconciliation Worksheet*** is completed for the prior business day and saved on the Office of Investments shared drive. Each month has its own file, and each day has its own section for Pension and Insurance. In the following steps, true current business day will be referred to as T and prior business days will be T-1 and T-2.

PENSION FUND						
	KERS	KHAZ	CERS	CHAZ	SPRS	Total
June 30, 2020	123,598,994.28	22,980,879.27	184,544,927.37	69,414,663.29	9,887,952.49	410,427,416.70
wire in	1,644,423.68	0.00	0.00	0.00	0.00	1,644,423.68
wire out	0.00	0.00	0.00	0.00	0.00	0.00
PIMCO All Asset	0.39	0.12	1.34	0.46	0.05	2.36
IVP XII	177,589.36	22,458.62	212,115.06	66,029.68	11,689.28	489,882.00
BDCM IV	0.00	10.97	121.21	41.37	3.46	177.00
LLCP VI	0.00	1,218.54	14,302.78	4,454.64	0.00	19,975.96
ArrowMark	2,229,587.84	691,236.98	7,624,760.21	2,520,627.59	275,397.54	13,341,610.16
NMP IV	(0.01)	(18,303.72)	(202,300.89)	(69,049.19)	(5,770.19)	(295,424.00)
IFM USIDF	(56,369.93)	(17,361.50)	(191,472.35)	(65,937.72)	(6,729.77)	(337,871.27)
BHEP III	(0.01)	(15,037.07)	(166,196.47)	(56,726.06)	(4,740.39)	(242,700.00)
	127,594,225.61	23,645,102.20	191,836,258.26	71,814,104.06	10,157,802.45	425,047,492.59
July 1, 2020	127,594,225.60	23,645,102.21	191,836,258.26	71,814,104.06	10,157,802.47	425,047,492.60
Daily Total	0.01	(0.01)	(0.00)	0.00	(0.02)	(0.01)
Unit Trades Realized Gain/Loss	0.00	0.00	0.00	0.00	0.00	0.00
Final	0.01	(0.01)	(0.00)	0.00	(0.02)	(0.01)

Figure 4: Screen shot of 7/1/2020 daily cash reconciliation worksheet. The Keyhaven Capital III automatic transaction is not included in this reconciliation because it was not included on the 7/1/2020 Unit Trades Detail report which means that this transaction has not yet been allocated across the systems by BNY accounting group on 7/1/20.

7. Closing balance is retrieved from the **Plan Percent Report** of the T-2 business day using the values in the base cost column for KRS Cash Unit (Pension) and KRS INS Cash Unit (Insurance).
8. Closing ending balance for T-1 is retrieved from the corresponding Plan Percent Report using the same column and units from step #7.
9. "Wires In" and "Wires Out" on the pension and insurance wire tabs are copied and pasted into the Daily Reconciliation Worksheet from the Unit Trade Details Worksheet for day T-1 from BNY Mellon.
10. All incoming and outgoing transactions on the pension and insurance strip tabs are copied and pasted into the Daily Reconciliation Worksheet from the Unit Trade Details Worksheet for day T-1 from BNY Mellon.
11. Realized loss/gain is calculated for day T-1 by finding the difference between base transaction amount and the base cost of system/fund specific cash account on the Unit Trades Worksheet. Realized Loss/Gain recorded during the middle of the month represents investment fees and interest being allocated across the plans.
12. The sum of all the above information should be zero, meaning that there is no discrepancy in what has been calculated verses what is being reported by BNY Mellon. If a difference is detected, the Investment Operations staff member assigned to this task on business day T will research the outage and may need to contact BNY Mellon Cash Management team for an explanation.

**Working Database Worksheets** are saved on the Office of Investments shared drive. This worksheet shows a running history of all capital calls, distributions and redemptions in the "Cash Flows" tab. This database was not tested in this audit because the same information is recorded elsewhere in the three other worksheets described above.

## **Section B: Capital call approvals**

Investment managers send capital call notifications to BNY Mellon Cash Management, KPPA Investment Operations, and Investment Portfolio Managers. BNY Mellon Cash Management team keys the total of the call in BNY Mellon Nexen system after Investment Operations emails the notice to the BNY Mellon Cash Management team to ensure receipt from the Limited Partnership (LP) was received.

- If the call is a LP manager, Investment Operations compares the capital call notification letter to the information in Nexen to ensure the total, fund (Pension or Insurance), Investment Manager name, and due date match.
  - If the capital call exceeds \$25,000,000, it will take two members of the Investment Operations team to approve.
- If the call is from a commingled fund, BNY Mellon Cash Management team keys and approves the capital call in Nexen.

Capital calls involving foreign currency need to be approved in Nexen exactly two days before the due date. All other calls are approved in Nexen as soon as they are available to be approved and the scheduled withdraw happens automatically on the assigned due date.

## **Section C: Affirming Repo procedures**

Investment Portfolio Managers send a Letters of Direction to Investment Operations staff to use when confirming that what was keyed in BNY Mellon Access system is correct. The fund (Pension/Insurance), total, trade date, maturity date, and interest due at maturity must match between the Letter of Direction and the trade in BNY Mellon Access. The Investment Operations staff member who approves the repo saves a screen shot of the match trade window to the day's folder on the Office of Investments shared drive. The Investment Operations staff member then replies to the repo email sent from the Investment Portfolio Manager with the receipt.

As of June 2021, the Investment Operations staff member who reviewed the daily cash following the steps in Section A of this report should not be affirming that day's repo unless necessary (e.g., staffing issues that day). Investment Operations staff review the Settled Cash Statement each day to ensure all cash transactions have settled.



**KPPA**

Kentucky Public Pensions Authority

**Plan Liquidity Phase 3 - Available Cash Balance/Cash  
Projection**

**Issued May 15, 2023**



## Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement System
4. KPPA Executive Management team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA CIO, KPPA Executive Director-Office of Legal Services, and KPPA Executive Director-Office of Benefits
5. KPPA Accounting – KPPA Division of Accounting
6. Investment Operations – KPPA Division of Accounting, Investment Operations branch

## Objective

The objectives of our Plan Liquidity Phase 3 - Available Cash Balance/Cash Projection audit were to ensure internal controls have been designed and are operating effectively and efficiently. We also ensured compliance with applicable state statutes and regulations as well as policies established by the CERS and KRS Boards and procedures developed by KPPA staff.

## Other Matters Noted

In addition to the recommendations included in our Plan Liquidity Phase 3 - Available Cash Balance/Cash Projection audit report dated May 15, 2023, we noted one recommendation that we wanted to communicate to management. This item will be reviewed during follow engagements and/or during the annual review of open recommendations.

1. **Investment Operations staff should review the various reconciliations that are being performed to determine if these reconciliations can be completed in a manner that avoids duplication of work as well as ensures discrepancies are caught immediately. Investment Operations staff should consider analyzing the reconciliation method utilized by audit staff during the engagement to determine if a similar method would be beneficial to the Investment Operations team.**

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Three initial reconciliations failed to detect the following errors. Compensating controls were in place that eventually caught these errors:

1. The distribution from Adams Street SPC II B1 settled for \$1 more than it should have at \$1,630,518 on June 11, 2021. Transaction ID is 4903599435701002-10. The discrepancy was noted in a second reconciliation on June 16, 2021.
2. Two capital calls from L-A VII settled correctly by total but were allocated across the plans incorrectly because the capital call was assigned to L-A VII B. The March 25, 2021, reconciliations for pension and insurance did not catch this error. The discrepancy was found by BNY Mellon staff and communicated on June 16, 2021.

There are three worksheets used in the various processes to monitor the cash accounts; however, each worksheet reviews the same type of information. Initial reconciliation procedures instruct the reader to copy and paste details from the Unit Trade's Detail report; however, the following actions are not required:

1. Wires in and out are not required to be compared to the source documents, which are emails from KPPA Accounting.
2. Transactions on the strip tabs are not required to be compared to the back-up documents. Inaccurate activity may go undetected and uncorrected.

This report is intended solely for use by the KPPA Board and KPPA Audit Committee; the CERS and KRS Boards; the Executive Management teams for KPPA, CERS, and KRS; and the Division of Accounting. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.



## KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road · Frankfort, Kentucky 40601  
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To: David Eager, KPPA Executive Director  
Rebecca Adkins, Deputy Executive Director  
Erin Surratt, Executive Director of Benefits  
Steve Willer, Executive Director, and Chief Investment Officer  
Mike Lamb, Chief Financial Officer  
John Chilton, KRS Chief Executive Officer  
Ed Owens, CERS Chief Executive Officer  
KRS Board of Trustees  
CERS Board of Trustees

From: Michael Board, Executive Director, Office of Legal Services

Date: April 4, 2023

Re: Implementation of 23 RS HB 587

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House Bill 587 was introduced in the House of Representatives on February 22, 2023, passed both the House and Senate, and was signed by the Governor on March 20, 2023. Per Section 55 of the Kentucky Constitution, HB 587 will become effective ninety (90) days after adjournment of the legislative session. Thus, HB 587 will become effective on June 28, 2023.

HB 587 amends KRS 61.505(8) in the following ways:

- a. The KPPA Board appoints or contracts for an internal auditor
  - i. Previously, as with all other employees of KPPA, the internal auditor was appointed by the KPPA Executive Director
- b. The KPPA Board sets the compensation and other terms of employment for the internal auditor
  - i. The internal auditor is not subject to KRS 18A or KRS 64.640
- c. The internal auditor reports directly to the KPPA Board
- d. The KPPA Board must conduct an annual performance evaluation of the internal auditor
- e. The internal auditor shall work cooperatively with the CEOs of KRS/CERS
- f. The internal auditor has the authority to appoint the employees under their direct supervision

As a result of the changes from this legislation, several things must happen. First and foremost, the CERS/KRS Joint Audit Committee will no longer exist, as the KPPA internal auditor will report directly to the KPPA Board. This will require amendments to the CERS and KRS By-laws to remove the language forming the Joint Audit Committee.

Second, the KPPA Board is faced with several tasks: they must appoint the internal auditor and set the compensation and terms of employment for the internal auditor. The terms of employment should include a position description. The KPPA Board is free to adopt the position description and compensation currently in place, making changes where necessary to reflect the removal of the internal auditor from the provision of KRS 18A, or they may adopt an entirely new position description and compensation. Adoption of a position description is important because the KPPA Board is required to perform an annual performance evaluation of the internal auditor.

The KPPA Board may choose to form an Audit Committee and delegate these tasks to that committee. The members of any KPPA Audit Committee must come from the eight (8) members of the KPPA Board. Forming a KPPA Audit Committee would require amending the KPPA By-laws. In creating the Audit Committee and amending the By-laws, the KPPA Board must decide the level of authority given to the Audit Committee: Are they able to act on behalf of the Board and then report their actions, or will their votes require ratification by the Board before action can be taken?

Once the KPPA Board has decided how it will carry out its responsibilities relating to internal audit, either the KPPA Board Chair or the Audit Committee Chair (if there is one) will be required to approve the internal auditor's timesheet on a weekly basis. This person will also be responsible for approving the internal auditor's leave requests, approving a flex schedule, determining if the internal auditor may work from home and, if so, on what days, and approving travel and/or ongoing educational opportunities. The most efficient and effective way to handle these approvals is for the KPPA Board or Audit Committee to delegate this limited authority to the KPPA Executive Director.

There are several action items that must be completed to fully implement this legislation. Due to the number of action items, the KPPA Office of Legal Services proposes the following timeline:

- I. April Annual Meetings
  - a. All Boards review this memo
  - b. The KPPA Board should make initial decisions regarding whether they want to create an Audit Committee and, if so, its membership, and what authority it will have
- II. Between April Annual Meetings and June Board meetings
  - a. Staff will draft proposed amendments to By-Laws and Charters, and create a proposed position description for the internal auditor
- III. June Board Meetings
  - a. KPPA needs to decide how the hiring/appointment of an internal auditor will happen
  - b. KPPA will approve a position description and set the compensation for the internal auditor or delegate this to the Audit Committee
  - c. KRS and KPPA will vote on the By-law amendments
  - d. CERS will have the 1<sup>st</sup> reading of the By-law amendments
    - i. It is not a problem if the CERS By-laws are not fully amended when this legislation becomes effective
  - e. KPPA will vote on the Audit Charters

- f. KPPA will schedule the first meeting of the Audit Committee

This is a lot of information to digest, and lot of work to accomplish. We should move through this process slowly while ensuring we accomplish every step. There are also several internal questions to be answered while implementing this legislation. Staff will continue to work through those as well. One example of these internal issues is defining a process for the internal auditor to request new positions. While the internal auditor has the authority to appoint the positions that report directly to them, those positions are still subject to KRS 18A and KRS 64.640 and must still fit within the KPPA employee cap and the KPPA administrative budget.

**KENTUCKY PUBLIC PENSIONS AUTHORITY  
STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION**

Effective ~~January 27, 2022~~ June 28, 2023

**Section 1.1 GENERAL ADMINISTRATION.**

This Statement of Bylaws and Committee Organization of the Kentucky Public Pensions Authority Board is adopted pursuant to the authority of KRS 61.505(3)(b). State and Federal law shall control any inconsistency that exists or may exist between the law and this Statement of Bylaws and Committee Organization.

**I. Definitions.**

1. KPPA: “The KPPA” refers to the Kentucky Public Pensions Authority.
2. KPPA member: “KPPA member” used in reference to the KPPA means the eight (8) members of the KPPA Board pursuant to Kentucky Revised Statutes 61.505(2).
3. KPPA Board: “KPPA Board” refers to the eight-member board tasked with administering and operating the KPPA in accordance with Kentucky Revised Statutes 61.505.
4. Committee member: “Committee member” or “member” used in relation to a Committee refers to a member of the KPPA Board serving on an *ad hoc* or Standing Committee.
5. Board Year: The Board Year shall be from April 1 of each calendar year through March 31 of the following year.
6. Bylaws: “Bylaws” refers to the Statement of Bylaws and Committee Organization.
6. Executive Director: “Executive Director” refers to the KPPA Executive Director, as outlined in KRS 61.505(8).
7. CEO: “CEO” refers to the Chief Executive Officer of the Kentucky Retirement Systems and/or the Chief Executive Officer of the County Employees Retirement System.
8. KRS: “KRS” refers to the Kentucky Revised Statutes.
9. Retirement Office: “Retirement Office” refers to the offices of the KPPA located at 1260 Louisville Road, Frankfort, Kentucky 40601.
10. Take action: “Take action” used in relation to the KPPA Board refers to a motion being made, seconded, and voted upon by the KPPA Board in compliance with Robert’s Rules of Order. [RONR (11<sup>th</sup> ed., as amended)].

**II. Quorum; Parliamentary Authority.**

1. KPPA Board quorum. As required by KRS 61.505(7)(c), a majority of the KPPA members shall constitute a quorum and all actions taken by the KPPA Board shall be by affirmative vote of a majority of the KPPA members present.

2. KPPA Committee quorum. A majority of the KPPA members on any *ad hoc or Standing* Committee shall constitute a quorum and all actions taken by the Committee shall be by affirmative vote of a majority of the Committee members present.

3. Parliamentary authority. The most recent edition of Robert's Rules of Order shall be the parliamentary authority. [RONR (11<sup>th</sup> ed., as amended)]

III. Meetings. Meetings of the KPPA Board and its Committees shall be conducted consistent with the Open Meetings Act, KRS 61.805 to 61.850. The Open Meetings Act shall control if any inconsistency exists between the Open Meetings Act and these Bylaws.

1. Annual Meeting. The annual meeting of the KPPA Board shall be held on the fourth (4<sup>th</sup>) Wednesday of April of each Board Year.

2. Regular Meetings. The Board shall determine and approve, on an annual basis in advance, no later than the preceding December Board meeting, the following years' regular Board and Standing Committee meeting schedule.

3. Special Meetings.

A. Special meetings of the KPPA Board shall be held upon the call of the Chair of the KPPA Board or the Executive Director.

B. Special meetings of an *ad hoc or Standing* Committee of the KPPA Board shall be held upon the call of the Committee Chair, Chair of the KPPA, or the Executive Director.

C. A KPPA member may request that the Executive Director, Chair of the KPPA Board (in the case of a special meeting of the KPPA), or Committee Chair (in the case of a special meeting of an *ad hoc or Standing* Committee) call a special meeting by email or other written means. Upon receipt of email or other written requests to call a special meeting from a majority of the KPPA members, the Executive Director, KPPA Board Chair, or Committee Chair shall call the requested special meeting.

4. Notice of Meetings.

- A. Regular Meetings. Notice of a regular meeting of the KPPA Board or Standing Committee shall be posted at least ten (10) days (inclusive of weekends and holidays) before the meeting is scheduled. The notice of a regular meeting shall include the date, time, and location of the meeting, and the agenda for the meeting. The agenda shall be determined under the direction of and approval by the Chair of the KPPA Board or the Chair of the Standing Committee. Changes or revisions to the agenda may be proposed by the Executive Director or a KPPA member, provided such proposed changes shall be delivered to the Chair for approval not less than ninety-six (96) hours before the meeting is scheduled and further provided that nothing in this sentence shall prevent a KPPA member from introducing new items of business during a regular meeting. Approved changes or revisions to the agenda shall be posted not less than seventy-two (72) hours before the meeting is scheduled.
- B. Special Meetings. When circumstances warrant a special meeting of the KPPA Board or of an *ad hoc* or Standing Committee, notice shall be posted as soon as reasonably possible, but not less than twenty-four (24) hours before the meeting is scheduled. The notice of a special meeting shall include the date, time, and location of the special meeting and the agenda for the meeting. Discussions and action at the meeting shall be limited to items listed on the agenda in the notice.
- 5. Change in Meeting Dates. Any regular or special meeting of the KPPA Board or Standing Committee may be changed by following the procedure prescribed in these Bylaws for calling special meetings.
- 6. Records of Proceedings. All official acts of the KPPA Board shall be recorded in the minutes of the regular or special meeting at which the action was approved or adopted. The Executive Director shall cause the minutes to be transcribed and presented for approval or amendment at the next regular meeting. An electronic copy (certified by the Chair and the Executive Director) shall be on file in the Retirement Office for public inspection and posted on the KPPA website. Electronic copies are maintained on the KPPA Website for KPPA Board and Committee actions. Copies that have been archived from the website are available on request.
- IV. Chair and Vice-Chair of the KPPA. The KPPA Board shall elect a Chair and a Vice-Chair at each annual meeting to hold office for the ensuing Board Year or until their successors are elected. The Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair (in combination) of the KPPA Board. The Vice-Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair (in combination) of the KPPA Board. A KPPA member who has served four (4) consecutive years as Chair or Vice-Chair of the KPPA Board may be elected Chair or Vice-Chair of the KPPA after an absence of two (2) years from both positions.

- V. **Committees.** *As specified in Sections 2.1 through 2.3 below, the ~~The~~ KPPA Board may create ad hoc or Standing Committees with such powers and duties as established by the KPPA Board. The Chair of the KPPA Board also has the authority to create an ad hoc Committee. The Chair of the KPPA Board, unless otherwise stipulated or determined by the KPPA Board, shall appoint the members of each ad hoc or Standing Committee, and such appointments shall be recorded in the minutes of the current or next-following regular KPPA Board meeting. The Chair shall also appoint a Chair for each ad hoc or Standing Committee and may appoint a Vice Chair for each ad hoc or Standing Committee, unless otherwise determined by the KPPA Board. Committee members, Committee Chair, and Committee Vice Chair, if applicable, shall serve concurrently with the appointing Chair.*
- VI. **Conflicts of Interest.**
1. KPPA members shall file a statement of financial disclosure with the Executive Branch Ethics Commission within thirty (30) days of taking office and provide a copy to the KPPA legal staff.
  2. KPPA members shall also file a statement of financial disclosure by April 15 of each calendar year, and within thirty (30) days following departure from office as a KPPA member, or as otherwise provided by law, with the Executive Branch Ethics Commission and provide a copy to the KPPA legal staff.
  3. KPPA members shall also file a written conflict of interest statement as required pursuant to the KPPA Conflict of Interest Policy.
- VII. **Confidentiality.** KPPA members shall file a written confidentiality statement as required by the KPPA Confidentiality Policy.
- VIII. **Travel Policy Guidelines.**
1. All travel for official business of KPPA must be done in accordance with the requirements of and be consistent with KRS Chapter 45A and the KPPA Per Diem and Reimbursement Policy.
  2. No more than three (3) KPPA members may be passengers in the same common carrier. A maximum of one (1) executive staff of the KPPA may be a passenger in the same common carrier.
  3. To avoid an accidental violation of Kentucky Open Meetings Laws, other than for scheduled meetings, no more than four (4) KPPA members may attend the same off-site conference, training, etc., at the same time. The Executive Director, or his or her designee, shall review KPPA member travel requests to coordinate attendance and avoid noncompliance with Kentucky Open Meetings Laws.
- IX. **Violations of KPPA Policies and Guidelines.** If a complaint is made that a KPPA member violated these Bylaws or any policy approved by the KPPA Board, the KPPA Board shall follow the procedure found in the KPPA Conflict of Interest and the KPPA Confidentiality Policies in investigating the complaint.

**Section 1.2 KPPA MEMBER REQUIREMENTS.**

- I. A vacancy on the KPPA Board shall be filled by the Kentucky Retirement Systems or the County Employees Retirement System, as appropriate, in the same manner provided for the selection of the particular KPPA member position in KRS 61.505(2).
- II. No person shall serve in more than one (1) position as a KPPA member and if a person holds more than one (1) position as a KPPA member, he or she shall resign a position.
- III. Membership on the KPPA Board shall not be incompatible with any other office unless a constitutional incompatibility exists.
- IV. An KPPA member shall be removed from office upon conviction of a felony or for a finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court of competent jurisdiction.
- V. KPPA members are expected to comply with the Trustee Education Policy of the Board of Trustees of the Kentucky Retirement Systems or the Trustee Education Policy of the County Employees Retirement System, as applicable. The Executive Director may schedule additional KPPA member education at any Annual Meeting or Regular Meeting of the KPPA Board. If a KPPA member fails to comply with the Trustee Education Policy of either the Board of Trustees of the Kentucky Retirement Systems or the Board of Trustees of the County Employees Retirement System (as applicable), or fails to attend additional KPPA member education scheduled by the Executive Director, then any reimbursement or per diem of the KPPA member shall not be paid until the KPPA member is in compliance with the applicable Trustee Education Policy or receives the additional KPPA member education.

**Section 1.3 KPPA BOARD RESPONSIBILITIES.**

- I. The KPPA Board shall make and maintain Bylaws.
- ~~II.~~ II. The KPPA Board shall appoint an Executive Director, ~~and~~ fix the Executive Director's salary, ~~and perform an annual evaluation of the Executive Director.~~
- ~~III.~~ III. ~~The KPPA Board shall appoint a Chief Auditor, fix the Chief Auditor's salary, and perform an annual evaluation of the Chief Auditor.~~
- ~~IV.~~ IV. The KPPA Board may act on contracts for rental of office space, and professional services, including, but not limited to, the auditor, legal counsel, medical examiners, and hearing officers, in accordance with the requirements of the Commonwealth of Kentucky Model Procurement Act (KRS Chapter 45A).
- ~~V.~~ V. The KPPA Board shall consider and take action on changes to administrative regulations proposed by the staff of the KPPA.
- ~~VI.~~ VI. The KPPA Board shall take action on the audited financial statements of the KPPA, which includes the Kentucky Retirement Systems and the County Employees Retirement System plans.
- ~~VII.~~ VII. The KPPA Board shall consider and take action on the recommendations of all of its Committees.

~~VII-VIII.~~ The KPPA Board shall receive reports from the joint KPPA Audit Committee ~~of the Kentucky Retirement Systems and the County Employees Retirement System,~~ and shall be responsible for ensuring that the recommendations of the joint KPPA Audit Committee are implemented.

~~VIII-IX.~~ The KPPA Board shall, in compliance with KRS Chapter 45A, issue a Request for Proposal and through KPPA staff select and contract with the actuary, who shall be a Fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries, pursuant to KRS 61.505(1)(e), KRS 61.645(2)(d), and KRS 78.782(2)(d) in order to allow the Kentucky Retirement Systems and the County Employees Retirement System to carry out their obligations in accordance with KRS 61.670 and KRS 78.784. The KPPA may also consult with the actuary as needed in accordance with KRS 61.505(12)(c)2.

~~IX-X.~~ The KPPA Board shall provide oversight concerning programs and services for Kentucky Retirement Systems' and County Employees Retirement System's members, beneficiaries, recipients, and participating employers.

~~X-XI.~~ The KPPA Board, and individual KPPA members, should ordinarily refer all news media inquiries to the Executive Director and/or the KPPA Board Chair, and should not speak on behalf of the KPPA with the news media. However, nothing in this subsection is intended to prevent individual KPPA members from speaking to the media concerning their actions, opinions, and decisions as individual KPPA members.

~~XI-XII.~~ The KPPA Board shall review and approve the KPPA biennial administrative budget and necessary budget amendments. The Executive Director (or designee) will schedule meetings, prepare budget documents and supporting schedules, and present them to KPPA members prior to the date of a meeting. The KPPA biennial administrative budget will include the budgets of the Kentucky Retirement Systems and the County Employees Retirement Systems.

**Section 1.4 EXECUTIVE DIRECTOR RESPONSIBILITIES.**

I. The Executive Director shall appoint all employees deemed necessary to transact the business of the KPPA, except for the employees who report directly to the KPPA Chief Auditor, The KPPA Executive Director ~~and~~ shall be responsible for oversight and implementation of agency-related human resources management, e.g., affirmative action and similar matters. All employees of the KPPA, except for the Executive Director, the Chief Auditor, the Executive Director of the Office of Investments, and the Deputy Executive Director of the Office of Investments shall be subject the state personnel system established pursuant to KRS 18A.005 to 18A.204 and shall have their salaries determined by the secretary of the Personnel Cabinet.

- II. The Executive Director shall seek appropriate input from the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System and the Investment Committee Chairs of the Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the County Employees Retirement System regarding the hiring, firing, and performance evaluations of the Executive Director of the Office of Investments. The Executive Director shall also have personnel authority over all employees of the Office of Investments. However, all Office of Investments employees, including the Executive Director of the Office of Investments, shall take direction on investment management and performance from the Investment Committees of the Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the County Employees Retirement System.
- III. The Executive Director will coordinate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to develop a biennial budget and necessary budget amendments for approval by the KPPA, and shall submit the budget to the Governor's office. The KPPA biennial administrative budget will include the budgets of the Kentucky Retirement Systems and the County Employees Retirement Systems. The Executive Director (or designee) shall present a budget-to-actual expenditure analysis to the KPPA at each regular quarterly meeting of the KPPA.
- IV. The Executive Director shall ensure that information and records management is comprehensive and efficient, and shall ensure that a disaster recovery plan, continuity of operations plan, and policies to ensure cyber-security are developed and maintained.
- V. The Executive Director shall develop recommendations for improvements and revisions of KPPA Board policies and submit such revisions for KPPA Board approval. The Executive Director shall ensure that approved policies are implemented in conformance with statutes, regulations, and relevant policies of the Kentucky Retirement Systems and the County Employees Retirement System.
- VI. The Executive Director shall collaborate with the KPPA Office of Legal Services to monitor litigation affecting the KPPA and the Kentucky Retirement Systems, and the County Employees Retirement System, jointly. The Executive Director shall report significant relevant developments to the KPPA Board. Litigation affecting only the Kentucky Retirement Systems or only the County Employees Retirement System shall not be reported to the KPPA.
- VII. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System in acting as legislative liaison, and represent the KPPA at legislative hearings and other legislative meetings. The Executive Director will review proposed legislation that is likely to affect the KPPA, the Kentucky Retirement Systems, and the County Employees Retirement System and advise the KPPA Board about pending legislation.

- VIII. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to provide technical assistance to the members of the General Assembly, the Governor's office, and state and local government officials.
- IX. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to recommend legislative or regulatory changes and propose draft language.
- X. The Executive Director shall implement any statutory or regulatory changes and take appropriate action to conform to state and federal law.
- XI. The Executive Director shall sign all documents necessary to promulgate or amend an administrative regulation on behalf of the KPPA in accordance with KRS 13A.220 and KRS 61.505(1)(f).
- XII. The Executive Director shall collaborate with the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System to communicate with the mass media and other agencies, entities, or institutions, including responding to correspondence or inquiries addressed to the KPPA.
- XIII. The Executive Director shall assist the CEOs of the Kentucky Retirement Systems and the County Employees Retirement System in coordinating reciprocal benefits with the other state administered retirement systems in Kentucky.
- XIV. In the case of emergency conditions that threaten the functioning of the KPPA, the Kentucky Retirement Systems, or the County Employees Retirement System; the preservation or protection Kentucky Retirement Systems' property or assets or the County Employees Retirement System's property or assets; vital data; or the health and safety of any person, and where a quorum of the KPPA Board is unavailable, the Executive Director may take actions necessary to prevent or mitigate the threat, even if a vote of the KPPA Board would otherwise be necessary to take such action. When a quorum of the KPPA Board becomes available, any such actions taken by the Executive Director shall be reviewed and ratified as necessary.
- XV. The Executive Director shall designate KPPA staff to act as the Records Custodian for the KPPA, the Kentucky Retirement Systems, and the County Employees Retirement System, and shall ensure compliance with Kentucky's Open Records Act, KRS 61.870, et seq.
- XVI. The Executive Director shall ensure that all Board and/or Committee meeting materials are distributed to Trustees at least one week in advance of the meeting to allow Trustees ample time to review documents.

**Section 1.5 CHIEF AUDITOR RESPONSIBILITIES**

- I. The Chief Auditor shall report directly to the KPPA Board in the performance of internal audit functions.
- II. The Chief Auditor shall appoint the employees who report directly to them.
- III. The Chief Auditor shall work cooperatively with the CEOs of the County Employees Retirement System and the Kentucky Retirement Systems.

IV. The remainder of the Chief Auditor's responsibilities are detailed in the Internal Audit Charter.

**Section 2.1 AD HOC COMMITTEES.**

The Chair or the KPPA Board may at any time establish an *ad hoc* Committee of the KPPA Board and fix its duties and responsibilities for any purpose which, in the judgment of the Chair or the KPPA Board, is served by an *ad hoc* Committee. The Chair shall appoint the members of each *ad hoc* Committee. Each *ad hoc* Committee shall consist of two (2) KPPA members who also serve on the Board of Trustees of the Kentucky Retirement Systems and two (2) KPPA members who also serve on the Board of Trustees of the County Employees Retirement System. The Chair shall also appoint a Chair for each *ad hoc* Committee and may appoint a Vice Chair, unless otherwise determined by the KPPA Board.

**Section 2.2 STANDING COMMITTEES**

The Board shall have the Standing Committees specified in Section 2.3, each of them to have the duties and responsibilities as therein set forth, together with such other duties and responsibilities as the Board may by resolution determine. In each Board Year, the Chair, elected at the annual meeting, shall appoint members to Committees as specified in Section 2.3, unless otherwise determined by the Board. Each Committee shall have a Chair and the Board Chair shall appoint the Chair of each Committee, unless otherwise determined by the Board. A Committee may (but is not required to) elect a Vice-Chair from among its committee members by a majority vote of the Committee, if one is not appointed by the Chair of the KPPA Board. A Vice-Chair so elected shall preside at meetings of the Committee in the absence or inability to act of the Committee Chair. Any member may attend any meeting of any Committee of which he or she is not a Committee member but shall not have a vote.

**Section 2.3 STANDING COMMITTEES; DUTIES AND RESPONSIBILITIES.**

The Standing Committees of the Board are, and shall have respective duties and responsibilities, as follows:

a. **Audit Committee.** The Audit Committee shall consist of four (4) members total, two (2) Trustees from the County Employees Retirement System Board and two (2) Trustees from the Kentucky Retirement Systems Board. The Audit Committee shall recommend actions to the KPPA Board in fulfilling its oversight responsibilities for the system of internal control, the internal and external audit processes, and the process for monitoring compliance with laws, regulations, and the code of conduct.

**1. Audit Committee Responsibilities.** The Audit Committee will meet quarterly, with authority to convene additional meetings, as circumstances require. The Audit Committee shall have the authority to review reports by the Chief Auditor and to recommend appropriate policies and procedures. Additional responsibilities are enumerated in the Audit Committee Charter

**2. Chief Auditor Responsibilities.** The KPPA Chief Auditor will be responsible for the planning, implementation, and reporting of audits and internal audit plans. The Chief Auditor will also be responsible for the functional control and audit activities in the relation to the objectives of the KPPA Division of Internal Audit.

Additional responsibilities are enumerated in the KPPA Division of Internal Audit Charter.

3. Audit Charters. The Audit Committee Charter and the KPPA Division of Internal Audit Charter are hereby incorporated by reference.

**Section 2.22.4 DELEGATIONS OF AUTHORITY BY THE KPPA BOARD.**

**Delegation of Authority.** Except as may be prohibited by or inconsistent with law, the KPPA Board may delegate to any *ad hoc* or *Standing* Committee of the KPPA any power, authority, duty, or responsibility conferred on the KPPA Board by law. In the case of any such delegation, the decision or action of the *ad hoc* or *Standing* Committee within the scope of its delegated authority shall constitute the decision or action of the KPPA Board and shall be reported to the KPPA Board at its next regularly scheduled meeting. The KPPA Board may at any time rescind the delegated authority as a whole or in part.

**Section 2.3-2.5 LIMITATIONS ON AUTHORITY.**

No *ad hoc* or *Standing* Committee shall have any power or authority, nor shall the KPPA Board delegate to itself, power or authority, as to any of the following:

- I. The amendment or repeal of any KPPA Board resolution.

Action on other matters committed by KPPA Board resolution or by Kentucky law (including the common law of trusts respecting the delegation or the non-delegation of fiduciary responsibilities) to the KPPA Board under terms or provisions that make such action non-delegable.

**Section 2.42.6 AMENDMENT OF BYLAWS.**

These Bylaws may be amended at any regular or special meeting of the KPPA Board by a vote of a majority of the entire membership of the KPPA Board.

**Section 3.0 LITIGATION DEFENSE FOR TRUSTEES AND EMPLOYEES OF KPPA, COUNTY EMPLOYEES RETIREMENT SYSTEMS AND KENTUCKY RETIREMENT SYSTEMS.**

The KPPA shall provide and pay for the defense of any current or former Board Member or employee of the KPPA, or trustee County Employees Retirement Systems and Kentucky Retirement Systems who is named in any action arising out of an act or omission occurring within the scope of the Trustee or employee's duty as a member or employee of one of those Boards and to pay any judgment, compromise or settlement of the action provided that the Trustee or employee notifies in writing the KPPA within 10 days of receipt of service. The KPPA shall not pay a judgement or settlement or may recover payments made on behalf of a Trustee or employee if it is determined through the course of litigation that the Trustee or employee: acted or failed to act because of malice, fraud or corruption; the actions are clearly outside the actual or apparent scope of the Trustee or employee's duties; the Trustee or employee willfully failed or refused to assist in the defense of the cause of action; or the Trustee or employee compromised or settled the claim without the approval

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of the KPPA. If the Trustee or employee obtains private counsel KRS 78.782 and KRS 61.645 shall apply.

**Section 4.0 CERTIFICATION OF STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION.**

We, the Chair of the Kentucky Public Pensions Authority Board and the Executive Director of the Kentucky Public Pensions Authority, do certify that this Statement of Bylaws and Committee Organization was approved and adopted by the KPPA Board on the ~~27<sup>th</sup>~~ <sup>28<sup>th</sup></sup> day of ~~January~~ <sup>June</sup>, ~~2022~~ <sup>2023</sup>.

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\_\_\_\_\_  
Keith Percy, Chair  
Kentucky Public Pensions Authority

\_\_\_\_\_  
Date

\_\_\_\_\_  
David L. Eager, Executive Director  
Kentucky Public Pensions Authority

\_\_\_\_\_  
Date

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# Kentucky Public Pensions Authority

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## Charter for the Audit Committee

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Throughout this Charter, the Kentucky Public Pensions Authority Board will be referred to as the Authority. When referring to the Kentucky Public Pensions Authority as an administrative organization, the acronym KPPA will be used.

### I. Charter

This Charter establishes the authority and responsibility of the Audit Committee of the Authority.

### II. Purpose

The purpose of the Audit Committee is to assist the Authority, the Chief Executive Officer (CEO) of both the County Employees Retirement System (CERS) and the Kentucky Retirement Systems (KRS), and the KPPA Executive Director in fulfilling their oversight responsibilities for the:

1. System of internal controls,
2. Internal and external audit processes, and
3. Process for monitoring compliance with laws and regulations and the code of conduct as described in the appropriate entity bylaws.

As defined by the Institute of Internal Auditors, internal auditing is *an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The goal of internal auditing is to help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.*

Consistent with this definition, internal auditing within KPPA can be defined as the *independent appraisal of the various operations and systems of control within KPPA, CERS, and KRS to determine whether acceptable policies and procedures are followed, legislative requirements and established standards are met, resources are used efficiently and economically, planned missions are accomplished effectively, and the objectives of KPPA, CERS, and KRS are being achieved.*

### III. Statutory Authorization

Kentucky Revised Statutes 61.505 outlines specific responsibilities of the Authority in relation to the Chief Auditor. The Authority has granted power to the Audit Committee to perform the following actions. The Authority may at any time rescind this power as a whole or in part. All recommendations or actions of the Audit Committee must be ratified by the Authority:

1. Recommend an appointment or contract for the services of a Chief Auditor or recommend the termination of services for the Chief Auditor.
2. Recommend the compensation and other terms of employment for the Chief Auditor without limitation of the provision of Kentucky Revised Statutes chapters 18A, 45A, and 64.640.
3. Work with the Chief Auditor concerning the staffing and organizational structure of the Division of Internal Audit.
4. On an annual basis, work with the Authority Chair on a performance evaluation of the Chief Auditor.
5. At least quarterly, report Audit Committee activities, issues, and related recommendations to the Authority for ratification.

## IV. Composition

The Audit Committee will consist of four (4) Authority members – two CERS members and two KRS members appointed annually by the Chair of the Authority. The Authority Chair will also name the Chair of the Audit Committee. The Chair of the Authority may appoint a Vice Chair, or the members of the Audit Committee may elect a Vice Chair (note, the position of Vice Chair is not required to be filled). The Chair of the Audit Committee will rotate annually between a CERS and KRS member. A quorum to conduct business is satisfied if a majority of the Audit Committee members are present.

Each Audit Committee member will be independent and free of conflicts of interest with respect to the projects under the scope of the Audit Committee. For the purposes of the Audit Committee, independent shall mean those individuals who do not report directly to KPPA, CERS, or KRS management and those persons who are not directly responsible for the day-to-day operations of KPPA, CERS or KRS.

At least one member of the Audit Committee will be designated as the “financial expert.”<sup>1</sup> A financial expert is an individual who possesses, among other attributes:

1. An understanding of financial statement preparation and generally accepted accounting principles (GAAP) and, in this case, the accounting standards issued by the Governmental Accounting Standards Board (GASB).
2. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves.
3. Experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth, depth, and level of complexity of accounting issues that can reasonably be expected to be raised by the government entity’s financial statements or experience actively supervising one or more persons engaged in such activities.
4. An understanding of internal control and the procedures for financial reporting.
5. An understanding of audit committee functions.

## V. Meetings

Audit Committee meetings must comply with Kentucky’s Open Meetings Act contained in Kentucky Revised Statutes Chapter 61.800, et seq. The Audit Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All Audit Committee members and the Chief Auditor are expected to attend each meeting. The Audit Committee will invite KPPA, CERS, and KRS staff; internal and external auditors; or others to attend meetings and provide pertinent information, as deemed necessary. The Audit Committee may conduct closed sessions when legally authorized under Kentucky’s Open Meetings Act. In advance of each regular or special called meeting, the meeting agenda and appropriate briefing materials will be provided to members of the Audit Committee. KPPA staff will strive to have the meeting materials available to the Audit Committee members at least one week prior to the meeting date. Minutes will be prepared and approved by the Audit Committee. Agendas are posted to the KPPA website in compliance with Kentucky’s Open Meetings Act<sup>2</sup>.

<sup>1</sup> See Sarbanes-Oxley Act of 2002 § 407.

<sup>2</sup> See [Kentucky Open Meetings Act](#)

## VI. Scope of Responsibilities

In order to fulfill the responsibilities delegated to it by the Authority, the Audit Committee is responsible for the following activities:

### Internal Controls and Compliance

1. Evaluate the effectiveness of the internal controls system, including information technology security and control.
2. Evaluate the effectiveness of the system used to monitor compliance with laws and regulation as well as policies and procedures.
3. Evaluate the effectiveness of the system used to monitor noncompliance with the Commonwealth of Kentucky Executive Branch Code of Ethics<sup>3</sup> and/or Authority bylaws as well as evaluate the process in which the code of conduct and bylaws are communicated to personnel.
4. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibility.
5. Evaluate the results of investigations and follow-up (including disciplinary action) on any instances of noncompliance.
6. At least quarterly, obtain updates from management and legal counsel regarding compliance matters.
7. Seek and obtain any necessary information from person(s) employed by KPPA, CERS, or KRS (all of whom are directed to cooperate with the Audit Committee's requests) or external parties.

### Internal Audit

1. Evaluate the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
2. Ensure there are no unjustified restrictions or limitations placed on Chief Auditor or the Division of Internal Audit in relation to the completion of audit projects.
3. Address any disagreements between KPPA, CERS, KRS, and the Chief Auditor regarding internal audit issues.
4. Accept KPPA management's responses submitted to internal audits.
5. Ensure recommendations from the Division of Internal Audit are closed in a reasonable time. Recommendations are generally closed for, but not limited to, one of the following reasons – recommendation implemented, recommendation no longer applicable, or KPPA management accepts risk and recommendation will not be implemented.
6. Evaluate and confirm the independence of the Chief Auditor and Division of Internal Audit staff by obtaining independence statements from all staff. Work with the Chief Auditor to resolve any actual or perceived conflicts.
7. On an annual basis, review and approve the Charter for the Division of Internal Audit, the Audit Plan, and the Internal Audit Budget. The Chief Auditor may request updates to the Audit Plan subject to the procedures outlined in the Charter for the Division of Internal Audit.
8. At least quarterly, meet with the Chief Auditor, including closed session discussions (if necessary), pursuant to Kentucky's Open Meeting Act in Kentucky Revised Statutes Chapter 61.800, et seq.

### External Audit

1. Oversee the work of any registered Certified Public Accounting (CPA) firm employed by KPPA for the Annual Comprehensive Financial Report and other financial/control or fraud audits.
2. Understand the scope of external auditors' review of internal controls over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.

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<sup>3</sup> [Kentucky Revised Statutes - Chapter 11A](#)

3. Pre-approve the scope of all financial audit and non-financial audit services provided by external auditors, including coordination of audit effort with the Division of Internal Audit.
4. Review the findings of any examinations by regulatory agencies and any auditor observations.
5. Evaluate the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
6. Address any disagreements between KPPA, CERS, KRS, and the external auditor regarding financial reporting.
7. Receive communications from external auditors that are required by the AICPA Standards to be received by “Governing Boards.”
8. Ensure recommendations from external auditors are closed in a reasonable time. Recommendations are generally closed for, but not limited to, one of the following reasons – recommendation implemented, recommendation no longer applicable, or KPPA management accepts risk and recommendation will not be implemented.
9. Evaluate and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the external auditors and KPPA, CERS, and KRS, including non-audit services. Discuss any identified relationships with the external auditors.
10. If necessary, meet with the external auditors, including closed session discussions, pursuant to Kentucky’s Open Meeting Act in Kentucky Revised Statutes Chapter 61.800, et seq.

**Reporting**

1. Upon request, report Audit Committee activities, issues, and related recommendations to the CERS and KRS Boards of Trustees for informational purposes.
2. Review any other reports issued by the KPPA management that relate to the responsibilities of the Audit Committee.

**Other**

1. At least annually, review and assess the adequacy of the Charter for the Audit Committee.
2. At least annually, confirm that all responsibilities outlined in this Charter have been completed.
3. At least annually, evaluate the Audit Committee's and individual members' performance.
4. Facilitate open channels of communication between the Chief Auditor, the Division of Internal Audit, external auditors, the Authority, CERS, KRS, and KPPA management.
5. At each meeting, approve any unapproved minutes from prior Audit Committee meetings.
6. Meet with the CEOs of the CERS and KRS, KPPA management, Chief Auditor, external auditors, outside counsel, or others as necessary.
7. Perform other activities related to this Charter as requested by the Authority.

**VII. Responsibilities of Other Parties**

1. The auditors (internal and external) are responsible for planning and conducting audits.
2. The Authority is responsible for ratifying recommendations and actions taken by the Audit Committee.
3. KPPA management is responsible for ensuring internal and external audit recommendations are closed in a timely manner. Recommendations are generally closed for, but not limited to, one of the following reasons – recommendation implemented, recommendation no longer applicable, or KPPA management accepts risk and recommendation will not be implemented.
4. KPPA staff is responsible for the selection and hiring of the external auditor. The Chief Auditor shall be a part of the team that reviews bids for the external audit contract by serving on the evaluation team as a Technical Advisor.
5. KPPA management is responsible for preparing and fairly presenting the financial statements in accordance with GAAP for governmental entities as issued by GASB, maintaining effective

internal control over financial reporting, and ensuring compliance with applicable laws, regulations, and other requirements.

6. The CERS and KRS Boards of Trustees are responsible for the overview and acceptance of the Annual Comprehensive Financial Report(s).
7. The Authority is responsible for final approval and publishing of the Annual Comprehensive Financial Report(s).

### VIII. Approvals

We, the undersigned, do certify that this Charter was approved on the 28<sup>th</sup> day of June 2023.

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Audit Committee Chair

Date

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Board Chair

Kentucky Public Pensions Authority

Date

History:      Initial Approval Date: June 28, 2023  
                 Amended:



## Worksheet - POSITION DESCRIPTION - Worksheet



This is NOT an official Personnel Cabinet Position Description form. ONLY a medium to provide the Position Description information to the agency contact with access to the official Personnel Cabinet's Position Description form in KHRIS.

Org Unit ID:	10200764	Position:	
Job Number:		Job Title:	Chief Auditor
Position Title:	Chief Auditor		
Org Unit Title:	Division of Internal Audit		
<input type="checkbox"/> Is Chief of Org Unit?			
Personnel Area:	(0001) Executive	Personnel SubArea:	(1000) FT Exempt
Employee Group:	G- Pers Srv Ctr-No BN	Employee SubGroup:	C Salary 37.5
Pay Grade Type:	Salaried 37.5 Hrs	Pay Grade Area:	
Grade:	00	Level (if applicable):	
<input type="checkbox"/> Unclassified?			
If unclassified, provide Working Title:		Chief Auditor	
<input type="checkbox"/> Included in CAP		<input type="checkbox"/> Not Included in Cap	
Work County:	FRANKLIN		
Function Group:	Kentucky Public Pensions Authority		
Time Approver:			
Cost Center:	3110000000		
Supervisor Pos No:			
Order Number:			
WBS Element:			
Functional Area:			
Remarks:			
Statement of Duties (Briefly state the main function of this position):			
<p>The Chief Auditor of the Kentucky Public Pensions Authority Board (Authority) shall assist the Authority in fulfilling their fiduciary duties. The Chief Auditor shall institute a systematic, disciplined approach to evaluate the effectiveness of internal controls of the Authority's governance structure. Work shall be performed in accordance with the Division of Internal Audit Charter and with guidance established by the Institute of Internal Auditors.</p>			
List up to (7) primary tasks and duties performed by this position. Begin with the most important duty. Enter the % assigned for each task or duty. Total percentage for all entered tasks must be 100%.			

KPPA Board Meeting - Implementation of HB 587

Task 1:	In conjunction with the Audit Committee, and KPPA staff, develop and maintain annual risk assessment and audit plan. Prepare reports containing observations and recommendations. Present reports to Audit Committee, the Authority, and KPPA management. As needed, present reports to the CERS and KRS Boards or their Committees (e.g. Investment Committees). Prepare materials for Audit Committee meetings. Supervises and directs internal audit staff. Review, correct, and comment on staff work scopes, plans, work papers, and reports.	45	%
Task 2:	Participate in meetings (Board, Committee, or agency) involving creation of policies, procedures, or other matters relating to the overall operations of the Authority to ensure effective management of financial resources and to ensure operations are within statutes, regulations, and Authority policies. Participate on working groups formed to investigate fraud, waste, or abuse at KPPA.	20	%
Task 3:	Maintain employee records. Approve leave, overtime requests, and timesheets. Provide development, coaching and feedback to staff including time management and attendance. Ensure completion of performance evaluations. Recommend personnel actions.	10	%
Task 4:	Serves as first level support for audit software utilized by Division of Internal Audit. This includes training new employees on how to use the program. Create standard work paper templates to be utilized by staff and ensure the most recent templates are available in audit software program.	10	%
Task 5:	Ensure proper staffing of the Division of Internal Audit. Ensure all internal audit staff receive required number of annual training hours.	5	%
Task 6:	Liaise with external auditors in order to ensure that both the external and internal audit functions accomplish the goal of working solely in the interest of the beneficiaries and participants of the County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System.	5	%
Task 7:	Performs other duties as assigned.	5	%
Total Percentage:		100	%
The supervisor must certify that the information listed is, to the best of his/her knowledge, complete and accurate, and if the position is filled the employee has reviewed the information contained herein.			
Supervisor ID (who certifies that the above statement is true):			
Supervisor Name:			
Does the incumbent of this position conduct performance appraisals on subordinate employees?		[ YES	[ NO
If yes, list <u>ALL</u> Job Title(s) and Position Number(s) supervised:			
Internal Auditor - 31150866			
Auditor I - 31135540			
Auditor II - 31125885			
Retirement Investment Specialist II - 31121830			

Does the incumbent of this position supervise employees, inmates, interim employees, ect. Which do not require the completion of a performance appraisal?	YES	NO
If yes, list <u>ALL</u> employees supervised and indicate the relationship to incumbent.		
Are there any essential functions of this position that require an incumbent to: (Select check box(es) to indicate as 'YES')		
Maintain a valid driver's license? May be required to carry and/or use a Firearm? Lift heavy objects or work in uncomfortable positions for extended periods of time? Be exposed to dangerous working conditions including rough terrain? Frequently communicate in person or by other means of technology? Spends a major portion of time using a computer? Be exposed to contagious disease? Work overtime or alternate work schedules?		
Additional Information:		
Travel may be required.		
<b>Submission/Responsibility</b>		

In accordance with 101 KAR 2:020 Section 4, I certify that these duties and tasks and all other information contained herein are true and accurate. I understand that submitting false information can lead to disciplinary action, up to and including dismissal.

Supervisor responsible for this position:

Printed Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date \_\_\_\_\_

Printed Title: \_\_\_\_\_

[Electronic signatures are equivalent to written signatures, pursuant to KRS 369.118]

**TO BE COMPLETED/FILLED-IN AFTER PROCESSING:**

Date Entered: \_\_\_\_\_

Entered By: \_\_\_\_\_

Comments: \_\_\_\_\_

\_\_\_\_\_

PC/DHRA/DEM/CC

Revised: February 2020

## MEMORANDUM

TO: Board of the Kentucky Public Pensions Authority (“Board”)

FROM: Carrie Bass, Staff Attorney Supervisor, Non-Advocacy Division, Office of Legal Services  
Jillian Hall, Staff Attorney, Non-Advocacy Division, Office of Legal Services  
Jessica Beaubien, Policy Specialist, Non-Advocacy Division, Office of Legal Services

DATE: June 28, 2023

RE: Board approval and authorization of staff to file new administrative regulation, 105 KAR 1:457, In-Line-of-Duty Survivor Benefits, with the Office of the Regulations Compiler at the Legislative Research Commission (“Regulations Compiler”)

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### **Purpose of amended administrative regulation:**

Kentucky Revised Statutes 61.505(1)(g) authorizes the Board to promulgate and amend administrative regulations “on behalf of the Kentucky Retirement Systems and the County Employees Retirement System, individually or collectively” as long as the regulations are consistent with the provisions of Kentucky Revised Statutes 16.505 to 16.652, 61.510 to 61.705, 78.510 to 78.852, and 61.505. 105 KAR 1:457, In-Line-of-Duty Survivor Benefits, is consistent with these provisions of the Kentucky Revised Statutes.

Definitions for commonly used language found in this administrative regulation can be found in 105 KAR 1:001, Definitions for KAR Title 105, which shall be in effect prior to 105 KAR 1:457; therefore, definitions contained within shall be applicable.

KRS 16.601 and 78.5534 establish survivor benefits for certain eligible beneficiaries in the event of a hazardous position employee’s death resulting from an act in-line-of-duty. This administrative regulation establishes the procedures for filing and administering an application for in-line-of-duty survivor benefits, and the appeal procedures if denied.

Finally, this new administrative regulation incorporates the following forms:

- Form 6010, Estimated Retirement Allowance, that provides eligible beneficiaries with his or her estimated retirement allowance payment options from which he or she must elect prior to receiving benefits.
- Form 6025, Direct Rollover/Direct Payment Election Form for a Member, beneficiary, or Alternate Payee Regarding an Eligible Rollover Distribution, used to elect direct rollover or direct payment when an eligible beneficiary elects a benefit option that includes the one-time payment of \$10,000.
- Form 6110, Affidavit of Authorization to Receive Funds on Behalf of Minor, used by the parent or guardian of an eligible beneficiary who is under the age of eighteen (18) that allows the parent or guardian to receive funds for the eligible beneficiary.
- Form 6130, Authorization for Deposit of Retirement Payment to authorize direct deposit of his or her benefits to a financial institution.
- Form 6135, Request for Payment by Check, used to receive payment of benefits by check.
- Form 6458, Designation of Dependent Child for In Line of Duty/Duty-Related, that must be completed by the eligible beneficiary, or his or her parent or guardian, to attest that the dependent child identified is in fact a dependent child prior to receiving any payment of benefits.

- Form 6800, Application for Duty Related/In Line of Duty Survivor Benefits, is completed by the deceased member's employer to certify the date, time, location, and description of the incident that is used to determine eligibility of in-line-of-duty survivor benefits.
- Form 6810, Certification of Beneficiary, is completed by eligible beneficiaries to certify his or her eligibility as a beneficiary.
- Form 8030, Employer Job Description, is completed by the employer to provide KPPA with details of the deceased member's job duties and requirements used to determine eligibility for benefits.

105 KAR 1:457 was presented to the Ad Hoc Regulations Committee for the Board on June 13, 2023. The Committee approved sending to the full Board for approval upon edits to Section 6 and Section (7)(3)(a), which have been completed.

**Staff Recommendation:**

The Office of Legal Services requests that the Board review the attached materials and authorize 105 KAR 1:457, In-Line-of-Duty Survivor Benefits, to be filed with the Regulations Compiler.

**List of attached materials:**

1. 105 KAR 1:457, In-Line-of-Duty Survivor Benefits;
2. Form 6010, "Estimated Retirement Allowance";
3. Form 6025, "Direct Rollover/Direct Payment Election Form for a Member, beneficiary, or Alternate Payee Regarding an Eligible Rollover Distribution";
4. Form 6110, "Affidavit of Authorization to Receive Funds on Behalf of Minor";
5. Form 6130, "Authorization for Deposit of Retirement Payment";
6. Form 6135, "Request for Payment by Check";
7. Form 6458, "Designation of Dependent Child for In Line of Duty/Duty-Related";
8. Form 6800, "Application for Duty Related/In Line of Duty Survivor Benefits";
9. Form 6810, "Certification of Beneficiary"; and
10. Form 8030, "Employer Job Description".

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (New Administrative Regulation)

4 105 KAR 1:457. In-Line-of-Duty Survivor Benefits.

5 RELATES TO: KRS 13B.010-13B.170, 16.578, 16.601, 61.505, 61.615, 61.640,  
6 61.665, 61.691, 78.545, 78.5518, 78.5528, 78.5532, 78.5534

7 STATUTORY AUTHORITY: KRS 61.505(1)(g)

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.505(1)(g) authorizes the  
9 Kentucky Public Pensions Authority to promulgate administrative regulations on behalf of  
10 the Kentucky Retirement Systems and the County Employees Retirement System that  
11 are consistent with KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. KRS  
12 16.601 and 78.5534 establish survivor benefits for certain eligible beneficiaries in the  
13 event of a hazardous position employee's death resulting from an act in-line-of-duty. This  
14 administrative regulation establishes the procedures for filing and administering an  
15 application for in-line-of-duty survivor benefits, and the appeal procedures if denied.

16 Section 1. Definitions.

17 (1) "Contingent eligible beneficiary" means a person that meets the requirements to  
18 be an eligible beneficiary, except that he or she is superseded by a different eligible  
19 beneficiary.

1 (2) "Eligible beneficiary" means a person who meets the eligibility qualifications for in-  
2 line-of-duty survivor benefits as provided by KRS 16.601(1)-(3) and 78.5534(1)-(3).

3 (3) "Submit" means the required form, documentation, report, or payment has been  
4 received by the retirement office via mail, fax, electronic mail, the Employer Self Service  
5 Website, or other mode specifically detailed in this administrative regulation.

6 Section 2. Use of Third-party Vendors.

7 (1) The agency may contract with third-party vendors to act on its behalf throughout  
8 the in-line-of-duty survivor benefit application and review process.

9 (2) The agency may utilize independent, licensed physicians provided by third-party  
10 vendors to serve as medical examiners pursuant to KRS 61.665 and 78.545. Third-party  
11 vendors may provide additional persons to fulfill non-physician roles throughout the in-  
12 line-of-duty survivor benefit application process.

13 (3) Third-party vendors may act on behalf of the agency and the systems with all the  
14 rights and responsibilities therein.

15 Section 3. Requesting in-line-of-duty survivor benefits.

16 (1)(a) In-line-of-duty survivor benefits pursuant to KRS 16.601 and 78.5534 may be  
17 requested for an eligible beneficiary by filing a written request that shall include:

- 18 1. Member's name and date of birth or other identifying number;
- 19 2. Member's date of death;
- 20 3. Employer's name and circumstance surrounding the member's death; and
- 21 4. Name, relationship, and contact information for the person making the request.

22 (b) If the agency becomes aware of a hazardous position employee's death potentially  
23 resulting from an act in-line-of-duty, the agency or the agency's third-party vendor may

1 notify an eligible beneficiary, or his or her parent or legal guardian, of his or her ability to  
2 file a written request for in-line-of-duty survivor benefits.

3 (2) If the agency becomes aware of a hazardous position employee's death potentially  
4 resulting from an act in-line-of-duty, the agency or the agency's third-party vendor shall  
5 notify the member's employer of the following requirements that shall be completed and  
6 submitted to the agency or the agency's third-party vendor:

7 (a) A copy of the deceased member's death certificate;

8 (b) The employer's death investigation report;

9 (c) A detailed position description or a valid Form 8030, Employer Job Description;

10 and

11 (d) A valid Form 6800, Application for Duty Related/In-Line-of-Duty Survivor Benefits,  
12 certified by the deceased member's immediate supervisor and agency head.

13 (3) If requested by the agency or the agency's third-party vendor, the eligible  
14 beneficiary or his or her parent or legal guardian, or the employer, shall respectively file  
15 or submit any additional information including additional medical information, autopsy or  
16 other medical records, information about the member's job duties and accommodations,  
17 documentation relating to Workers' Compensation claims, and police or other crime  
18 reports.

19 Section 4. Determining eligibility for in-line-of-duty survivor benefits.

20 (1) Once all forms and documentation required by Section 3 of this administrative  
21 regulation are on file, the agency or the agency's third-party vendor shall evaluate and  
22 make a determination regarding in-line-of-duty survivor benefits pursuant to KRS 16.601

1 and 78.5534. The agency or the agency's third-party vendor shall notify the eligible  
2 beneficiary, or his or her parent or legal guardian, of the findings.

3 (2) If in-line-of-duty survivor benefits are approved, the eligible beneficiary, or his or  
4 her parent or legal guardian, shall complete all requirements in Sections (6)-(8) of this  
5 administrative regulation prior to any benefits beginning.

6 (3)(a) If in-line-of-duty survivor benefits are denied, the eligible beneficiary, or his or  
7 her parent or legal guardian, shall have until the end of day one hundred eighty (180)  
8 calendar days from the date the notice of denial is mailed to complete one of the following:

9 1. Submit additional supporting information in accordance with Section 5 of this  
10 administrative regulation; or

11 2. Request a formal hearing to appeal the decision in accordance with Section 10 of  
12 this administrative regulation.

13 (b) Denial of in-line-of-duty survivor benefits shall not affect any other benefits to which  
14 an eligible beneficiary may be entitled.

15 Section 5. Additional supporting information after denial.

16 (1) If the eligible beneficiary, or his or her parent or legal guardian, files additional  
17 supporting information including additional medical information, autopsy or other medical  
18 records, information about the member's job duties and accommodations, documentation  
19 relating to Workers' Compensation claims, police or other crime reports, or other required  
20 documentation by the end of day one hundred eighty (180) calendar days from the date  
21 of a denial of in-line-of-duty survivor benefits, the agency or the agency's third-party  
22 vendor shall review and evaluate the additional supporting information.

1 (2) Once the agency or the agency's third-party vendor completes the evaluation of  
2 the additional supporting information provided in accordance with subsection (1) of this  
3 section, the agency or the agency's third-party vendor shall make a determination and  
4 notify the eligible beneficiary of the findings.

5 (a) If the application for in-line-of-duty survivor benefits is approved, the eligible  
6 beneficiary, or his or her parent or legal guardian, shall complete all requirements in  
7 Sections (6)-(8) of this administrative regulation prior to any benefits beginning.

8 (b) If the findings indicate the additional supporting information filed failed to provide  
9 enough evidence to approve in-line-of-duty survivor benefits, the in-line-of-duty survivor  
10 benefits shall be denied, and the eligible beneficiary, or his or her parent or legal guardian,  
11 shall have one hundred eighty (180) calendar days from the date the notification of denial  
12 is mailed to request a formal hearing to appeal the findings in accordance with Section  
13 10 of this administrative regulation.

14 Section 6. Election of benefits.

15 (1) An eligible beneficiary who has been approved for in-line-of-duty survivor benefits  
16 in accordance with Section 4 or 5 of this administrative regulation shall have the option to  
17 select either in-line-of-duty survivor benefits pursuant to KRS 16.601(1)-(3) and  
18 78.5534(1)-(3) or any other type of benefit under the provisions of KRS 16.505-16.582  
19 and 78.510-78.852.

20 (2) If the deceased member's accumulated account balance has been withdrawn by  
21 his or her beneficiary pursuant to KRS 16.578, 61.592(4), and 78.5532, no beneficiary  
22 shall be eligible for in-line-of-duty survivor benefits.

1 (3) While an application for in-line-of-duty survivor benefits is pending, but not  
2 approved, a potential eligible beneficiary may elect to receive benefits under KRS  
3 16.578(2)(a) or (b), 61.592(4), or 78.5532(2)(a) or (b). If the potential eligible beneficiary  
4 is approved for in-line-of-duty survivor benefits, the agency shall determine what is owed  
5 to the eligible beneficiary in accordance with KRS 16.601(6) and 78.5534(6).

6 Section 7. Requirements to receive in-line-of-duty survivor benefits.

7 (1) The agency shall provide the eligible beneficiary, or his or her parent or legal  
8 guardian, with a Form 6810, Certification of Beneficiary. The eligible beneficiary, or his or  
9 her parent or legal guardian, shall complete and file a valid Form 6810.

10 (2) The agency shall provide the eligible beneficiary, or his or her parent or legal  
11 guardian, the monthly payment options available on the Form 6010, Estimated  
12 Retirement Allowance. The eligible beneficiary, or his or her parent or legal guardian,  
13 shall complete and file a valid Form 6010.

14 (3)(a) If the eligible beneficiary, or his or her parent or legal guardian, elects the in-  
15 line-of-duty survivor benefit option that includes the one-time payment of \$10,000, the  
16 eligible beneficiary, or his or her parent or legal guardian, shall be given the option to  
17 receive the payment as either a direct rollover or as a direct payment. The eligible  
18 beneficiary, or his or her parent or guardian, shall complete and file a valid Form 6025,  
19 Direct Rollover/Direct Payment Election Form for a Member, or a Spouse Beneficiary of  
20 an Eligible Rollover Distribution, indicating the payment option elected.

21 (b) If the eligible beneficiary, or his or her parent or legal guardian, intends to have the  
22 funds rolled over directly into an IRA or other qualified plan, the eligible beneficiary, or his  
23 or her parent or legal guardian, shall have the trustee or institution relevant to the IRA or

1 other qualified plan complete the applicable section of the Form 6025 certifying that the  
2 rollover will be accepted.

3 (4) If an eligible beneficiary is a spouse, he or she shall file the following documents:

4 (a) A copy of his or her certificate of marriage to the member; and

5 (b) Proof of his or her date of birth by filing one of the following:

6 1. Age record of the Social Security Administration;

7 2. Immigration and naturalization service records;

8 3. Birth certificate;

9 4. Military discharge;

10 5. U.S. passport:

11 6. Driver's license issued by the Commonwealth of Kentucky; or

12 7. Other reliable proof of date of birth that may be used by the courts to verify date of  
13 birth.

14 (5) If an eligible beneficiary is a dependent child, each dependent child, or his or her  
15 parent or legal guardian, shall file the following documents:

16 (a) A valid Form 6458, Designation of Dependent Child for In Line of Duty/Duty-  
17 Related;

18 (b) If a dependent child is under the age of eighteen (18), a valid Form 6110, Affidavit  
19 of Authorization to Receive Funds on Behalf of Minor. If the dependent child has a court  
20 appointed guardian or conservator and the court appointed guardian or conservator  
21 completed the Form 6110, the guardian or conservator shall file a copy of the court order  
22 appointing the guardian or conservator.

1 (c) If the dependent child is age eighteen (18) or over and a full-time student,  
2 verification of full-time student status;

3 (d) If the dependent child is age eighteen (18) or over and receives federal Social  
4 Security disability benefits, a copy of the most recent statement issued by the Social  
5 Security Administration indicating the dependent child is disabled; or if the dependent  
6 child is being claimed as a qualifying child for tax purposes due to the dependent child's  
7 total and permanent disability, a copy of the deceased member's most recent tax return  
8 showing the dependent child was totally and permanently disabled for tax purposes, or  
9 duly appointed order of the court specifying the dependent child is a disabled dependent  
10 child of the deceased member; and

11 (e)1. A copy of the dependent child's birth certificate; or

12 2. A final order or decree of adoption which shall include his or her date of birth or  
13 other reliable proof of date of birth that may be used by the courts to verify date of birth.

14 (6) If an eligible beneficiary is a dependent as provided by KRS 16.601(3) and  
15 78.5534(3), each dependent, or each dependent's parent or legal guardian, shall file the  
16 following:

17 (a) A copy of the deceased member's most recent tax return showing the dependent  
18 was the deceased member's qualifying dependent for tax purposes, or duly appointed  
19 order of the court specifying the dependent is a dependent of the deceased member.

20 (b) If the dependent is under the age of eighteen (18), a valid Form 6110, Affidavit of  
21 Authorization to Receive Funds on Behalf of Minor. If the dependent has a court appointed  
22 guardian or conservator and the court appointed guardian or conservator completed the

1 Form 6110, the guardian or conservator shall file a copy of the court order appointing the  
2 guardian or conservator; and

3 (c) Proof of his or her date of birth by filing one of the following:

4 1. Age record of the Social Security Administration;

5 2. Immigration and naturalization service records;

6 3. Birth certificate;

7 4. Military discharge;

8 5. U.S. passport:

9 6. Driver's license issued by the Commonwealth of Kentucky; or

10 7. Other reliable proof of date of birth that may be used by the courts to verify date of  
11 birth.

12 (7) A contingent eligible beneficiary shall be required to provide proof that he or she  
13 is the eligible beneficiary. The agency shall not process benefits for a contingent eligible  
14 beneficiary unless the following requirements are met:

15 (a) If the agency identified eligible beneficiary is deceased, a copy of his or her death  
16 certificate shall be on file; or

17 (b) If the agency identified eligible beneficiary was divorced from the deceased  
18 member, a copy of the divorce decree shall be on file.

19 Section 8. Distribution of payments.

20 (1) The agency shall not disburse payment for in-line-of-duty survivor benefits until the  
21 eligible beneficiary, or his or her parent or legal guardian, has completed the requirements  
22 of either subsection (2) or (3) of this section.

1 (2)(a) To receive in-line-of-duty survivor benefits the eligible beneficiary, or his or her  
2 parent or legal guardian, shall authorize direct deposit to an account in a financial  
3 institution, in the following way:

- 4 1. File a valid Form 6130, Authorization for Deposit of Retirement Payment; and
- 5 2. Provide the information and authorizations required for the electronic transfer of  
6 funds from the State Treasurer's Office to the designated financial institution, including  
7 any authorizations or information needed from the financial institution.

8 (b) At any time while receiving a monthly benefit, the eligible beneficiary, or his or her  
9 parent or legal guardian, may change the designated institution by completing and filing  
10 a new valid Form 6130, Authorization for Deposit of Retirement Payment, or by updating  
11 the authorization for deposit of retirement payments on the Member Self-Service Website  
12 maintained by the agency.

13 (3) If the eligible beneficiary, or his or her parent or legal guardian, does not currently  
14 have an account with a financial institution, or his or her financial institution does not  
15 participate in the electronic funds transfer program, the eligible beneficiary, or his or her  
16 parent or guardian, may receive in-line-of-duty survivor benefits by check. For the eligible  
17 beneficiary to receive payment by check, the eligible beneficiary, or his or her parent or  
18 legal guardian, shall complete and file a valid Form 6135, Request for Payment by Check.

19 (4) The most recently filed valid Form 6130, Authorization for Deposit of Retirement  
20 Payment, authorization for deposit of retirement payments on the Member Self-Service  
21 Website, or valid Form 6135, Request for Payment by Check, shall control the payment  
22 or electronic transfer designation of the eligible beneficiary's in-line-of-duty survivor  
23 benefits.

1 (5)(a) Once an eligible beneficiary is approved for in-line-of-duty survivor benefits and  
2 has completed and filed all forms and documentation required by Sections (3)-(8) of this  
3 administrative regulation, in-line-of-duty survivor benefits shall be paid retroactive to the  
4 month following the month of the member's date of death.

5 (b) Any increases provided under KRS 61.691 and 78.5518 shall be applied in  
6 determining the ongoing monthly payments and total retroactive payments owed to the  
7 eligible beneficiaries.

8 Section 9. Requirements for dependent children after in-line-of-duty survivor benefits  
9 begin.

10 (1) Once an eligible dependent child begins receiving in-line-of-duty survivor benefits,  
11 each dependent child, or his or her parent or legal guardian, shall be required to:

12 (a) Notify the agency of the death or marriage of the dependent child;

13 (b) If applicable, notify the agency if the dependent child ceases to be a full-time  
14 student;

15 (c) If applicable, notify the agency if the dependent child's disability status changes;  
16 and

17 (d) If applicable, file a copy of the dependent child's verification of full-time student  
18 status with the agency for each semester of study within thirty (30) calendar days following  
19 the start, and within thirty (30) calendar days following the end of each semester.

20 (2) Each dependent child, or his or her parent or legal guardian, shall be responsible  
21 for repaying any benefits overpaid to the dependent child, or his or her parent or legal  
22 guardian, due to the failure of the dependent child, or his or her parent or legal guardian,  
23 to provide the information required by this section.

1 Section 10. Right to appeal.

2 (1) A request for a formal hearing to appeal a denial of in-line-of-duty survivor benefits  
3 may be made by an eligible beneficiary, or his or her parent or legal guardian, in  
4 accordance with KRS 61.665 and 78.545. The request shall be made by filing a written  
5 request containing a short and plain statement of the issues being appealed.

6 (2) The hearing shall be conducted in accordance with KRS Chapter 13B.010-  
7 13B.170.

8 (3) The hearing officer presiding over an administrative hearing shall review the  
9 administrative record and any records introduced at the administrative hearing.

10 (a) The determination of other state and federal agencies' approval of benefits,  
11 including the Kentucky Department of Workers' Claims and the Social Security  
12 Administration, may support a final determination if accompanied by underlying objective  
13 medical evidence or vocational evidence.

14 (b) Written statements from medical providers within the administrative record shall  
15 not themselves be objective medical evidence, but may be relied upon if accompanied  
16 by, and reviewed in concert with, other supporting objective medical evidence.

17 (4) The final determination shall not be bound by factual or legal findings of other state  
18 or federal agencies. The final determination shall be based on objective medical evidence  
19 and vocational records, including objective medical evidence and vocational records  
20 contained within or that accompany a determination by another state or federal agency.

21 (5) Once a final determination is issued, the person who filed the appeal shall be  
22 notified of the final order of the Administrative Appeals Committee (AAC) in accordance  
23 with KRS 61.615(3)(g) and 78.5528(3)(g).

1 Section 11. Incorporation by reference.

2 (1) The following material is incorporated by reference:

3 (a) Form 6010, "Estimated Retirement Allowance", updated April 2021;

4 (b) Form 6025, "Direct Rollover/Direct Payment Election Form for a Member,  
5 beneficiary, or Alternate Payee Regarding an Eligible Rollover Distribution", updated June  
6 2023;

7 (c) Form 6110, "Affidavit of Authorization to Receive Funds on Behalf of Minor",  
8 updated June 2023;

9 (d) Form 6130, "Authorization for Deposit of Retirement Payment", updated June  
10 2023;

11 (e) Form 6135, "Request for Payment by Check", updated June 2023;

12 (f) Form 6458, "Designation of Dependent Child for In Line of Duty/Duty-Related",  
13 updated June 2023;

14 (g) Form 6800, "Application for Duty Related/In Line of Duty Survivor Benefits",  
15 updated June 2023;

16 (h) Form 6810, "Certification of Beneficiary", updated May 2008; and

17 (i) Form 8030, "Employer Job Description", updated June 2023.

18 (2) This material may be inspected, copied, or obtained, subject to applicable  
19 copyright law, at the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort,  
20 Kentucky 40601, Monday through Friday, from 8:00 a.m. to 4:30 p.m. This material is also  
21 available on the agency's Website at [kyret.ky.gov](http://kyret.ky.gov).

APPROVED:

\_\_\_\_\_  
DAVID L. EAGER,  
EXECUTIVE DIRECTOR  
KENTUCKY PUBLIC PENSIONS AUTHORITY

\_\_\_\_\_  
DATE

**PUBLIC HEARING AND PUBLIC COMMENT PERIOD:** A public hearing to allow for public comment on this administrative regulation shall be held on Tuesday, September 26, 2023, at 2:00 p.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing was received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until September 30, 2023. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

KPPA shall file a response with the Regulations Compiler to any public comments received, whether at the public comment hearing or in writing, via a Statement of Consideration no later than the 15th day of the month following the end of the public comment period, or upon filing a written request for extension, no later than the 15th day of the second month following the end of the public comment period.

**CONTACT PERSON:** Jessica Beaubien, Policy Specialist, Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601, email [Legal.Non-Advocacy@kyret.ky.gov](mailto:Legal.Non-Advocacy@kyret.ky.gov), telephone (502) 696-8800 ext. 8570, facsimile (502) 696-8615.

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation number: 105 KAR 1:457  
Contact person: Jessica Beaubien  
Phone number: 502-696-8800 ext. 8570  
Email: Legal.Non-Advocacy@kyret.ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the procedures and requirements for applying or reapplying for in-line-of-duty survivor benefits and for administratively appealing a denial of an application for in-line-of-duty survivor benefits.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the procedures and requirements for applying or reapplying for in-line-of-duty survivor benefits and for administratively appealing a denial of an application for in-line-of-duty survivor benefits.

(c) How this administrative regulation conforms to the content of the authorizing statutes: This administrative regulation conforms to the authorizing statute by establishing the procedures and requirements for applying or reapplying for in-line-of-duty survivor benefits and for administratively appealing a denial of an application for in-line-of-duty survivor benefits in accordance with KRS 16.601 and 78.5534.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation will assist in the effective administration of the statutes by establishing the procedures and requirements for applying or reapplying for in-line-of-duty survivor benefits and for administratively appealing a denial of an application for in-line-of-duty survivor benefits in accordance with KRS 16.601 and 78.5534.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This is a new administrative regulation.

(b) The necessity of the amendment to this administrative regulation: This is a new administrative regulation.

(c) How the amendment conforms to the content of the authorizing statutes: This is a new administrative regulation.

(d) How the amendment will assist in the effective administration of the statutes: This is a new administrative regulation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: The Kentucky Public Pensions Authority, the Kentucky Retirement Systems, and the County Employees Retirement System, and the members and beneficiaries of the Kentucky Retirement Systems and the County Employees Retirement System. Number of individuals is unknown. Number of businesses, organizations, or state and local governments affected

is three (3): the Kentucky Public Pensions Authority, the Kentucky Retirement Systems, and the County Employees Retirement System.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: This amendment should not substantially alter the actions that the Kentucky Public Pensions Authority, the Kentucky Retirement Systems, and the County Employees Retirement System will have to take to comply with this regulation.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): This regulation should not cost any additional funds.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The amendment allows the Kentucky Public Pensions Authority, the Kentucky Retirement Systems, and the County Employees Retirement System to conform with KRS 61.505 to 61.705, 16.510 to 16.652, and 78.520 to 78.852, particularly the in-line-of-duty survivor benefit application process as well as the process for administratively appealing the denial of in-line-of-duty survivor benefit applications.

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: The costs associated with the implementation of this administrative regulation should be negligible.

(b) On a continuing basis: The costs associated with the implementation of this administrative regulation should be negligible.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: There is no increase in fees or funding required.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applied. All members are subject to the same processes and procedures.

## FISCAL NOTE

Regulation number: 105 KAR 1:457  
Contact person: Jessica Beaubien  
Phone number: 502-696-8800 ext. 8570  
Email: Legal.Non-Advocacy@kyret.ky.gov

(1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Kentucky Public Pensions Authority, the Kentucky Retirement Systems, and the County Employees Retirement System.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.505(1)(g).

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. None.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? None.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? None.

(c) How much will it cost to administer this program for the first year? The cost to Kentucky Public Pensions Authority should be negligible.

(d) How much will it cost to administer this program for subsequent years? The cost to Kentucky Public Pensions Authority should be negligible.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-): None

Expenditures (+/-): Unknown

Other Explanation:

(4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.

(a) How much cost savings will this administrative regulation generate for the regulated entities for the first year? None

(b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years? None

(c) How much will it cost the regulated entities for the first year? Unknown

(d) How much will it cost the regulated entities for subsequent years? Unknown

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Cost Savings (+/-): None

Expenditures (+/-): Unknown

Other Explanation:

(5) Explain whether this administrative regulation will have a major economic impact, as defined below. "Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)]. This administrative regulation will not have a major economic impact.

## SUMMARY OF MATERIAL INCORPORATED BY REFERENCE

Form 6010, Estimated Retirement Allowance, is a one (1) page form that provides eligible beneficiaries with his or her estimated retirement allowance payment options from which he or she must elect prior to receiving benefits.

Form 6025, Direct Rollover/Direct Payment Election Form for a Member, beneficiary, or Alternate Payee Regarding an Eligible Rollover Distribution, is a two (2) page form that eligible beneficiaries use to elect direct rollover or direct payment when he or she has elected the benefit option that includes the one-time payment of \$10,000.

Form 6110, Affidavit of Authorization to Receive Funds on Behalf of Minor, is a one (1) page form used by the parent or guardian of an eligible beneficiary of in-line-of-duty survivor benefits who is under the age of eighteen (18) that allows the parent or guardian to receive funds for the eligible beneficiary.

Form 6130, Authorization for Deposit of Retirement Payment, is a two (2) page form that eligible beneficiaries of in-line-of-duty survivor benefits use to authorize direct deposit of his or her benefits to a financial institution.

Form 6135, Request for Payment by Check, is a one (1) page form that eligible beneficiaries of in-line-of-duty survivor benefits use to receive payment of his or her benefits by check.

Form 6458, Designation of Dependent Child for In Line of Duty/Duty-Related, is a one (1) page form that must be completed by the eligible beneficiary, or his or her parent or guardian, to attest that the dependent child identified is in fact a dependent child prior to receiving any payment of in-line-of-duty survivor benefits.

Form 6800, Application for Duty Related/In Line of Duty Survivor Benefits, is a one (1) page form completed by the deceased member's employer to certify the date, time, location, and description of the incident to determine if the incident qualifies as an act-in-line-of-duty and eligibility of in-line-of-duty survivor benefits.

Form 6810, Certification of Beneficiary, is a one (1) page form completed by eligible beneficiaries to certify his or her eligibility as a beneficiary.

Form 8030, Employer Job Description, is a three (3) page form completed by the employer to provide KPPA with details of the deceased member's job duties and requirements in order for KPPA to determine eligibility for in-line-of-duty survivor benefits.

**KENTUCKY PUBLIC PENSIONS AUTHORITY**  
1260 Louisville Road • Frankfort, KY 40601  
Phone: (502) 696-8800 • Fax: (502) 696-8822 • kyret.ky.gov

\*6010 [REDACTED]

FORM 6010

FORM 6010 ESTIMATED RETIREMENT ALLOWANCE

Retirement Date: [REDACTED]  
Retirement Plan: [REDACTED]  
Retirement Type: [REDACTED]

Member Information

[REDACTED]

Member Date of Birth: [REDACTED]  
Member ID: [REDACTED]

Beneficiary Information

Beneficiary: [REDACTED]  
Beneficiary Date of Birth: [REDACTED]

Please Select ONE payment option by checking one box below

- BASIC
- LIFE WITH 10 YEARS CERTAIN
- LIFE WITH 15 YEARS CERTAIN
- LIFE WITH 20 YEARS CERTAIN
- SURVIVORSHIP 100%
- SURVIVORSHIP 66 2/3%
- SURVIVORSHIP 50%
- POP-UP
- 10 YEARS CERTAIN

Payment to member while living

[REDACTED]

Payment to beneficiary after member's death

[REDACTED]

I REJECT ALL MONTHLY PAYMENT OPTIONS AND REQUEST A(n) ACTUARIAL REFUND OF APPROXIMATELY [REDACTED] I AM ALSO FORFEITING ANY HEALTH INSURANCE AND DEATH BENEFITS PROVIDED BY THE KENTUCKY PUBLIC PENSIONS AUTHORITY.

NOTE: If you select the actuarial refund or lump sum refund you must also complete and return the enclosed Form 6025, Direct Rollover/Direct Payment Election Form. The Form 6025 is located in the Special Tax Notice. This estimate was calculated using an early retirement percentage of 100.00%.

Certification

I CERTIFY THAT I HAVE SELECTED THE OPTION OF MY CHOICE. I REALIZE THAT AFTER THE FIRST DAY OF THE MONTH IN WHICH I RECEIVE MY FIRST RETIREMENT CHECK, I WILL NOT HAVE THE RIGHT TO CHANGE MY PAYMENT OPTION OR MY BENEFICIARY.

Signature of Recipient: \_\_\_\_\_ Date: \_\_\_\_\_  
Signature of Spouse: \_\_\_\_\_ Date: \_\_\_\_\_  
Witnessed by: \_\_\_\_\_ Date: \_\_\_\_\_



**KENTUCKY PUBLIC PENSIONS AUTHORITY**  
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**Form 6025**  
 Revised 04/2021

Print Form

**Direct Rollover/Direct Payment Election Form for a Member, Beneficiary, or Alternate Payee  
 Regarding an Eligible Rollover Distribution**

**Required Information: Failure to complete all items and sign this form could delay the processing of your lump sum/ monthly benefit.**

Recipient Information			
Member Name:		Member ID:	
If you are not the member, please provide your name and Social Security Number (SSN) below.			
Name:		SSN:	
Address:	City:	State:	Zip Code:
Is this a new address? <input type="radio"/> Yes <input type="radio"/> No			

This form must be completed if you are electing to receive an "eligible rollover distribution." **Failure to complete this form could delay the processing of your lump sum/monthly benefit.** If you are the member, the following payment options are "eligible rollover distributions": Actuarial Refund, Partial Lump Sum, and Refund of Contributions. If you are a beneficiary, the following payment options are "eligible rollover distributions": Actuarial Refund, Refund of Contributions, \$5,000 Death Benefit, \$10,000 Lump-Sum Survivor Benefit payment pursuant to KRS 16.601 and 78.5534, and 60 Months Certain.

Please read the enclosed SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS. **If you have questions about the SPECIAL TAX NOTICE, please contact a qualified tax advisor. Kentucky Public Pensions Authority employees are not qualified to answer questions concerning your tax status or the effects of the federal tax laws and regulations.** After you have read the SPECIAL TAX NOTICE, you must complete the following form to certify that you have read the SPECIAL TAX NOTICE and to make your selections with regard to treatment of your payment.

**Distribution of Payment Election: If you are unsure about the information to provide in this section, please contact our office for assistance from a counselor to avoid possible delays in processing your benefits.**

**I elect a complete distribution of my payment as follows:**

If your distribution will include a taxable portion, you must select one option from this column. Taxable Portion (Monies have not yet been taxed) <input type="checkbox"/> Direct Rollover <input type="checkbox"/> Paid Directly to me (less 20% withholding*) <input type="checkbox"/> Partial Rollover in the amount of \$_____, balance (less 20% withholding*) paid to me.	If your distribution will include a non-taxable portion, you must select one option from this column. Non-Taxable Portion (Monies have already been taxed) <input type="checkbox"/> Direct Rollover <input type="checkbox"/> Paid Directly to me <input type="checkbox"/> Partial Rollover in the amount of \$_____, balance paid to me.
<b>Complete page 2 only if you select a rollover</b>	

I certify that I have read the enclosed SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS and have selected the distribution option indicated above. I understand that my payment will not be processed until this form is completed and returned to the retirement office. I understand that I have a right to at least 30 days from my receipt of the SPECIAL TAX NOTICE in which to make my decision regarding receipt or rollover of these funds, and by signing and returning this form, I waive my right to the full 30-day period. I understand that if I elect to receive any or all of the taxable portion directly, 20% of the taxable portion paid to me will be withheld for my federal income taxes.\* I understand that no tax will be withheld if I have the entire taxable portion rolled over. If I elect to have any or all of the payment rolled over, I will have the Trustee receiving the rollover complete the back of this form. I understand that in the case of monthly payments, my selection will remain in effect for each monthly payment until I change my election.

I hereby certify that the information completed on this form is true and accurate. I acknowledge that I have full understanding that any person who provides a false statement, report, or representation to a governmental entity such as KPPA is subject to the penalty of perjury in accordance with KRS 523.010, et seq. I further acknowledge that if I knowingly submit or cause to be submitted a false or fraudulent claim for the payment or receipt of benefit, I (personally) may be liable for restitution of the benefits for which I or a minor recipient was not eligible to receive, civil payments, legal fees, and costs.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

\*If you are a nonresident alien, the mandatory withholding rate is 30% of 20%, unless a tax treaty exemption applies. Page 1



**Recipient Information**

Member Name: _____	Member ID: _____
--------------------	------------------

**Direct Rollover Information: To be completed by Trustee of IRA or eligible plan receiving rollover. Please complete both sections if the distribution will include a taxable portion and a non-taxable portion.**

**Taxable Portion (*Monies have not yet been taxed*)**

- Traditional Individual Retirement Account/Annuity\*
- Roth Individual Retirement Account/Annuity\*
- 401(a) Qualified Plan, 403(a) Qualified Annuity, 403(b) Annuity Contract, or 457(b) Governmental Plan\*
- SIMPLE IRA that has been established for at least two (2) years\*

Make check payable to: \_\_\_\_\_

Account number (if applicable): \_\_\_\_\_

Send check to: \_\_\_\_\_

As agent for the above named plan, I certify that the above plan is an eligible plan and will accept the rollover for the benefit of the distributee of pre-tax dollars that would otherwise be taxable upon distribution.

Trustee/Agent Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Title: \_\_\_\_\_ Date: \_\_\_\_\_

**Non-Taxable Portion (*Monies have already been taxed*)**

- Traditional Individual Retirement Account/Annuity\*
- Roth Individual Retirement Account/Annuity\*
- 401(a) Qualified Plan or 403(b) Annuity Contract\*

Make check payable to: \_\_\_\_\_

Account number (if applicable): \_\_\_\_\_

Send check to: \_\_\_\_\_

As agent for the above named plan, I certify that the above plan is an eligible plan and will accept the rollover for the benefit of the distributee of post-tax dollars, and will separately account for such post-tax dollars, in the case of a 401(a) qualified plan or a 403(b) annuity contract.

Trustee/Agent Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Title: \_\_\_\_\_ Date: \_\_\_\_\_

**\* If you are a non-spouse beneficiary, you may only rollover your payment to an "inherited" individual retirement account/annuity. The "inherited" IRA may be either a traditional IRA or a Roth IRA.**



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**Form 6110**  
Revised 06/2023

Print Form

**Affidavit of Authorization to Receive Funds on Behalf of Minor**

**Member Information** Please provide your Member ID or Social Security Number in the Member ID box below.

Member Name:		Member ID:	
Address:	City:	State:	Zip Code:
Phone: <input type="checkbox"/> Home <input type="checkbox"/> Mobile <input type="checkbox"/> Work	Email:		

**Minor Recipient Information**

Minor Name:	Minor's Social Security Number:
-------------	---------------------------------

Comes the Affiant, and states as follows:

My name is: \_\_\_\_\_ My address is: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

I understand that the Minor Recipient named above is the beneficiary of certain benefits payable from the Kentucky Public Pensions Authority on the account of the above named Member.

I am legally authorized to receive the benefits on behalf of the Minor Recipient in my capacity as (check one):

- Natural/custodial parent of the Minor Recipient
- Court-appointed guardian, conservator, or other representative of the Minor Recipient (attach a copy of the court authorization)

I further state that no divorce decree, termination of parental rights, adoption, or any other legal process of any type, whether voluntary or involuntary, affects or inhibits my legal authority to receive funds on behalf of the Minor Recipient. I further acknowledge that if an order or other process affects my authority to receive the funds on behalf of the Minor Recipient, it will be my duty to notify the Kentucky Public Pensions Authority promptly and provide a full and complete copy of any documents affecting my authority to receive funds on behalf of the Minor Recipient.

I hereby certify that the information completed on this form is true and accurate. I acknowledge that I have full understanding that any person who provides a false statement, report, or representation to a governmental entity such as KPPA is subject to the penalty of perjury in accordance with KRS 523.010, et seq. I further acknowledge that if I knowingly submit or cause to be submitted a false or fraudulent claim for the payment or receipt of benefit, I (personally) may be liable for restitution of the benefits for which the Minor Recipient was not eligible to receive, civil payments, legal fees, and costs.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

State of: \_\_\_\_\_

County of: \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, by \_\_\_\_\_.

Notary Public

My Commission Expires: \_\_\_\_\_



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Print Form

**Form 6130**  
 Revised 04/2021

**Authorization for Deposit of Retirement Payment**

**Recipient Information**  
 The recipient is the person who is receiving a monthly benefit from the Kentucky Public Pensions Authority. Please provide your Member ID or Social Security Number in the Recipient ID box below.

Recipient Name:		Recipient ID:	
Address:	City:	State:	Zip Code:
Is this a new address? <input type="radio"/> Yes <input type="radio"/> No			
Phone (select type) <input type="radio"/> Mobile <input type="radio"/> Home <input type="radio"/> Work		Email:	
If you are beneficiary of the account, please provide the member's name and Member ID below.			
Member Name:		Member ID:	

**Financial Institution Information**

Financial Institution Name:	Account Type: <input type="radio"/> Checking <input type="radio"/> Savings
Depositor Account Number:	Depositor Routing Number:

**Required Documents: Please indicate the documentation you are submitting with this form.**

For deposits to a Checking Account: I have attached to this form	<input type="radio"/> a VOIDED personalized check	<input type="radio"/> verification from my financial institution
For deposits to a Savings Account: I have attached to this form	<input type="radio"/> verification from my financial institution	

**Authorization for Direct Deposit and International Transactions:**

I authorize and request the Kentucky Public Pensions Authority to directly deposit the net amount of my monthly retirement payment to my account at the financial institution designated above. I have attached to this form the documentation indicated above.

I understand that failure to sign this authorization and provide one of the documents listed above will cause a delay in setting up or changing account information.

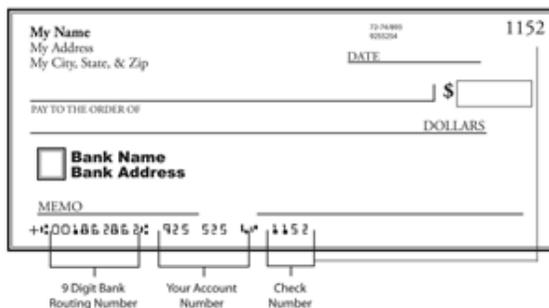
I acknowledge that electronic payments to the designated account must comply with the provisions of U.S. law, as well as the requirements of the Office of Foreign Assets Control (OFAC) and National Automated Clearing House Association (NACHA) regulations.

I certify that the entire payment that Kentucky Public Pensions Authority sends electronically to the financial institution I have designated, is not subject to being transferred to a foreign bank. I agree to notify Kentucky Public Pensions Authority in writing immediately if the payment becomes subject to transfer to a foreign bank in the future.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**For your convenience:**  
 The sample check below shows where to locate the required bank information to complete your Direct Deposit.



## **Instructions for Completing Form 6130 Authorization for Deposit of Retirement Payment**

You may authorize deposit of your retirement benefit directly into your account at a financial institution by either complete this Form 6130, Authorization for Deposit of Retirement Payment, or by designating an account online through Member Self Service. Your designated financial institution account can be changed by either submitting a new Form 6130 or by updating the account information online through Member Self Service. The financial institution may be a bank, savings bank, savings and loan association, credit union, or similar institution that is a member of the Automated Clearing House (ACH). The North American Clearing House Association (NACHA) regulations require certification to identify any direct deposit payment made where the payment amount is subsequently transferred to a foreign bank account.

This form is to be used ONLY for the deposit of monthly benefit payments from the Kentucky Public Pensions Authority (KPPA). This form does not authorize withdrawals from your financial institution.

Please provide the necessary information about the financial institution. You must sign and date the authorization form. You are required to provide a VOIDED personalized check or verification from the financial institution for deposit to a checking account. For deposit to a savings account you must provide a verification from the financial institution. Your failure to sign and date the authorization form and provide the required documentation will cause a delay in setting up or changing the account information. Your monthly benefit payments will be deposited into your account at your financial institution on the 14th unless the day is a weekend or holiday, then the payment will be deposited into your account on the last business day prior to the 14th. If you are a current recipient of a monthly benefit and request a change to the account number or financial institution to which your monthly benefit is deposited, the completed form must be received at the Kentucky Public Pensions Authority' office before the 20th of the month if you wish the change to be effective with the next payment. If your form is received after the 20th of the month, the next monthly payment will be issued as a paper check, which will be mailed to your listed address; and the requested change for the direct deposit will be effective the following month. If you have additional questions regarding the change, please contact a KPPA Counselor at (800) 928-4646 or (502) 696-8800.

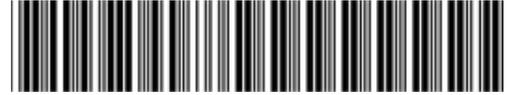
Once the authorization form has been processed by the Kentucky Public Pensions Authority, this authorization for deposit may be cancelled for any of the following reasons:

1. A new authorization for deposit of retirement payment form is submitted and processed at KPPA. This new Form 6130 will supersede your previous authorization form.
2. Your designated account information is updated online through Member Self Service.
3. The financial institution no longer accepts direct deposit. If your financial institution no longer accepts direct deposit, you must notify KPPA.
4. Your financial institution rejects your direct deposit indicating your account is closed. In this case, KPPA will notify you of the cancellation in advance.
5. Your monthly benefit no longer covers the cost of your health insurance premium and you must submit payment to our office for your health insurance premium.
6. Notice of your death is received at KPPA.

You may reach the Kentucky Public Pensions Authority at (800) 928-4646 or (502) 696-8800 if you have any questions. Written inquiries can be addressed to Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky 40601. For general information or to obtain additional forms, visit the Kentucky Public Pensions Authority' website: [kyret.ky.gov](http://kyret.ky.gov).



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**Form 6135**  
 Revised 05/2015

Print Form

**Request for Payment By Check**

**Recipient Information**  
 The recipient is the person who is receiving the monthly benefit from the retirement system. Please provide your Member ID or Social Security Number in the Recipient ID box below.

Recipient Name:		Recipient ID:	
Address:	City:	State:	Zip Code:
Phone Number:	Is this a new address? <input type="radio"/> Yes <input type="radio"/> No		

**Reason for Receiving Retirement Allowance by Check**

- I do not currently have an account with a financial institution. I will contact the retirement office when I have opened an account to which my benefit may be deposited.
- My financial institution does not participate in the Electronic Funds Transfer (EFT) program. The following must be completed by your financial institution:

Name of Institution: \_\_\_\_\_ Phone: \_\_\_\_\_

This recipient has an account in our institution, but we do not currently participate in the EFT program.

Authorized Signature of Financial Institution Officer: \_\_\_\_\_ Title: \_\_\_\_\_

**Certification**

I state that I have full knowledge of the penalty in KRS 523.100 related to falsification of records and that the information provided is true and accurate. I understand that I must contact the retirement office if the above situation changes so that I may have my retirement allowance electronically transferred to my account. The retirement office may require me to verify the above information.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_



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**Form 6458**  
 6/2023

**Designation of Dependent Child for In Line of Duty/Duty-Related**

**Deceased Member's Information:** Please provide the Member ID or Social Security number in the Member ID box below.

Member Name:		Member ID:	
Address:	City:	State:	Zip Code:

**Parent/Guardian Information:** Please provide your Member ID or Social Security number in the Member ID box below.

Parent/Guardian Name:		Member ID:	
Address:	City:	State:	Zip Code:

**Dependent Information**

Dependent Name:	Dependent Social Security Number:	Date of Birth:	
Address:	City:	State:	Zip Code:

Has this child "been determined to be eligible for federal Social Security disability benefits" or "been claimed as a qualifying child for tax purposes due to the child's total and permanent disability"?  Yes  No  
 If YES, please submit a current statement of disability issued by the Social Security Administration, or the most recent tax return showing the child is claimed due to the child's total and permanent disability.

**Complete the following if the dependent child is over the age of eighteen, unmarried, and a full-time student.**

Dependent's School:	Phone Number:		
School Address:	City:	State:	Zip Code:

**Certification**

I, \_\_\_\_\_, do hereby state that I am the parent or guardian of the dependent child as defined by KRS 16.505(17) and 78.510(49), or I am the dependent child over the age of 18, of the deceased member.

- I understand and agree that I will:
- Notify the Kentucky Public Pensions Authority when the dependent child designated above marries, ceases to be a full-time student, or otherwise ceases to qualify as a dependent child as defined by KRS 16.505(17) and 78.510(49).
  - Immediately provide written notification to the Kentucky Public Pensions Authority as soon as the person designated above no longer qualifies as a dependent child as defined by KRS 16.505(17) and 78.510(49).
  - Be responsible for repayment of any benefits paid to the person designated above if said person is not a dependent child as defined by KRS 16.505(17) and 78.510(49).

I hereby certify that the information completed on this form is true and accurate. I acknowledge that I have full understanding that any person who provides a false statement, report, or representation to a governmental entity such as KPPA is subject to the penalty of perjury in accordance with KRS 523.010, et seq. I further acknowledge that if I knowingly submit or cause to be submitted a false or fraudulent claim for the payment or receipt of benefit, I (personally) may be liable for restitution of the benefits for which the person designated above was not eligible to receive, civil payments, legal fees, and costs.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Notary Certificate**

State of: \_\_\_\_\_  
 County of: \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ of \_\_\_\_\_ 20\_\_\_\_, by

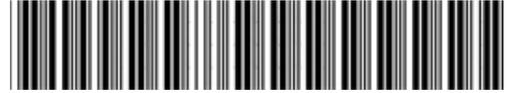
\_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

Notary Public: \_\_\_\_\_



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Print Form

**Form 6800**  
 Revised 04/2021

**Application for Duty Related/In Line of Duty Death Benefits**

**Deceased Member Information**

Member Name:		Member ID:	
Birthdate:	Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Single <input type="checkbox"/> Divorced		
Date of Death:	Termination Date (if different than date of death):		
Employer Information			
Agency Name:		Telephone:	Fax:
Agency Address:	City:	State:	Zip Code:

**Incident Information**

**Please provide the requested information below and submit the following documents with this form:**

(1) Member's death certificate (2) Incident investigation report (3) Police report (if applicable) (4) Employee's job description

Date of Incident:	Time of Incident:
Location of Incident:	
Is there a police report documenting this incident? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please submit a copy with this form.	
Description of Incident:	

**Certification**

I certify that I have full knowledge of the penalty in KRS 523.100 related to the falsification of records and the information provided on this form is true and accurate.

Printed Name of Member's Immediate Supervisor: \_\_\_\_\_

Signature of Member's Immediate Supervisor: \_\_\_\_\_ Date: \_\_\_\_\_

**Approved by:**

Printed Name of Agency Head: \_\_\_\_\_

Signature of Agency Head: \_\_\_\_\_ Date: \_\_\_\_\_

When all sections have been completed, please return this form to:  
 Kentucky Public Pensions Authority  
 1260 Louisville Road  
 Frankfort, KY 40601



**Kentucky Public Pensions Authority**  
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**Form 6810**  
 Revised 06/2023

Print Form

**Certification of Beneficiary**

<b>Member Information</b> Please provide your Member ID or Social Security number in the Member ID box below.	
Member Name: [REDACTED]	Member ID: [REDACTED]

<b>Beneficiary Information</b> If an individual is the beneficiary, please complete the following section. If an Estate or Trust is beneficiary skip to the Estate or Trust Information section.			
Name: [REDACTED]		Social Security Number:	
Telephone Number:		Date of Birth: exampleexampleexample	
Address:	City:	State:	Zip Code:
Relationship to member:			
Authority of Signature: <input type="radio"/> Beneficiary <input type="radio"/> Guardian <input type="radio"/> Power of Attorney			
Signature:		Date:	
Witness:		Date:	

<b>Estate or Trust Information</b> Complete this section only if the Estate or Trust is beneficiary.			
Name of Representative(s):		Telephone Number:	
Address:	City:	State:	Zip Code:
Federal Tax ID No. (Provide the Estate EIN or Trust ID if applicable):			
Fiduciary Authority: <input type="radio"/> Administrator / Executor / Personal Representative <input type="radio"/> Trustee (Trust only)			
Fiduciary's Signature:		Date:	
Witness:		Date:	
Fiduciary's Signature: (for multiple executors only)		Date:	
Witness:		Date:	



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## Employer Instructions for Member Filing for Disability

Revised 11/2021

**IMPORTANT: Failure to return the required information within 5 business days may cause a delay in the member's monthly benefit and health insurance.**

A disability retirement application has been initiated through Kentucky Public Pensions Authority.

For members who apply for disability retirement, KRS 61.665(2)(a) requires a complete description of the member's job duties and requirements and requires that the member make a request for reasonable accommodations as provided for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 through the American with Disabilities Act (ADA).

Examples of reasonable accommodations may include:

- Making existing facilities accessible to individuals with disabilities
- Job restructuring
- Part-time or modified work schedules
- Reassignment to a vacant position
- Retraining
- Purchase of assistive equipment

If the individual has terminated employment with your agency or did not request accommodations, you should outline what accommodations **were made** or **could have been made** on the enclosed Form 8030.



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**Form 8030**  
 Revised 11/2021

Print Form

**Employer Job Description**

**Employee Information**

Employee Name:	Member ID:
Job Title:	Agency:

**Job Description**

Describe the employee's job duties performed as of the last day worked: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_ Total hours in a workday.      \_\_\_\_\_ Sitting hours in a day.      \_\_\_\_\_ Standing/walking hours in a day.

Does the employee have the ability to alternate between sitting and standing/walking?     Yes     No

Physical effort required: (check appropriate boxes)	<u>Never</u>	<u>Seldom/ Rare</u>	<u>Occasional</u> <small>(up to 1/3 of work day)</small>	<u>Frequent</u> <small>(1/3 to 2/3 of work day)</small>	<u>Repetitive</u> <small>(2/3 or more of work day)</small>
Handle/Finger/Feel:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reach/Push/Pull:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bend/Stoop/Crouch:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kneel/Crawl:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climb/Balance:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lift/Carry (frequency):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Up to 10 lbs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Up to 20 lbs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Up to 50 lbs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Up to 100 lbs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Over 100 lbs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Identify the items or tools the employee was required to lift and/or carry in performing the essential job duties (include the weight, distance, and frequency of the lifting and/or carrying): \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Identify the heaviest item and weight lifted on a frequent basis (1/3 to 2/3 of workday): \_\_\_\_\_

Identify the heaviest item and weight lifted without assistance: \_\_\_\_\_

Please identify any physical effort requirements for the employee to perform his or her job duties as of the last day worked. (Check appropriate boxes)

- The employee was required to handle, grab, or grasp items or tools. (file, ledger, hammer, wrench, pot/pan, mop/bucket)
- The employee was required to finger, feel, or sort items or tools. (computer keyboard, typewriter, calculator, pen/pencil)
- The employee was required to use machinery that used hand and/or foot controls. (backhoe, school bus)
- The employee was required to use vibratory equipment, machinery, or tools. (jackhammer, floor buffer, lawnmower)
- The employee was required to reach overhead, and in all other directions.
- The employee was required to use stairs or ramps.
- The employee was required to use ladders or scaffolding.
- The employee was exposed to environmental elements such as extreme heat, extreme cold, or extreme wetness/dampness.
- The employee was exposed to excessive noise, fumes, odors, gases, or dust.

Please make any remarks concerning the physical effort requirements for the employee to perform his or her job duties as of the last day worked: \_\_\_\_\_  
 \_\_\_\_\_

**Accommodations:** Examples of reasonable accommodations may include making existing facilities accessible to individuals with disabilities, job restructuring, part-time or modified work schedules, reassignment to a vacant position, retraining, or purchase of assistive equipment. If the individual has terminated employment with your agency or did not request accommodations, you should outline what accommodations were made or could have been made.

Did the employee request accommodations, assistance, or help to perform the essential job duties?  Yes  No

**IF YES**, please attach a copy of the request. Please attach any written response by the agency to the employee for request for accommodations. Please attach a statement describing the accommodations, assistance, or help that was offered or attempted to allow the employee to perform the essential job duties.

**IF NO**, please describe the accommodations, assistance, or help that was reasonably available to allow the employee to perform the essential job duties. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Did the employee have any machines, tools, or equipment available to assist in performing job duties, such as a handcart, desk mover, special chair, headphones, keyboard, tape recorder, or other? \_\_\_\_\_

\_\_\_\_\_

Did the employee have assistance available from co-workers? \_\_\_\_\_

Where accommodations were made available, requested, or implemented, was the job as accommodated offered to the employee indefinitely?:  Yes  No

Attach additional pages if necessary.

**Personnel Issues:**

Was the employee injured on the job?  Yes  No If YES, please attach a copy of the incident report.

Is the employee currently receiving Workers' Compensation benefits?  Yes  No

If YES, please provide the Workers' Compensation insurance carrier name and address assisting with this claim.

Insurance Carrier Name: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Please indicate the employee's current personnel status:

Termination  Sick Leave Without Pay  Still on Payroll  Other \_\_\_\_\_

If the employee has terminated or is utilizing a leave without pay status, please provide date and attach a copy of the personnel form:

\_\_\_\_\_

If the employee is not still on the payroll, please verify the last day of paid employment: \_\_\_\_\_

Supervisor Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address/Phone: \_\_\_\_\_

**IMPORTANT: FAILURE TO RETURN THE REQUIRED INFORMATION WITHIN 5 BUSINESS DAYS MAY CAUSE A DELAY IN THE MEMBER'S MONTHLY BENEFIT AND HEALTH INSURANCE.**

**For members who apply for disability retirement through Kentucky Public Pensions Authority, KRS 61.665(2)(a) requires a complete job description of the member's job duties and requirements and requires that the member make a request for reasonable accommodations as provided for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 through the American with Disabilities Act (ADA).**

**Certification**

I hereby certify that the above information is correct and accurately describes the job duties that the employee had as of the last day worked. I understand that the Kentucky Public Pensions Authority or the employee may request that I testify at an administrative hearing as to the matters described herein.

Agency Representative Printed Name: \_\_\_\_\_

Agency Representative Title: \_\_\_\_\_

Agency Representative Signature: \_\_\_\_\_ Date: \_\_\_\_\_



## KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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Kentucky Public  
Pensions Authority

**To:** Kentucky Public Pensions Authority

**From:** David Eager, Executive Director of KPPA

**Date:** June 28, 2023

**Subject:** Office of Financial Management

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When the concept of creating the position of Chief Financial Officer (CFO) was first developed, it was agreed that the position would be responsible for the Division of Accounting, which includes the Cash Management branch and the Investment Operations branch. It would also report to Rebecca Adkins our Deputy Executive Director and head of the Office of Operations. This would allow Rebecca time to work with the CFO transitioning those departments that had previously reported to Rebecca.

The CFO would also be given responsibility for activities beyond that division. For example, external bank relations and the oversight of the actuary would ultimately be the responsibility of the CFO. Procurement might also be included.

The plan was to ultimately establish an Office of Financial Management that oversaw that division and the newly transferred functions. While no firm timeline was established, it was generally agreed that the Office would be established within the next year or two.

We are fortunate that we were able to hire Mike Lamb as the CFO. He has demonstrated that we can now move ahead and establish the Office of Financial Management. I ask for the Board's approval to establish this office, which will also include the establishment of the non-merit position of Executive Director, Office of Financial Management.

With that approval, I will contact the Office of the Governor's Chief of Staff (Office) to communicate the agency's intent to reorganize. With preliminary approval from that Office, Lori Casey will submit the Reorganization Planning Worksheet, and all accompanying documents as directed.

Also, with the approval of the Office, the Personnel Cabinet will coordinate a meeting with the reorganization team members (likely Rebecca Adkins, Lori Casey, and myself).

Finally, we will submit draft legislation for review to the Office and the Personnel Cabinet.

While this approval will be legislated during the 2024 General Assembly, no specific timetable can be confirmed at this time.



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To: Kentucky Public Pensions Authority

From: Steve Willer, CIO  
Office of Investments

Date: June 28, 2023

Subject: Summary of Investment Committee Meetings

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The Kentucky Retirement Systems Investment Committee held a regularly scheduled meeting on May 15, 2023, and the County Employees Retirement System Investment Committee held a regularly scheduled meeting on June 9, 2023.

1. **No recommendations were made that required approval by the Investment Committees.**
2. **No actions were taken that required ratification by the respective Boards of Trustees.**
3. Investment Staff and Wilshire presented material\* and discussed the following items during the Investment Committee meetings.
  - a. Review of Economic Conditions, Market Activity, and updated Asset Class Assumptions
  - b. Absolute and Relative Performance and Asset Allocations for the Pension and Insurance Portfolios
  - c. Compliance – *No compliance violations as of March 21, 2023*
  - d. Investment Budget Update – *46% of the amount budgeted for Fiscal Year 2023 had been spent through the first three quarters of the year*
  - e. Implementation of the Systems' Proxy Voting Policies – *Completed for Eleven of the Twelve external Public Equity managers*
  - f. Asset/Liability and Asset Allocation projects

\*All material presented is available in Board Books and was reviewed at the Investment Committee and subsequent Board meetings.



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**To:** Kentucky Public Pensions Authority

**From:** David Eager, Executive Director of KPPA

**Date:** June 28, 2023

**Subject:** KPPA Update

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**I. STAFFING:** We continue to have in the area of 250 staff members. While we have a number of open positions and are actively recruiting for many of them. Benefits administration, investments, legal and other areas which are short staffed, are performing their duties as required, although not without some pressure.

**II. ANNUAL BUDGET:** We are in the final stages of putting the FY 2024 Budget together for the KPPA Board approval. This year's process was very thorough thanks to Board Members, Bill O'Mara and Lynn Hampton, CEOs John Chilton and Ed Owens, and our CFO, Mike Lamb. Mike spent many hours assuring himself and the team that all the various account budgets were supported by history, upcoming plan year needs and reasonableness.

**III. STRATEGIC PLANNING:** We hosted the representatives from Provaliant, Ray Smith and Kris Valenta, for a launch meeting on May 4<sup>th</sup>. Various KPPA staff were involved in providing information that will be used to develop our strategic plan. The Provaliant staff were onsite again on June 7<sup>th</sup> and 8<sup>th</sup> conducting more research about our agency. I will provide more updates as appropriate.

**IV. GOVERNMENT OFFICIALS' NEWSLETTER:** This newsletter was recently sent to Kentucky government officials. It is an effective and efficient means of getting relevant information and using links to streamline the actual content. Key subjects in this issue included: Background on COLAs, links to our ACFR and SAFR, a link to our new Summary Plan Description, Plan funded statuses, Legislative news related to KPPA, CERS, and KRS, and Investment news. I encourage you to read it. Contact Ashley Gabbard if you need a copy.

**V. MEMBER NEWSLETTER:** The member newsletter went out last week to active members and retirees. In it we encouraged recipients to contact family members or friends who might be looking for a job, to go to the State website link to open positions in State government. We also covered several topics, including the fact that we are doing a Member Survey for which they can click to the link and participate. Other topics included encouraging members to use self-service and to make sure their beneficiary information is up to date. Finally, members were advised of

the new board leadership that resulted from the CERS, KRS, and KPPA annual meetings and the election of Keith Peercy to the SPRS Board.

**VI. SUMMARY PLAN DESCRIPTION:** The Summary Plan Description has been updated thanks to the hard work by many staff members. Most notably, a thank you goes to Erin Surratt, Amy Fields, Carrie Bass, Shauna Miller, Liza Welch, Wes Crosthwaite, Connie Pettyjohn, Odette Gwandi, and Stephanie Aldridge.

**VII. FIXED INCOME PORTFOLIO MANAGER:** Brian Caldwell has been promoted to Fixed Income Portfolio Manager effective June 16. Brian had been the investment department's Senior Investment Analyst.

**VIII. CEM INVESTMENT DEPARTMENT BENCHMARKING:** Bill O'Mara, Steve Willer and I had a demonstration of CEM's Investment Benchmarking Study. I am putting it in the FY 2024 proposed budget for KPPA Board approval and plan to do the study every other year. The study will allow us to compare our investment management fees, carried interest, and expenses with a broad universe of other public funds and to a hand-picked peer group. It will also break that information into asset subcategories and compare with other funds and with passive alternatives to see if we are receiving competitive fees and spending prudently.

**IX. LOUISVILLE OFFICE:** We have officially vacated the Louisville office, removed all furnishings, and discontinued the rent. Securing new space is still in limbo. Investment staff, most of whom live in or near Louisville, are generally working remotely. In our meeting with Legislators, we made them aware of our desire to get KPPA's ability to lease office space (as TRS does now) in statutes so we could more expeditiously lease space for the investment staff and have more appropriate options.

**X. HOUSEKEEPING BILL:** On June 15 KPPA Management hosted a virtual meeting with members of KLC, KACO and the SBA as well as the two CEOs. We discussed and agreed to a collaborative process (which should also include the Board Chairs) to work together to provide LRC with coordinated messages regarding proposed bill requests. We agreed that the 2024 Housekeeping Bill be a re-submission of the 2023 Bill with a few very minor "tweaks". On June 20, basically that same group plus Carrie Bass met with Rep. Johnson, the bill sponsor, and Sen. Mills and Sen. Higdon. They agreed to move ahead with the proposed bill once they decide from which branch the bill should be introduced and who should be the bill sponsor. The legislators were pleased that we were prepared so early in the legislative process.

**XI. Joint State Government Committee Presentation:** On June 20 I made a one-hour presentation to the Joint State Government Committee which appeared to be well received. Legislative and Board driven enhancements since 2014 were reviewed and the resulting positive effects on funding and funded statuses were highlighted.