Kentucky Retirement Systems Board of Trustees
Quarterly Board Meeting
March 13, 2024, 10:00 a.m. ET
Live Video Conference/Facebook Live

AGENDA

1.	**Call to Order**	**Lynn Hampton**
2.	**Legal Public Statement**	**Office of Legal Services**
3.	**Roll Call/Public Comment**	**Sherry Rankin**
4.	**Approval of Minutes – December 5, 2023; December 20, 2023; and January 30, 2024***	**Lynn Hampton**
5.	**Acceptance of FY 2023 Proportionate Share Audits***	**Adam Gordon, APA**
6.	**Joint Retiree Health Plan Committee Report**	**Dr. Crystal Miller** **Connie Pettyjohn**
7.	**Quarterly Financial Reports** a. **Quarterly Financial Statements** b. **Quarterly Administrative Expenses to Budget** c. **Contribution Report** d. **Outstanding Invoices** e. **Penalty Waiver**	**Michael Lamb**
8.	**Quarterly Investment Performance Report**	**Prewitt Lane** **Steve Willer**
9.	**Dentons Bingham Greenebaum Contract***	**Lynn Hampton**
10.	**KRS CEO Update**	**John Chilton**
11.	**KPPA Update**	**David Eager**
12.	**New Business**	**Lynn Hampton**
13.	**Closed Session****	**Lynn Hampton**
14.	**Adjourn***	**Lynn Hampton**

**Board Action Required*
***Board Action May Be Required*

MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES SPECIAL CALLED MEETING
DECEMBER 5, 2023, AT 10:30 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE

At the Meeting of the Kentucky Retirement Systems Board of Trustees held on December 5, 2023 the following members were present: Lynn Hampton (Chair), Ramsey Bova, Mary Eaves, Prewitt Lane, Keith Peercy, Pamela Thompson, and William Summers, V. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Leigh Ann Davis, Carrie Bass, Michael Lamb, Connie Davis, D'Juan Surratt, Steve Willer, Ashley Gabbard, Katie Park, Phillip Cook, and Sherry Rankin. Others present included Chris Tessman with Wilshire, and Danny White, Janie Shaw with GRS, Adam Gordon and Linda Hinton with the Auditor of Public Accounts, and Irina Strelkova with Frost Brown Todd.

Ms. Hampton called the meeting to order.

Mr. Board read the Legal Public Statement.

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

Ms. Hampton introduced agenda item ***Approval of Minutes – November 14, 2023*** *(Video 00:06:19 to 00:06:57).* A motion was made by Mr. Summers and seconded by Ms. Eaves to approve the minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item ***External Audit*** *(Video 00:06:58 to 00:18:33).* Mr. Adam Gordon with the Office of Public Accounts presented the draft 2023 Annual Comprehensive Financial Report (ACFR) at the most recent meeting of the KPPA Audit Committee. Mr. Gordon briefly reviewed the draft Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023, with the KRS Board of Trustees.

Ms. Eaves made a motion to accept the Fiscal Year Ended June 30, 2023, External Audit Report as presented, including any recommendations and management's responses. Mr. Peercy seconded the motion and the motion passed unanimously.

Ms. Hampton introduced the ***Approval of June 30, 2023, Actuarial Valuations for KERS Hazardous, KERS Non-Hazardous, and SPRS*** *(Video 00:18:34 to 00:20:50).* Ms. Shaw and Mr. White with GRS briefly reviewed the 2023 Actuarial Valuation Results.

Mr. Peercy made a motion to approve the June 30, 2023, Actuarial Valuation as presented. The motion was seconded by Mr. Lane and passed unanimously.

Ms. Hampton introduced agenda item ***Approval of FY25-26 Contribution Rates*** *(Video 00:20:51 to 00:28:04).* KRS CEO John Chilton presented the FY25-26 Contribution Rates as recommended by the KPPA Actuaries, Gabriel Roeder Smith (GRS).

After brief discussion, Ms. Eaves made a motion to approve the FY25-26 Contribution Rates as presented. Mr. Lane seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***Quarterly Investment Performance Report*** *(Video 00:28:05 to 00:43:25).* The CERS Investment Committee met on November 9, 2023. The Committee reviewed informational items only; therefore, no items required ratification by the KRS Board of Trustees, reported Mr. Willer. He presented KRS first quarter performance results for FY 2024 to the Trustees. Mr. Willer provided a brief update on the asset liability and asset allocation study being conducted in collaboration with Wilshire. He advised that a special called KRS Investment Committee meeting would likely be scheduled for January of 2024 to present the study findings and make recommendations.

Ms. Hampton introduced agenda item ***Quarterly Financial Reports*** *(Video 00:43:26 to 01:06:53).* Mr. Lamb presented the Quarterly Financial Reports to the CERS Finance Committee, said Mr. O'Mara. Mr. Lamb briefly reviewed these reports with the CERS Board of Trustees.

He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of September 30, 2023. Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the three-month period ending September 30, 2023. The KRS Pension Funds Contribution Report was also presented.

Mr. Lamb went on to present the Combining Statement of Fiduciary Net Position of Insurance Funds as of September 30, 2023, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the three-month period ending September 30, 2023, with the KRS Board of Trustees. Next, he reviewed the KRS Insurance Funds Contribution Report for the three-month period ending September 30, 2023. The KRS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were presented to the Trustees.

The newly created FY 2023-2024 KPPA Administrative Budget – Budget-to-Actual Summary Analysis for the three-month period ending September 30, 2023, was highlighted by Mr. Lamb.

Lastly, the Mr. Lamb briefly reviewed the separation/plan-specific expenses and the JP Morgan Chase Credit Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2024. He advised that additional information requested by the KRS Board of Trustees regarding JP Morgan Chase Credit Earnings and Fees and Hard Interest Earned was forthcoming.

Ms. Hampton introduced agenda item ***Annuity Rates Discussion*** *(Video 01:06:54 to 01:37:39).* Ms. Hampton provided background on the recent discussions surrounding increasing the investment rate for annuity calculations. She stated that when the KRS Board of Trustees previously discussed the increase, the Board was under the impression that the CERS Board of Trustees had adopted an increased rate. However, the CERS Board of Trustees had not, but deferred the topic to the KRS Board of Trustees.

Since then, CERS adopted a rate of 5.875% which is halfway between the KRS assumed investment earnings rate (5.25%) and the CERS assumed investment earnings rate (6.50%), said Ms. Hampton. She also reported that the Actuary, GRS, had completed additional work relating this issue as requested by the KRS Board of Trustees.

Mr. Chilton advised that a change in rate primarily affects Tier 3 members because their retirement is a dollar amount that is accumulated over their time of employment. He reviewed a detailed memorandum and exhibits provided by the GRS illustrating the estimated financial cost of alternative administrative factor assumptions (5.25%, 5.875% and 6.50%) across all KRS and CERS plans.

The KRS Board of Trustees needed to decide whether to adjust the current Annuity/delayed service purchase interest rate of 5.25% and interest rate of 7.50%, said Mr. Chilton.

Mr. Chilton recommended the following: (1) adjust the annuity rate to 5.875%; and (2) maintain the interest charged on service purchases, etc. at 7.50% because that amount approximates what might have been earned if the money had been in the plans since withdrawal.

Mr. Chilton reported that GRS was comfortable with a rate of 5.25% or an increased rate of 5.87%. Ms. Hampton asked if this would no longer be an issue if the KRS Board of Trustees was comfortable with increasing risk. Mr. Chilton stated that the contribution rate could be changed if the Board was inclined to do so. Ms. Hampton requested that the KRS Actuarial Committee discuss what funding level would be required to increase risk. Mr. Lane stated that the Committee would need to look at the life expectancy of the Tier 3 members since there is an actuarial component to it. Mr. Eager noted that the last actuarial asset liability study recently reviewed by Wilshire indicated that their expectation is that higher returns will be earned moving forward at the current risk level.

Mr. Chilton advised that a change the assumed rate of return would have a financial impact regardless of the rate. Ms. Janie Shaw with GRS explained why there would be an additional cost associated with changing the administrative factors.

Ms. Bova asked if the the covered payroll of the Tier 3 employees was important to review in deciding to increase contributions. Ms. Shaw stated that as the Tier 3 population increases, there would be a slightly larger increase in the dollar amount, but it is a small percentage of the overall contributions. Ms. Bova asked when the first Tier 3 member would retire. Ms. Surratt provided a brief overview of the retirement eligibility requirements for KERS, SPRS, and CERS hazardous and nonhazardous Tier 3 employees. Ms. Bova asked if a percentage change would affect members who have already retired. Ms. Surratt advised that retirees have the factor that was in place at their time of retirement.

Mr. Chilton noted that an increase in rates would apply to all employee payroll, not just Tier 3. Therefore, the contribution rate for all tiers is the same. Mr. Chilton asked Ms. Shaw if the increase in contribution rate was included and embedded in the rates that were approved. Ms. Shaw advised that an increase in contribution rates was not included. Mr. Chilton asked if approved, it would include and changing the rates that were just approved for the future contributions. Ms. Shaw deferred the question to KPPA Staff. Ms. Adkins reported that the change in rate would not affect the funding rate but would affect the contribution rate. Ms. Shaw confirmed that the employer contribution rate would change and reinterred that the change was not included in the recent actuarial valuation. Ms. Adkins described the process for submitting the anticipated contribution rates to the Office of the State Budget Director and the Legislative Research Commission (LRC).

Mr. Peercy asked why this topic was being discussed since it had been voted on and approved at a previous meeting. There were misconceptions of the actions taken by the CERS Board of Trustees, said Ms. Hampton. Mr. Peercy noted that there had been no change in the situation because CERS had voted on and approved an increased rate since the last meeting of the KRS Board of Trustees. Ms. Hampton confirmed; however, she wished to further discuss the topic again since additional data was provided by GRS.

Mr. Peercy reiterated that the same situation remains and that rescinding the previous approval of the KRS Board of Trustees would devalue the Tier 3 retirement.

Mr. Board noted the importance of a fiduciary view of this topic from the perspective of assuming that funds will earn 5.25% and KRS would annuitize Tier 3 retirees at 5.75%. Per the advice of fiduciary counsel, the decisions made should be reasonable considering all circumstances and all reasons for the decisions made should be documented, said Mr. Board.

Ms. Eaves asked if Mr. Chilton's recommendation of 7.50% for the interest charged on service purchases, etc. was the rate that the CERS Board of Trustee had approved. Mr. Chilton confirmed that CERS had approved that rate and was the current rate which applies to all plans. He added that the KRS Board of Trustees was to decide whether to amend that rate or not.

Since there was no change in situation and the KRS Board of Trustees had already adopted the rate of 5.875% at the November meeting and there was no change made to the 7.50% rate, Mr. Board recommended no action. Therefore, no action was taken by the KRS Board of Trustees.

****Ms. Thompson exited the meeting****

Ms. Hampton introduced agenda item ***KRS Bylaw Revisions*** *(Video 01:37:40 to 01:58:35)*. Mr. Board presented a proposed revision to Section 2.1 Standing Committees of the KRS Bylaws.

Current:
Any trustee may attend any meeting of any Committee of which he or she is not a Committee member but shall not have a vote.

Proposed:
Any trustee who wishes to observe a meeting of a committee of which he or she is not a member should do so by watching via live broadcast.

Mr. Board explained that if an eight-member Board of Trustees has a three-member Committee and two additional Trustees attend a meeting of that committee, a quorum is present. Should the two additional Trustees participate in the discussion of public business, the Board of Trustees would be in violation of the Open Meetings Act.

He reported that attorney general options advise that the attendance of a non-committee members at a committee meeting does not yield a violation of the Open Meetings Act; however, if the non-committee members take over the meeting or if the matters discussed are in the purview of the Board of Trustees that would create a violation.

Mr. Board encouraged Trustees to attend virtual meetings of committees which they are not a member via live broadcast. This method is a conservative approach and eliminates the risk for an Open Meetings Act violation, said Mr. Board.

There was discussion regarding the ability of a member of the public versus non-committee members/trustees to attend meetings. There was resistance to the recommendation made by Mr. Board.

He advised that the proposed language only addresses virtual meetings, not in-person meetings. Mr. Board advised that additional language would be needed to address in-person meetings if the KRS Board of Trustees wished to adopt the presented revision to the KRS bylaws.

Ms. Eaves asked if live broadcast was a required by statute. Mr. Board stated that KPPA is required to allow the public to view all Board and Committee meetings. KPPA fulfills that requirement by providing the live broadcast via Facebook. The live broadcast is also made available to the public in the KPPA lobby (Building A), advised Mr. Board.

Mr. Chilton noted that the word *should* used in the recommended revision implies an option. Mr. Board stated that he can present amended language and along with additional language addressing in-person meetings at a future meeting of the KRS Board of Trustees.

No action was taken by the KRS Board of Trustees. It was requested that Mr. Board consider the discussion and concerns expressed by the KRS Board of Trustees and present further revised KRS bylaws at the next meeting of the KRS Board of Trustees.

Ms. Hampton introduced agenda item ***KRS CEO Update*** *(Video 01:58:36 to 01:59:35)*. Mr. Chilton provided a brief report on the happenings since the last meeting of the KRS Board of Trustees meeting.

Ms. Hampton introduced agenda item ***KPPA Update*** *(Video 01:59:36 to 02:00:05)*. Mr. Eager provided the KRS Board of Trustees with a written KPPA Update. No questions or comments were made regarding the update.

Ms. Hampton introduced agenda item ***New Business*** *(Video 02:00:06 to 02:01:00)*. Ms. Hampton thanked the KPPA Executive Staff for their continued efforts in exploring the ability to lease an office space for the KPPA Office of Investments Staff in Louisville.

Ms. Hampton introduced agenda item ***Closed Session*** *(Video 02:01:03 to 02:02:30)* and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Ms. Bova and seconded by Mr. Summers. The motion passed unanimously.

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

Closed Session *(Video - Part 2 - 00:01:01 to 00:02:17)*

Ms. Hampton called the meeting back to open session and requested a motion to approve the KPPA Legal Staff to take enforcement action, if necessary, as discussed in closed session. Mr. Peercy made the motion and was seconded by Ms. Bova. The motion passed unanimously.

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

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held December 5, 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 Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on December 5, 2023, were approved on March 13, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the December 5, 2023, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services

MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES SPECIAL CALLED MEETING
DECEMBER 20, 2023, AT 10:00 A.M. ET
VIA LIVE VIDEO TELECONFERENCE

At the Special Called meeting of the Kentucky Retirement Systems (KRS) Board of Trustees held on December 20, 2023, the following members were present: Lynn Hampton (Chair), David Adkins, Ramsey Bova, Prewitt Lane, Keith Peercy, Pamela Thompson and Mr. Summers V. Staff members present were KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Steve Willer, Ashely Gabbard, Katie Park, Phillip Cook and Sherry Rankin.

Ms. Hampton called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no ***Public Comment*** submitted, Ms. Hampton introduced ***Dentons Bingham Greenebaum Contract*** *(Video 00:05:36 to 00:15:25)*. Mr. Board advised that the Kentucky Retirement Systems (KRS) outside counsel contract with Dentons Bingham Greenebaum LLP was set to expire on December 31, 2023. He presented the draft Dentons Bingham Greenebaum Personal Service Contract. Mr. Board noted that the firm requested to increase their flat hourly rate from $325.00 to $350.00. The duration of the presented personal service contract shall run for eighteen (18) months beginning January 1, 2024, through June 30, 2025, said Mr. Board.

Mr. Lane made a motion to approve the contract as presented. However, Mr. Summers expressed concern regarding the requested increase to the flat hourly rate.

After discussion, Mr. Adkins made a motion to direct staff to extend the current personal service contract for three (3) months with the understanding that the KRS Board of Trustees will revisit the issue in three (3) months to determine if an extension of the contract along the terms discussed is appropriate considering all circumstances. Mr. Summers seconded the motion and the motion passed unanimously.

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

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CERTIFICATION

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

Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on December 20, 2023, were approved on March 13, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the December 20, 2023, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services

MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES SPECIAL CALLED MEETING
JANUARY 30, 2024, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE

At the Meeting of the Kentucky Retirement Systems (KRS) Board of Trustees held on January 30, 2024 the following members were present: Lynn Hampton (Chair), Ramsey Bova, Mary Eaves, Dr. Crystal Miller, Keith Peercy, Pamela Thompson, and William Summers, V. Staff members present were KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Victoria Hale, Steve Willer, Anthony Chiu, Brian Caldwell, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Criag Morton, Chris Tessman, and David Lindberg with Wilshire Advisors.

Ms. Hampton called the meeting to order.

Ms. Hale read the Legal Public Statement.

Ms. Rankin called roll.

Ms. Rankin advised that one (1) ***Public Comment*** was submitted and the comment aloud:

Submitted by Mark Doran

I'm a retired CERS member. My employer and I both contributed to a plan that was 100% funded during the majority of my career, then the unfunded liability exploded when it was my turn to benefit. I totally understand the underfunding concerns and the necessity to address them, but our last COLA was 2011. No one can really expect retirees to live on a stagnated benefit forever. I understand the legislative responsibilities and legislative actions regarding CERS in the past 15 years, the funding responsibilities and the CERS Board relationship. In short, it's built a red-tape system of no accountability to the CERS retirees. My question to you is how do you plan to represent retirees regarding a cost-of-living adjustment. Currently, a COLA would require funding from the contributing participants, yet the CERS Board has recently been decreasing contributions instead. Consideration should be given to options to tweak legislation for COLA *funding or work within the existing system for retirees. The legislature won't move without your input and we're depending on you to represent us all. What help do you offer us. An actual response would be appreciated.*

Ms. Hampton introduced agenda item ***Investment Committee Report and Recommendations*** *(Video 00:07:38 to 00:34:10).* Ms. Bova stated that the KRS Investment Committee held a Special Called meeting on January 18, 2024.

The recommendation made by the KPPA Office of Investments to invest up to $75 million in Closed-End Funds Separately Managed Accounts to be managed by Saba Capital Management subject to successful contract negotiations was approved by the Committee. This investment would be part of the Real Return asset allocation and would be allocated proportionally across all Pension and Insurance portfolios, said Mr. Willer.

In addition, the recommendation made by the KPPA Office of Investments and Wilshire to revise Section III Asset Allocation Guidelines of the Kentucky Retirement Systems Investment Policy Statement Adopted March 2, 2022, was approved. Mr. Willer reviewed the approved changes to the Asset Allocation with the KRS Board of Trustees.

Mr. Peercy made a motion to ratify the Investment Committee's approval of the revisions to the KRS' Asset Allocation. Ms. Bova seconded the motion and the motion passed unanimously.

Ms. Bova made a motion to ratify the Investment Committee's approval to invest up to $75 million with Saba Capital Management. Ms. Thompson seconded the motion and the motion passed unanimously.

Closed Session – None.

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

CERTIFICATION

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

____
Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on January 30, 2024, were approved on March 13, 2024.

____
Chair of the Board of Trustees

I have reviewed the Minutes of the January 30, 2024, Board of Trustees Meeting for content, form, and legality.

____
Executive Director
Office of Legal Services

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

Board of Trustees
Kentucky Public Pensions Authority

Opinion

We have audited the accompanying schedules of employer allocations of the Kentucky Employees Retirement System-Nonhazardous Pension Plan (KERS Nonhazardous), Kentucky Employees Retirement System-Hazardous Pension Plan (KERS Hazardous), County Employees Retirement System-Nonhazardous Pension Plan (CERS Nonhazardous), and County Employees Retirement System-Hazardous Pension Plan (CERS Hazardous) as of and for the year ended June 30, 2023, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedules of pension amounts by employer of the KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous Plans as of and for the year ended June 30, 2023, and the related notes.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous Plans as of and for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Kentucky Public Pensions Authority (KPPA) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Trustees
Kentucky Public Pensions Authority

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of the schedules in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules that are free from material misstatement, whether due to fraud or error.

In preparing the schedules, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KPPA's ability to continue as a going concern for twelve months beyond the schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the schedule of employer allocations and the specified totals included in the schedule of pension amounts by employer, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule of employer allocations and the specified totals included in the schedule of pension amounts by employer.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KPPA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule of employer allocations and the specified totals included in the schedule of pension amounts by employer.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KPPA's ability to continue as a going concern for a reasonable period of time.

Board of Trustees
Kentucky Public Pensions Authority

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the combining financial statements of KPPA as of and for the fiscal year ended June 30, 2023, and our report thereon, dated November 27, 2023, expressed an unmodified opinion on those combining financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024 on our consideration of KPPA's internal control over the preparation of these schedules and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KPPA's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of KPPA management, Audit Committee, Board of Trustees, KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous Plans employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, KY

March 21, 2024

Kentucky Public Pensions Authority
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
For the Fiscal Year Ended June 30, 2023

Note 1 - Organization

Under the provisions of Kentucky Revised Statute Section 78.782 and 61.645 the Kentucky Public Pensions Authority oversees the administration and operation of the personnel and accounting systems for the County Employees Retirement System – Nonhazardous Pension Plan (CERS Nonhazardous) County Employees Retirement System – Hazardous Pension Plan (CERS Hazardous) collectively CERS, the Kentucky Employees Retirement System – Nonhazardous (KERS Nonhazardous), Kentucky Employees Retirement System – Hazardous (KERS Hazardous), collectively KERS, and State Police Retirement System (SPRS). Although the assets of the funds are invested as a whole, each plan's assets are accounted for separately, invested according to plan-specific asset allocation goals, and are used only for the payment of benefits to the members of that fund and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570 and 16.555.

The KPPA Board is comprised of elected and appointed representatives from the CERS and Kentucky Retirement System (KRS) boards. The KPPA Board, as of December 6, 2023, is comprised of Keith Peercy, Chair, elected by SPRS, selected by KRS Board Chair; Jerry W. Powell, Vice Chair, elected by CERS, selected by CERS Board Chair; Betty Pendergrass, elected by CERS, CERS Board Chair; Lynn Hampton, Governor Appointee, KRS Board Chair; Dr. Merl Hackbart, Governor Appointee, CERS Investment Committee Chair; C. Prewitt Lane, Governor Appointee, KRS Investment Committee Chair; William O'Mara, Governor Appointee, selected by CERS Chair; and William Summers V, Governor Appointee, selected by KRS Chair.

The CERS Board and the KRS Board each have nine trustees. Three elected by the membership and six appointed by the Governor. For more information on the Boards and their makeup including bios for each trustee, please visit the KPPA website, kyret.ky.gov.

CERS Nonhazardous, CERS Hazardous, KERS Nonhazardous, and KERS Hazardous are cost-sharing multiple-employer defined benefit plans that cover all regular full-time members employed in nonhazardous and hazardous positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

SPRS is a single-employer defined benefit plan that covers all full-time state troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. No schedule has been presented for SPRS, since it is a single-employer defined benefit pension plan.

Kentucky Public Pensions Authority
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
For the Fiscal Year Ended June 30, 2023
(Continued)

Note 2 - Relationship to Combining Financial Statements

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position as shown in the Combining Statement of Changes in Fiduciary Net Position and in accordance with requirements promulgated by Governmental Accounting Standards Board (GASB) Statements No. 67 and 68. The net pension liability at June 30, 2023, is reported in the Notes to Combining Financial Statements and Required Supplementary Information.

Based on guidance issued by GASB in connection with GASB statement No. 74, the 1% of pay member contribution for Tier 2 and Tier 3 members to a 401(h) subaccount are considered as an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017 and later are net of the 401(h) asset balance.

Note 3 - Summary of Significant Accounting Policies

Employer contributions to KPPA are calculated based upon creditable compensation for active members reported by employers for CERS Hazardous, CERS Nonhazardous and KERS Hazardous. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous fund. Therefore, the calculation of the proportionate share of the Collective Pension Amounts for employers that participate in the KERS Nonhazardous pension fund has been updated since June 30, 2020. The proportionate share of the Collective Pension Amounts for employers that participate in the KERS Nonhazardous fund is based upon their allocation of the amortization cost, as specified under the revised statutes. It is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2023. The final proportionate share calculation, which represents an employer's share of the long-term contribution effort assumes the amortization cost is approximately 88% of the aggregate required contribution for the fund. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. Investment income/loss is allocated to each plan based on the plan's ownership in the respective investment account.

The Schedule of Employer Allocations reflects employer contributions received for the fiscal year ended June 30, 2023, and includes the following for each individual employer:

- employer contributing entity and reporting code;
- the amount of the employer contributing entity's contributions; and,
- the employer contributing entity's contributions as a percentage of total employer contributions, as defined by this allocation.

Kentucky Public Pensions Authority
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
For the Fiscal Year Ended June 30, 2023
(Continued)

Note 3 - Summary of Significant Accounting Policies (Continued)

The Employer Allocation Percentage has been rounded to six decimal places.

The components of the net pension liability of CERS and KERS for participating employers as of June 30, 2023, calculated in accordance with GASB Statement No. 67, are as follows (dollars in thousands):

	CERS Nonhazardous	CERS Hazardous	KERS Nonhazardous	KERS Hazardous
Total Pension Liability	$ 15,089,106	$ 5,731,148	$ 15,858,669	$ 1,316,521
Fiduciary Net Position	8,672,597	3,035,192	3,539,943	893,533
Net Pension Liability	$ 6,416,509	$ 2,695,956	$ 12,318,726	$ 422,988

<u>Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability</u>

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023, and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan.

Kentucky Public Pensions Authority
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
For the Fiscal Year Ended June 30, 2023
(Continued)

Note 3 - Summary of Significant Accounting Policies (Continued)

<u>Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability (Continued)</u>

Similarly, this is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a 1.0% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans in determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous and Hazardous, and 0.0% for KERS Nonhazardous and Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Nonhazardo
	3.55% to 19.05%, varies by service for CERS Hazardous
	3.30% to 15.30%, varies by service for KERS Nonhazardo
	3.55% to 20.05%, varies by service for KERS Hazardous
Investment Rate of Return	6.50% for CERS Nonhazardous and Hazardous, 6.25% for KERS Hazardous, 5.25% for KERS Nonhazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Kentucky Public Pensions Authority
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
For the Fiscal Year Ended June 30, 2023
(Continued)

Note 3 - Summary of Significant Accounting Policies (Continued)

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS Nonhazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

The projection of cash flows used to determine the discount rate of 5.25% for the KERS Nonhazardous, and 6.25% for KERS Hazardous, assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy, established in Statute as amended by House Bill 8, passed during the 2021 legislative session, over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on KPPA's combining financial statements. KPPA's combining financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United State of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in Preparation of the Schedules

The preparation of the schedules in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain amounts and disclosures. KPPA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

Kentucky Public Pensions Authority
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
For the Fiscal Year Ended June 30, 2023
(Continued)

Note 4 - Reconciliation of Employer Contributions

The reconciliation between the employer contributions used for the Schedule of Employer Allocations and the Combining Statements of Changes in Fiduciary Net Position as of June 30, 2023, are presented below ($ in thousands):

	CERS Nonhazardous	CERS Hazardous	KERS Nonhazardous	KERS Hazardous
Per GRS Schedule A	$ 679,246	$ 300,339	$ 1,022,116	$ 68,332
Retired Reemployed	17,519	6,907	4,589	2,940
Other Employer Contributions	(2,589)	(1,226)	(381)	(20)
Interest	87	366	44	8
Write-Offs/Refunds	3	(76)	(467)	128
Employer Pay Credit	(51,694)	(21,683)	(22,018)	(8,758)
Sick Leave	3,209	1,726	7,869	1,390
Outstanding Checks	159	-	102	-
KPPA	-	-	1,033	-
KTRS	-	-	85	-
Total	$ 645,940	$ 286,353	$ 1,012,972	$ 64,020
Employer Contributions on the Statement of Change in Fiduciary Net Position	$ 645,940	$ 286,353	$ 1,012,972	$ 64,020
Dollar Difference	$ -	$ -	$ -	$ -
Percentage Difference	0%	0%	0%	0%

* Other Employer Contributions - contributions from prior period adjustments; omitted contributions/invoices; and other ER invoices not sick leave.

The items listed above are included in the contributions on the Combining Statements of Changes in Fiduciary Net Position, but are not included in Schedule A (GRS reports). The contributions per Schedule A (GRS reports) represent actual contributions made related to the measurement period.

Kentucky Public Pensions Authority
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
For the Fiscal Year Ended June 30, 2023
(Continued)

Note 5 - Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021 for CERS Nonhazardous and CERS Hazardous June 30, 2021 for KERS Nonhazardous and KERS Hazardous
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization period	30 years closed period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0% for CERS Nonhazardous and Hazardous 0.0% for KERS Nonhazardous and Hazardous
Asset Valuation Method	20% of the difference between the market value of the assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous 3.55% to 19.05%, varies by service for CERS Hazardous 3.30% to 15.30%, varies by service for KERS Nonhazardous 3.55% to 20.05%, varies by service for KERS Hazardous
Investment Rate of Return	6.25% for CERS Nonhazardous and Hazardous and KERS Hazardous 5.25% for KERS Nonhazardous
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Nonhazardous and CERS Hazardous

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Note 6 - Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources and Pension Expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2023, is based on the June 30, 2022 actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees
Kentucky Public Pensions Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedules of employer allocations of the Kentucky Employees Retirement System – Nonhazardous Pension Plan (KERS Nonhazardous), Kentucky Employees Retirement System – Hazardous Pension Plan (KERS Hazardous), County Employees Retirement System – Nonhazardous Pension Plan (CERS Nonhazardous) and County Employees Retirement System – Hazardous Pension Plan (CERS Hazardous) as of and for the year ended June 30, 2023, and the related notes to the schedules. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedules of pension amounts by employer of the KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous Pension Plans as of and for the fiscal year ended June 30, 2023 and have issued our report thereon dated March 21, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the schedules, we considered the Kentucky Public Pensions Authority's (KPPA) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the schedules, but not for the purpose of expressing an opinion on the effectiveness of KPPA's internal control. Accordingly, we do not express an opinion on the effectiveness of KPPA's internal control.

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Board of Trustees
Kentucky Public Pensions Authority

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KPPA's schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, KY

March 21, 2024

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

Board of Trustees
Kentucky Public Pensions Authority

Opinion

We have audited the accompanying schedules of employer allocations of the Kentucky Employees Retirement System-Nonhazardous Other Post Employee Benefit (OPEB) Plan (KERS Nonhazardous), Kentucky Employees Retirement System-Hazardous OPEB Plan (KERS Hazardous), County Employees Retirement System-Nonhazardous OPEB Plan (CERS Nonhazardous), and County Employees Retirement System-Hazardous OPEB Plan (CERS Hazardous) as of and for the year ended June 30, 2023, and the related notes. We have also audited the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (specified column totals) included in the accompanying schedules of OPEB amounts by employer of the KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous Plans as of and for the year ended June 30, 2023, and the related notes.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense for the total of all participating entities for the KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous Plans as of and for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Kentucky Public Pensions Authority (KPPA) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Trustees
Kentucky Public Pensions Authority

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of the schedules in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules that are free from material misstatement, whether due to fraud or error.

In preparing the schedules, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KPPA's ability to continue as a going concern for twelve months beyond the schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the schedule of employer allocations and the specified totals included in the schedule of OPEB amounts by employer, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule of employer allocations and the specified totals included in the schedule of OPEB amounts by employer.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KPPA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule of employer allocations and the specified totals included in the schedule of OPEB amounts by employer.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KPPA's ability to continue as a going concern for a reasonable period of time.

Board of Trustees
Kentucky Public Pensions Authority

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the combining financial statements of KPPA as of and for the fiscal year ended June 30, 2023, and our report thereon, dated November 27, 2023, expressed an unmodified opinion on those combining financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024 on our consideration of KPPA's internal control over the preparation of these schedules and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KPPA's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of KPPA management, Audit Committee, Board of Trustees, KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous Plans employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, KY

March 21, 2024

Kentucky Public Pensions Authority
Notes to the Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023

Note 1 - Organization

Under the provisions of Kentucky Revised Statute Section 78.782 and 61.645 the Kentucky Public Pensions Authority (KPPA) oversees the administration and operation of the personnel and accounting systems for the CERS Nonhazardous, and Hazardous which are administered by the CERS Board, the KERS Nonhazardous and Hazardous, and State Police Retirement System (SPRS) which are administered by the Kentucky Retirement Systems Board (KRS). Although the assets of the plans are invested as a whole, each plan’s assets are accounted for separately, invested according to plan-specific asset allocation goals, and are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570 and 16.555.

The KPPA Board is comprised of elected and appointed representatives from the CERS and KRS boards. The KPPA Board, as of December 6, 2023, is comprised of Keith Peercy, Chair, elected by SPRS, selected by KRS Board Chair; Jerry W. Powell, Vice Chair, elected by CERS, selected by CERS Board Chair; Betty Pendergrass, elected by CERS, CERS Board Chair; Lynn Hampton, Governor Appointee, KRS Board Chair; Dr. Merl Hackbart, Governor Appointee, CERS Investment Committee Chair; C. Prewitt Lane, Governor Appointee, KRS Investment Committee Chair; William O’Mara, Governor Appointee, selected by CERS Chair; and William Summers V, Governor Appointee, selected by KRS Chair.

The CERS Board and the KRS Board each have nine trustees. Three elected by the membership and six appointed by the Governor. For more information on the Boards and their makeup including bios for each trustee, please visit the KPPA website, kyret.ky.gov.

CERS Nonhazardous, CERS Hazardous, KERS Nonhazardous, and KERS Hazardous are cost-sharing multiple-employer other post-employment benefits (OPEB) plans that cover all regular full-time members employed in nonhazardous and hazardous positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

SPRS is a single-employer defined benefit OPEB plan that covers all full-time state troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. No schedule has been presented for SPRS, since it is a single-employer defined benefit OPEB plan.

Kentucky Public Pensions Authority
Notes To Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023
(Continued)

Note 2 - Relationship to Combining Financial Statements

The accompanying schedules were reconciled to the KPPA's Combining Statement of Changes in Fiduciary Net Position – Insurance Fund in KPPA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023, with the following difference. The 1% of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount on the Pension Funds are considered as an OPEB asset. As a result, the reported plan fiduciary net position for the Insurance Fund as of June 30, 2017, includes the 401(h) asset balance.

The components associated with OPEB expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position as shown in the Combining Statement of Changes in Fiduciary Net Position and in accordance with requirements promulgated by Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. The net OPEB liability at June 30, 2023, is reported in the Notes to Combining Financial Statements and Required Supplementary Information.

Note 3 - Summary of Significant Accounting and Reporting Policies

Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying schedules were prepared in accordance with U.S generally accepted accounting principles as applicable to governmental organizations. In doing so, KPPA adheres to the reporting requirements established by GASB.

The CERS Nonhazardous, CERS Hazardous, KERS Nonhazardous, KERS Hazardous Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the CERS and KRS Boards and required by the employers, and the employees' contributions are set by Kentucky Revised Statute 78.5536(3)(b)(1) and 61.702(3)(b)(1). KPPA recognized employer and employee contributions to the plans through June 30, 2023. OPEB expenses are recognized as the benefits come due for the CERS Nonhazardous, CERS Hazardous, KERS Nonhazardous, and KERS Hazardous Insurance Plans, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2023. KPPA contracts with DEI and Humana to administer the claims. DEI administers retiree claims for retirees who are non-Medicare eligible, and Humana administers retiree claims for members who are Medicare eligible. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

The plans are charged administrative expenses based on the number of members and dependents electing an insurance policy provided by DEI or Humana, on a monthly basis. The administrative expenses are reported in KPPA's basic financial statements included in the ACFR for the Insurance Fund.

Kentucky Public Pensions Authority
Notes To Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023
(Continued)

Note 3 - Summary of Significant Accounting and Reporting Policies (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The Schedule of Employer Allocations reflects employer contributions received for the fiscal year ended June 30, 2023, and includes the following for each individual employer:

- employer contributing entity and reporting code;
- the amount of the employer contributing entity's contributions; and,
- the employer contributing entity's contributions as a percentage of total employer contributions, defined by this allocation.

The Employer Allocation Percentage has been rounded to six decimal places.

The components of the net OPEB liability of CERS and KERS for participating employers as of June 30, 2023, calculated in accordance with GASB Statement No. 74, are as follows (dollars in thousands):

	CERS Nonhazardous	CERS Hazardous	KERS Nonhazardous	KERS Hazardous	SPRS	Insurance Total
Total OPEB Liability	$ 3,260,308	$ 1,771,015	$ 2,317,344	$ 417,361	$ 263,450	$ 8,029,478
Fiduciary Net Position	3,398,375	1,634,192	1,532,752	625,356	248,109	7,438,784
Net OPEB Liability	$ (138,067)	$ 136,823	$ 784,592	$ (207,995)	$ 15,341	$ 590,694

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. Investment income/loss is allocated to each plan based on the plan's ownership in the respective investment account.

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

Kentucky Public Pensions Authority
Notes To Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023
(Continued)

Note 3 - Summary of Significant Accounting and Reporting Policies (Continued)

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability (Continued)

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous and CERS Hazardous
	0.0% for KERS Nonhazardous and KERS Hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous
	3.55% to 19.05%, varies by service for CERS Hazardous
	3.30% to 15.30%, varies by service for KERS Nonhazardous
	3.55% to 20.05%, varies by service for KERS Hazardous
Investment Rate of Return	6.50%
Health Care trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 8.50 in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022. projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experiences Study for the Period Ending June 30, 2022”. Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

Kentucky Public Pensions Authority
Notes To Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023
(Continued)

Note 3 - Summary of Significant Accounting and Reporting Policies (Continued)

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability (Continued)

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a 1.0% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, for the nonhazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Discount Rate

Single discount rates of 5.93% for CERS Nonhazardous, 5.97% for CERS Hazardous, 5.94% for KERS Nonhazardous and KERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

Kentucky Public Pensions Authority
Notes To Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023
(Continued)

Note 3 - Summary of Significant Accounting and Reporting Policies (Continued)

Discount Rate (Continued)

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on KPPA's combining financial statements. KPPA's combining financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United State of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in the Preparation of the Schedules

The preparation of the schedules in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain amounts and disclosures. KPPA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

Note 4 - Reconciliation of Employer Contributions

The reconciliation between the employer contributions used for the Schedule of Employer Allocations and the Combining Statements of Changes in Fiduciary Net Position as of June 30, 2023, are presented below (dollars in thousands):

	CERS Nonhazardous	CERS Hazardous	KERS Nonhazardous	KERS Hazardous
Per GRS Schedule A	$ 98,407	$ 47,598	$ 121,545	$ -
Retired Reemployed	2,538	1,094	1,208	-
*Other Employer Contributions	177	101	120	37
Write-Offs/Refunds	(1)	(1)	(1)	-
KPPA	-	-	328	-
KTRS	-	-	23	-
Total	$ 101,121	$ 48,792	$ 123,223	$ 37
Employer Contributions on the Statement of Change in Fiduciary Net Position	$ 101,121	$ 48,792	$ 123,223	$ 37
Dollar Difference	$ -	$ -	$ -	$ -
Percentage Difference	0%	0%	0%	0%

* Other Employer Contributions - contributions from prior period adjustments; omitted contributions/invoices; and, other ER invoices not sick leave.

Kentucky Public Pensions Authority
Notes To Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023
(Continued)

Note 4 - Reconciliation of Employer Contributions (Continued)

The items listed above are included in the contributions on the Combining Statements of Changes in Fiduciary Net Position, but are not included in the Schedule A (GRS reports). The contributions per Schedule A (GRS reports) represents actual contributions made related to the measurement period.

Note 5 - Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization period	30 years closed period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0% for CERS Nonhazardous and Hazardous 0.0% for KERS Nonhazardous and Hazardous
Asset Valuation Method	20% of the difference between the market value of the assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous 3.55% to 19.05%, varies by service for CERS Hazardous 3.30% to 15.30%, varies by service for KERS Nonhazardous 3.55% to 20.05%, varies by service for KERS Hazardous
Investment Rate of Return	6.25%
Health Care Trend Rates	
Pre - 65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Kentucky Public Pensions Authority
Notes To Schedules of Employer Allocations and OPEB Amounts by Employer
Fiscal Year Ended June 30, 2023
(Continued)

Note 6 - Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources and OPEB Expense included in the Schedule of OPEB Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2023, is based on the June 30, 2022 actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Kentucky Public Pensions Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedules of employer allocations of the Kentucky Employees Retirement System – Nonhazardous Other Post Employee Benefit (OPEB) Plan (KERS Nonhazardous), Kentucky Employees Retirement System – Hazardous OPEB Plan (KERS Hazardous), County Employees Retirement System – Nonhazardous OPEB Plan (CERS Nonhazardous) and County Employees Retirement System – Hazardous OPEB Plan (CERS Hazardous) as of and for the year ended June 30, 2023, and the related notes to the schedules. We have also audited the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (specified column totals) included in the accompanying schedules of OPEB amounts by employer of the KERS Nonhazardous, KERS Hazardous, CERS Nonhazardous, and CERS Hazardous OPEB Plans as of and for the fiscal year ended June 30, 2023 and have issued our report thereon dated March 21, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the schedules, we considered the Kentucky Public Pensions Authority's (KPPA) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the schedules, but not for the purpose of expressing an opinion on the effectiveness of KPPA's internal control. Accordingly, we do not express an opinion on the effectiveness of KPPA's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KPPA's schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, KY

March 21, 2024

KENTUCKY PUBLIC PENSIONS AUTHORITY
David L. Eager, Executive Director
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Kentucky Public Pensions Authority

TO: Members of the KRS Board of Trustees

FROM: Joint CERS & KRS Retiree Health Plan Committee

DATE: March 13, 2024

SUBJECT: Joint CERS & KRS Retiree Health Plan Committee Report

The Joint CERS & KRS Retiree Health Plan Committee met on Thursday, February 15, 2024, and reviewed an informational presentation from Humana regarding the following items:

- 2023 Member Satisfaction Results
- Inflation Reduction Act
- CMS Call Notices
- 2024 Stars Outreach

Humana presented the Customer Care Experiences. The members calling customer care was low in 2023 with only 12% having a reason to call compared to previous years. Members ability to get their issue resolved remained high at 61% resolution for a single incident. Members remained highly satisfied with their Customer Representative interactions. Hold times improved in 2023 going up to 93% as compared to 77% in 2022. Humana's Net Promoter Score (NPS) for 2023 was 72.86. NPS above 50 are considered to be excellent.

Humana gave updates on the Inflation Reduction Act (IRA) and 2024 Notices from CMS. The IRA will most likely have an impact to premiums for plan year 2025. The IRA is changing the Medicare Part D annual out of pocket cost for the retirees. The retirees out of pocket cost will be capped at $2,000 a year and it was $8,000 a year in 2024. The Centers for Medicare and Medicaid Services (CMS) released the Advanced Rate Notice for 2024. The notice indicates the expected impact of proposed policy changes on the Medicare Advantage (MA) plan payments relative to last year. There is a 60-day comment period. The Final Notice will be released on April 1, 2024.

Humana also presented the information on the 2024 Stars Campaign Calendar of the events that have occurred or will occur during the year. Some of the events include annual checkup reminders, risk of falls prevention, colorectal cancer information, breast cancer information, diabetes eye exam, diabetes kidney disease, and blood glucose levels.

Lastly, Humana stated that negotiations continue with the Baptist Health Medical Group contract. Retirees on the KPPA MA plans continue to access this provider group with no additional out of pocket cost.

KPPA staff presented Open Enrollment (October 1, 2023 – December 31, 2023) statistics. The statistics showed a slight decrease in web enrollments of 7% which was likely due to more members having to complete an application in the previous year's Open Enrollment, due to a plan being removed from the 2023 KEHP offerings. Member email responses remained flat at 798 from 812 the previous year. The number of phone calls increased with 18,846 taken from 16,255 in 2022. Virtual appointments grew more than 200% from the previous year from 23 to 70 and the in-person appointments increase by 16% from the previous year from 57 to 66. KPPA staff attended thirteen (13) in-person Benefit Fairs and Seminars with Humana, the Department of Employee Insurance (DEI) and Retiree Group meetings during October 2023 reaching nearly five hundred (500) retirees. Webinars were offered and posted on the KPPA website for both the non-Medicare and Medicare plans.

All presentations were for informational purposes only and no actions were taken.

KERS Kentucky Employees Retirement System
SPRS State Police Retirement System

Combining Statement of Fiduciary Net Position - Pension Funds

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

ASSETS	KERS Nonhazardous	KERS Hazardous	SPRS	KRS TOTAL FY 2024	KRS TOTAL FY 2023	Percentage of Change	Note
CASH AND SHORT-TERM INVESTMENTS							
Cash Deposits	$2,261	$230	$43	$2,534	$606	318.39%	1
Short-term Investments	482,805	44,190	78,586	605,581	768,494	(21.20)%	2
Total Cash and Short-term Investments	**485,066**	**44,420**	**78,629**	**608,115**	**769,100**	**(20.93)%**	
RECEIVABLES							
Accounts Receivable	92,002	4,714	2,409	99,126	97,464	1.71%	
Accounts Receivable - Investments	28,756	5,418	4,809	38,983	51,784	(24.72)%	3
Total Receivables	**120,758**	**10,133**	**7,218**	**138,108**	**149,247**	**(7.46)%**	
INVESTMENTS, AT FAIR VALUE							
Core Fixed Income	794,324	114,594	128,001	1,036,919	830,450	24.86%	4
Public Equities	1,269,084	422,210	207,182	1,898,476	1,519,600	24.93%	5
Private Equities	181,677	64,217	24,923	270,817	241,209	12.27%	6
Specialty Credit	657,855	189,482	105,766	953,103	856,655	11.26%	7
Derivatives	(166)	(73)	(32)	(272)	48	(671.34)%	8
Real Return	270,754	67,399	43,745	381,898	99,923	282.19%	9
Real Estate	222,437	60,483	36,355	319,274	239,143	33.51%	10
Total Investments, at Fair Value	**3,395,963**	**918,312**	**545,939**	**4,860,214**	**3,787,028**	**28.34%**	
Securities Lending Collateral Invested	85,040	21,037	13,682	119,759	115,445	3.74%	
CAPITAL/INTANGIBLE ASSETS							
Capital Assets	929	91	11	1,031	1,031	0.00%	
Intangible Assets	5,920	494	100	6,513	6,513	0.00%	
Accumulated Depreciation	(929)	(91)	(11)	(1,031)	(1,031)	0.00%	
Accumulated Amortization	(5,920)	(494)	(100)	(6,513)	(6,444)	1.08%	
Total Capital Assets	**-**	**-**	**-**	**-**	**70**	**(100.00)%**	
Total Assets	**4,086,827**	**993,902**	**645,468**	**5,726,197**	**4,820,890**	**18.78%**	
LIABILITIES							
Accounts Payable	3,071	733	59	3,864	2,567	50.49%	11
Investment Accounts Payable	48,668	8,621	8,057	65,347	36,983	76.69%	12
Securities Lending Collateral	85,040	21,037	13,682	119,759	115,445	3.74%	
Total Liabilities	**136,779**	**30,391**	**21,798**	**188,969**	**154,996**	**21.92%**	
Total Fiduciary Net Position Restricted for Pension Benefits	**$3,950,048**	**$963,511**	**$623,670**	**$5,537,228**	**$4,665,894**	**18.67%**	

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 due to pending trades.

4) The increase in Core Fixed Income is a result of favorable market conditions during the prior fiscal year as well as additional funding.

5) The increase in Public Equities is the result of favorable market conditions resulting in an increase in gains/losses and additional funding.

6) The increase in Private Equity is the result of additional funding.

7) The increase in Specialty Credit is the result of favorable market conditions resulting in an increase in gains/losses and additional contributions.

8) The variance in Derivatives is a result of hedging and arbitration of risk within the portfolios.

9) The increase in Real Return is a result of favorable market conditions as well as additional funding.

10) The increase in Real Estate is the result of a movement of the Mesa West Accounts from the Specialty Credit asset class to the Real Estate Asset Class as well as additional funding.

11) The variance in Accounts Payable is due to an increase in the payroll and leave liability accrual as well as an increase in outstanding employer credit invoices.

12) The variance in Investment Accounts Payable is due to pending trades.

KERS
Kentucky Employees Retirement System

SPRS
State Police Retirement System

Combining Statement of Changes In Fiduciary Net Position - Pension Funds

For the six month period ending December 31, 2023, with Comparative Totals for the six month period ending December 31, 2022 ($ in Thousands) (Unaudited)

	KERS		SPRS	KRS Total		Percentage of	
	Nonhazardous	Hazardous		FY 2024	FY 2023	Change	Note
ADDITIONS							
Member Contributions	$47,554	$10,643	$2,825	$61,022	$52,333	16.60%	1
Emloyer Pay Credit	14,368	5,751	947	21,066	14,819	42.16%	2
Employer Contributions	62,145	38,658	30,008	130,811	115,398	13.36%	3
Actuarially Accrued Liability Contributions (AALC)	449,117	-	-	449,117	449,281	(0.04)%	
General Fund Appropriation	120,000	-	-	120,000	120,000	0.00%	
Pension Spiking Contributions	10	-	-	10	35	(70.84)%	4
Health Insurance Contributions (HB1)	(12)	(7)	(7)	(25)	(10)	141.02%	5
Employer Cessation Contributions	-	-	-	-	-	0.00%	
Total Contributions	**693,181**	**55,045**	**33,774**	**782,000**	**751,854**	**4.01%**	
INVESTMENT INCOME							
From Investing Activities							
Net Appreciation (Depreciation) in FV of Investments	120,101	35,725	19,645	175,471	6,841	2,464.94%	6
Interest/Dividends	65,533	16,000	10,783	92,317	66,509	38.80%	7
Total Investing Activities Income	185,634	51,725	30,428	267,788	73,350		
Less: Investment Expense	8,755	2,763	1,142	12,660	10,108	25.24%	8
Less: Performance Fees	2,740	752	260	3,753	(411)	1,012.65%	9
Net Income from Investing Activities	174,140	48,210	29,026	251,376	63,653		
From Securities Lending Activities							
Securities Lending Income	1,847	539	326	2,712	1,811		
Less: Securities Lending Borrower Rebates	1,621	480	287	2,388	1,524		
Less: Securities Lending Agent Fees	34	9	6	49	43		
Net Income from Securities Lending	192	50	33	276	244	13.00%	10
Net Investment Income	**174,332**	**48,260**	**29,059**	**251,651**	**63,897**	**293.84%**	
Total Additions	**867,513**	**103,305**	**62,833**	**1,033,651**	**815,751**	**26.71%**	
DEDUCTIONS							
Benefit Payments	512,492	39,911	31,757	584,160	583,141	0.17%	
Refunds	5,668	1,720	85	7,473	8,216	(9.05)%	
Administrative Expenses	6,512	731	148	7,391	7,406	(0.20)%	
Total Deductions	**524,671**	**42,362**	**31,990**	**599,023**	**598,763**	**0.04%**	
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	342,842	60,943	30,843	434,628	216,988		
Total Fiduciary Net Position Restricted for Pension Benefits							
Beginning of Period	**3,607,205**	**902,568**	**592,826**	**5,102,599**	**4,448,906**	**14.69%**	
End of Period	**$3,950,047**	**$963,510**	**$623,670**	**$5,537,228**	**$4,665,894**	**18.67%**	

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

1) Member Contributions increased due to an increase in covered payroll.

2) The Employer Pay Credit will continue to increase as Tier 3 members increase.

3) Employer Contributions increased due to an increase in covered payroll.

4) Pension Spiking contributions decreased due to a decrease in pension spiking billed to employers.

5) 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.

6) The increase in Net Appreciation in Fair Value of Investments is the result of gains primarily from public equities.

7) The increase in Interest/Dividend Income is primarily the result of increased dividends/interest from public equity and core fixed income as well as partnership income from Specialty Credit.

8) The increase in Investment Expense is primarily the result of increased market value due to favorable performance and additional funding as well as increased partnership expenses for Specialty Credit.

9) The increase in performance fees is the result of more favorable market conditions creating higher performance fees for Private Equity and Specialty Credit.

10) The variance is a result of the demand of the Securities Lending Program.

Pension Funds Contribution Report

For the six month period ending December 31, 2023, with Comparative Totals for the six month period ending December 31, 2022
($ in Millions)

KERS / SPRS	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous			
	FY24	FY23	FY24	FY23	FY24	FY23
Member Contributions	$47.5	$41.2	$10.6	$8.5	$2.8	$2.6
Employer Pay Credit	14.4	10.1	5.8	4.0	1.0	0.7
Employer Contributions	62.2	56.1	38.7	31.2	30.0	28.1
Actuarially Accrued Liability Contributions	449.1	449.3	-	-	-	-
Employer Cessation Contributions	-	-	-	-	-	-
General Fund Appropriations	120.0	120.0	-	-	-	-
Net Investment Income	54.2	40.0	12.5	9.9	9.4	7.2
Total Inflows	**747.4**	**716.7**	**67.6**	**53.6**	**43.2**	**38.6**
Benefit Payments/Refund	518.2	518.4	41.6	41.0	31.8	32.0
Administrative Expenses	6.5	6.5	0.8	0.7	0.1	0.1
Total Outflows	**524.7**	**524.9**	**42.4**	**41.7**	**31.9**	**32.1**
NET Contributions	**222.7**	**191.8**	**25.2**	**11.9**	**11.3**	**6.5**
Realized Gain/(Loss)	(21.8)	(17.1)	1.9	(3.2)	(2.9)	(3.8)
Unrealized Gain/(Loss)	141.9	14.3	33.8	10.9	22.5	5.8
Change in Net Position	**342.8**	**189.0**	**60.9**	**19.6**	**30.9**	**8.5**
Beginning of Period	**3,607.2**	**3,076.7**	**902.6**	**819.2**	**592.8**	**552.9**
End of Period	**$3,950.0**	**$3,265.7**	**$963.5**	**$838.8**	**$623.7**	**$561.4**

Differences due to rounding.

Net Contributions*	$168.5	$151.8	$12.7	$2.0	$1.9	$(0.7)
Cash Flow as % of Assets	4.27%	4.65%	1.31%	0.24%	0.30%	(0.13)%
Net Investment Income	$54.2	$40.0	$12.5	$9.9	$9.4	$7.2
Yield as % of Assets	1.37%	1.22%	1.30%	1.18%	1.51%	1.28%

**Net Contributions are less Net Investment Income.*

KERS
SPRS

Combining Statement of Fiduciary Net Position - Insurance Funds

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

	KERS		SPRS	KRS Total		Percentage of	
ASSETS	Nonhazardous	Hazardous		FY 2024	FY 2023	Change	Note
CASH AND SHORT-TERM INVESTMENTS							
Cash Deposits	$402	$40	$10	$452	$168	170.01%	1
Short-term Investments	73,337	23,286	9,675	106,298	204,124	(47.93)%	2
Total Cash and Short-term Investments	**73,739**	**23,326**	**9,685**	**106,750**	**204,292**	**(47.75)%**	
RECEIVABLES							
Accounts Receivable	14,052	469	889	15,410	14,212	8.43%	
Investment Accounts Receivable	9,191	3,067	1,263	13,521	22,883	(40.91)%	3
Total Receivables	**23,243**	**3,536**	**2,152**	**28,931**	**37,095**	**(22.01)%**	
INVESTMENTS, AT FAIR VALUE							
Core Fixed Income	183,911	65,435	25,615	274,961	245,728	11.90%	
Public Equities	692,313	283,948	113,981	1,090,242	911,134	19.66%	4
Private Equities	104,719	51,363	22,847	178,929	161,492	10.80%	
Specialty Credit	307,865	137,911	54,661	500,437	452,973	10.48%	
Derivatives	(77)	20	(21)	(78)	(73)	(5.97)%	5
Real Return	110,198	36,358	14,503	161,058	52,272	208.11%	6
Real Estate	99,206	43,512	16,611	159,329	111,503	42.89%	
Total Investments, at Fair Value	**1,498,135**	**618,547**	**248,197**	**2,364,878**	**1,935,029**	**22.21%**	
Securities Lending Collateral Invested	24,101	9,921	3,983	38,004	46,803	(18.80)%	7
Total Assets	**1,619,218**	**655,330**	**264,016**	**2,538,563**	**2,223,218**	**14.18%**	
LIABILITIES							
Accounts Payable	128	-	1	129	146	(11.32)%	8
Investment Accounts Payable	14,419	4,839	1,887	21,145	14,542	45.41%	9
Securities Lending Collateral	24,101	9,921	3,983	38,004	46,803	(18.80)%	10
Total Liabilities	**38,648**	**14,760**	**5,871**	**59,279**	**61,491**	**(3.60)%**	
Total Fiduciary Net Position Restricted for OPEB	**$1,580,570**	**$640,570**	**$258,145**	**$2,479,285**	**$2,161,728**	**14.69%**	

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 increase in Public Equities is the result of favorable market conditions resulting in an increase in gains/losses and additional funding.

5) The variance in Derivatives is a result of hedging and arbitration of risk within the portfolios.

6) The increase in Real Return is a result of favorable market conditions as well as additional funding.

7) The variance is a result of the demands of the Securities Lending Program.

8) The decrease in Accounts Payable is due to a decrease in outstanding employer credit invoices for KERS and KERH.

9) The variance in Investment Accounts Payable is due to pending trades.

10) 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 six month period ending December 31, 2023, with Comparative Totals for the six month period ending December 31, 2022 ($ In Thousands) (Unaudited)

	KERS		SPRS	KRS Total		Percentage of	
	Nonhazardous	Hazardous		FY 2024	FY 2023	Change	Note
ADDITIONS							
Employer Contributions	$20,365	$38	$5,039	$25,442	$21,902	16.16%	1
Actuarially Accrued Liability Contributions (AALC)	43,821	-	-	43,821	43,838	(0.04)%	
Medicare Drug Reimbursement	2	-	-	2	1	25.00%	
Insurance Premiums	65	(1)	-	63	82	(23.28)%	2
Humana Gain Share Payment	8,440	651	390	9,481	5,444	74.16%	3
Retired Re-employed Healthcare	3,455	883	-	4,339	3,374	28.60%	4
Health Insurance Contributions (HB1)	5,128	1,030	200	6,358	4,902	29.70%	5
Employer Cessation Contributions	-	-	-	-	-	0.00%	
Total Contributions	**81,275**	**2,601**	**5,630**	**89,506**	**79,543**	**12.53%**	
INVESTMENT INCOME							
From Investing Activities							
Net Appreciation (Depreciation) in FV of Investments	57,213	23,860	9,463	90,535	25,063	261.22%	6
Interest/Dividends	25,617	10,358	4,202	40,178	31,488	27.60%	7
Total Investing Activities Income	82,830	34,218	13,665	130,713	56,551		
Less: Investment Expense	4,321	2,307	903	7,531	5,922	27.17%	8
Less: Performance Fees	1,242	733	256	2,231	1,051	112.37%	9
Net Income from Investing Activities	77,267	31,178	12,506	120,951	49,578		
From Securities Lending Activities							
Securities Lending Income	684	259	111	1,054	769		
Less: Securities Lending Borrower Rebates	570	216	93	879	646		
Less: Securities Lending Agent Fees	17	7	3	26	18		
Net Income from Securities Lending	96	37	15	149	105	42.09%	10
Net Investment Income	**77,363**	**31,215**	**12,522**	**121,099**	**49,683**	**143.74%**	
Total Additions	**158,638**	**33,815**	**18,152**	**210,605**	**129,226**	**62.97%**	
DEDUCTIONS							
Healthcare Premiums Subsidies	42,333	9,441	6,762	58,536	77,536	(24.50)%	11
Administrative Expenses	370	60	36	466	491		
Self-Funded Healthcare Costs	852	65	5	923	909	1.44%	
Excise Tax Insurance	3	-	-	3	-	100.00%	12
Total Deductions	**43,558**	**9,567**	**6,804**	**59,928**	**78,937**	**(24.08)%**	
Net Increase (Decrease) in Fiduciary Net Position Restricted for OPEB	115,080	24,249	11,348	150,677	50,289		
Total Fiduciary Net Position Restricted for OPEB							
Beginning of Period	**1,465,489**	**616,322**	**246,797**	**2,328,608**	**2,111,438**	**10.29%**	
End of Period	**$1,580,570**	**$640,570**	**$258,145**	**$2,479,285**	**$2,161,728**	**14.69%**	

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

1) The increase Employer Contributions is due to an increase in covered payroll.

2) Health Insurance Premiums decreased due to refunds processed to hazardous retirees for premiums paid for dependents that should have been covered by KPPA.

3) The Humana Gain Share payment will fluctuate year to year based on claims paid.

4) The increase in Retired Re-employed Healthcare Contributions is due to an increase in retired re-employed members in KERS and KERS Hazardous.

5) Health Insurance Contributions will continue to rise as Tier 2 and Tier 3 members increase.

6) The increase in Net Appreciation in Fair Value of Investments is the result of gains primarily from public equities.

7) The increase in Interest/Dividend Income is primarily the result of increased dividends/interest from public equity and core fixed income as well as partnership income from Specialty Credit.

Insurance Fund Contribution Report

For the six month period ending December 31, 2023, with Comparative Totals for the six month period ending December 31, 2022
($ in Millions)

KERS / SPRS	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous			
	FY24	FY23	FY24	FY23	FY24	FY23
Employer Contributions	$20.4	$17.4	$-	$-	$5.0	$4.5
Actuarially Accrued Liability Contributions	43.8	43.8	-	-	-	-
Employer Cessation Contributions	-	-	-	-	-	-
Insurance Premiums	0.1	0.1	-	-	-	-
Humana Gain Share	8.4	4.9	0.7	0.4	0.4	0.2
Retired Reemployed Healthcare	3.5	2.7	0.9	0.7	-	-
Health Insurance Contributions	5.1	4.0	1.0	0.8	0.2	0.2
Net Investment Income	20.1	15.1	7.4	6.7	3.1	2.7
Total Inflows	**101.4**	**88.0**	**10.0**	**8.6**	**8.7**	**7.6**
Healthcare Premiums	43.2	60.7	9.5	10.4	6.8	7.4
Administrative Expenses	0.4	0.4	0.1	0.1	0.0	0.0
Total Outflows	**43.6**	**61.1**	**9.6**	**10.5**	**6.8**	**7.4**
NET Contributions	**57.8**	**26.9**	**0.4**	**(1.9)**	**1.9**	**0.2**
Realized Gain/(Loss)	3.2	(8.5)	2.3	(1.8)	1.0	(0.7)
Unrealized Gain/(Loss)	54.1	25.6	21.6	7.6	8.4	2.9
Change in Net Position	**115.1**	**44.0**	**24.3**	**3.9**	**11.3**	**2.4**
Beginning of Period	**1,465.5**	**1,301.5**	**616.3**	**579.9**	**246.8**	**230.0**
End of Period	**$1,580.6**	**$1,345.5**	**$640.6**	**$583.8**	**$258.1**	**$232.4**

Differences due to rounding.

Net Contributions*	$37.7	$11.8	$(6.9)	$(8.6)	$(1.2)	$(2.5)
Cash Flow as % of Assets	2.38%	0.88%	(1.08)%	(1.48)%	(0.45)%	(1.08)%
Net Investment Income	$20.1	$15.1	$7.4	$6.7	$3.1	$2.7
Yield as % of Assets	1.27%	1.13%	1.15%	1.16%	1.18%	1.18%

**Net Contributions are less Net Investment Income.*

KRS
Outstanding Invoices by Type and Employer

Invoice Type	12/31/2023	9/30/2023	Change H/(L)
Actuarially Accrued Liability Contribution	$3,766,099	$3,317,448	14%
Employer Free Military and Decompression Service	45,258	45,258	0%
Member Pension Spiking Refund	(36,527)	(34,249)	7%
Monthly Reporting Invoice	(173,568)	(224,377)	(23)%
Penalty – Monthly Reporting	50,000	44,000	14%
Reinstatement	10,625	9,044	17%
Other Invoices**	(141,550)	(161,570)	(12)%
Total	**3,520,336**	**3,157,124**	
Health Insurance Reimbursement	794,086	471,679	68%
Omitted Employer	120,719	173,337	(30)%
Employer Pension Spiking*	201,428	197,514	2%
Standard Sick Leave	1,169,910	603,811	94%
USERRA Protected Military	35,030	35,030	0%
Total	**2,321,174**	**1,481,371**	**57%**
Grand Total	**$5,841,510**	**$4,638,495**	26%

**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; Penalty EOY Reporting; Personnel Adjustment; and, Refunded Member Contributions Due.*

Employer Name (Top Ten)	12/31/2023	9/30/2023	Change H/(L)
Kentucky River Community Care Inc.***	$3,626,615	$3,263,188	11%
Dept for Highways	633,816	234,175	171%
Dept. for Behavioral Health Dev. Intell. Disabilities	264,101	232,757	13%
Department for Community Based Services	217,602	2,454	8768%
Department of Parks	161,879	38,006	326%
Seven County Services, Inc.***	141,591	139,908	1%
Unified Prosecutorial System	126,066	75,563	67%
Department for Income Support	80,201	72,074	11%
Department for Public Health	79,588	45,470	75%
Morgan County Attorney	$48,354	$24,461	98%

****Indicates invoices turned over to Legal for further action*

	Total Unpaid Balance	Invoice Count
KERS	5,615,874	1,187
KERH	231,174	36
SPRS	(5,538)	17
Grand Total:	**$5,841,510**	**1,240**

KENTUCKY PUBLIC PENSIONS AUTHORITY

Penalty Invoices Report
From: 10/1/2023 To: 12/31/2023
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	Comments
Total	**$-**	**$-**	**$-**			CANC		
	$1,000	$1,000	$-	10/3/2023	11/2/2023	CRTD	County Attorneys	
	1,000	1,000	-	10/5/2023	11/4/2023	CRTD	County Attorneys	
	1,000	1,000	-	10/17/2023	11/16/2023	CRTD	County Attorneys	
	1,000	1,000	-	12/20/2023	1/19/2024	CRTD	County Attorneys	
	1,000	1,000	-	12/20/2023	1/19/2024	CRTD	County Attorneys	
	1,000	1,000	-	12/20/2023	1/19/2024	CRTD	County Attorneys	
	1,000	1,000	-	12/20/2023	1/19/2024	CRTD	County Attorneys	
Total	**$7,000**	**$7,000**	**$-**					
	$1,000	$-	$-	11/6/2023	12/3/2023	PAID	Non-P1 State Agencies	
Total	**$1,000**	**$-**	**$-**					

Notes:

Invoice Status:

CANC - Cancelled

CRTD - Created

PAID - Paid

KPPA ADMINISTRATIVE BUDGET FY 2023-2024
BUDGET-TO-ACTUAL SUMMARY ANALYSIS
FOR THE SIX MONTHS ENDING DECEMBER 31, 2023, WITH COMPARATIVE TOTALS FOR THE SIX MONTHS ENDING DECEMBER 31, 2022

CATEGORY	BUDGETED	FY 2024 EXPENSE	REMAINING	PERCENT REMAINING	FY 2023 EXPENSE	PERCENT DIFFERENCE
PERSONNEL	$34,520,287	$16,870,195	$17,650,092	51.13%	$16,186,341	4.22%
LEGAL CONTRACTS	1,210,000	578,954	631,046	52.15%	413,625	39.97%
AUDITING	300,000	214,821	85,179	28.39%	77,808	176.09%
ACTUARIAL SERVICES	500,000	190,067	309,933	61.99%	134,300	41.52%
MEDICAL REVIEWERS	1,800,000	693,145	1,106,855	61.49%	660,075	5.01%
OTHER PERSONNEL	500,000	145,071	354,929	70.99%	4,535	3,098.92%
PERSONNEL TOTAL	**$38,830,287**	**$18,692,253**	**$20,138,034**	**51.86%**	**$17,476,684**	**6.96%**
RENTALS - BUILDING & EQUIPMENT	1,166,500	525,891	640,609	54.92%	549,266	(4.26)%
INFORMATION TECHNOLOGY	4,190,000	1,312,370	2,877,630	68.68%	1,076,973	21.86%
OTHER OPERATIONAL	1,371,200	441,129	930,071	67.83%	410,176	7.55%
OPERATIONAL TOTAL	**$6,727,700**	**$2,279,390**	**$4,448,310**	**66.12%**	**$2,036,414**	**11.93%**
RESERVE	4,882,813	-	4,882,813	100.00%	-	0.00%
ADMINISTRATIVE BUDGETED AMOUNT	**$50,440,800**	**$20,971,643**	**$29,469,157**	**58.42%**	**$19,513,098**	**7.47%**

Administrative Budget Summary Notes

PERSONNEL (Staffing):	Through half the year, we have spent nearly $17M, which is approximately 49% percent of the budget, and 4+% higher than the prior year.
LEGAL	We have nearly 52% of the legal budget remaining. We have spent close to 90% of our budget for FBT. The legal hearing officer line item is over budget by approximately $36k, and we have about 26% left to spend. We are under budget in other line items such as SKO, JBB, and DBG.
AUDITING	ACFR audit was $215k (30k below budget). We anticipate $30k for the ongoing proportionate share audit in Q3.
ACTUARIAL, MEDICAL, AND OTHER	All are below budget for the 1st half of the year.
OPERATIONAL TOTAL	Overall under budget, driven by the following: utilities; rent, printing, postage, and travel.

KPPA ADMINISTRATIVE BUDGET FY 2023-2024
BUDGET-TO-ACTUAL ANALYSIS
FOR THE SIX MONTHS ENDING DECEMBER 31, 2023, WITH COMPARATIVE TOTALS FOR THE SIX MONTHS ENDING DECEMBER 31, 2022

Account Name	Budgeted	FY 2024 Expense	Remaining	Percent Remaining	FY 2023 Expense	Percent Difference
PERSONNEL						
Staff						
Salaries/Wages	$17,900,000	$8,909,245	$8,990,755	50.23%	$8,053,218	10.63%
Wages (Overtime)	285,000	133,960	151,040	53.00%	115,112	16.37%
Emp Paid FICA	1,294,772	639,447	655,325	50.61%	586,903	8.95%
Emp Paid Retirement	12,033,015	5,864,267	6,168,748	51.27%	6,148,378	(4.62)%
Emp Paid Health Ins	2,687,500	1,265,934	1,421,566	52.90%	1,123,415	12.69%
Emp Paid Sick Leave	250,000	40,221	209,779	83.91%	135,844	(70.39)%
Adoption Assistance Benefit	10,000	-	10,000	100.00%	-	0.00%
Escrow for Admin Fees	-	(1,000)	(1,000)	(100.00)%	-	(100.00)%
Workers Compensation	12,000	11,116	884	7.36%	11,116	0.00%
Unemployment	10,000	-	10,000	100.00%	5,534	0.00%
Emp Paid Life Ins	3,000	1,494	1,506	50.20%	1,461	2.26%
Employee Training	25,000	5,511	19,489	77.96%	5,361	2.80%
Tuition Assistance	10,000	-	10,000	100.00%	-	0.00%
Bonds	-	-	-	0.00%	-	0.00%
Staff Subtotal	**34,520,287**	**16,870,195**	**17,648,092**	**51.12%**	**16,186,342**	**4.22%**
LEGAL & AUDITING SERVICES						
Legal Hearing Officers	150,000	111,175	38,825	25.88%	76,516	45.30%
Legal (Stoll, Keenon)	250,000	7,847	242,153	96.86%	51,775	(84.84)%
Frost Brown	300,000	265,426	34,574	11.52%	100,066	165.25%
Reinhart	50,000	-	50,000	100.00%	-	0.00%
Ice Miller	300,000	154,040	145,961	48.65%	81,920	88.04%
Johnson, Bowman, Branco LLC	100,000	37,638	62,362	62.36%	69,895	(46.15)%
Dentons Bingham & Greenebaum	50,000	2,828	47,173	94.35%	33,291	(91.51)%
Legal Expense	10,000	-	10,000	100.00%	23	(100.00)%
Auditing	300,000	214,821	85,179	28.39%	77,808	176.09%
Total Legal & Auditing Services	**1,510,000**	**793,775**	**716,225**	**47.43%**	**491,294**	**61.57%**
CONSULTING SERVICES						
Medical Reviewers	1,800,000	693,145	1,106,855	61.49%	660,075	5.01%
Escrow for Actuary Fees	-	(500)	500	(100.00)%	(28,866)	0.00%
Total Consulting Services	**1,800,000**	**692,645**	**1,107,355**	**61.52%**	**631,209**	**9.73%**
CONTRACTUAL SERVICES						
Miscellaneous Contracts	390,000	125,434	264,566	67.84%	11,700	972.09%
Human Resources Consulting	10,000	-	10,000	100.00%	-	0.00%
Actuarial Services	500,000	190,067	309,933	61.99%	134,300	41.52%
Facility Security Charges	100,000	20,137	79,863	79.86%	21,701	(7.21)%
Contractual Subtotal	**1,000,000**	**335,638**	**664,362**	**66.44%**	**167,701**	**100.14%**
PERSONNEL SUBTOTAL	**$38,830,287**	**$18,692,253**	**$20,136,034**	**51.86%**	**$17,476,684**	**6.96%**
OPERATIONAL						
Natural Gas	42,000	7,164	34,836	82.94%	10,149	(29.41)%
Electric	133,000	58,606	74,394	55.94%	58,288	0.55%
Rent-Non State Building	56,000	-	56,000	100.00%	25,321	(100.00)%
Building Rental - PPW	1,000,000	480,985	519,015	51.90%	481,016	(0.01)%
Copier Rental	105,000	42,579	62,421	59.45%	40,745	4.50%
Rental Carpool	5,500	2,327	3,173	57.70%	2,144	8.54%
Vehicle/Equip. Maint.	1,000	-	1,000	100.00%	-	0.00%
Postage	420,000	148,193	271,807	64.72%	92,536	60.15%
Freight	200	-	200	100.00%	41	(100.00)%
Printing (State)	15,000	200	14,800	98.67%	795	(74.84)%
Printing (non-state)	85,000	20,231	64,769	76.20%	24,911	(18.79)%
Insurance	10,000	5,090	4,910	49.10%	5,572	(8.65)%
Garbage Collection	6,500	3,391	3,109	47.83%	3,161	7.28%
Conference Expense	45,000	11,177	33,823	75.16%	7,415	50.73%
Conference Exp. Investment	2,000	-	2,000	0.00%	64	(100.00)%
Conference Exp. Audit	3,000	-	3,000	100.00%	-	0.00%

KPPA ADMINISTRATIVE BUDGET 2023-24
BUDGET-TO-ACTUAL ANALYSIS
FOR THE SIX MONTHS ENDING DECEMBER 31, 2023, WITH COMPARATIVE TOTALS FOR THE SIX MONTHS ENDING DECEMBER 31, 2022

Account Name	Budgeted	FY 2024 Expense	Remaining	Percent Remaining	FY 2023 Expense	Percent Difference
MARS Usage	50,000	13,550	36,450	72.90%	13,550	0.00%
COVID-19 Expenses	-	-	-	0.00%	-	0.00%
Office Supplies	100,000	23,460	76,540	76.54%	55,804	(57.96)%
Furniture & Office Equipment	12,000	-	12,000	100.00%	204	(100.00)%
Travel (In-State)	15,000	7,080	7,920	52.80%	7,627	(7.17)%
Travel (In-State) Investment	1,000	-	1,000	100.00%	-	0.00%
Travel (In-State) Audit	500	-	500	100.00%	-	0.00%
Travel (Out of State)	79,000	20,700	58,300	73.80%	28,189	(26.57)%
Travel (Out of State) Investment	135,000	14,535	120,465	89.23%	10,578	37.41%
Travel (Out of State) Audit	1,000	-	1,000	100.00%	1,077	(100.00)%
Dues & Subscriptions	69,000	37,372	31,628	45.84%	35,931	4.01%
Dues & Subscriptions Invest	15,000	14,321	679	4.53%	4,177	242.85%
Dues & Subscriptions Audit	1,000	-	1,000	100.00%	100	(100.00)%
Miscellaneous	55,000	17,430	37,570	68.31%	19,556	(10.87)%
Miscellaneous Investment	-	90	(90)	0.00%	-	100.00%
Miscellaneous Audit	-	-	-	0.00%	-	0.00%
COT Charges	40,000	7,622	32,378	80.94%	9,022	(15.52)%
Telephone - Wireless	8,500	4,305	4,195	49.35%	2,556	68.43%
Telephone - Other	105,500	42,947	62,553	59.29%	47,665	(9.90)%
Telephone - Video Conference	11,000	4,834	6,166	56.05%	-	100.00%
Computer Equip./Software	4,080,000	1,291,198	2,788,802	68.35%	1,029,994	25.36%
Comp. Equip./Software Invest	-	-	-	0.00%	-	0.00%
Comp. Equip/Software Audit	20,000	-	20,000	100.00%	24,407	(100.00)%
OPERATIONAL SUBTOTAL	**$6,727,700**	**$2,279,390**	**$4,448,310**	**66.12%**	**$2,036,415**	**11.93%**
SUB-TOTAL	**$45,557,987**	**$20,971,643**	**$24,584,344**	**53.96%**	**$19,513,099**	**7.47%**
Reserve	**4,882,813**	**-**	**4,882,813**	**100.00%**	**-**	**0.00%**
TOTAL	**$50,440,800**	**$20,971,643**	**$29,467,157**	**58.42%**	**$19,513,098**	**7.47%**

Differences due to rounding

Plan	Budgeted	FY 2024 Expense	% of Total KPPA FY 2024 Expense
CERS Nonhazardous	**$29,825,645**	**$12,400,533**	**59.13%**
CERS Hazardous	**2,627,966**	**1,092,623**	**5.21%**
KERS Nonhazardous	**15,855,561**	**6,592,226**	**31.434%**
KERS Hazardous	**1,774,003**	**737,573**	**3.517%**
SPRS	**357,625**	**148,689**	**0.709%**
TOTAL	**$50,440,800**	**$20,971,643**	

JP MORGAN CHASE CREDIT EARNINGS AND FEES
FOR THE FISCAL YEAR ENDING JUNE 30, 2024

	Earnings	Fees	Net Earnings
July-23	$3,297	$(7,049)	$(3,751)
August-23	4,612	(7,230)	(2,618)
September-23	26,588	(8,157)	18,432
October-23	-	(7,228)	(7,228)
November-23	-	(7,672)	(7,672)
December-23	-	(7,498)	(7,498)
Total	**$34,498**	**$(44,834)**	**$(10,336)**

JP MORGAN CHASE HARD INTEREST EARNED
FOR THE FISCAL YEAR ENDING JUNE 30, 2024

	Clearing Account	CERS	KERS	SPRS	Total
July-23	$36,566	$6,578	$5,007	$-	$48,151
August-23	36,787	9,041	6,066	-	51,894
September-23	44,123	10,919	7,794	-	62,836
October-23	20,461	16,034	15,960	260	52,715
November-23	36,941	19,518	11,393	356	68,209
December-23	28,937	19,758	11,661	262	60,618
Total	**$203,816**	**$81,849**	**$57,881**	**$878**	**$344,423**

Kentucky Retirement Systems

State Police Retirement System

M E M O R A N D U M

To: Kentucky Retirement Systems Board of Trustees

From: C. Prewitt Lane, Chair
Investment Committee

Date: March 13, 2024

Subject: Summary of Investment Committee Meeting

The Kentucky Retirement Systems Investment Committee held a regularly scheduled meeting on February 21, 2024.

1. **No recommendations were made that required approval by the Investment Committee.**

2. **No actions were taken that required ratification by the Kentucky Retirement Systems Board 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 Outlook.
   b. Absolute and Relative Performance and Asset Allocations for the Pension and Insurance Portfolios for the Quarter ending December 31, 2023.

      KERS Pension 5.64%
      SPRS Pension 5.87%
      Benchmark 5.53%

      KERSH Pension 6.45%
      KERS Insurance 6.50%
      KERSH Insurance 6.30%
      SPRS Insurance 6.33%
      Benchmark 5.91%

   c. Peer Universe – All portfolios have produced top quartile or top decile risk adjusted performance over 1-, 3- and 5-year time periods.
   d. Asset Allocations – Progress was reported in moving the Portfolios toward their IPS Asset Allocation targets with rebalancing activity and capital calls in the Specialty Credit and

Kentucky Retirement Systems
1270 Louisville Road
Frankfort, KY 40601

Real Return asset classes. At the end of Fiscal Year 2022, there were a total of 25 individual asset class allocations that were not in compliance with their allowable IPS ranges, that number had been reduced to 14 by December 31, 2023.

e. Across multiple transaction, Staff rebalanced the Core Fixed Income portfolio, moving duration of the overall portfolio from 3 years short relative to the benchmark to flat. This rebalancing included moving a total of $928MM to an internally managed portfolio. It was also noted that this rebalancing resulted in the termination of the Lord Abbett Short Duration Credit Portfolio. Over the course of the investment, the Lord Abbett portfolio produced 15 bps pf outperformance relative to its benchmark. The tactical short duration positioning of the Core Portfolio by staff produced 381 bps of outperformance over the 3-year period ending December 31, 2023.
f. Compliance – Non-compliance with IPS allocation ranges were noted.
g. Investment Budget Update – Fiscal Year to Date, expenditures are running well below the amount budgeted with a total $2.5MM, or 25% of the amount budgeted for the FY, spent fiscal year to date.

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

DENTONS BINGHAM GREENEBAUM, LLP

PERSONAL SERVICE CONTRACT

THIS CONTRACT, made and entered into this 1st day of April 2024, by and between DENTON BINGHAM GREENEBAUM, LLP, 3500 PNC Tower, 101 South Fifth Street, Louisville, Kentucky 40202, hereinafter referred to as the "Contractor" and the Kentucky Retirement Systems Board of Trustees hereinafter referred to as "KRS", 1260 Louisville Road, Frankfort, Kentucky 40601, for general counsel legal services as set forth in legal services is more particularly described as follows:

1. **Scope of Services:** Contractor agrees to provide periodic advice to KRS, and, generally, along with and in collaboration with, Kentucky Public Pensions Authority's ("KPPA") legal team, to serve as outside general counsel for KRS. Contractor will advise KRS on a variety of matters, as requested, including litigation matters being handled by KPPA's legal team and/or other outside counsel.

2. **Relationship of Parties:** Contractor warrants that all work performed by Contractor under this personal service contract shall be performed as an independent contractor.

3. **Terms of Business:** Attached is a copy of Contractor's Terms, which reflects the hourly-fee basis on which we bill for legal services.

4. **Our Team and Charges:** Although Janet Jakubowicz and Ben Lewis will be principally responsible for this Engagement, it is anticipated that other lawyers and professionals will be involved. Although Contractor's lawyers normally bill at varying hourly rates based on experience and specialization, Contractor agrees to represent KRS at a flat hourly rate of $350.00 for all professionals in our firm. Our representation may also involve out-of-pocket costs (e.g., filing fees, maintenance, and processing of electronic files, etc.), which are described in the Terms.

5. **Retainer:** At this time, Contractor is not requesting a retainer, with the understanding that KRS agrees to pay Contractor invoices promptly as they come due.

6. **Fees:** For the services rendered by the Contractor, KRS shall pay the rates set forth in the "fee schedule" attached to this personal service contract and incorporated by reference herein. The KRS Board understands and agrees that all time spent on client's matters will be billed by Contractor including, but not limited to, office meetings, court appearances, travel, telephone calls, e-mails, research, pleadings, letters, file maintenance, reviewing documents and file, and preparing exhibits. Contractor shall invoice KRS at the end of each calendar month for all services rendered during the month. The invoice shall itemize the number of hours worked, in 1/10ths of an hour increments, and a brief description of each task performed. Contractor will be reimbursed for all necessary and reasonable out-of-pocket expenses, including travel expenses.

7. **Duration and Termination:** The duration of this personal service contract shall run from time period beginning April 1, 2024, through June 30, 2025. At expiration, this personal service contract may, at the option of the parties, be renewed by negotiation for further periods. Termination or cancelation of this personal service contract may occur by Contractor or KRS upon thirty (30) days advance written notice provided by certified or registered mail.

8. **Conflicts of Interests:** Our Terms include provisions regarding conflicts. At this point, we are not aware of any conflicts that would preclude our representation of KRS. However, Contractor declares that other Contractor lawyers have historically represented other state agencies, including the Kentucky Community and Technical College system ("KCTCS"), and the University of Louisville ("UofL"). While we do not anticipate those attorney-client relationships will preclude or inhibit Contractor's representation of KRS, if a situation does arise of that sort, Contractor will immediately inform KRS, so that appropriate steps may be taken to avoid any conflict-of-interest situation. Please note that Contractor likely would not represent KRS, KCTCS or UofL if any of those state agencies were ever adverse to one another in litigation.

Contractor's representation of clients is governed by the rules of professional conduct of various jurisdictions in which Contractor practices. Generally, a Contractor lawyer may not represent a person if the representation of that person will be directly adverse to an existing or prospective Contractor client, unless the Contractor lawyer reasonably believes Contractor's representation will not adversely affect the relationship with the Contractor client, and both the Contractor client and KRS consent to the conflicting representation after consultation.

Contractor will, of course, act in accordance with its ethical responsibilities and hold inviolate any confidential information that we may acquire in the course of Contractor's representation of KRS.

Confidential Information: Contractor may have certain access to confidential information maintained by the KRS Board to the extent necessary to carry out its responsibilities and shall presume that all information received pursuant to this contract is confidential. Confidential information shall remain the property of the KRS Board at all times. No confidential information collected, maintained, or used in the course of the contract shall be disseminated except as authorized by law and with the written consent of KRS Board.

9. **Information Requests and Disclosures:** In the event that a subpoena or other legal process is served upon Contractor for records containing confidential information, the Contractor shall promptly notify KRS and cooperate with KRS in any lawful effort to protect the confidential information, at KRS' expense. Contractor shall promptly report an unauthorized disclosure of confidential information to KRS.

10. **Assignment and Amendments:** This contract may not be assigned by Contractor without the written consent of KRS. Modifications, amendments, or additions to this contract shall only be effective when made in writing and signed by both parties.

11. **Entire Agreement:** This personal service contract contains the entire agreement between the parties. There are no other understandings, representations, or inducements being relied upon by either party except those expressly set forth in this personal service contract or other writing which shall be signed by the parties and attached hereto. The parties further acknowledge that they have read and understand this personal service contract and have received a copy of the same.

12. **Severability:** The provisions of this contract shall be severable, and the unenforceability of one or more provisions shall not affect the enforceability of any of the other provisions. Additionally, if any provision of the contract, for any reason, is declared to be unenforceable, the parties shall substitute an enforceable provision that, to the maximum extent possible, preserves the original intention and economic positions of the parties.

13. **Controlling Law:** All questions as to the execution, validity, interpretation, construction, and performance of this contract shall be construed in accordance with the laws of the Commonwealth of Kentucky. Contractor consents to the jurisdiction of the Franklin Circuit Court located in Franklin County, Kentucky.

AUTHORIZED AGENT, KRS BOARD	DATE
AUTHORIZED AGENT, DENTONS BINGHAM GREENEBAUM, LLP	DATE

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

Kentucky Public Pensions Authority

To: **Kentucky Public Pensions Authority Board**

From: **David Eager, Executive Director**

Date: **March 13, 2024**

Subject: **KPPA Update**

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

II. RETIREMENTS:

INITIAL RETIREMENTS						
Year to Date Totals through February						
	FY 19	**FY 20**	**FY 21**	**FY 22**	**FY 23**	**FY 24**
KERS	-23.90%	-9.90%	5.27%	0.00%	2.23%	-12.24%
CERS	-4.20%	-9.30%	-10.53%	20.86%	-23.97%	-3.83%
SPRS	3.40%	-18.30%	-46.94%	65.38%	-79.07%	22.22%
TOTAL	-11.30%	-9.60%	-0.16%	6.16%	-6.75%	-10.00%

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

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

IV. EXECUTIVE DIRECTOR SEARCH: Bill O’Mara, Keith Peercy, Lynn Hampton, and Betty

Pendergrass are on the KPPA Ad Hoc Executive Director Search Committee. The Committee is in the process of recommending candidates to the full Board. The plan is to have the new Executive Director hired during the April-June quarter.

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

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

Currently, the ACFR is available in electronic form only.

VI. LEGISLATIVE UPDATE: At least eight KPPA Staff Members have been working with the Legislative Research Commission (LRC) and legislators in one way or another assisting in the legislative process. Representative Johnson is sponsoring our Housekeeping Bill which passed the House 94 to 0 on February 5, 2024. The Senate has yet to vote.

Check our Daily Legislative Status Report for more information.

VII. ACTUARIAL ANALYSIS STATEMENTS: Staff has prepared 67 Actuarial Analysis Statements during the 2024 Regular Legislative Session to date.

VIII. NEWSLETTERS: 2023 was the first time since 2008 that KPPA issued three Member and Retiree Newsletters in a single year. We are continuing this practice in 2024 as our newsletter metrics continue their upward trend. The KPPA Division of Communications emailed the 2024 Winter Edition of Pension Insights to 213,369 members on February 26, 2024. As of March 1st, that newsletter had a 50% open rate. The 2023 Fall Edition's 53% open rate is the highest that KPPA has experienced since our ability to accurately track newsletter performance began in May of 2019. During the past five years, the open rate has ranged from 39% to 53%.

IX. ALL EMPLOYEE MEETINGS: Our most recent All Employee Meetings are scheduled for March 26th and 27th. These meetings are held onsite in the Building C boardroom and virtually.