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Government Officials Newsletter

Kentucky Public Pensions Authority sent this bulletin on 09/02/2021 09:05 AM EDT



KPPA: New Agency Name - Same Dedicated Service

As of April 1, 2021 [the agency formerly known as Kentucky Retirement Systems is now the Kentucky Public Pensions Authority \(KPPA\)](#), as legislated by House Bill 484 (2020 RS).

Despite the new name and the new logos, we are the same people, carrying out the same mission for our Members, and we will continue to deliver the exceptional service our Members and other stakeholders have come to expect.

Kentucky Public Pensions Authority is responsible for the investment of funds and administration of pension and health insurance benefits for over 401,000 active and retired state and local government employees, state police officers, and nonteaching staff of local school boards and regional universities.

Governance and Transparency

Leadership, Trustees of Governing Boards in Place

The boards of the governing bodies for KPPA, the County Employees Retirement System (CERS), and the Kentucky Retirement Systems (KRS), are largely set following the recent CERS Election, appointments by Governor Andy Beshear, and the inaugural meetings for all three bodies. Read our recent [press release](#) for more details, and visit the [About section](#) of KPPA's website to learn more about our boards.

Visit our [Board Elections section](#) to learn more about our next elections in 2022.

Governing Structure (Effective April 1, 2021)

CERS BOARD	KPPA BOARD	KRS BOARD
<p>COUNTY EMPLOYEES RETIREMENT SYSTEM</p> <ul style="list-style-type: none"> • 3 trustees elected by members • 6 trustees appointed by the Governor selected from lists of candidates provided by KACo, KLC and KSB 	<ul style="list-style-type: none"> • CERS Board Chair • KRS Board Chair • CERS Investment Committee Chair • CERS Trustee, Elected by Members* • CERS Trustee, Governor Appointee** • KRS Investment Committee Chair • KRS Trustee, Elected by Members** • KRS Trustee, Governor Appointee** <p><small>*Selected by the CERS Board Chair **Selected by the KRS Board Chair</small></p>	<p>KENTUCKY EMPLOYEES RETIREMENT SYSTEM & STATE POLICE RETIREMENT SYSTEM</p> <ul style="list-style-type: none"> • 3 trustees elected by members • 6 trustees appointed by the Governor

KPPA Continues to Livestream Board and Committee Meetings

Following Governor Beshear's [Healthy at Work](#) guidelines, the CERS, KRS, and KPPA Boards and committees will continue to hold meetings via live video teleconference until further notice. [Videos of previous meetings are available on the KPPA Facebook page.](#)

We invite you to join us for future meetings by going to the KPPA Facebook page on the date and time of the meeting and clicking on the live feed.

CERS Board

- Betty Pendergrass– Chair
- Jerry Powell– Vice Chair
- Dr. Merl Hackbart– Investment Committee Chair
- William O'Mara– Finance Committee Chair
- J. Michael Foster– Actuarial Subcommittee Chair
- George Cheatham- Member
- Dr. Martin Milkman- Member
- J.T. Fulkerson- Member
- Dr. Patricia Carver- Member

KRS Board

- Keith Peercy– Chair
- John Cheshire III– Vice Chair
- Prewitt Lane- Investment Committee Chair
- Joseph L. Grossman- Actuarial Subcommittee Chair
- Campbell Connell- Member
- Bruce Brown- Member
- Lynn Hampton- Member
- Kelly Downard- Member
- Larry Totten- Member

KPPA Board

- Keith Peercy– Chair
- Betty Pendergrass– Vice Chair
- John Cheshire III- Member
- Campbell Connell- Member
- Dr. Merl Hackbart- Member
- Prewitt Lane- Member
- William O'Mara- Member
- Jerry Powell- Member

For more information about KPPA's governance structure, to read board member and administration bios, and to see a meeting schedule, visit our [About section](#).

CERS and KRS Boards Name Chief Executive Officers

Ed Owens III, a former community and government

Here is a list of upcoming meetings that are scheduled to be livestreamed in the next few weeks (all times Eastern):

KPPA Board of Trustees	9/8/2021 10:00 AM
KRS Board of Trustees	9/9/2021 10:00 AM
CERS Board of Trustees	9/15/2021 2:00 PM
CERS Actuarial Subcommittee	11/1/2021 2:00 PM
KRS Investment Committee	11/3/2021 10:00 AM
CERS Finance Committee	11/3/2021 2:00 PM
Joint CERS-KRS Audit Committee	11/4/2021 10:00 AM
CERS Investment Committee	11/8/2021 2:00 PM
Joint CERS-KRS Retiree Health Plan Committee	11/9/2021 10:00 AM
CERS Board of Trustees	11/10/2021 2:00 PM
KRS Board of Trustees	11/16/2021 10:00 AM
KPPA Board of Trustees	11/17/2021 10:00 AM

Investments and Funding

KPPA Pension and Insurance Funds Combined Earned 25% Net Return in Fiscal Year 2021

The strong performance pushed total Kentucky Public Pensions Authority assets to \$22.7 billion. The returns will help reduce the amounts that employers would have otherwise been scheduled to pay.

[Last year's performance also marks the highest single-year investment return in the history of the organization, eclipsing the 24% return recorded in 1997.](#)

Combined Pension Fund and Insurance Fund Assets (Expressed in Billions)

PENSION FUND AND INSURANCE FUND ASSETS <i>(Expressed in Billions)</i>				
	June 2021	June 2020	June 2019	June 2018
Pension Fund Assets	\$15.78	\$12.72	\$12.75	\$12.29
Insurance Fund Assets	\$6.94	\$5.49	\$5.44	\$5.13
Total Assets	\$22.72	\$18.21	\$18.19	\$17.42

The second chart shows the annualized investment returns for all plans for the fiscal year and the trailing 3-, 5-, and 10-Year periods.

	FYTD (June 2021)	3-Year	5-Year	10-Year
Pension Fund	25.00%	10.20%	10.51%	7.92%
Insurance Fund	24.95%	9.88%	10.47%	7.59%

The actuarial assumed rate of return for the KERS Nonhazardous and State Police Retirement System pension funds is 5.25%; it is 6.25% for all other pension funds and all insurance trust funds.

For more information about investments, visit the [Investments section](#) of our website. There you can find more detailed information about performance, holdings, managers and manager contracts, fees, and read monthly and quarterly investment reports.

Legislative News

Legislative Highlights- 2021 Regular Session

affairs specialist at Fifth Third Bank and a former senior regulator at the Federal Reserve Bank of Cleveland, has been named CERS' new CEO.

John Chilton, a former Kentucky State Budget Director, Former PPOB member, and member of the previous Kentucky Retirement Systems Board of Trustees, has been named the KRS CEO.

For more information on the Board of Trustees, click [here](#).

For more information on the CEOs, click [here](#).

Other KPPA News

The Kentucky Public Pensions Authority recently hired [Michael Board](#), Executive Director of Legal Services.

Michael oversees the Office of Legal Services which is responsible for providing legal advice and legal representation of the Kentucky Public Pensions Authority in all matters including administrative appeals and litigation. He is also available to the KRS and CERS Boards on request.

He joined KPPA in July 2021 after serving as General Counsel for the Executive Branch Ethics Commission for nearly four years.

NASRA Roll Call

National Association of State Retirement Administrators (NASRA) collects information from public pension funds around the country in written and verbal form as part of its annual conference, which for the past two years has been held online.

Watch David Eager's video [here](#). Information came from the Executive Team, Benefits, Technology, Legal, and Investments.

GFOA Honors KPPA for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) [has awarded the Certificate of Achievement for Excellence in Financial Reporting to the Kentucky Public Pensions Authority](#).

The 2021 Regular Session of the Kentucky General Assembly adjourned on Tuesday, March 30, 2021.

Here are a few significant bills passed this Session that will have an impact on the systems operated by KPPA:

1. Passage of House Bill 8 to Help Ensure Agencies Pay Their Fair Share of Unfunded Liability

[House Bill 8](#) (Rep. DuPlessis) changes the current method for calculating employer contributions from a *percent of payroll model* to a *fixed allocation funding method*. This is only a change for KERS nonhazardous employers.

Beginning July 1, 2021 employers are paying the normal cost for all employees, plus their agency's actuarially-calculated portion of the unfunded liability specifically attributable to that employer's current and former employees who participate in KERS. Because the actuarially accrued contribution is no longer tied to the fluctuating size of the employer's payroll, KERS will receive the contribution required to reduce its unfunded liability regardless of reductions in covered payroll.

To learn more about these positive changes please read [House Bill 8 Overview and Actuarial Analysis](#).

2. CERS Separation Clean-Up Bill

[House Bill 9](#) (Rep. Webber) is the CERS separation (House Bill 484 - 2020 Regular Session) cleanup bill.

Key elements of this bill include the creation of separate statutes for the CERS as provided by intent language included in HB 484 during the 2020 Regular Session. The bill also amends current statutes to allow KRS and CERS to use the existing registration of assets in order to avoid additional expenses. **There were no changes to benefits as a result of this bill.**

3. KPPA Housekeeping Bill Passes

[House Bill 87](#) (Rep. Decker), the KPPA Housekeeping bill, makes notable changes to current benefits procedures to improve efficiencies. In addition, the bill provides that members dually employed in full-time hazardous and part-time nonhazardous positions may elect to opt out of nonhazardous participation if eligible; and amends pension spiking to establish a \$25 monthly threshold.

Beneficiary Changes after Retirement

Perhaps most significantly, House Bill 87 allows retired members to change their beneficiary and/or retirement payment option in certain circumstances:

- **Non-Survivorship Payment Options:** Effective June 29, 2021, retired members may change their beneficiary **if they selected a non-survivorship payment option**. Members can verify their current payment option using [Self Service](#).
- **Marriage or Remarriage:** Within 120 days of the date of marriage or remarriage, a retired member may name his/her new spouse as beneficiary and elect a new survivorship payment option. The survivorship payment option will be recalculated and must be actuarially equivalent to the retirement allowance at the original retirement date. This bill also establishes a window for retired members who married or remarried prior to June 29, 2021 to do the same if the beneficiary change and new survivorship payment option election is filed with KPPA on or before January 1, 2022. Members must provide a marriage certificate and date of birth verification to name their spouse as beneficiary and elect a survivorship payment option.

For more information please refer to [Marital Status and Beneficiary Change](#) on our website.

4. Other Retirement-Related Bills and Resolutions

To read summaries of the other retirement-related bills and resolutions that passed during the 2021 Regular Session [please visit the Legislative Updates section of our website](#).

A Fiduciary Obligation to Protect Confidential Member Account Information

The passage of **House Bill 8** (2021 Regular Session) provided a much-needed change to the outdated method of calculating the annual Kentucky Employees Retirement System (KERS) Nonhazardous employer contribution. The new calculation method requires each KERS Nonhazardous employer to begin paying their own portion of the total KERS Nonhazardous unfunded pension liability, regardless of their current covered payroll, as determined by the Systems' actuary.

[\(KPPA\) for the Authority's Annual Financial Report \(AFR\) for the fiscal year ended June 30, 2020](#).

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

Retirement Trends

Monthly retirement trends from fiscal year 2014 through August of this year are available by visiting our [FY page](#) or by clicking here: [KPPA Retirement Trends](#).

A total of 6,544 members retired during fiscal year 2021 which was up 2.6% from fiscal year 2020. Fiscal year 2022, through August, has seen 2,340 members retire which is an increase of 21% over the same period last year.

Virtual and Phone Appointments

Due to the success and popularity of virtual and phone appointments, these will continue to be the primary options utilized for counseling services at this time.

KPPA continues to add new features to Self Service, and we encourage members to take advantage of this online option for quick, easy access to account information, benefit estimates, filing for retirement, and submitting documents to our office.

For more information about how KPPA can best meet your specific need, log in to [Self Service](#), email us at kppa.mail@kyret.ky.gov, or call 1-800-928-4646.

Tier 3 Upside Sharing Interest

Tier 3 covers members who began participation on or after January 1, 2014. At the end of each fiscal year, Tier 3 members receive a guaranteed 4% interest plus an additional interest credit based on the KPPA's 5-year average geometric investment return. Strong fiscal year investment returns boosted total interest earned and credited for Tier 3 member accounts for the fiscal year ended June 30, 2021:

Unfortunately, House Bill 8 has also revealed a fundamental misunderstanding among some legislators and employers about the Systems' fiduciary obligation to its members and retirees. At issue is whether KERS employers should be given access to the confidential member information used by GRS, the Systems' actuary, in order to attempt to independently calculate their portion of the unfunded liability.

KPPA could not comply with those requests and our rationale is spelled out in a letter contained in this [link](#).

County Employees Retirement System (CERS) Nonhazardous	8.76%
County Employees Retirement System (CERS) Hazardous	8.90%
Kentucky Employees Retirement System (KERS) Nonhazardous	7.96%
Kentucky Employees Retirement System (KERS) Hazardous	8.74%
State Police Retirement System (SPRS)	8.25%

For more information about Tier 3, visit our [Cash Balance Plan page](#). For more information about how benefits are calculated, visit our [Benefit Calculation page](#).

Questions? [Contact us](#)



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