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REVISED - Member and Retiree Newsletter

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Welcome to the 2023 Spring edition of **PENSION INSIGHTS**, the official newsletter for members and retirees of **CERS, KERS, and SPRS**.

In this issue, you'll find articles about:

- The 2023 KPPA Legislative Summary;
- SPRS Trustee Election results;
- Survivor Benefits;
- KPPA Service Recognition Awards and much more!

KPPA invites you to stay connected. Click the links below for your latest pension information:



FROM THE DESK OF DAVID EAGER, KPPA EXECUTIVE DIRECTOR

Prior to joining KPPA (then KRS) in 2016, I spent my entire career in the private sector. I am thankful to have this opportunity and to be part of such a great organization with dedicated staff. KPPA continues to hover around 250 staff. We are currently working to fill a number of open positions, including in the Division of Investments.

KPPA is always looking to add good people. We ask on our [Careers page](#) "Interested in starting an exciting career with the Kentucky Public Pensions Authority?" People may scoff at the notion that a job in public pensions can be exciting, but I'm here to tell you it absolutely can be. We're doing critical work on behalf of our members, helping them plan for retirement and making sure their promised benefits are there for them. We work with policymakers to strengthen the systems. We invest billions of dollars in public and private markets to supplement contributions from members, employers, and the Legislature. It is actually an exciting career, and KPPA is one of the best places to work in state government.

Member Survey

To help make KPPA even better, you will find a survey at the top of the sidebar to the right. Your answers will provide insight for us on how to best serve our members.

We recently surveyed our own employees, and 73% of staff participated. Among the results were that 92% of respondents said they were satisfied with their job, 92% said their supervisor appreciates the value they bring to the job, 91% said they were proud to be a KPPA employee, and 94% said they felt like they were part of a team.

Raises

The last year's 8% bump in pay for state workers, coupled with the coming 6% increase – both approved by the Legislature in the 2022 and 2023 Regular Sessions – is helping with employee retention, both at KPPA and throughout state government.

Below you'll find our Retirement Trends, which show retirements for state workers and state police running well below the same period in the last fiscal year.

Transparency

KPPA continues to livestream and archive all board and committee

Help Us Help You

Help KPPA improve how we serve you by taking a few minutes to complete our [anonymous survey](#).

Self Service

**Fast. Secure.
Reliable**

KPPA continues to add new features to [Self Service](#), and we encourage members to take advantage of this online option. [Registering is quick and easy!](#) Some of the available features include:

Upload Documents:

The easiest way to submit documents to our office is to use the Documents feature to upload required documents and forms.

Verify Contact Information:

Members may quickly verify or update their contact information online. It is important to keep your contact information current with KPPA. Doing so will ensure retirement payments, newsletters and other account information are delivered on time.

NEW Service Purchase Enhancement:

Members can now recalculate a previously provided service purchase cost that has expired and submit the purchase request through their online account:

Step 1: Initiate the purchase online.

Step 2: KPPA sends an official cost calculation and service purchase paperwork to your Message Center in Self Service.

meetings on our Facebook page. The most convenient way to access all meeting information is via our [Meeting Calendar page](#), which includes agendas, meeting materials, and links to archived meeting videos.

Sincerely,



David L. Eager
KPPA Executive Director
david.eager@kyret.ky.gov

LEGISLATIVE SUMMARY

The 2023 Regular Session of the Kentucky General Assembly adjourned on Thursday, March 30, 2023. KPPA tracked a total of 63 bills and resolutions that might have affected the systems we operate, and we submitted 17 Actuarial Analysis letters at the request of the Legislative Research Commission.

[Visit the KPPA website](#) for a complete summary of bills and resolutions passed in the 2023 Regular Session and their expected impact on KPPA or the Systems administered by KPPA.

BILLS OF DIRECT INTEREST TO OUR MEMBERS AND RETIREES

[House Bill 506: Establish a Partial Lump Sum Option \(PLSO\) for retirees and reduce required break for employment after retirement](#)

House Bill 506 establishes a Partial Lump Sum Option (PLSO), with and without survivor rights, as a payment option for retiring members of the County Employees Retirement System (CERS), Kentucky Employees Retirement System (KERS), or State Police Retirement System (SPRS).

State law previously offered a PLSO to members who retired on or before January 1, 2009. For retirement dates effective January 1, 2024 and after, members will again be allowed to choose a retirement payment option that offers a lump-sum payment equal to 12, 24, 36, 48 or 60 months of payments of the Basic/Annuity or Survivorship 100% payment options and a lifetime monthly benefit that is actuarially reduced to reflect the lump-sum payment.

The bill also changes the required break in service before a retiree may return to work with a participating employer and continue to receive their retirement allowance. Currently, in almost all reemployment situations, a three (3) calendar month break in service from the retired member's retirement date is required before returning to employment with a participating employer or their retirement benefit will be voided.

Under House Bill 506, the break in service is reduced to only one (1) month for retirees in most all reemployment situations. Prearranged agreements to return to employment with a participating employer made prior to a member's retirement date continue to be prohibited by law for all members. Additionally, all required forms must be completed if a retired member reemploys with a participating employer within twelve (12) months of their effective retirement date.

These changes take effect for retirement dates January 1, 2024 and after.

ADMINISTRATIVE BILLS FOR KPPA

[House Bill 551: Legalize Sports Wagering in Kentucky and Create Wagering Administration Fund: Portion of Remaining Funds to go to KY Permanent Pension Fund](#)

House Bill 551 legalizes sports wagering in Kentucky and creates the Wagering Administration Fund to pay for the administrative expenses involved with overseeing sports wagering activities. After administrative costs have been paid, a portion of any remaining funds in the Wagering Administration Fund will be deposited in the [Kentucky Permanent Pension Fund established in KRS 42.205](#). This fund was created in 2016 to address the Commonwealth's unfunded pension liabilities. Each system operated by KPPA is potentially eligible to receive funding from this account, if authorized by the General Assembly in an enacted biennial budget bill.

[House Bill 587: Internal audit functions at KPPA](#)

House Bill 587 requires the Kentucky Public Pensions Authority (KPPA) to appoint or contract for the services of an Internal Auditor who will report directly to the KPPA board. The Internal Auditor will be exempt from the hiring and employment provisions of KRS Chapter 18A, Chapter 45A, and 64.640, and is authorized by the Authority to appoint employees under his or her direct supervision. The Internal Auditor will also have an annual performance review conducted by the Authority.

Step 3: Required documents must be completed and returned to our office by mail or uploaded in Self Service by the payment due date.

Step 4: KPPA will respond to your request once all documents are received, and your payment is processed, or your Installment Purchase of Service Agreement (IPS) is set up.

Learn more about the convenience of [Member Self Service](#) and [Retiree Self Service](#).

Webinars

KPPA will be hosting webinars for those not yet retired members this summer. Our staff will cover a variety of topics such as: Ready to Retire, Retirement Payment Options (including the Partial Lump Sum Options effective January 2024), and Member Self Service Overview. Space will be limited. Please check our website in June and follow us on social media for registration announcements.

Website Resources

Members:

[Benefit Tiers](#)
[Webinars and Videos](#)
[Survivor Benefits](#)
[Ready to Retire](#) and more!

Retirees:

[Insurance](#)
[Beneficiary Changes](#)
[Taxes](#)
[Reemployment after Retirement](#)
[Health Insurance](#)
[Reimbursement Plan](#) and more!

Publications and Forms:

[Forms](#)
[Retiree Handbook](#)
[Summary Plan Description](#)
[Member Newsletters](#)
[Summary Annual Reports](#)
and other publications.

Federal Tax Withholdings

Monthly benefits from CERS, KERS, and SPRS are subject to federal income tax and these tax brackets are adjusted every year to account for inflation. The

[House Bill 236: Fiduciary duties owed to the state-administered retirement systems](#)

House Bill 236 amends KRS 61.650 and KRS 78.790 to stipulate that fiduciaries shall consider the sole interest of the systems' members and beneficiaries using only factors with "... a direct and material connection to the financial risk or financial return of an investment." In particular, the bill prohibits the consideration of environmental, social, and governance (ESG) interests in making investment decisions.

The bill also requires the CERS and KRS Boards to adopt proxy guidelines and ensure that all proxy votes are executed by either the Board or the Board's designee in accordance with the Board's proxy voting policy; or a proxy voting service that has acknowledged a fiduciary duty in writing and who commits to following the Board's policy. Finally, House Bill 236 requires a report of proxy votes to be provided to the Boards at least once a quarter.

STATE SENATE CONFIRMS GUBERNATORIAL APPOINTMENTS TO KRS BOARD

State law requires that gubernatorial appointments to the KRS Board of Trustees receive Senate approval. On March 30, three (3) Senate Resolutions confirming Governor Andy Beshear's recent appointments to the KRS board were unanimously adopted by a vote of 37-0:

1. [Senate Resolution 152](#), sponsored by Senator Julie Raque Adams, confirmed the reappointment of [Lynn Hampton](#) to the Kentucky Retirement Systems Board of Trustees for a term expiring June 17, 2026;
2. [Senate Resolution 226](#), sponsored by Senator Jimmy Higdon, confirmed the appointment of [Ramsey Bova](#) to the Kentucky Retirement Systems Board of Trustees for a term expiring June 17, 2026; and
3. [Senate Resolution 251](#), sponsored by Senator Julie Raque Adams, confirmed the reappointment of [William Summers V](#) to the Kentucky Retirement Systems Board of Trustees for a term expiring June 17, 2026.

The Resolutions only required Senate confirmation and did not need to be adopted in the House.

SIGNIFICANT BILL THAT DID NOT PASS THIS SESSION

HOUSE BILL 90: This bill would have provided an additional \$100 million toward the unfunded liability of the KERS Nonhazardous pension fund, given a 1.5% increase in benefit payments to KERS and SPRS retirees; and provided a 6% raise for state employees. While the 6% raise later passed as part of House Bill 444 the other parts of House Bill 90 did not pass. Because this was the only bill that had proposed an increase in retiree benefit payments, the **result was that no COLAs were authorized by the General Assembly this Session.**

Because COLAs can only be authorized by legislation, retired members may want to [contact their state legislator](#) to discuss the possibility of a COLA being authorized during a legislative session. [Learn more about COLAs](#)

SPRS TRUSTEE ELECTION RESULTS

The eligible voters of the State Police Retirement System (SPRS) have elected [Mr. Keith Peercy](#) to the Kentucky Retirement Systems Board of Trustees. Mr. Peercy will serve a four-year term, which began April 1, 2023. This will be Mr. Peercy's third term as a member of the Board.

CERS, KRS AND KPPA BOARDS ELECT LEADERSHIP

The Kentucky Public Pensions Authority oversees the administration and operation of the personnel and accounting systems for the County Employees Retirement System and the Kentucky Retirement Systems, as well as day-to-day administrative needs of CERS and KRS. The 8-member KPPA board is made up of elected and appointed representatives from the CERS and KRS boards.

County Employees Retirement System (CERS): [Betty Pendergrass](#) was re-elected CERS Board Chair and [George Cheatham](#) was elected CERS Vice Chair.

Kentucky Retirement Systems (KRS): [Lynn Hampton](#) was re-elected KRS Board Chair and [C. Prewitt Lane](#) was re-elected Vice Chair.

Internal Revenue Service raised thresholds for 2023, changing the amount of income that gets taxed at each rate. Because inflation is higher than at any time in the past four decades, tax code adjustments were unusually high as well. This means the amount of your retirement payment may have changed this year with a different amount of federal tax withheld.

Retirees are encouraged to review their withholdings periodically. Retired members may update federal tax withholdings through [Self Service](#) or by submitting [Form 6017](#), Federal Income Tax Withholding Preference, to KPPA. [Read more](#) about taxes and your responsibilities.

Facebook Live Board and Committee Meetings

KPPA livestreams board and committee meetings on our 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.

You can also watch videos of prior meetings. [Click here](#) to view the meeting schedules.

Security Spotlight How to Stay Safe Online

Information security best practices are important for everyone to stay safe online, but statistics show that retirees in particular may be a target for online fraud. The FBI reported that in 2021, there were over 92,000 victims over the age of 60 reporting losses of \$1.7 billion. The average loss per victim was \$18,246.

Scammers use a variety of techniques, including identity theft, fake tech support, fake charitable donation websites, online dating services, phishing, credit card fraud, malware, and health care fraud, among others. Crimes that can happen in person can easily happen online. You wouldn't leave your wallet on a park bench, and

Kentucky Public Pension Authority (KPPA): [Keith Peercy](#) was elected KPPA Chair and [Jerry Powell](#) was elected KPPA Vice Chair.

NEW MEMBERS NAMED TO PPOB

The Public Pension Oversight Board (PPOB) assists the Kentucky General Assembly with their review, analysis, and oversight of the administration, benefits, investments, funding, laws and administrative regulations, and legislation pertaining to the Kentucky Public Pensions Authority.

With the kickoff of the 2023 Regular Session, the [Public Pension Oversight Board](#) welcomed several new members. [Rep. D.J. Johnson](#) joined [Sen. Jimmy Higdon](#) as the board's co-chair. Former co-chair [Rep. James Tipton](#) remains on the PPOB as a member. [Sen. Karen Berg](#), [Sen. Danny Carroll](#), and [Rep. Tina Bojanowski](#) are also new to the PPOB.

HAVE YOU NAMED A BENEFICIARY?

Do you have a valid beneficiary designation on file at KPPA? And do you know whom you have designated to be your beneficiary in the event of your death prior to retirement? A beneficiary may be one individual, multiple individuals, your estate, or a trust and will be the recipient of your survivor benefits.

Members who have not yet retired may designate their beneficiary by submitting a valid [Form 2035, Beneficiary Designation](#) to KPPA. Form 2035 is not valid if given to your employer. It must be submitted directly to KPPA. You may change your beneficiary at any time prior to your retirement by submitting a new, valid Form 2035 to KPPA. If a valid Form 2035 is not on file with our office, your beneficiary will be your estate.

Please keep in mind that if you do not establish a beneficiary for your retirement account, valuable benefits could be lost. For example:

- Without a named beneficiary, your estate would only be eligible for a refund, except under very limited circumstances such as work-related death.
- An estate is not eligible for a lifetime payment upon your death and therefore eligibility for insurance coverage through KPPA is lost.
- Kentucky law provides that your estate becomes your beneficiary if your beneficiary predeceases you.
- If your beneficiary is your spouse, and you divorce and do not designate a new beneficiary, your estate would receive survivor benefits.
- Your spouse is not automatically named your beneficiary, except in specific situations per state law.

Log in to [Member Self Service](#) to review your beneficiary designation. If you have not designated a beneficiary or wish to change your beneficiary designation you may submit a new [Form 2035, Beneficiary Designation](#) to KPPA. For additional information on survivor benefits, please refer to our [Summary Plan Description](#).

INVESTMENT UPDATE

Combined pension and insurance assets for the County Employees Retirement System (CERS), the Kentucky Employees Retirement System (KERS), and the State Police Retirement System (SPRS) were \$22.7 billion as of February 28, 2023. That is an increase of \$1.1 billion since the start of Fiscal Year (FY) 2023, and brought assets back roughly to where they stood at the end of FY 2021, following a historic investment return. Asset growth was driven by employer contributions and investment returns.

Pension Fund Performance

	FYTD (March 2023)	3-Year	5-Year	10-Year	30-Year
CERS NH	6.72%	11.22%	6.30%	6.88%	7.63%
CERS HAZ	6.80%	11.13%	6.24%	6.86%	7.62%
KERS NH	4.47%	9.67%	5.75%	6.36%	7.46%
KERS HAZ	6.29%	11.03%	6.12%	6.78%	7.60%
SPRS	5.20%	10.00%	5.84%	6.33%	7.45%

Insurance Fund Performance

	FYTD (March 2023)	3-Year	5-Year	10-Year	30-Year
CERS NH	6.87%	10.97%	6.21%	6.81%	6.78%
CERS HAZ	6.64%	10.98%	6.30%	6.87%	6.80%
KERS NH	6.59%	11.26%	5.96%	6.44%	6.66%
KERS HAZ	6.26%	11.11%	6.24%	6.78%	6.77%
SPRS	6.31%	11.20%	6.47%	6.95%	6.83%

you should take even more care to keep your online data safe.

Here are some tips from the U.S. Department of Labor to reduce the risk of becoming a victim:

- Routinely monitor your online accounts, and follow-up immediately if you suspect any fraudulent activity.
- Use strong and unique passwords so that if one of your accounts gets hacked, the fraudsters won't be able to use those credentials to access your other accounts.
- Use multi-factor authentication whenever possible.
- Keep your contact information current in all your online accounts so you can be reached if there is a problem.
- Close or delete unused accounts whenever possible.
- Be wary of free wi-fi, since these networks may be used by hackers to intercept your online activity, install malware on your device, etc.
- Beware of phishing attacks. Phishing emails are emails crafted to look legitimate to trick you into clicking on a malicious link or opening a malware attachment. Go directly to the website instead of clicking on links. If you're not expecting an attachment, don't open it. Reach out to the source to confirm if it is a valid email.
- Use antivirus software and keep apps and software current.

[Read more](#) on how to protect yourself, your family, and your devices.

Retirees Embrace Humana Wellness Programs Live Healthier Lives, Save Money

	March 2023	June 2022	June 2021	June 2020
Pension assets	\$16.15	\$15.00	\$15.79	\$12.72
Insurance assets	\$6.97	\$6.61	\$6.94	\$5.49
Total assets	\$23.12	\$21.61	\$22.73	\$18.21

For more information about investments, visit KPPA's [Investments page](#) where you can find links to [monthly performance reports](#), [investment policies](#), lists of [investments holdings](#), and more.

KPPA SERVICE RECOGNITION AWARDS

During the annual meeting in April, the KPPA Board recognized employees for their service.

KPPA thanks these employees for their dedication to the members of CERS, KERS and SPRS.

[KPPA Employee Service Award Recipients](#)

KPPA first began working with Louisville-based insurance provider Humana in 2014. Since that time, our retirees have increased participation in Humana care management and clinical outreach initiatives by nearly 100% and we have seen a 7% increase in the number of retirees who complete recommended preventative screenings. In addition, retirees' out-of-pocket prescription costs have decreased almost 21% while their out of pocket costs for medical services have remained flat.

Together, these cost efficiencies create savings that are shared between KPPA and Humana in accordance with the terms of the Authority's contract with the insurance provider.

For more information on Humana Wellness Plans please visit the [Humana website](#).

Retirement Trends

Total Retirements -6.2% to date for the current Fiscal Year compared to the same period in FY 2022.

CERS Retirements +3.0% to date for the current Fiscal Year compared to the same period in FY 2022.

***KERS Retirements -23.8%** to date for the current Fiscal Year compared to the same period in FY 2022.

***SPRS Retirements -73.3%** to date for the current Fiscal Year compared to the same period in FY 2022.

*The decrease in KERS and SPRS retirements is likely due to the increase in pay for state police and state workers approved during the 2022 Legislative Session.

Please visit the KPPA website for monthly retirement totals from Fiscal Year 2014 to the present month: [KPPA RETIREMENT TRENDS](#)



Questions? [Contact us](#)

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