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## Member and Retiree Newsletter

Kentucky Public Pensions Authority sent this bulletin at 07/06/2022 01:10 PM EDT



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

In this issue you'll find summaries of important bills passed during the 2022 Regular Session of the Kentucky General Assembly; investment updates; recent board activities; historical retirement trends... and much more.

#### FROM THE DESK OF

**DAVID EAGER, KPPA Executive Director**

**The funded status of all five retirement and five insurance funds continues to improve** (I encourage you to read the [Summary Annual Report](#)). For over a decade, our retirement funds saw a serious erosion of their funded status. **A number of things happened to cause a turnaround from that dangerous trend.**

First, the legislature changed the law, with Senate Bill (SB) 2 in 2013, requiring that all plans be fully funded per the actuarially determined contribution (ADC), which the KPPA actuary calculates each year. Between 2002 and 2014 the retirement funds did not receive the full ADC, leading the plans to pay out more in benefits than they received in contributions and investment income.

Second, with the passage of SB 2, the legislature really began to address the funding and administrative challenges in other ways. They formed the Public Pension Oversight Board (PPOB) to act as their overseer of the governance of the plans. Each year the PPOB makes recommendations to the legislature regarding bills that need to be enacted to facilitate the management and improve the financial condition of all of the funds.

Third, in 2017 Trustees recognized the economic assumptions provided to the actuary were not consistent with history and the investment return outlook forecast by experts. The assumptions became more conservative resulting in increases in the required contributions by roughly 50% to 70%, depending upon the plan.

Finally, Trustees, Executive staff and legislators began engaging to a much greater extent, partly through the PPOB forums and partly through a significant number of one on one and small group meetings.

All five retirement funds remain far short of their required funding, but we are now on track to improve that funding each and every year. Just like you would pay off a home mortgage, it will also take many years to pay off the unfunded liability. But, I am confident we are on the right path.

I will close as I frequently do by saying **if you have an idea for how we can better serve you, I would love to hear it.** The Kentucky Public Pension Authority's Sixth Mandate is "Insist on a culture of continuous enhancement to everything we do". It takes input from our members to accomplish that.

Thank you.

David L. Eager

### Retirement and Counseling Updates

Virtual and phone appointments remain the most efficient way to access benefits counseling. However, as of May 2, 2022, in-person counseling appointments are available in our Frankfort office, with priority reserved for members who have filed [Form 6000, Notification of Retirement](#).

Members can access their accounts at [myretirement.ky.gov](http://myretirement.ky.gov) or by calling 1-800-928-4646 with their PIN. Documents may be submitted to our office using the upload feature in [Self Service](#), by mail, or by fax at 502-696-8822. [For more information, visit our contact page.](#)

### Living Well Program

The LivingWell program can help you enjoy more time exercising, eating healthy meals, laughing with loved ones and feeling your best every step of your well-being journey.

#### Download the Wellness At Your Side app

Access and work toward your health goals, no matter where you are. Get started in four steps:

1. Search for "Wellness At Your-Side" from the [Apple App Store](#) or [Google Play](#).
2. Download the app.
3. Enter "KEHP" as the connection code.
4. Sign in and get started!

#### First time to the site?

Register today through the mobile app or at [KEHPLivingWell.com](http://KEHPLivingWell.com).

- Go to [KEHPLivingWell.com](http://KEHPLivingWell.com) and

Executive Director

## 2022 Legislative Updates

The 2022 Regular Session of the Kentucky General Assembly adjourned on Thursday, April 14, 2022. [Click here to read the most significant bills and resolutions passed this Session that will have an impact on KPPA.](#) All bills take effect on July 14, 2022 unless otherwise noted.

Highlights of the 2022 Session include:

### House Bill 1 and House Bill 604 KERS Nonhazardous and SPRS plans receive additional allocations

[House Bill 1](#) and [House Bill 604](#) provide a major funding infusion to the KERS Nonhazardous and SPRS plans. Not only did House Bill 1 (the State/Executive Branch budget bill) include the full contribution rates recommended by the KPPA actuary, additional funding of \$485 million (House Bill 1) and \$105 million in each fiscal year (House Bill 604) was earmarked for the KERS Nonhazardous and SPRS pension funds. [What is the impact?](#)

#### No COLAs for Retirees in Upcoming Fiscal Year

House Bill 1 (the State/Executive Branch budget bill) DID NOT include any allocation for a cost of living adjustment (COLA) for retirees. A couple of other bills were introduced this Session that would have granted a retiree COLA, but those bills did not pass.

Only the legislature can grant COLA increases. For more information, please visit our [FYI page](#).

### House Bill 297: Passage creates new health insurance plan for Medicare eligible retired-reemployed members

[House Bill 297](#) included a [statutory amendment](#) allowing KPPA to offer a new health insurance plan for Medicare eligible members who are reemployed in a regular full-time position with a participating employer. This new plan will be available effective October 1, 2022.

### Senate Bill 27: Part-Time Adjunct Instructors for the Kentucky Fire Commission

[Senate Bill 27](#) addresses a long-standing problem for the Kentucky Fire Commission. The Commission often uses part-time adjunct instructors to fulfill their mission of training and certifying volunteer and career firefighters in Kentucky, but state retired-reemployed laws have limited their ability to do so.

This bill allows part-time adjunct instructors for the Kentucky Fire Commission who are eligible to retire from the CERS and have not participated in KERS prior to retirement, to retire and draw benefits without being required to resign from their position as part-time adjunct instructor.

### House Bill 49: Pension Spiking

When a member retires KPPA evaluates creditable compensation growth to determine if **pension spiking**, a 10% increase during the last five years of employment, has occurred. [House Bill 49](#) adds two additional pension spiking exemptions:

1. The first one hundred (100) hours of mandatory overtime required by the employer during a fiscal year; and
2. Overtime performed as a result of a local government issued state of emergency in which the Governor authorizes mobilization of the Kentucky National Guard. This provision is retroactive to May 28, 2020 and will apply toward any overtime worked as a result of the emergency through May 11, 2021 regardless of whether the National Guard was mobilized for the entire period. Retired members who had a spike for this reason will have their benefit recalculated based upon correctly completed verification from the employer.

click "CREATE ACCOUNT."

- Enter your registration ID (explained on the site).
- Choose a username and password.
- Enter your birthdate.
- Type and verify your email address.
- Agree to Terms and Conditions and Privacy Policy, and click "GO."
- Click "START" when prompted to begin a questionnaire.
- Answer some personalized security questions and click "SUBMIT."
- Click "CONTINUE," enter your mobile phone number, agree to receive text messages and click "NEXT."
- Check your mobile phone for the verification code we sent via text message.
- Enter that verification code where prompted on the portal and
- click "SUBMIT"

\* To unlock Engagement rewards and begin earning up to \$200 in gift cards, members must first complete either an online health assessment or a biometric screening.

## Self Service

[MYRETIREMENT.KY.GOV](#)

**Fast. Secure. Reliable.**

#### MEMBERS can:

- Calculate retirement estimates and service purchase costs
- Apply for retirement
- View account details
- Maintain contact information
- Enroll in health insurance at retirement
- View Member Annual Statements
- Upload documents
- Register for seminars
- Access secure message center

#### RETIREEES can:

- Update tax withholdings
- Update direct deposit
- Upload documents
- View payment history
- Request income verification
- Register for seminars
- Access secure message center
- Enroll in health insurance during open enrollment

Members watch your inbox to know when the [2022 Annual Statement](#) is available.

## Senate Bill 209: Health Insurance Benefits

[Senate Bill 209](#) increases the **non-Medicare eligible retiree health subsidy for career members of KERS, CERS, and SPRS who began participating in the system on or after July 1, 2003**, who are eligible for a fixed-dollar retiree health subsidy not tied to the premium.

Additionally, it establishes a health insurance reimbursement program for retirees who receive the insurance dollar contribution.

[Click here](#) for more details on the Senate Bill 209 changes.

## House Bill 259: Sick Leave Buyback Program

For members earning benefits in the SPRS Tier 3 hybrid cash balance plan, [House Bill 259](#) converts unused sick leave in excess of 480 hours (i.e. 60 days) to cash balance pay credits at the end of each fiscal year. The bill also converts the member's balance of unused sick leave to cash balance pay credits upon termination of employment.

The salary schedule increase began July 1, 2022 and is subject to the General Assembly funding the benefit in the executive branch budget bill. Funding has been provided for the upcoming biennium from July 1, 2022 – June 30, 2024.

**Please note that this is only for Tier 3 members: there is no change in benefits for members earning Tier 1 and Tier 2 benefits.**

## House Bill 76: Service purchase for Educational Students

[House Bill 76](#) allows members who were "bound by an educational contract prior to December 31, 2003" to purchase service credit and have that credit apply to their retirement eligibility and benefit determination. Previous legislation passed in the early 2000's placed restrictions on those service purchases effective August 1, 2004. The systems' independent actuary says this will not have a measurable fiscal impact on the systems.

Members impacted by this bill should submit a copy of their contract to KPPA for review on or after the effective date of the bill, July 14, 2022.

[The bill also enhances the frequency and scope of actuarial studies for the state's pension plans.](#)

## House Bill 9: Charter Schools

[House Bill 9](#) requires public charter school classified employees to participate in the County Employees Retirement Systems and for the public charter school to make employer contributions to the retirement systems and health insurance plans.

The Governor's Veto of House Bill 9 was overridden on April 13, and the bill was sent to the Kentucky Secretary of State on April 14. House Bill 9 had an EMERGENCY clause, so it is already in effect.

## Governance News

### 1. KERS Election Results

[Dr. Crystal Miller, Public Health Director at the WEDCO District Health Department, and Mr. David Adkins, Executive Director and Chief Executive Officer of the Council of State Governments, were recently elected to the KERS board of trustees.](#) They began serving their four-year terms on the KRS Board on April 1.

Dr. Miller and Mr. Adkins won the seats that were most recently held by trustees R. Campbell Connell and Larry Totten.

## Online Resources

We encourage members to take advantage of resources available on our website at [KYRET.KY.GOV](https://www.kyret.ky.gov):

- **Members:** Learn about [your benefits](#) and view [recorded webinars](#) on specific topics.
- **Retirees:** Find the latest information about [insurance](#), [beneficiary changes](#) and [reemployment after retirement](#).
- **Publications and Forms:** Download [forms](#), access the [Retiree Handbook](#), [Member Newsletters](#), [Summary Annual Reports](#) and other publications.
- **About:** Learn more about our [Boards](#) and view the [meeting calendar](#).
- **Legislative Updates:** Read the [2022 highlights](#) and daily updates during legislative sessions.

## Economic Impact

All Kentuckians benefit from a stronger public pension system. In Fiscal Year 2021, KPPA paid over \$2 billion in ongoing pension benefits payments, with more than 93% of those payments going to Kentucky residents in all 120 counties. Benefit payments provide a consistent, regular revenue stream for local economies, with payments per county ranging from \$1.1 million to \$362 million annually.

Receiving the required funding, plus additional allocations, helps ensure the benefit payments issued by KPPA each month continue to provide a stabilizing element for all local economies in the Commonwealth.

## New Members Named to PPOB

Senate Majority Floor Leader Damon Thayer (R-Georgetown), Senator Michael Nemes (R-Bullitt, Jefferson), Representative Ken Fleming (R-Jefferson, Oldham) and Representative Phillip Pratt (R-Scott) have joined the Public Pension Oversight Board (PPOB).

The statutory committee assists the General Assembly by reviewing and overseeing Kentucky's eight retirement systems, including the County Employees Retirement System (CERS).

## 2. CERS, KRS and KPPA Boards Elect Leadership

**County Employees Retirement System (CERS):** [Betty Pendergrass](#) and [Jerry Powell](#) were re-elected CERS Board Chair and Vice Chair, respectively, by their fellow trustees during the Board's annual meeting on April 20, 2022.

**Kentucky Retirement Systems (KRS):** [Lynn Hampton](#) was elected Chair of the KRS Board of Trustees, and [C. Prewitt Lane](#) was re-elected as Vice Chair during the Board's annual meeting on April 12, 2022.

**Kentucky Public Pensions Authority (KPPA):** During the KPPA annual meeting on April 28, 2022 the KPPA Board elected CERS Trustee Jerry Powell as Chair and KRS Trustee C. Prewitt Lane as Vice Chair. The 8-member KPPA Board consists of four trustees from the CERS Board and four trustees from the KRS Board. This Board provides oversight for the agency known as KPPA, whose employees provide administrative support to, and conduct daily activities for, the CERS and KRS Boards.

[Read more about the 2022 board leadership here.](#)

[Read more about the 2022 committee membership here.](#)

### KRS Seeking Candidates for State Police Retirement System Election

The KRS Board of Trustees is seeking applications from members of the State Police Retirement System (SPRS) who are interested in serving as a Trustee.

**The election will be held in early 2023 for a four-year term that begins on April 1, 2023.**

Please [click here](#) for more information.

## Investments

### Combined Pension Fund and Insurance Trust Fund Assets (Expressed in billions)

#### Pension and Insurance Trust Fund Assets

	April 2022	June 2021	June 2020	June 2019
Pension assets	\$15.39	\$15.79	\$12.72	\$12.75
Insurance assets	\$6.86	\$6.94	\$5.49	\$5.44
<b>Total assets</b>	<b>\$22.25</b>	<b>\$22.73</b>	<b>\$18.21</b>	<b>\$18.19</b>

#### Pension and Insurance Trust Fund Performance

The following charts show fiscal year 2022 performance through April 30, first for the pension funds and then for the insurance trust funds. Performance is shown for the current fiscal year and trailing 3-, 5-, 10-, and 30-year periods through April 30. More information is available in our [Investments section](#) by clicking on the Investments Library tab on the left side of the page.

#### Pension Fund Performance

	FYTD (April 2022)	3-Year	5-Year	10-Year	30-Year
CERS-NH Pension	-2.03%	7.96%	7.81%	7.61%	7.93%
CERS-H Pension	-2.13%	7.84%	7.75%	7.58%	7.92%
KERS-NH Pension	-2.14%	7.55%	7.31%	7.22%	7.80%
KERS-H Pension	-1.81%	7.79%	7.52%	7.50%	7.87%
SPRS Pension	-2.17%	7.23%	7.12%	7.05%	7.74%

#### Insurance Fund Performance

	FYTD (April 2022)	3-Year	5-Year	10-Year	30-Year
CERS-NH Insurance	-1.59%	7.69%	7.73%	7.47%	7.08%
CERS-H Insurance	-1.24%	7.84%	7.85%	7.55%	7.10%
KERS-NH Insurance	-2.82%	7.47%	7.20%	7.08%	6.94%
KERS-H Insurance	-1.21%	7.81%	7.71%	7.45%	7.07%
SPRS Insurance	-1.11%	8.12%	8.02%	7.62%	7.13%

## Retirement Trends

The next [PPOB](#) meeting will take place on July 19.

## Update on Russian Investments

Steve Willer, interim Executive Director, Office of Investments, recently updated the KPPA on the status of the systems' Russian investments. Mr. Willer's update can be seen in [this video](#) of the June 16 KPPA meeting. What follows is a summary of his comments:

Originally the pension funds' and insurance funds' exposure to Russian assets was estimated at about \$35 million across all plans. That was a pre-invasion market value-based number. It translated into about \$26 million on a cost basis, in other words, what the plans had originally invested in those assets. Prior to Russia's invasion of Ukraine, the value of those assets had appreciated.

Most of the markets where these assets trade remain closed. Some external managers were able to do off-market transactions to liquidate positions, usually at substantial losses relative to the value of the assets prior to the invasion.

All of the performance impact has already been felt by the funds. The remaining positions that are held are marked essentially at zero – anywhere between a penny and 3 cents per share.

The outcome of the Ukraine situation – and its eventual effect on the value of those assets – remains uncertain. The systems have realized losses of \$9 million on assets that have been sold and unrealized losses of about \$17 million in the remaining assets.

However, those assets do hold some upside if there were to be a positive resolution to the conflict, and someday when the markets open back up the systems might see some appreciation in those assets. The companies themselves have hard assets and capital, and there is revenue potential if markets open back up and sanctions are lifted. There's a potential the systems could see some of those assets increase in value.

Again, the effect on performance in the plans has already been felt. The assets have been marked down, either on a realized or unrealized basis, so KPPA Office of Investments staff does not

Fiscal Year (FY) 2022 saw KPPA process 6,878 initial retirements – slightly below the annual average of 7,063 based on the past nine years' worth of data, which can be found on our website [here](#).

You can see in the chart that July and August tend to be the busiest months when it comes to retirements. Many factors affect when people opt to retire. You can learn more about timing your retirement in [this video on Tier 1 Strategies for Retirement](#).

INITIAL RETIREMENTS FISCAL YEAR 2021-2022													
JULY 1 – JUNE 30													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
KERS	203	519	182	154	147	119	245	146	126	133	116	102	2,192
CERS	849	733	363	339	298	229	525	299	221	235	207	342	4,640
SPRS	1	35	1	3	3	0	0	0	1	1	0	1	46
TOTAL	1,053	1,287	547	496	448	348	770	445	348	369	323	445	6,878

## Security Culture at Home

We encourage you to create a security culture in your household. Here are a few tips for how to do that:

### Use Strong Passwords

Protect your personal accounts by using strong passwords. As a reminder, a strong password is long (a minimum of 12 characters), never used twice, and hard to guess but easy to remember.

### Keep Devices Updated

Ideally, enable automatic updating on your devices wherever it is available.

### Get the Right Tools

\*Password manager: creates, stores, and syncs login credentials across multiple devices.

\*Antivirus/anti-malware: defends your devices against viruses and malware.

### Limit What You Share

Scammers use social media and other public forums to collect personal information. Never share anything confidential and consider setting accounts to private. Only accept friend requests or connect with people after you have verified their legitimacy.

### Stay Alert

You are responsible for the security of your personal information. Be cautious before opening email attachments, clicking on attachments, or giving out personal information over the phone.

anticipate any negative performance impact going forward.

## KPPA Service Recognition Awards

In 1988, the Board elected to annually recognize members of the staff for their service to the Board and the members of CERS, KERS, and SPRS for each five-year period an employee has worked at KPPA.

31 individuals are being recognized this year with more than half of the employees receiving their service award for twenty or more years. [Read More.](#)

## Join us for Board and Committee Meetings on Facebook Live

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.

Questions? [Contact us](#)



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