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## Member and Retiree Newsletter

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### Happy New Year and Welcome to the 2023 Winter edition of PENSION INSIGHTS, the official newsletter for members and retirees of CERS, KERS, and SPRS.

The beginning of a new year is a great time to try new things. With this in mind, KPPA has decided to issue a Winter edition of the Pension Insights Newsletter, in addition to the regular spring and fall editions. In this issue, you'll find articles about:

- A NEW health insurance premium reimbursement program for qualified retirees who have insurance coverage under a non-KPPA plan;
- The upcoming SPRS Election;
- The FYE 2022 Annual Comprehensive Financial Report and the FYE 2022 Summary Annual Financial Report;
- 1099-Rs;
- An update from the 2023 Kentucky General Assembly Regular Session; 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

We had good news in Fiscal Year (FY) 2022 on the pension and insurance funding front: All five pension systems saw their funded status increase over the prior fiscal year. In the case of the State Police Retirement System (SPRS) pension fund, the increase was dramatic.

In fact, thanks to the commitment on the part of the General Assembly to both fully fund the actuarially determined pension and insurance contributions and provide additional appropriations to pay down the unfunded liabilities of the Kentucky Employees Retirement System (KERS) Nonhazardous and SPRS pensions, all pension and insurance funds are on their way to better fiscal health. The insurance funds are generally well-funded – only one, the KERS Nonhazardous insurance fund, has a funded status greater than 100% meaning the assets of the trust are greater than the liabilities.

This past fiscal year is a good example of how the Legislature's commitment to addressing unfunded liabilities can affect plan funded status.

In the 2022 Regular Session, the Legislature included \$695 million in additional appropriations through FY 2024 to help pay down the unfunded liability for the KERS Nonhazardous and SPRS pensions. That included \$215 million to be applied in FY 2022 to the SPRS pension. That additional appropriation not only lowered the employer contribution to 99.43% from an expected 140.51%, it increased the pension's funded status to 52.5% from 30.7%.

The effects of the additional appropriations to the KERS Nonhazardous plan will be seen in future fiscal years, starting with FY 2023. While much work remains, the trends are positive when it comes to the funded status of Kentucky's public pension funds. We continue to expect that all plans

### Online Resources for Members

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

**Members:** Learn about [your benefits](#) and view [recorded webinars](#) on specific topics.

**Retirees:** Find the latest information about [insurance](#), [beneficiary changes](#), [reemployment after retirement](#), and view our [Transitioning to Medicare video](#).

**Publications and Forms:** Download [forms](#), access the [Retiree Handbook](#), [Member Newsletters](#), [Summary Annual Reports](#), [Summary Plan Description](#) and other publications.

**About:** Learn more about our [Boards](#) and view the [meeting calendar](#).

**Legislative Updates:** Read the [2023 highlights](#) and daily updates during legislative sessions.

### Watch 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 [Facebook page](#) on the date and time of the meeting.

"Like" the KPPA Facebook page and access meetings in

will be fully funded by 2049 at the latest, provided all actuarial assumptions are met and the plans continue to receive their full actuarially determined contributions.

#### Pension System Funded Status

	FY 2022	FY 2021	FY 2020	FY 2019
CERS NH	52.0%	51.8%	49.4%	49.1%
CERS H	47.6%	46.7%	45.1%	45.3%
KERS NH	18.5%	16.8%	14.2%	13.4%
KERS H	63.2%	60.4%	55.3%	54.8%
SPRS	52.5%	30.7%	28.1%	27.0%

#### Insurance Funded Status

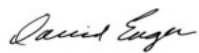
	FY 2022	FY 2021	FY 2020	FY 2019
CERS NH	132.1%	85.4%	78.5%	70.7%
CERS H	101.0%	84.3%	78.2%	75.8%
KERS NH	79.1%	50.2%	42.7%	36.3%

#### Member and Retiree Self Service

Not surprisingly, during the pandemic, the number of office visits to KPPA plunged by nearly 83% from July 1, 2019 to June 30, 2022. Much of that traffic shifted to Member Self Service (MSS), which saw an 84% increase in the number of logins over the same time period. Additionally, members utilized video teleconference appointments.

Growth in the use of MSS has continued even as KPPA has reopened to in-person counseling. The number of MSS logins increased 19.4% from July 1, 2021 to June 30, 2022. We expect use of Self Service to continue growing. MSS allows members to apply for retirement, upload documents, obtain benefit and service purchase estimates, see annual statements, and much more. To learn about MSS, visit the [Managing Your Retirement Account page](#) on our website.

Sincerely,  
David L. Eager



KPPA Executive Director  
[david.eager@kyret.ky.gov](mailto:david.eager@kyret.ky.gov)

## TOP STORY: NEW HEALTH INSURANCE REIMBURSEMENT PROGRAM

Beginning in 2023, retired members eligible for the [dollar contribution toward insurance \(members who began participating on or after July 1, 2003\)](#) who do not elect coverage through KPPA may be eligible to have premiums reimbursed for insurance coverage under a non-KPPA plan.

To qualify, you must meet ALL of the following criteria:

- Your participation date with the systems operated by KPPA is on or after July 1, 2003;
- You are eligible for insurance coverage through KPPA, but did not elect coverage for Plan Year 2023 during Open Enrollment;
- You are enrolled and paying the premium for an insurance plan not offered through KPPA; and
- You submit the required forms and documentation to KPPA to initiate your request for reimbursement after each quarter during the plan year. For example, to be reimbursed for January, February, and March 2023, submit your forms and documentation to KPPA in April 2023.

The reimbursement amount will be based on the amount KPPA would have contributed toward your cost for coverage if you elected an insurance plan offered by KPPA. The contribution amount is based upon your service credit with CERS, KERS and SPRS.

[Visit the Insurance tab on the Retiree page of the website for additional details on the new reimbursement program.](#)

## NEWS BRIEFS

### New Chief Financial Officer Hired

real time, view previous board meetings and get notifications on important information regarding pension benefits.

[Click here](#) to view the meeting schedules.

## KPPA 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.](#) Log into Self Service anytime to access benefit estimates instantly and apply for retirement online.

## Security Spotlight

### Phishing

Fraudsters use phishing emails to infect your device with malware and viruses and collect personal and financial information.

**Who?** Hackers may be working alone, be part of a criminal syndicate, or be part of a nation-state cybercrime group.

**How?** Phishing emails imitate communication from legitimate entities to trick you into clicking on malicious links or opening attachments.

### What to look for:

- Email sender address is similar, but does not exactly match the entity it is supposed to be from
- Message may come from someone you know, but is unexpected or unusual
- Links don't match the website for the entity sending the email
- Email contains requests for personal information such as Social Security number or bank account number or other financial information
- Message contains grammatical or typographic errors
- Message requests immediate response and implies urgency
- Message contains offers that are too good

[Michael Lamb has been hired to serve as KPPA's first Chief Financial Officer](#). Mr. Lamb most recently served as General Manager, Enterprise Risk Management and Audit at Toyota Tsusho America (TAI), Inc., in Georgetown, Ky. In that position, he managed TAI's insurance program, implemented and managed the company's enterprise risk management program, and served as TAI's code of conduct and ethics officer.

### **SPRS Trustee Election**

In January, all eligible State Police Retirement System (SPRS) members with a valid email address will receive an email from [YesElections](#) with instructions on how to cast their vote. Members who requested to vote by mail by the November 30, 2022 deadline, or who do not have an email address for their retirement account, will receive their ballot in the mail.

Ballots will be tabulated by March 15 and the newly elected candidate will begin a four-year term of office beginning April 1, 2023.

**All SPRS members will have the option to vote online. Votes must be cast by March 1.**

### **IRS Form 1099-R Arriving in Mailboxes Soon**

The Form 1099-R is an Internal Revenue Service (IRS) tax form for reporting distributions from pensions.

[Every January, KPPA issues a 1099-R to retirees providing the information needed to file a tax return on your pension benefits](#). Federal law requires KPPA to mail 1099-Rs by January 31<sup>st</sup> but the form may be accessed sooner by logging into [Retiree Self Service](#).

### **IRS Revises Tax Withholding Form for Retiree Payments**

While the IRS has revised the [Form W4-P, Withholding Certificate for Pension or Annuity Payments](#), current KPPA retirees and beneficiaries are **NOT** required to file a new form unless they wish to change their federal tax withholding preference. For a summary of changes to the IRS form, visit the [KPPA-FYI](#) page.

### **Kentucky State Income Tax Information**

All benefits attributable to service earned on or before December 31, 1997, are exempt from Kentucky income tax. The portion of the member's benefits earned January 1, 1998 and after is subject to Kentucky income tax; however, this income may be excluded up to a certain amount. [See Schedule P](#) in the [Kentucky Income Tax forms](#) for the exclusion amount and calculation. Also note, retirement credit for unused sick leave is treated as being earned at the time of retirement.

Please visit ["Taxes and Your Responsibility"](#) on our website for more information.

### **Fiscal Year 2022 Financial Reports are Now Available Online**

[2022 Annual Comprehensive Financial Report \(ACFR\)](#) and [Summary Annual Financial Report \(SAFR\)](#) for the Fiscal Year Ended June 30, 2022 have been published to the [KPPA website](#). The ACFR contains extensive, detailed information about each Systems' financial and actuarial status, while the SAFR presents key information in summary form.

### **Summary Plan Description Updated**

[The Summary Plan Description](#) provides comprehensive information about retirement and insurance benefits. KPPA recommends using this document as an overview of what may be available to you, and then contacting the retirement office for specific information applicable to your situation before making any decision that may affect your retirement benefits.

### **KPPA Receives Multiple Industry Awards**

KPPA closed out calendar year 2022 with recognition from the Government Finance Officers Association (GFOA) and the Public Pension Coordinating Council (PPCC).

to be true, such as free gift cards

You can learn more about phishing attacks and what to do if you think you have been a victim of one by [clicking here](#).

### **Our Six Mandates**

Our long-standing dedication to providing superior service for our members, retirees, and participating employers remains the same.

1. Strive for appropriate funding for all plans.
2. Provide members with efficient access to information and helpful counseling to meet their individual needs.
3. Manage the assets in accordance with each plan's needs while adding value to a passive portfolio.
4. Communicate effectively with all constituents, while ensuring appropriate transparency.
5. Maintain a work environment that promotes employee inclusion and diversity, effectiveness, morale, safety, and retention.
6. Insist on a culture of continuous enhancement to everything we do.

### **Investment Updates**

The CERS and KRS Boards of Trustees are charged with the responsibility of investing their Systems' assets to provide for the benefits of the members of the Systems. To achieve that goal, the Boards follow policies of thoughtfully growing their Systems' asset bases while protecting against undue risk and losses in any particular investment area. The Office of Investments manages assets on behalf of all the systems overseen by the CERS and KRS Boards.

[November 2022 CERS Performance Report and](#)

KPPA received the **GFOA Certificate of Achievement for Excellence in Financial Reporting** for the 23<sup>rd</sup> consecutive year. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

KPPA also received the **GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting** (PAFR Award) for its Popular Annual Financial Report for the fiscal year ended June 30, 2021. KPPA refers to our report as the "Summary" Annual Financial Report, or SAFR.

To be eligible for the PAFR Award, a government must also submit its annual comprehensive financial report to GFOA's Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the current fiscal year. Each eligible report is reviewed by judges who evaluate the report based on the following categories: reader appeal, understandability, distribution methods, creativity and other elements.

**PPCC awarded KPPA its "2022 Public Pension Standards Award for Funding and Administration."** The award recognizes an organization's professional standards for plan funding and administration as set forth in the PPCC's Public Pension Standards. Areas include a comprehensive benefits program, actuarial, audit, investments, communications, and funding adequacy.

The Council is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement.

## LEGISLATIVE UPDATES

### 2023 Regular Session Update

Part I of the 2023 Regular Session of the Kentucky General Assembly convened on Tuesday, January 3, 2023 and adjourned on Saturday, January 7. The General Assembly will reconvene for Part II of the Session on Tuesday, February 7. The 2023 Regular Session is currently scheduled to adjourn *Sine Die* (a Latin phrase meaning "without a day" that is used to describe the official end of a legislative session) on Thursday, March 30.

As of the end of Part I of the Session KPPA is tracking 11 bills and resolutions.

KPPA provides daily tracking and commentary on retirement-related legislation during the Session. Visit our website for [Legislative Updates](#) and the latest information from the 2023 Regular Session.

### [November 2022 KRS Performance Report](#)

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

### THINKING ABOUT

**RETIREMENT?** [Read this helpful article](#) to better

understand the retirement process, important timelines, and the common mistakes we see on the Form 6000 (Official Notification of Retirement form) and how you can avoid them.

### BENEFICIARY

**DESIGNATION** Do you know who you have designated as your beneficiary in the event of your death prior to retirement? It is important to ensure that your [beneficiary designation on file at KPPA](#) is current and valid. Log in to [Member Self Service](#) to check your current designation.

Questions? [Contact us](#)



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