

**Kentucky Retirement Systems Board of Trustees
Quarterly Board Meeting
June 18, 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 – April 9, 2024* | Lynn Hampton |
| 5. Introduction of Ryan Barrow, Executive Director of KPPA | David Eager |
| 6. FYE 6/30/2024 – KRS ACFR – Planning letter* | Michael Lamb
Ryan Graham - Blue and Co. |
| 7. Administrative Budget – Hybrid Percentage and KRS Allocation* | Michael Lamb |
| 8. Quarterly Financial Reports | Michael Lamb |
| 9. Hazardous Duty Requests* | D’Juan Surratt |
| 10. Amendment to 105 KAR 1:451, Quasi-governmental employer reports on independent contractors and leased employees* | Jessica Beaubien
Jillian Hall |
| 11. KRS Bylaw Amendments* | Michael Board |
| 12. Investment Committee Report | Prewitt Lane
Steve Willer |
| 13. Joint Retiree Health Plan Committee Report | Dr. Crystal Miller
Connie Pettyjohn |
| 14. CEO Report | John Chilton |
| 15. KPPA Update | David Eager |
| 16. New Business | Lynn Hampton |
| 17. Closed Session** - Litigation | Lynn Hampton |
| 18. Adjourn* | Lynn Hampton |

**Board Action Required*

***Board Action May Be Required*

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES ANNUAL MEETING
APRIL 9, 2024, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the Kentucky Retirement Systems Board of Trustees held on April 9, 2024 the following members were present: Lynn Hampton, David Adkins, Ramsey Bova, Mary Eaves, Prewitt Lane, Dr. Crystal Miller, Keith Percy, 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, Leigh Ann Davis, Michael Lamb, Steve Willer, Brian Caldwell, Ashley 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 agenda item ***Approval of Minutes – March 13, 2024 (Video 00:07:13 to 00:07:39)***. A motion was made by Mr. Adkins and seconded by Mr. Summers to approve the minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item ***Election of KRS Board of Trustee Officers Chair and Vice Chair (Video 00:07:40 to 00:10:38)***.

Mr. Chilton requested nominations for KRS Chair. Mr. Lane nominated Ms. Lynn Hampton for Chair. Mr. Adkins seconded the nomination. There being no additional nominations or objections, the KRS Board of Trustees declared Ms. Hampton the KRS Chair for the next year by acclamation.

Ms. Hampton requested nominations for Vice-Chair. Ms. Bova nominated Mr. Prewitt Lane for Vice-Chair. Mr. Adkins seconded the nomination. The KRS Board of Trustees declared Mr. Prewitt Lane the Vice-Chair of KRS by acclamation.

Ms. Hampton introduced the *Assignments to KPPA Board, Investment Committee Chair, and Committees* (Video 00:10:39 to 00:11:25). Ms. Hampton advised that there were no requests to change the current assignments to the KPPA Board, Investment Committee Chair, and Committees; therefore, there would be no action taken.

Ms. Hampton introduced agenda item *PPW Board of Directors Election* (Video 00:11:26 to 00:14:52). Ms. Adkins advised that the KRS Board of Trustees must nominate a KERS and a SPRS Representative for the PPW Board of Directors Election.

Mr. Adkins made a motion to nominate Ms. Hampton and Mr. Peercy and to authorize Mr. Willer to vote proxies accordingly. Mr. Summers seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *ACFR Recommendation* (Video 00:14:53 to 00:25:23). Mr. Lamb presented a detailed memorandum outlining his research regarding the presentation of the Annual Comprehensive Financial Report (ACFR). Beginning with fiscal year ended June 30, 2024, he recommended that KPPA contract with an outside certified public accountant to perform two separate financial statement audits and have KPPA publish two separate ACFRs:

- One ACFR for the Kentucky Retirement Systems, inclusive of the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS), and their related pension and insurance trust plans and;
- One ACFR for the County Employees Retirement System, and their related pension and insurance trust plans.

Mr. Adkins made a motion to endorse the recommendation by KPPA Staff to publish two separate ACFRs as presented by the KPPA Division of Accounting. Ms. Bova seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Investment Update* (Video 00:25:24 to 00:47:46). Mr. Willer presented KERS and SPRS pension portfolio performance data. He also reviewed the KRS asset allocations as of March 22, 2024, and market highlights with the KRS Board of Trustees.

Ms. Hampton introduced agenda item *KPPA Update* (Video 00:47:47 to 01:06:48). Mr. Eager provided the KRS Board of Trustees with a written KPPA Update. First, he asked Mr. Willer to

provide an update on bringing additional investment assets in-house. Mr. Eager orally reported on the status of House Bill 1 and House Bill 6. If signed by the Governor, these bills would yield a positive fiscal impact to KRS, said Mr. Eager.

Mr. Eager reported that the new Executive Director, Ryan Barrow is scheduled to join KPPA as a consultant on May 1, 2024, and begin his role as Executive Director.

Ms. Rebecca Adkins provided a brief update on the process to obtain a KPPA Louisville Office for the KPPA Office of Investments. She announced that the process had been finalized and that the invitation would be issued by the Finance and Administration Cabinet soon. Ms. Hampton expressed the importance of the Louisville Office to support interns within the Office of Investments. Mr. Adkins suggested that the KPPA Internship Program be named in honor of an individual who made noteworthy contributions to the pension system. This allows interns to list their internship as a credential on their resume, said Mr. Adkins.

Mr. Adkins commended Mr. Eager for his competence, expertise, and positive contributions made throughout his eight years of leadership. Mr. Adkins recommended that the KRS Board of Trustees prepare a formal resolution which recognizes Mr. Eager's leadership and contributions. Additionally, a resolution recognizing the Executive Branch and Legislative Branch leaders who made it possible, said Mr. Adkins. These resolutions should be presented in at the next meeting of the KRS Board of Trustees (June 18, 2024). Ms. Hampton directed Mr. Board to work with Mr. Adkins to draft the requested resolutions.

Ms. Hampton introduced agenda item ***KRS Update*** (*Video 01:06:49 to 01:14:35*). Mr. Chilton provided a brief oral report on the happenings since the last meeting of the KRS Board of Trustees. Mr. Chilton also reminded Trustees to use only their KPPA provided email address when conducting and/or discussing KRS business. Also, to complete their Ethics Disclosure and Trustee Education Requirements.

Ms. Hampton introduced agenda item ***Closed Session*** (*Video 01:14:36 to 01:15:14*) and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Ms. Eaves and seconded by Ms. Bova. 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 - 00:00:40 to 00:00:49).

Ms. Hampton called the meeting back to open session. There was no action taken by the KRS Board of Trustees.

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 April 9, 2024, 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 April 9, 2024, were approved on June 18, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the April 9, 2024, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

June 5, 2024

Board of Trustees
Kentucky Retirement Systems (KRS)
Frankfort, Kentucky

Dear Board Members:

We are engaged to audit the financial statements of the Kentucky Retirement Systems (KRS) (the "System") for the year ended June 30, 2024. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated May 30, 2024 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the System. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the System's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. RSI includes the following:

1. Management's Discussion and Analysis
2. Schedule of Employer Net Pension Liability
3. Schedule of Changes in Employers' Total Pension Liability
4. Schedules of Employers' Contributions Pension

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Kentucky Retirement Systems (KRS)
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5. Schedule Employers' Net OPEB Liability
6. Schedule of Changes in Net OPEB Liability
7. Schedule of Employers' OPEB Contributions
8. Money Weighted Rate of Return

Our responsibility with respect to this RSI, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on schedules of administrative expense, direct investment expenses, and professional consultant fees, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, Significant Risks, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the System and its environment, including the system of internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the System. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

According to Auditing Standards Generally Accepted in the United States of America (GAAS), significant risks include management override of controls, and GAAS presumes that contributions is a significant risk. Accordingly, we have considered these as significant risks. Additionally, we consider

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Kentucky Retirement Systems (KRS)
June 5, 2024
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the accuracy and completeness of census data used by the actuary in determining the amount of benefit obligations as a significant risk.

We expect to begin our audit on approximately August 2024 and issue our report in November 2024.

Ryan Graham is the engagement director and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Board of Trustees of the System and is not intended to be, and should not be, used by anyone other than these specified parties.

Communications

We have spoken at length with Mike Lamb, CFO, regarding the upcoming audit scope and the specific risks we have identified relative to the upcoming audit. Should you have any specific concerns, we would welcome the opportunity to discuss them with you as well. Items that would be of particular concern to us would be business risks, internal control matters, suspected fraud, regulatory agency communications and other matters that you consider warrant particular attention.

Please contact me by phone at (859)-410-2413 or email at rgraham@blueandco.com if you would like to discuss the upcoming audit. We will communicate our significant findings in a separate letter at the conclusion of the audit. This information is intended solely for the use of the Board of Trustees and management of the System and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Blue & Co., LLC




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



To: Kentucky Retirement Systems (KRS) Board of Trustees
 From: Michael Lamb, KPPA, CFO 
 Date: June 18, 2024
 Subject: FY 2025 - Allocation of Administrative Expenses – KRS System and Plans

PURPOSE:

The purpose of this memo is to ask the KRS Board of Trustees to approve the FY2025 allocation of the KRS hybrid % between the KERS Nonhazardous, KERS Hazardous, and SPRS plans, based on membership (as was done in the past).

The budget work group has determined that for FY 2025 the Hybrid % for administrative expenses for CERS and KRS is as follows:

CERS 64.16% and KRS 35.84%.

(These will be presented to the KPPA Board on June 27, 2024, for final approval).

For Reference: the PY (FY 2024) Hybrid % was: CERS 64.34% and KRS 35.66%.

Based on membership, the recommended allocation of the FY 2025 KRS hybrid % (of 35.84%) among the applicable plans is as follows:

KRS	Membership as of 6/30/2023	% of Membership	% of Admin Expenses
KERS Nonhazardous	126,830	87.93%	31.514%
KERS Hazardous	14,556	10.09%	3.617%
SPRS	2,852	1.98%	0.709%
CERS Total	144,238	100%	35.839%

For informational Purposes the breakdown for FY 2024 was:

KRS	Membership as of 6/30/2022	% of Membership	% of Admin Expenses
KERS Nonhazardous	124,550	88.15%	31.434%
KERS Hazardous	13,936	9.86%	3.517%
SPRS	2,808	1.99%	0.709%
CERS Total	141,294	100%	35.660%

BACKGROUND:

In accordance with KRS 61.505 11(a), the Kentucky Public Pensions Authority (KPPA) Board has the responsibility of determining how to prorate, assign or allocate to County Employees Retirement System and to Kentucky Retirement Systems all expenses incurred by or on behalf of the KPPA.

The KPPA Board approves the Hybrid % for the CERS and the KRS but leaves the allocation among the individual plans of each system up to the Board of each system.



Combining Statement of Fiduciary Net Position - Pension Funds

As of March 31, 2024, with Comparative Totals as of March 31, 2023 (\$ in Thousands)
(Unaudited)

ASSETS	KERS		SPRS	KRS TOTAL		Percentage of Change	Note
	Nonhazardous	Hazardous		FY 2024	FY 2023		
CASH AND SHORT-TERM INVESTMENTS							
Cash Deposits	\$273	\$25	\$55	\$353	\$986	(64.19)%	1
Short-term Investments	311,592	48,550	45,497	405,638	857,250	(52.68)%	2
Total Cash and Short-term Investments	311,865	48,575	45,552	405,991	858,236	(52.69)%	
RECEIVABLES							
Accounts Receivable	85,255	4,575	2,387	92,217	97,682	(5.59)%	
Accounts Receivable - Investments	26,059	5,393	4,340	35,791	33,547	6.69%	
Total Receivables	111,314	9,968	6,727	128,008	131,229	(2.45)%	
INVESTMENTS, AT FAIR VALUE							
Core Fixed Income	1,028,240	108,890	162,286	1,299,416	865,814	50.08%	3
Public Equities	1,327,863	437,332	210,818	1,976,013	1,624,812	21.61%	4
Private Equities	197,636	68,303	31,274	297,213	233,874	27.08%	5
Specialty Credit	762,266	222,900	120,353	1,105,519	880,664	25.53%	6
Derivatives	(52)	11	(6)	(47)	1,029	(104.53)%	7
Real Return	294,135	70,789	46,991	411,915	103,213	299.09%	8
Real Estate	215,630	58,478	35,123	309,230	244,910	26.26%	9
Total Investments, at Fair Value	3,825,718	966,704	606,838	5,399,261	3,954,317	36.54%	
Securities Lending Collateral Invested	79,644	19,630	12,599	111,872	113,858	(1.74)%	
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)	(6,485)	0.43%	
Total Capital Assets	-	-	-	-	28	(100.00)%	
Total Assets	4,328,540	1,044,876	671,716	6,045,132	5,057,667	19.52%	
LIABILITIES							
Accounts Payable	3,341	782	88	4,211	3,026	39.17%	10
Investment Accounts Payable	81,544	13,080	13,160	107,783	38,127	182.69%	11
Securities Lending Collateral	79,644	19,630	12,599	111,872	113,858	(1.74)%	
Total Liabilities	164,528	33,492	25,847	223,867	155,011	44.42%	
Total Fiduciary Net Position Restricted for Pension Benefits	\$4,164,012	\$1,011,385	\$645,869	\$5,821,265	\$4,902,656	18.74%	

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 increase in Core Fixed Income is a result of favorable market conditions during the prior fiscal year as well as additional funding.
- 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 increase in Private Equity is the result of additional funding and favorable market conditions.
- 6) The increase in Specialty Credit is the result of favorable market conditions resulting in an increase in gains/losses and additional funding.
- 7) The variance in Derivatives is a result of hedging and arbitration of risk within the portfolios.
- 8) The increase in Real Return is a result of favorable market conditions as well as additional funding of new managers.
- 9) 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.
- 10) 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.
- 11) The variance in Investment Accounts Payable is due to pending trades.



Combining Statement of Changes In Fiduciary Net Position - Pension Funds

For the nine month period ending March 31, 2024, with Comparative Totals for the nine month period ending March 31, 2023 (\$ in Thousands) (Unaudited)

	KERS		SPRS	KRS Total		Percentage of Change	Note
	Nonhazardous	Hazardous		FY 2024	FY 2023		
ADDITIONS							
Member Contributions	\$71,639	\$16,055	\$4,266	\$91,960	\$79,131	16.21%	1
Employer Pay Credit	22,187	8,875	1,446	32,508	23,523	38.20%	2
Employer Contributions	93,642	58,199	45,020	196,861	174,141	13.05%	3
Actuarially Accrued Liability Contributions (AALC)	673,667	-	-	673,667	673,831	(0.02)%	
General Fund Appropriation	180,000	-	-	180,000	180,000	0.00%	
Pension Spiking Contributions	18	-	-	18	38	(52.18)%	4
Health Insurance Contributions (HB1)	(17)	(7)	(9)	(34)	(19)	78.12%	5
Employer Cessation Contributions	-	-	-	-	-	0.00%	
Total Contributions	1,041,136	83,122	50,723	1,174,981	1,130,644	3.92%	
INVESTMENT INCOME							
From Investing Activities							
Net Appreciation (Depreciation) in FV of Investments							
	226,895	70,997	36,584	334,476	131,703	153.96%	6
Interest/Dividends	97,720	23,931	15,802	137,453	104,204	31.91%	7
Total Investing Activities Income	324,615	94,928	52,386	471,929	235,907		
Less: Investment Expense	13,476	4,208	1,805	19,489	15,155	28.60%	8
Less: Performance Fees	4,296	1,195	406	5,897	(109)	5,486.44%	9
Net Income from Investing Activities	306,843	89,525	50,175	446,543	220,862		
From Securities Lending Activities							
Securities Lending Income	2,808	810	495	4,114	2,984		
Less: Securities Lending Borrower Rebates	2,431	714	431	3,576	2,575		
Less: Securities Lending Agent Fees	57	14	10	81	61		
Net Income from Securities Lending	321	82	55	457	347	31.59%	10
Net Investment Income	307,163	89,607	50,230	447,000	221,209	102.07%	
Total Additions	1,348,299	172,729	100,953	1,621,981	1,351,854	19.98%	
DEDUCTIONS							
Benefit Payments	772,911	60,167	47,592	880,670	874,683	0.68%	
Refunds	8,280	2,590	85	10,955	12,068	(9.22)%	
Administrative Expenses	10,302	1,155	234	11,690	11,352	2.97%	
Total Deductions	791,493	63,912	47,910	903,315	898,104	0.58%	
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits							
	556,807	108,816	53,042	718,665	453,750		
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	\$4,164,012	\$1,011,384	\$645,869	\$5,821,265	\$4,902,656	18.74%	



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 and Specialty Credit.
- 7) The increase in Interest/Dividend Income is primarily the result of increased Dividends/Interest from Specialty Credit, Private Equity and Cash.
- 8) The increase in Investment Expense is primarily the result of increased market value due to favorable performance and additional funding across all asset classes.
- 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 nine month period ending March 31, 2024, with Comparative Totals for the nine month period ending March 31, 2023 (\$ in Millions)

	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous		FY24	FY23
	FY24	FY23	FY24	FY23		
 KERS Kentucky Employees Retirement System						
 SPRS State Police Retirement System						
Member Contributions	\$71.6	\$62.4	\$16.0	\$12.8	\$4.3	\$3.9
Employer Pay Credit	22.1	16.0	8.9	6.4	1.5	1.1
Employer Contributions	93.7	84.9	58.2	47.1	45.0	42.2
Actuarially Accrued Liability Contributions	673.7	673.8	-	-	-	-
Employer Cessation Contributions	-	-	-	-	-	-
General Fund Appropriations	180.0	180.0	-	-	-	-
Net Investment Income	80.3	62.8	18.6	15.5	13.6	11.3
Total Inflows	1,121.4	1,079.9	101.7	81.8	64.4	58.5
Benefit Payments/Refund	781.2	776.8	62.8	61.9	47.7	48.1
Administrative Expenses	10.3	10.0	1.1	1.1	0.2	0.2
Total Outflows	791.5	786.8	63.9	63.0	47.9	48.3
NET Contributions	329.9	293.1	37.8	18.8	16.5	10.2
Realized Gain/(Loss)	(11.0)	(21.3)	7.5	(3.5)	0.0	(4.3)
Unrealized Gain/(Loss)	237.9	100.3	63.5	39.4	36.6	21.1
Change in Net Position	556.8	372.1	108.8	54.7	53.1	27.0
Beginning of Period	3,607.2	3,076.7	902.6	819.2	592.8	552.9
End of Period	\$4,164.0	\$3,448.8	\$1,011.4	\$873.9	\$645.9	\$579.9

Differences due to rounding.

Net Contributions*	\$249.6	\$230.3	\$19.2	\$3.3	\$2.9	\$(1.1)
Cash Flow as % of Assets	5.99%	6.68%	1.90%	0.38%	0.44%	(0.19)%
Net Investment Income	\$80.3	\$62.8	\$18.6	\$15.5	\$13.6	\$11.3
Yield as % of Assets	1.93%	1.82%	1.84%	1.77%	2.11%	1.95%

**Net Contributions are less Net Investment Income.*



Combining Statement of Fiduciary Net Position - Insurance Funds

As of March 31, 2024, with Comparative Totals as of March 31, 2023 (\$ in Thousands) (Unaudited)

	KERS		SPRS	KRS Total		Percentage of Change	Note
	Nonhazardous	Hazardous		FY 2024	FY 2023		
ASSETS							
CASH AND SHORT-TERM INVESTMENTS							
Cash Deposits	\$110	\$20	\$17	\$147	\$226	(34.98)%	1
Short-term Investments	63,722	24,481	8,796	97,000	205,760	(52.86)%	2
Total Cash and Short-term Investments	63,833	24,501	8,813	97,147	205,986	(52.84)%	
RECEIVABLES							
Accounts Receivable	13,423	602	919	14,944	14,740	1.39%	
Investment Accounts Receivable	10,312	3,198	1,391	14,901	15,370	(3.05)%	
Total Receivables	23,735	3,800	2,310	29,845	30,110	(0.88)%	
INVESTMENTS, AT FAIR VALUE							
Core Fixed Income	182,947	71,836	28,190	282,973	259,818	8.91%	
Public Equities	711,095	289,214	115,512	1,115,821	974,563	14.49%	3
Private Equities	116,672	52,013	23,023	191,708	167,008	14.79%	4
Specialty Credit	364,683	147,569	59,792	572,043	465,012	23.02%	5
Derivatives	21	4	5	30	318	(90.49)%	6
Real Return	122,927	39,639	17,138	179,705	53,566	235.48%	7
Real Estate	96,134	41,797	15,958	153,888	113,825	35.20%	8
Total Investments, at Fair Value	1,594,479	642,072	259,617	2,496,169	2,034,111	22.72%	
Securities Lending Collateral Invested	22,299	9,029	3,633	34,961	39,235	(10.89)%	9
Total Assets	1,704,346	679,402	274,373	2,658,121	2,309,443	15.10%	
LIABILITIES							
Accounts Payable	139	-	1	140	141	(0.73)%	
Investment Accounts Payable	21,068	6,725	2,789	30,581	15,380	98.84%	10
Securities Lending Collateral	22,299	9,029	3,633	34,961	39,235	(10.89)%	11
Total Liabilities	43,505	15,754	6,423	65,682	54,756	19.95%	
Total Fiduciary Net Position Restricted for OPEB	\$1,660,841	\$663,648	\$267,950	\$2,592,439	\$2,254,687	14.98%	

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 increase in Public Equities is the result of favorable market conditions resulting in an increase in gains/losses and additional funding.
- 4) The increase in Private Equity is the result of additional funding and favorable market conditions.
- 5) The increase in Specialty Credit is the result of favorable market conditions resulting in an increase in gains/losses and additional funding.
- 6) The variance in Derivatives is a result of hedging and arbitration of risk within the portfolios.
- 7) The increase in Real Return is a result of additional funding of new managers and favorable market conditions.
- 8) 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.
- 9) The variance is a result of the demands of the Securities Lending Program.
- 10) The variance in Investment Accounts Payable is due to pending trades.
- 11) 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 nine month period ending March 31, 2024, with Comparative Totals for the nine month period ending March 31, 2023 (\$ In Thousands) (Unaudited)

	KERS		SPRS	KRS Total		Percentage of Change	Note
	Nonhazardous	Hazardous		FY 2024	FY 2023		
ADDITIONS							
Employer Contributions	\$30,712	\$38	\$7,602	\$38,353	\$33,242	15.37%	1
Actuarially Accrued Liability Contributions (AALC)	65,731	-	-	65,731	65,748	(0.02)%	
Medicare Drug Reimbursement	3	-	-	3	3	0.28%	
Insurance Premiums	77	(24)	(13)	40	(103)	138.37%	2
Humana Gain Share Payment	8,440	651	390	9,481	5,444	74.16%	3
Retired Re-employed Healthcare	5,417	1,361	2	6,779	5,278	28.45%	4
Health Insurance Contributions (HB1)	7,824	1,557	304	9,685	7,529	28.63%	5
Employer Cessation Contributions	-	-	-	-	-	0.00%	
Total Contributions	118,204	3,583	8,285	130,071	117,139	11.04%	
INVESTMENT INCOME							
From Investing Activities							
Net Appreciation (Depreciation) in FV of Investments	116,648	47,483	18,799	182,931	97,603	87.42%	6
Interest/Dividends	38,540	15,813	6,434	60,787	48,419	25.55%	7
Total Investing Activities Income	155,188	63,297	25,234	243,718	146,022		
Less: Investment Expense	6,497	3,422	1,344	11,263	8,958	25.72%	8
Less: Performance Fees	2,251	1,275	436	3,961	1,439	175.28%	9
Net Income from Investing Activities	146,440	58,600	23,453	228,494	135,625		
From Securities Lending Activities							
Securities Lending Income	1,056	389	168	1,613	1,244		
Less: Securities Lending Borrower Rebates	897	330	143	1,370	1,068		
Less: Securities Lending Agent Fees	24	9	4	36	26		
Net Income from Securities Lending	135	50	21	206	149	38.26%	10
Net Investment Income	146,576	58,650	23,475	228,700	135,774	68.44%	
Total Additions	264,780	62,233	31,759	358,772	252,913	41.86%	
DEDUCTIONS							
Healthcare Premiums Subsidies	67,709	14,732	10,546	92,986	107,584	(13.57)%	11
Administrative Expenses	549	90	54	693	732		
Self-Funded Healthcare Costs	1,166	85	6	1,257	1,349	(6.82)%	
Excise Tax Insurance	3	-	-	3	-	100.00%	12
Total Deductions	69,428	14,906	10,606	94,940	109,665	(13.43)%	
Net Increase (Decrease) in Fiduciary Net Position Restricted for OPEB	195,352	47,326	21,153	263,831	143,248		
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	\$1,660,841	\$663,648	\$267,950	\$2,592,439	\$2,254,687	14.98%	

NOTE - Variance Explanation *Differences due to rounding*

- 1) The increase in Employer Contributions is due to an increase in covered payroll.
- 2) Health Insurance Premiums increased primarily due to a decrease in 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 and Specialty Credit.
- 7) The increase in Interest/Dividend Income is primarily the result of increased Dividends/Interest from Specialty Credit, Private Equity and Cash.

Insurance Fund Contribution ReportFor the six month period ending December 31, 2024, with Comparative Totals for the six month period ending December 31, 2023
(\$ in Millions)

	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous		FY24	FY23
	FY24	FY23	FY24	FY23		
Employer Contributions	\$30.7	\$26.3	\$-	\$-	\$7.6	\$6.9
Actuarially Accrued Liability Contributions	65.7	65.7	-	-	-	-
Employer Cessation Contributions	-	-	-	-	-	-
Insurance Premiums	0.1	0.1	-	(0.1)	-	(0.1)
Humana Gain Share	8.4	4.9	0.6	0.4	0.4	0.2
Retired Reemployed Healthcare	5.4	4.2	1.4	1.0	-	-
Health Insurance Contributions	7.8	6.1	1.5	1.2	0.3	0.3
Net Investment Income	29.9	23.9	11.2	10.2	4.7	4.1
Total Inflows	148.0	131.2	14.7	12.7	13.0	11.4
Healthcare Premiums	68.9	83.0	14.8	15.1	10.5	10.8
Administrative Expenses	0.5	0.6	0.1	0.1	0.1	0.1
Total Outflows	69.4	83.6	14.9	15.2	10.6	10.9
NET CONTRIBUTIONS	78.6	47.6	(0.2)	(2.5)	2.4	0.5
Realized Gain/(Loss)	14.4	(8.8)	8.1	(1.6)	3.5	(0.8)
Unrealized Gain/(Loss)	102.3	70.7	39.4	27.2	15.3	11.0
Change in Net Position	195.3	109.5	47.3	23.1	21.2	10.7
Beginning of Period	1,465.5	1,301.5	616.3	579.9	246.8	230.0
End of Period	\$1,660.8	\$1,411.0	\$663.6	\$603.0	\$268.0	\$240.7

Differences due to rounding.

Net Contributions*	\$48.7	\$23.7	\$(11.4)	\$(12.7)	\$(2.3)	\$(3.6)
Cash Flow as % of Assets	2.93%	1.68%	(1.72)%	(2.11)%	(0.86)%	(1.50)%
Net Investment Income	\$29.9	\$23.9	\$11.2	\$10.2	\$4.7	\$4.1
Yield as % of Assets	1.80%	1.69%	1.69%	1.69%	1.75%	1.70%

**Net Contributions are less Net Investment Income.*



KRS Outstanding Invoices by Type and Employer

Invoice Type	3/31/2024	12/31/2023	Change H/(L)
Actuarially Accrued Liability Contribution	\$4,106,581	\$3,766,099	9%
Employer Free Military and Decompression Service	224,012	45,258	395%
Member Pension Spiking Refund	(27,381)	(36,527)	(25)%
Monthly Reporting Invoice	(248,897)	(173,568)	43%
Penalty – Monthly Reporting	52,000	50,000	4%
Reinstatement	10,642	10,625	0%
Other Invoices**	(148,477)	(141,550)	5%
Total	3,968,482	3,661,886	
Health Insurance Reimbursement	939,716	794,086	18%
Omitted Employer	203,137	120,719	68%
Employer Pension Spiking*	205,940	201,428	2%
Standard Sick Leave	1,640,012	1,169,910	40%
USERRA Protected Military	35,030	35,030	0%
Total	3,023,835	2,321,174	30%
Grand Total	\$6,992,317	\$5,983,060	17%

*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)	3/31/2024	12/31/2023	Change H/(L)
Kentucky River Community Care Inc.***	\$3,989,278	\$3,626,615	10%
Dept for Highways	659,360	633,816	4%
Department for Community Based Services	308,180	217,602	42%
Department of Parks	231,570	161,879	43%
Department for Public Advocacy	224,117	4,106	5358%
Kentucky State Police	220,765	(9,052)	(2539)%
Natural Resources	174,293	25,059	596%
Dept. for Behavioral Health Dev. Intell. Disabilities	150,467	264,101	(43)%
Seven County Services, Inc.***	148,937	141,591	5%
Unified Prosecutorial System	\$95,789	\$126,066	(24)%

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

	Total Unpaid Balance	Invoice Count
KERS	6,749,092	1,113
KERH	210,966	32
SPRS	32,258	22
Grand Total:	\$6,992,317	1,167



KENTUCKY PUBLIC PENSIONS AUTHORITY

Penalty Invoices Report
From: 1/1/2024 To: 3/31/2024

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
\$1,000	\$-	\$-	1/11/2024	6/21/2023	CANC	Master Commissioner	New Employer Reporting Official
Total	\$1,000	\$-			CANC		
\$1,000	\$1,000	\$-	2/28/2024	3/29/2024	CRTD	County Attorneys	
1,000	1,000	-	2/28/2024	3/29/2024	CRTD	County Attorneys	
Total	\$2,000	\$2,000					
\$1,000	\$-	\$-	2/12/2024	3/2/2024	PAID	Universities	
1,580	-	-	3/11/2024	3/22/2024	PAID	Regional Mental Health Units	
Total	\$2,580	\$-					

Notes:

Invoice Status:

CANC - Cancelled

CRTD - Created

PAID - Paid

KPPA ADMINISTRATIVE BUDGET FY 2023-2024 BUDGET-TO-ACTUAL SUMMARY ANALYSIS FOR THE NINE MONTHS ENDING MARCH 31, 2024, WITH COMPARATIVE TOTALS FOR THE NINE MONTHS ENDING MARCH 31, 2023						
CATEGORY	BUDGETED	FY 2024 EXPENSE	REMAINING	PERCENT REMAINING	FY 2023 EXPENSE	PERCENT DIFFERENCE
PERSONNEL	\$34,520,287	\$25,858,602	\$8,661,685	25.09%	\$24,538,797	5.38%
LEGAL CONTRACTS	1,210,000	779,620	430,380	35.57%	497,036	56.85%
AUDITING	300,000	214,821	85,179	28.39%	100,479	113.80%
ACTUARIAL SERVICES	500,000	321,537	178,463	35.69%	252,280	27.45%
MEDICAL REVIEWERS	1,800,000	1,009,685	790,315	43.91%	961,379	5.02%
OTHER PERSONNEL	500,000	185,406	314,594	62.92%	47,298	292.00%
PERSONNEL TOTAL	\$38,830,287	\$28,369,671	\$10,460,616	26.94%	\$26,397,268	7.47%
RENTALS - BUILDING & EQUIPMENT	1,166,500	787,587	378,913	32.48%	825,668	(4.61)%
INFORMATION TECHNOLOGY	4,190,000	2,160,976	2,029,024	48.43%	1,669,003	29.48%
OTHER OPERATIONAL	1,371,200	862,754	508,446	37.08%	788,248	9.45%
OPERATIONAL TOTAL	\$6,727,700	\$3,811,317	\$2,916,383	43.35%	\$3,282,919	16.10%
RESERVE	4,882,813	-	4,882,813	100.00%	-	0.00%
ADMINISTRATIVE BUDGETED AMOUNT	\$50,440,800	\$32,180,988	\$18,259,812	36.20%	\$29,680,187	8.43%

Administrative Budget Summary Notes

PERSONNEL (Staffing):	<p>We have spent nearly \$26M (25.858M), which is 74.91% of the budget, leaving 25.09% left in the 4th Quarter.</p> <p>The Hearing Officers line item has exceeded its annual budget (as of March) by \$33k. This is due to increased pay rate and efforts to clear our backlog of cases.</p> <p>The FBT Line item has also exceeded its annual amount by \$65k, due to an increase in activity related to on-going cases.</p> <p>However, other legal line items remain underbudget, including SKO, Reinhart, and Ice Miller. Leaving the overall Legal category with \$430k left to spend (or 36%), and we anticipate this overall sub-category remaining underbudget overall for the year.</p>
LEGAL	
AUDITING	<p>The final APA invoice was received in May (for \$19,425). So, for the year the Auditing line item should be \$235K (which is \$65k under budget).</p>
ACTUARIAL, MEDICAL, AND OTHER	<p>All other personnel categories and line items all have more than 25% Capacity left, bringing the total Personnel category to \$28.3M for the 9 months ended March 31, 2024, with 26.94% left to spend. Overall, this is 7.47% higher than the prior year driven by the salaries/wages line item.</p> <p>Is at \$3.8M with 43.35% of the budget left to spend, this is \$528k or 16.10% higher than prior year.</p>
OPERATIONAL TOTAL	<p>Postage is 53.47% or \$156k higher than prior year (and has exceeded its annual budget amount). This is due to the paperless project post card postage, as well as overall increase in postage rates.</p>

KPPA ADMINISTRATIVE BUDGET FY 2023-2024						
BUDGET-TO-ACTUAL ANALYSIS						
FOR THE NINE MONTHS ENDING MARCH 31, 2024, WITH COMPARATIVE TOTALS FOR THE NINE MONTHS ENDING MARCH 31, 2023						
Account Name	Budgeted	FY 2024 Expense	Remaining	Percent Remaining	FY 2023 Expense	Percent Difference
PERSONNEL						
Staff						
Salaries/Wages	\$17,900,000	\$13,638,615	\$4,261,385	23.81%	\$12,181,863	11.96%
Wages (Overtime)	285,000	196,292	88,708	31.13%	161,741	21.36%
Emp Paid FICA	1,294,772	991,048	303,724	23.46%	893,999	10.86%
Emp Paid Retirement	12,033,015	8,930,095	3,102,920	25.79%	9,300,601	(3.98)%
Emp Paid Health Ins	2,687,500	2,038,424	649,076	24.15%	1,757,627	15.98%
Emp Paid Sick Leave	250,000	40,221	209,779	83.91%	213,594	(81.17)%
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	3,339	6,661	66.61%	8,009	0.00%
Emp Paid Life Ins	3,000	2,261	739	24.63%	2,205	2.54%
Employee Training	25,000	8,191	16,809	67.23%	8,041	1.87%
Tuition Assistance	10,000	-	10,000	100.00%	-	0.00%
Bonds	-	-	-	0.00%	-	0.00%
Staff Subtotal	34,520,287	25,858,602	8,661,685	25.09%	24,538,796	5.38%
LEGAL & AUDITING SERVICES						
Legal Hearing Officers	150,000	182,706	(32,706)	(21.80)%	129,545	41.04%
Legal (Stoll, Keenon)	250,000	8,201	241,799	96.72%	51,775	(84.16)%
Frost Brown	300,000	364,810	(64,810)	(21.60)%	113,219	222.22%
Reinhart	50,000	-	50,000	100.00%	-	0.00%
Ice Miller	300,000	164,670	135,331	45.11%	91,866	79.25%
Johnson, Bowman, Branco LLC	100,000	55,788	44,212	44.21%	76,195	(26.78)%
Dentons Bingham & Greenebaum	50,000	3,445	46,555	93.11%	34,136	(89.91)%
Legal Expense	10,000	-	10,000	100.00%	23	(100.00)%
Auditing	300,000	214,821	85,179	28.39%	100,479	113.80%
Total Legal & Auditing Services	1,510,000	994,442	515,558	34.14%	597,238	66.51%
CONSULTING SERVICES						
Medical Reviewers	1,800,000	1,010,185	789,815	43.88%	990,245	2.01%
Escrow for Actuary Fees	-	(500)	500	(100.00)%	(28,866)	0.00%
Total Consulting Services	1,800,000	1,009,685	790,315	43.91%	961,379	5.02%
CONTRACTUAL SERVICES						
Miscellaneous Contracts	390,000	157,870	232,130	59.52%	19,295	718.19%
Human Resources Consulting	10,000	-	10,000	100.00%	-	0.00%
Actuarial Services	500,000	321,537	178,463	35.69%	252,280	27.45%
Facility Security Charges	100,000	27,536	72,464	72.46%	28,003	(1.67)%
Contractual Subtotal	1,000,000	506,942	493,058	49.31%	299,578	69.22%
PERSONNEL SUBTOTAL	\$38,830,287	\$28,369,671	\$10,460,616	26.94%	\$26,397,268	7.47%
OPERATIONAL						
Natural Gas	42,000	21,555	20,445	48.68%	28,796	(25.15)%
Electric	133,000	83,797	49,203	37.00%	85,321	(1.79)%
Rent-Non State Building	56,000	-	56,000	100.00%	37,982	(100.00)%
Building Rental - PPW	1,000,000	721,477	278,523	27.85%	721,573	(0.01)%
Copier Rental	105,000	62,701	42,299	40.28%	62,939	(0.38)%
Rental Carpool	5,500	3,409	2,091	38.01%	3,174	7.40%
Vehicle/Equip. Maint.	1,000	-	1,000	100.00%	-	0.00%
Postage	420,000	450,123	(30,123)	(7.17)%	293,304	53.47%
Freight	200	-	200	100.00%	41	(100.00)%
Printing (State)	15,000	200	14,800	98.67%	995	(79.90)%
Printing (non-state)	85,000	26,523	58,477	68.80%	50,640	(47.62)%
Insurance	10,000	5,090	4,910	49.10%	5,572	(8.65)%
Garbage Collection	6,500	5,037	1,463	22.50%	4,512	11.64%
Conference Expense	45,000	25,851	19,149	42.55%	10,868	137.86%
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 NINE MONTHS ENDING MARCH 31, 2024, WITH COMPARATIVE TOTALS FOR THE NINE MONTHS ENDING MARCH 31, 2023						
Account Name	Budgeted	FY 2024 Expense	Remaining	Percent Remaining	FY 2023 Expense	Percent Difference
MARS Usage	50,000	20,325	29,675	59.35%	20,325	0.00%
COVID-19 Expenses	-	-	-	0.00%	2,421	0.00%
Office Supplies	100,000	29,719	70,281	70.28%	71,446	(58.40)%
Furniture & Office Equipment	12,000	-	12,000	100.00%	204	(100.00)%
Travel (In-State)	15,000	9,380	5,620	37.47%	10,305	(8.98)%
Travel (In-State) Investment	1,000	-	1,000	100.00%	41	0.00%
Travel (In-State) Audit	500	-	500	100.00%	-	0.00%
Travel (Out of State)	79,000	32,019	46,981	59.47%	33,197	(3.55)%
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	44,857	24,143	34.99%	49,607	(9.58)%
Dues & Subscriptions Invest	15,000	14,321	679	4.53%	11,542	24.08%
Dues & Subscriptions Audit	1,000	380	620	62.00%	400	(5.00)%
Miscellaneous	55,000	17,571	37,430	68.05%	43,344	(59.46)%
Miscellaneous Investment	-	90	(90)	0.00%	-	100.00%
Miscellaneous Audit	-	-	-	0.00%	-	0.00%
COT Charges	40,000	12,195	27,805	69.51%	14,435	(15.52)%
Telephone - Wireless	8,500	6,308	2,192	25.79%	5,143	22.65%
Telephone - Other	105,500	68,150	37,350	35.40%	74,975	(9.10)%
Telephone - Video Conference	11,000	7,249	3,751	34.10%	-	100.00%
Computer Equip./Software	4,080,000	2,128,456	1,951,544	47.83%	1,609,836	32.22%
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	\$3,811,317	\$2,916,383	43.35%	\$3,282,919	16.10%
SUB-TOTAL	\$45,557,987	\$32,180,988	\$13,376,999	29.36%	\$29,680,187	8.43%
Reserve	4,882,813	-	4,882,813	100.00%	-	0.00%
TOTAL	\$50,440,800	\$32,180,988	\$18,259,812	36.20%	\$29,680,187	8.43%

Differences due to rounding

Plan	Budgeted	FY 2024 Expense	% of Total KPPA FY 2024 Expense
CERS Nonhazardous	\$29,825,645	\$19,028,618	59.13%
CERS Hazardous	2,627,966	1,676,629	5.21%
KERS Nonhazardous	15,855,561	10,115,772	31.434%
KERS Hazardous	1,774,003	1,131,805	3.517%
SPRS	357,625	228,163	0.709%
TOTAL	\$50,440,800	\$32,180,988	

**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)
January-24	-	(7,999)	(7,999)
February-24	-	(6,897)	(6,897)
March-24	-	(12,518)	(12,518)
Total	\$34,498	\$(72,248)	\$(37,750)

**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
January-24	28,423	27,976	14,574	244	71,217
February-24	29,268	24,398	14,391	238	68,295
March-24	41,147	44,619	31,420	1,525	118,711
Total	\$203,816	\$178,842	\$118,266	\$2,886	\$602,647



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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To: Kentucky Retirement Systems Board of Trustees

From: D’Juan Surratt
Director of Employer Reporting, Compliance and Education

Date: June 18, 2024

Subject: Hazardous Position Classification

AGENCIES ARE REQUESTING HAZARDOUS DUTY COVERAGE FOR THE FOLLOWING POSITIONS:

<u>Agency</u>	<u>Position</u>	<u>Effective</u>
Department for Natural Resources	Mine Safety Specialist I	7/1/2024
Department for Natural Resources	Mine Safety Specialist II	7/1/2024
Department for Natural Resources	Mine Safety Specialist III	7/1/2024
Department for Natural Resources	Mine Safety Specialist Branch Manager	7/1/2024
Department of Parks	State Park Ranger II	2/1/2024

Kentucky Public Pensions Authority has reviewed the above requests and determined that they meet the statutory guidelines for Hazardous coverage. Position Questionnaires and Job Descriptions are attached.

MEMORANDUM

TO: Board of Trustees of the Kentucky Retirement Systems (“Board”)

FROM: Jessica Beaubien, Policy Specialist, Office of Legal Services
Jillian Hall, Staff Attorney, Office of Legal Services

DATE: June 10, 2024

RE: Board approval and authorization of staff to file an amended ordinary administrative regulation, 105 KAR 1:451, Quasi-governmental employer reports on independent contractors and leased employees, with the Office of the Regulations Compiler at the Legislative Research Commission (Regulations Compiler).

Purpose of the amended administrative regulation:

Kentucky Revised Statutes (KRS) 61.645(9)(e) authorizes the Board to “promulgate all administrative regulations, not inconsistent with the provisions of KRS 16.505 to 16.652 and 61.510 to 61.705, necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.510 to 61.705.” 105 KAR 1:451, Quasi-governmental employer reports on independent contractors and leased employees, is necessary to carry out the provisions of KRS 61.5991.

This administrative regulation outlines the information that, pursuant to KRS 61.5991, must be provided by certain quasi-governmental employers in the Kentucky Employees Retirement System for some independent contractors, leased employees, and other persons providing services for the quasi-governmental employer under similar arrangements.

This amendment achieves the following:

- Updates the language throughout the regulation to be consistent with the language used in all Kentucky Public Pensions Authority regulations and the definitions found in 105 KAR 1:001.
- Clarifies which persons are reported and what additional documentation is required.
- Details exemptions from reporting and how to handle any applicable exemption.
- Incorporates by reference the Contractor Wizard, which is an electronic interactive form that guides employers through the process of reporting as required by KRS 61.5991.

Staff Recommendation:

The Office of Legal Services requests that the Board review the attached materials and authorize 105 KAR 1:451, Quasi-governmental employer reports on independent contractors and leased employees, to be filed with the Regulations Compiler.

List of attached materials:

1. 105 KAR 1:451, Quasi-governmental employer reports on independent contractors and leased employees
2. Internal Revenue Service Publication 1779

3. Form 4225, Verification of Past Employment
4. Form 6756, Annual Employer Certification of Non-Contributing Service Providers
5. Contractor Wizard screenshots
6. 105 KAR 1:001, Definitions for 105 KAR Chapter 1 (for reference only)

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amended Administrative Regulation)

4 105 KAR 1:451. Quasi-governmental employer reports on independent contractors and leased
5 employees.

6 RELATES TO: KRS 61.5991, 61.510, 61.543, 61.552, 61.645, 61.675, 61.685

7 STATUTORY AUTHORITY: KRS 61.5991(1)(c), 61.645(9)(e)

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.645(9)(e) requires the Board of
9 Trustees of the Kentucky Retirement Systems to promulgate all administrative regulations
10 necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.510 to
11 61.705, and to conform to federal statutes and regulations. KRS 61.5991 requires certain
12 employers that participate in the Kentucky Employees Retirement System to report information
13 to the Kentucky Public Pensions Authority on some persons providing services for the
14 participating employer as an independent contractor, a leased employee, or via any other similar
15 employment arrangement. This administrative regulation establishes quasi-governmental
16 employer reports on independent contractors and leased employees.

17 Section 1. Definitions.

18 (1) “Contractor Wizard” means an online interactive form that guides employers to certify
19 their non-contributing service providers by answering a series of questions broken into small,
20 manageable steps~~["Complete" means all required sections of a form are filled out, the form has~~
21 ~~been fully executed by an agency head, appointing authority, or authorized designee (such as~~

1 ~~the reporting official), and all supporting documentation required by the form is included with the~~
2 ~~form].~~

3 (2) "Core services independent contractor" means a person, either personally or through a
4 company or other legal entity, who provides services for a quasi-governmental employer as an
5 independent contractor, other than as a non-core services independent contractor.

6 (3) "Core services leased employee" means a person who provides services for a quasi-
7 governmental employer as a leased employee through a staffing company, other than as a non-
8 core services independent contractor.

9 (4) "Direct employment" means employees reported by the quasi-governmental employer in
10 accordance with KRS 61.675 and 105 KAR 1:140.

11 ~~(5) "Employee" is defined by KRS 61.510(5).~~

12 ~~(6) "File" means a form has been received at the retirement office by mail, fax, secure email,~~
13 ~~or in-person delivery or via Employer Self Service on the Web site maintained by the agency (if~~
14 ~~available).~~

15 ~~(7) "Fiscal year" is defined by KRS 61.510(19).~~

16 ~~(8) "KPPA" means the administrative staff of the Kentucky Public Pensions Authority.~~

17 ~~(9)~~ "Noncompliant" means the quasi-governmental employer falsifies, fails to provide, or
18 withholds all, or a portion of, the required documentation or information within the time periods
19 prescribed by this administrative regulation.

20 ~~(6)~~~~(10)~~ "Non-core services independent contractor" is defined by KRS 61.5991(9).

21 ~~(7)~~~~(11)~~ "Other employment arrangement" means~~[- (a) Means]~~ any written agreement
22 between a quasi-governmental employer and a third party (including a person, company, or
23 other legal entity) for one (1) or more persons to provide services for the quasi-governmental

1 employer in exchange for the third party receiving monetary compensation, remuneration, or
2 profit that is not:

3 ~~(a) Direct[; and (b) Does not mean direct] employment;[; any written agreement for one (1)~~
4 ~~or more persons to provide services for a quasi-governmental employer as]~~

5 (b) A[a] non-core services independent contractor or a non-core service leased employee
6 agreement;[;] or

7 (c) A person that would be considered~~[any written agreement for one (1) or more persons~~
8 ~~to provide services to a quasi-governmental employer if the persons would not be]~~ in a regular
9 full-time position if the person~~[persons]~~ were directly employed by the quasi-governmental
10 employer.

11 ~~(8)[(12)]~~ "Prior fiscal year" means the fiscal year beginning July 1 that is immediately prior
12 to the fiscal year in which the agency~~[KPPA]~~ provides the report to the state budget director's
13 office and the Legislative Research Commission required by KRS 61.5991(3).

14 ~~(9)[(13)]~~ "Quasi-governmental employer":

15 (a) Means an employer participating in the Kentucky Employees Retirement System that is
16 a local or district health department governed by KRS Chapter 212, state-supported university
17 or community college, mental health/mental retardation board, domestic violence shelter, rape
18 crisis center, child advocacy center, or any other employer that is eligible to voluntarily cease
19 participation in the Kentucky Employees Retirement System as provided by KRS 61.522; and

20 (b) Does not include county attorneys, the Council on State Governments (CSG), the
21 Kentucky Educational Television (KET) Foundation, Association of Commonwealth's Attorneys,
22 the Kentucky High School Athletic Association (KHSAA), the Municipal Power Association of
23 Kentucky, the Kentucky Office of Bar Admissions, the Nursing Home Ombudsman, the Kentucky

1 Association of Regional Programs (KARP), and the Kentucky Association of Sexual Assault
2 Programs.

3 ~~[(14) "Regular full-time position" is defined by KRS 61.510(21).]~~

4 Section 2. Required~~[Form for]~~ Annual Reporting.

5 (1)(a) Quasi-governmental~~[For the fiscal year beginning July 1, 2021, quasi-governmental]~~
6 employers shall report all persons providing services as core services independent contractors,
7 core services leased employees, or through any other employment arrangement;

8 1. For fiscal years July 1, 2021 through June 30, 2023, by completing and submitting a~~[the]~~
9 Form 6756, Annual Employer Certification of Non-Contributing Service Providers, on or before
10 the applicable deadline of the fiscal year in which the Form 6756 was required;

11 2. For fiscal year July 1, 2023 through June 30, 2024, by completing and submitting the initial
12 Form 6756, Annual Employer Certification of Non-Contributing Service Providers, or the initial
13 Contractor Wizard on or before April 15, 2024; and~~[filing the Form 6756 at the retirement office~~
14 ~~on or before May 2, 2022.]~~

15 3. [(b)] Effective with the fiscal year beginning July 1, 2025~~[2022]~~, and for each fiscal year
16 thereafter,~~[quasi-governmental employers shall report all persons providing services as core~~
17 ~~services independent contractors, core services leased employees, or through any other~~
18 ~~employment arrangement]~~ by completing and submitting the initial Contractor Wizard~~[the Form~~
19 ~~6756, Annual Employer Certification of Non-Contributing Service Providers, and filing the Form~~
20 ~~6756 at the retirement office. For each fiscal year beginning on or after July 1, 2022, the Form~~
21 ~~6756 shall be filed at the retirement office]~~ on or before April 15 of the fiscal year in which the
22 Contractor Wizard~~[Form 6756]~~ is required.

23 (b) [(e)] If a quasi-governmental employer contracts with~~[for]~~ any additional persons to
24 provide services as core services independent contractors, core services leased employees, or

1 through any other employment arrangement after the submission of a completed Contractor
2 Wizard or Form 6756, Annual Employer Certification of Non-Contributing Service Providers, as
3 applicable in accordance with paragraph (a)~~[or paragraph (b)]~~ of this subsection, ~~[but prior to the~~
4 ~~end of the fiscal year,]~~ the quasi-governmental employer shall:

5 1. For fiscal year July 1, 2023 to June 30, 2024, submit~~[file at the retirement office]~~ a
6 completed supplemental Form 6756 or Contractor Wizard reflecting only those persons not
7 previously reported on the initial Form 6756 or Contractor Wizard. The supplemental Form 6756
8 or Contractor Wizard shall be submitted~~[filed at the retirement office]~~ on or before June 30,
9 2024~~[of the fiscal year in which the Form 6756 is required]~~.

10 2. Effective with the fiscal year beginning July 1, 2024, submit a completed supplemental
11 Contractor Wizard reflecting only those persons not previously reported on the initial Contractor
12 Wizard. The supplemental Contractor Wizard shall be submitted on or before June 30 of the
13 fiscal year in which the Contractor Wizard is required.

14 (c) All documentation required by the initial or supplemental Form 6756 or Contractor Wizard
15 shall be submitted with the Form 6756 or Contractor Wizard.

16 (2)(a) The following persons providing services as core services independent contractors,
17 core services leased employees, or through any other employment arrangement~~[Persons~~
18 ~~exempted under Sections 5 and 6 of this administrative regulation]~~ shall not be~~[required to be]~~
19 listed on an initial or supplemental Contractor Wizard~~:[the Form 6756, Annual Employer~~
20 ~~Certification of Non-Contributing Service Providers.]~~

21 1. ~~(b)~~ Persons~~[providing services as core services independent contractors, core services~~
22 ~~leased employees, or through any other employment arrangement]~~ who would not qualify as an
23 employee in a regular full-time position if directly employed by the quasi-governmental employer;

1 ~~and shall not be listed on the Form 6756, Annual Employer Certification of Non-Contributing~~
2 ~~Service Providers.]~~

3 ~~2.[(e)] Persons[providing services as core services independent contractors, core services~~
4 ~~leased employees, or through any other employment arrangement] who would be in a position~~
5 ~~reported to another state-administered retirement system if directly employed by the quasi-~~
6 ~~governmental employer[shall not be listed on the Form 6756, Annual Employer Certification of~~
7 ~~Non-Contributing Service Providers].~~

8 (b) On the initial or supplemental Contractor Wizard, [(d)1.] Quasi-governmental employers;

9 1. Shall indicate the number of people who meet a reporting exemption as provided in
10 Section 5 of this administrative regulation;

11 2. May[may] choose to report persons who meet a reporting exemption as provided in
12 Section 5 of this administrative regulation, and those[providing services as a non-core services
13 independent contractor on an initial or supplemental Form 6756, Annual Employer Certification
14 of Non-Contributing Service Providers.

15 ~~2. All] persons[providing services to a quasi-governmental employer as a non-core services~~
16 ~~independent contractor who are included on an initial or supplemental Form 6756, Annual~~
17 ~~Employer Certification of Non-Contributing Service Providers,] shall be treated in the same~~
18 ~~manner as all other persons listed on the Contractor Wizard[Form 6756], including~~
19 ~~determinations by the agency[KPPA] under Section 3 of this administrative regulation; and~~

20 3. Provide documentation required by the Contractor Wizard for persons marked as meeting
21 a reporting exemption.

22 ~~[(3)(a) For the fiscal year beginning July 1, 2021, quasi-governmental employers that do not~~
23 ~~file at the retirement office a completed Form 6756, Annual Employer Certification of Non-~~
24 ~~Contributing Service Providers, on or before May 2, 2022 shall be reported as noncompliant to~~

1 ~~the state budget director's office and the Legislative Research Commission in accordance with~~
2 ~~KRS 61.5991(2)(c) and 61.5991(3)(d).~~

3 ~~(b) For each fiscal year beginning on or after July 1, 2022, quasi-governmental employers~~
4 ~~that do not file at the retirement office a completed Form 6756, Annual Employer Certification of~~
5 ~~Non-Contributing Service Providers, as required by subsection (1)(b) of this section shall be~~
6 ~~reported as noncompliant to the state budget director's office and the Legislative Research~~
7 ~~Commission in accordance with KRS 61.5991(2)(c) and 61.5991(3)(d).~~

8 ~~(4) If a quasi-governmental employer files at the retirement office an initial or supplemental~~
9 ~~Form 6756, Annual Employer Certification of Non-Contributing Service Providers, without the~~
10 ~~documentation required by the Form 6756, the Form 6756 shall not be complete and the quasi-~~
11 ~~governmental employer shall be noncompliant in accordance with KRS 61.5991(2)(c) and~~
12 ~~61.5991(3)(d) unless a completed Form 6756 is later filed at the retirement office by the~~
13 ~~appropriate deadline established in subsections (1), (2), and (5) of this section.]~~

14 ~~(3)(a)[(5)(a)] After receiving an initial or supplemental Contractor Wizard[Form 6756, Annual~~
15 ~~Employer Certification of Non-Contributing Service Providers], the agency[KPPA] may notify the~~
16 ~~quasi-governmental employer that additional information is required.~~

17 ~~(b) If additional information is required[by the KPPA], the agency[KPPA] shall notify the~~
18 ~~quasi-governmental employer in writing to the attention of the agency head, appointing authority,~~
19 ~~or authorized designee, such as the reporting official, and shall include the following in its~~
20 ~~notification:~~

21 ~~1. A detailed description of the additional information required; and~~

22 ~~2. A deadline by which the additional information required shall[~~must~~] be submitted[~~filed at~~~~
23 ~~the retirement office], which shall not be less than fourteen (14) calendar days, but may be longer~~
24 ~~than fourteen (14) calendar days.~~

1 (c) An initial or supplemental Contractor Wizard~~[Form 6756, Annual Employer Certification~~
2 ~~of Non-Contributing Service Providers,]~~ shall not be considered complete until all additional
3 information requested by the agency is submitted~~[KPPA is on file at the retirement office]~~.

4 (4)(a) Except as indicated in paragraph (b) of this subsection, a~~[(d) If a quasi-governmental~~
5 ~~employer fails to provide the additional information to the KPPA by the deadline listed in the~~
6 ~~notification described in paragraph (b) of this subsection or by the deadline agreed upon by the~~
7 ~~KPPA and the quasi-governmental employer, then the]~~ quasi-governmental employer shall be
8 reported as noncompliant to the state budget director's office and the Legislative Research
9 Commission in accordance with KRS 61.5991(2)(c) and 61.5991(3)(d) if:

10 1. It fails to submit a valid Contractor Wizard as required by subsection (1) through (2) of
11 this section;

12 2. It submits an initial or supplemental Contractor Wizard without the documentation
13 required by the Contractor Wizard; or

14 3. It fails to submit additional information requested in accordance with subsection (4) of this
15 section.

16 (b) The quasi-governmental employer shall not be reported as noncompliant if, by the
17 appropriate deadline provided in this section, it provides all missing information or
18 documentation, including as applicable:

19 (a) A completed valid Contractor Wizard in accordance with subsections (1) and (2) of this
20 section;

21 (b) The documentation required by the Contractor Wizard in accordance with subsections
22 (1) and (2) of this section; or

23 (c) Additional information requested in accordance with subsection (3) of this section.

1 ~~(5)~~~~(6)~~ During an audit of the quasi-governmental employer conducted in accordance with
2 KRS 61.5991(2)(a)2., 61.675, and 61.685:

3 (a) If the agency~~[KPPA]~~ discovers that a quasi-governmental employer has failed to list all
4 persons~~[on a Form 6756, Annual Employer Certification of Non-Contributing Service Providers,]~~
5 as required by this administrative regulation on the Contractor Wizard, or for reporting prior to
6 fiscal year 2025, a Form 6756, Annual Employer Certification of Non-Contributing Service
7 Providers, then the quasi-governmental employer shall be reported as noncompliant to the state
8 budget director's office and the Legislative Research Commission in accordance with KRS
9 61.5991(2)(c) and 61.5991(3)(d).

10 (b) If the agency~~[KPPA]~~ discovers persons performing services as an independent
11 contractor or leased employee for a quasi-governmental employer in multiple part-time positions
12 that, if combined, constitute a regular full-time position, then the agency~~[KPPA]~~ shall make a
13 determination of employee or independent contractor status in accordance with Section 3 of this
14 administrative regulation.

15 Section 3. Determination of Employee or Independent Contractor.

16 (1) The agency~~[KPPA]~~ shall have the authority to determine which persons listed on an initial
17 and supplemental Contractor Wizard~~[Forms 6756, Annual Employer Certification of Non-~~
18 ~~Contributing Service Providers, should]~~:

19 (a) Shall be reported as employees in regular full-time positions; or ~~[and which persons listed~~
20 ~~on the initial and supplemental Forms 6756, Annual Employer Certification of Non-Contributing~~
21 ~~Service Providers, are]~~

22 (b) Are independent contractors.

1 (2) In determining whether a person listed on the initial and supplemental Contractor Wizard
2 is an employee of the quasi-governmental employer or an independent contractor of the quasi-
3 governmental employer, the agency:

4 (a) ~~Shall~~~~[The KPPA shall]~~ apply common law factors used by the Internal Revenue Service
5 (IRS), in accordance with IRS Publication 1779; and

6 (b) May consider rules issued by the United States Department of Labor under federal wage
7 and hour law~~[, to determine whether a person listed on the initial and supplemental Forms 6756,~~
8 ~~Annual Employer Certification of Non-Contributing Service Providers, is an employee of the~~
9 ~~quasi-governmental employer or an independent contractor of the quasi-governmental~~
10 ~~employer].~~

11 (3)~~(a)~~ If the agency~~[KPPA]~~ determines that a person listed on an initial or supplemental
12 Contractor Wizard~~[Form 6756, Annual Employer Certification of Non-Contributing Service~~
13 ~~Providers,]~~ is an employee of the quasi-governmental employer in a regular full-time position,
14 then the quasi-governmental employer shall:

15 (a) Remit~~[remit]~~ all reports, records, contributions, and reimbursements for that person as
16 an employee in a regular full-time position in accordance with KRS 61.675 and 105 KAR 1:140
17 effective the calendar month after the agency~~[KPPA]~~ has notified the quasi-governmental
18 employer of its determination in accordance with Section 4 of this administrative regulation; and

19 (b) For all periods during which the person was providing services to the quasi-governmental
20 employer, submit:

21 1. A valid Form 4225, Verification of Past Employment, for that person; and~~[If the KPPA~~
22 ~~determines that a person listed on an initial or supplemental Form 6756, Annual Employer~~
23 ~~Certification of Non-Contributing Service Providers, is an employee of the quasi-governmental~~
24 ~~employer in a regular full-time position, then the quasi-governmental employer shall complete~~

1 and file at the retirement office a Form 4225, Verification of Past Employment, for that person for
2 all periods during which the person was providing services to the quasi-governmental employer.

3 2. All relevant contracts and other documentation demonstrating the relationship between
4 the quasi-governmental employer and the person.~~[If the KPPA determines that a person listed~~
5 ~~on an initial or supplemental Form 6756, Annual Employer Certification of Non-Contributing~~
6 ~~Service Providers, is an employee of the quasi-governmental employer in a regular full-time~~
7 ~~position, then the quasi-governmental employer also shall submit all relevant contracts and other~~
8 ~~documentation demonstrating the relationship between the quasi-governmental employer and~~
9 ~~the person for all periods during which the person was providing services to the quasi-~~
10 ~~governmental employer.]~~

11 ~~(4)(c)1.~~ After reviewing the information from the quasi-governmental employer required by
12 subsection[paragraph] (3)(b) of this section[subsubsection], if the agency[KPPA] determines that a
13 [the] person listed on an initial or supplemental Contractor Wizard was an employee of the quasi-
14 governmental employer in a regular full-time position for previous periods that were not reported
15 by the quasi-governmental employer in accordance with KRS 61.543, KRS 61.675, and 105
16 KAR 1:140, then:

17 (a) The[the] person shall be eligible to purchase omitted service in accordance with KRS
18 61.552(2) for the periods of his or her[their] previous employment by the quasi-governmental
19 employer in a regular full-time position; and

20 (b) The[2. After reviewing the information from the quasi-governmental employer required
21 by paragraph (b) of this subsection, if the KPPA determines that the person was an employee in
22 a regular full-time position for previous periods that were not reported by the quasi-governmental
23 employer in accordance with KRS 61.543, KRS 61.675, and 105 KAR 1:140, then the] quasi-
24 governmental employer shall be responsible for payment of delinquent omitted employer

1 contributions in accordance with KRS 61.552(2) and 61.675(3)(b) for all periods of the person's
2 previous employment by the quasi-governmental employer in a regular full-time position.

3 Section 4. Notification to Employers of Determination of Employment Relationship.

4 (1) ~~Each~~[For the] fiscal year[~~, beginning July 1, 2021, and for each fiscal year thereafter,~~]
5 quasi-governmental employers shall be notified by the agency[KPPA] of the determination of
6 which persons shall[~~should~~] be reported as employees in regular full-time positions no later than
7 September 30 of the subsequent fiscal year.

8 (2)(a) The agency[KPPA] shall notify the quasi-governmental employer of the determination
9 of which persons listed on an initial or supplemental Contractor Wizard shall [~~Form 6756, Annual~~
10 ~~Employer Certification of Non-Contributing Service Providers, should~~] be reported as employees
11 in regular full-time positions in one (1) notification letter.

12 (b) The notification shall be sent to the agency head, appointing authority, or authorized
13 designee, such as the reporting official.

14 (c) The notification shall include:

15 1. The name of each person who shall be reported as an employee in regular full-time
16 position in accordance with KRS 61.675 and 105 KAR 1:140;

17 2. A description of the contract or other documents for[~~pursuant to which~~] each person who
18 shall[~~should~~] be reported as an employee in a regular full-time position who are providing or
19 have provided services to the quasi-governmental employer; and

20 3. A statement that all other persons listed on the initial or supplemental Contractor Wizard
21 shall[~~Form 6756, Annual Employer Certification of Non-Contributing Service Providers, should~~]
22 not be reported as employees in regular full-time positions.

23 Section 5. Reporting exemptions[~~Contracts for Professional Services That Have Not~~
24 ~~Historically Been Provided by Employees~~].

1 (1) A person shall meet a reporting exemption if the~~[quasi-governmental employer shall not~~
2 ~~be required to report a person on the Form 6756, Annual Employer Certification of Non-~~
3 ~~Contributing Service Providers, if:~~

4 (a) ~~The~~ person is providing professional services as a core services independent contractor,
5 core services leased employee, or through any other employment arrangement if the person
6 provides services:

7 (a) As a non-core services independent contractor or non-core services leased employee;

8 (b) That~~[that]~~ have not been performed by direct employees of the quasi-governmental
9 employer since January 1, 2000~~;~~ and

10 ~~[(b) The professional services]~~ have been or are being performed for the quasi-
11 governmental employer under a contract on file~~[filed]~~ at the retirement office and determined by
12 the agency~~[KPPA]~~ or the Kentucky Retirement Systems to represent services provided by an
13 independent contractor~~[-~~

14 ~~(2) Quasi-governmental employers may choose to report a person on the Form 6756,~~
15 ~~Annual Employer Certification of Non-Contributing Service Providers, even if the person is~~
16 ~~providing professional services under a contract that have not historically been provided by~~
17 ~~employees.~~

18 ~~Section 6. Original Contracts Entered Prior to January 1, 2021.~~

19 ~~(1) A quasi-governmental employer shall not be required to report a person on the Form~~
20 ~~6756, Annual Employer Certification of Non-Contributing Service Providers, if the person is~~
21 ~~providing services to the quasi-governmental employer as a core services independent~~
22 ~~contractor, core services leased employee, or through any other employment arrangement]; or~~

23 (c) That are under an original contract with the person or a company entered into prior to
24 January 1, 2021 if:

1 ~~1. The~~1. ~~unless one of the exceptions in subsections (2), (3), or (4) of this section applies.~~

2 ~~(2) A quasi governmental employer shall report a person on the Form 6756, Annual~~
3 ~~Employer Certification of Non-Contributing Service Providers, if the person is providing services~~
4 ~~to the quasi-governmental employer as a core services independent contractor, core services~~
5 ~~leased employee, or through any other employment arrangement under an original contract with~~
6 ~~the person or a company entered into prior to January 1, 2021 if the] term of the original contract~~
7 ~~has not expired, and the contract has not been renewed or continued; [-]~~

8 ~~2.[(3) A quasi governmental employer shall report a person on the Form 6756, Annual~~
9 ~~Employer Certification of Non-Contributing Service Providers, if the person is providing services~~
10 ~~to the quasi-governmental employer as a core services independent contractor, core services~~
11 ~~leased employee, or through any other employment arrangement under an original contract with~~
12 ~~the person or a company entered into prior to January 1, 2021 if the] The contract has not been~~
13 ~~modified to encompass different services; and[-]~~

14 ~~3.[(4) A quasi governmental employer shall report a person on the Form 6756, Annual~~
15 ~~Employer Certification of Non-Contributing Service Providers, if the person is providing services~~
16 ~~to the quasi-governmental employer as a core services independent contractor, core services~~
17 ~~leased employee, or through any other employment arrangement under an original contract with~~
18 ~~a company entered into prior to January 1, 2021 if the] The person was [not] included in the~~
19 ~~original contract.~~

20 ~~[(5) Quasi-governmental employers may choose to report a person on the Form 6756,~~
21 ~~Annual Employer Certification of Non-Contributing Service Providers, even if the person is~~
22 ~~providing services to the quasi-governmental employer as a core services independent~~
23 ~~contractor, core services leased employee, or through any other employment arrangement~~
24 ~~under an original contract with the person or a company entered into prior to January 1, 2021.]~~

1 (2)(a) When a quasi-governmental employer submits its Contractor Wizard in accordance
2 with Subsection (2) of this administrative regulation, it shall also submit the employment contract
3 for people indicated as a reporting exemption, except as provided in paragraph (b)1. of this
4 subsection.

5 (b) The agency shall review the contracts and determine if the person meets the
6 requirements of a reporting exemption.

7 1. If a person is determined by the agency to meet a reporting exemption, the quasi-
8 governmental employer shall not submit the contract in subsequent fiscal years as long as all
9 terms and conditions of the approved contract remain unchanged.

10 2. If a person is determined by the agency to not meet a reporting exemption, the agency
11 shall make a determination of employment status in accordance with Section 3 of this
12 administrative regulation.

13 Section 6[Section 7]. Report to the State Budget Director's Office and the Legislative
14 Research Commission.

15 (1)(a) To determine the number of employees of the quasi-governmental employer reported
16 for the prior fiscal year in accordance with KRS 61.5991(3)(a), the agency[KPPA]shall add
17 together all employees in regular full-time positions reported by the quasi-governmental
18 employer pursuant to KRS 61.675 and 105 KAR 1:140 in the prior fiscal year.

19 (b) Persons listed on an initial or supplemental Contractor Wizard[~~Form 6756, Annual~~
20 ~~Employer Certification of Non-Contributing Service Providers,~~] for the prior fiscal year who are
21 ultimately determined by the agency[KPPA] to be employees of the quasi-governmental
22 employer in regular full-time positions shall not be included in the number of employees of the
23 quasi-governmental employer for the prior fiscal year. These persons shall be included in the
24 number of employees of the quasi-governmental employer in a regular full-time position for a

1 subsequent fiscal year if the person is reported by the quasi-governmental employer in the
2 subsequent fiscal year as an employee in a regular full-time position in accordance with KRS
3 61.675 and 105 KAR 1:140.

4 (2) To determine the number of persons providing services to the quasi-governmental
5 employer who were not reported for the prior fiscal year in accordance with KRS 61.5991(3)(b),
6 the agency[KPPA] shall use the total number of persons listed on initial and supplemental
7 Contractor Wizards[Forms 6756, Annual Employer Certification of Non-Contributing Service
8 Providers,] for the prior fiscal year.

9 (3) The agency[KPPA] shall report the following information for each quasi-governmental
10 employer determined to have falsified data or been noncompliant in accordance with KRS
11 61.5991(3)(d):

12 (a) The name of the quasi-governmental employer;

13 (b) A description of the type of data falsified and the support the agency[KPPA] has for
14 believing the data to be falsified, if applicable; and

15 (c) A description of the nature of the noncompliance, if applicable.

16 Section 7. Retired Reemployed. A retired member who is reemployed with a quasi-
17 governmental employer providing services through an independent contractor, leased
18 employee, or through any other employment arrangement shall also comply with KRS 61.637,
19 78.5540, and 105 KAR 1:390, including employees:

20 (1) In participating positions and non-participating positions; and

21 (2) Not reported on the Contractor Wizard.

22 Section 8. Incorporation by Reference.

23 (1) The following material is incorporated by reference:

1 (a) "Contractor Wizard", May 2024~~[Form 6756, "Annual Employer Certification of Non-~~
2 ~~Contributing Service Providers", September 2021];~~

3 (b) Internal Revenue Service Publication 1779, "Independent Contractor or Employee",
4 March 2023 ~~[2012]; [and]~~

5 (c) Form 4225, "Verification of Past Employment", March 2024~~;~~~~[April 2021.]~~

6 (d) Form 6756, "Annual Employer Certification of Non-Contributing Service Providers",
7 September 2021.

8 (2) This material may be inspected, copied, or obtained, subject to applicable copyright law,
9 at the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky 40601,
10 Monday through Friday, 8:00 a.m. to 4:30 p.m. This material is also available on the agency's
11 Web site at kyret.ky.gov.

APPROVED:

DAVID L. EAGER,
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC PENSIONS AUTHORITY

DATE

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing to allow for public comment on this administrative regulation shall be held on Wednesday, September 25, 2024, at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing was received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until September 30, 2024. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

KPPA shall file a response with the Regulations Compiler to any public comments received, whether at the public comment hearing or in writing, via a Statement of Consideration no later than the 15th day of the month following the end of the public comment period, or upon filing a written request for extension, no later than the 15th day of the second month following the end of the public comment period.

CONTACT PERSON: Jessica Beaubien, Policy Specialist, Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601, email Legal.Non-Advocacy@kyret.ky.gov, telephone (502) 696-8800 ext. 8570, facsimile (502) 696-8615.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation number: 105 KAR 1:451
Contact person: Jessica Beaubien
Phone number: 502-696-8800 ext. 8570
Email: Legal.Non-Advocacy@kyret.ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the forms, procedures, and requirements for certain quasi-governmental employers in the Kentucky Employees Retirement System that must provide information to the Kentucky Public Pensions Authority (KPPA) on some independent contractors, leased employees, and other persons providing services for the quasi-governmental employer under similar arrangements.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the forms, procedures, and requirements for certain quasi-governmental employers in the Kentucky Employees Retirement System that must provide information to the KPPA on some independent contractors, leased employees, and other persons providing services for the quasi-governmental employer under similar arrangements.

(c) How this administrative regulation conforms to the content of the authorizing statutes: This administrative regulation conforms to the authorizing statute by establishing the forms, procedures, and requirements for certain quasi-governmental employers in the Kentucky Employees Retirement System that must provide information to the KPPA on some independent contractors, leased employees, and other persons providing services for the quasi-governmental employer under similar arrangements in accordance with KRS 61.5991 and 61.645(9)(e). In particular, KRS 61.5591(1)(c) authorizes the promulgation of an administrative regulation to implement KRS 61.5991.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by establishing the forms, procedures, and requirements for certain quasi-governmental employers in the Kentucky Employees Retirement System that must provide information to the KPPA on some independent contractors, leased employees, and other persons providing services for the quasi-governmental employer under similar arrangements.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The amendment to this administrative regulation incorporates the Contractor Wizard that is required for certain employers to report independent contractors and leased employees. This amendment also updates language used throughout to be consistent with 105 KAR 1:001.

(b) The necessity of the amendment to this administrative regulation: This amendment is necessary to update the language used throughout to be consistent with 105 KAR 1:001. Additionally, the amendment is necessary to incorporate the Contractor Wizard that is required for employers to report independent contractors and leased employees.

(c) How the amendment conforms to the content of the authorizing statutes: The amendment to this administrative regulation conforms to the authorizing statute by detailing the forms, procedures, and requirements for certain quasi-governmental employers in the Kentucky Employees Retirement System that must provide information to the KPPA on some independent contractors, leased employees, and other persons providing services for the quasi-governmental

employer under similar arrangements in accordance with KRS 61.5991 and 61.645(9)(e). In particular, KRS 61.5591(1)(c) authorizes the promulgation of an administrative regulation to implement KRS 61.5991.

(d) How the amendment will assist in the effective administration of the statutes: This amendment assists with the effective administration of the statutes by incorporating the Contractor Wizard that is required for certain employers to report independent contractors and leased employees in accordance with KRS 61.5991 and 61.645(9)(e).

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: One (1) entity that provides day-to-day operations for the Kentucky Employees Retirement System: the KPPA. One (1) public pension system: the Kentucky Employees Retirement System. Approximately 100 quasi-governmental employers, including local and district health departments governed by KRS Chapter 212, state-supported universities and community colleges, mental health/mental retardation boards, domestic violence shelters, rape crisis centers, child advocacy centers, and other employers that are eligible to voluntarily cease participation in the Kentucky Employees Retirement System as provided by KRS 61.522 (excluding county attorneys, the Council on State Governments, the Kentucky Educational Television Foundation, Association of Commonwealth's Attorneys, the Kentucky High School Athletic Association, the Municipal Power Association of Kentucky, the Kentucky Office of Bar Admissions, the Nursing Home Ombudsman, the Kentucky Association of Regional Programs, and the Kentucky Association of Sexual Assault Programs). The number of individuals affected by this administrative regulation is unknown.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The affected quasi-governmental employers will be required to provide the KPPA with information concerning some persons that are providing services for the quasi-governmental employer as independent contractors, leased employees, or through another similar arrangement. If such persons are determined to be employees in regular full-time positions under KRS 61.510(5) and 61.510(21), the affected quasi-governmental employers will be required to prospectively treat the persons as "employees" in accordance with KRS Chapter 61, including reporting employee and employer contributions as required by KRS 61.675 and 105 KAR 1:140. Additionally, in the event of such a determination, the affected employers may be required to remit past delinquent employer contributions as required by KRS 61.552 and 61.675. Finally, the information provided by the KPPA to the state budget director's office and the Legislative Research Commission on the affected quasi-governmental employers may affect subsidies for retirement costs that a quasi-governmental employer may receive pursuant to KRS 61.5991(5) and 61.5991(6).

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): The cost of compliance with this administrative regulation for regulated entities is unknown.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Regulated entities are eligible to receive subsidies for retirement costs pursuant to KRS 61.5991(5) and 61.5991(6).

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: The costs associated with the implementation of this administrative regulation should be minimal.

(b) On a continuing basis: The costs associated with the implementation of this administrative regulation should be negligible.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the KPPA, which will carry out the implementation and enforcement of this regulation pursuant to KRS 61.505 and 61.5991, are paid from the Retirement Allowance Account (trust and agency funds).

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: There is no increase in fees or funding required to implement this administrative regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not)
Tiering is not applied. All affected quasi-governmental employers are subject to the same processes and procedures.

FISCAL IMPACT STATEMENT

Regulation number: 105 KAR 1:451
Contact person: Jessica Beaubien
Phone number: 502-696-8800 ext. 8570
Email: Legal.Non-Advocacy@kyret.ky.gov

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61. 5991 and 61.645.

(2) Identify the promulgating agency and any other affected state units, parts, or divisions: The promulgating agency is the Kentucky Public Pensions Authority (KPPA). Affected state units, parts, or divisions include the Kentucky Employees Retirement System.

(a) Estimate the following for the first year:

Expenditures: The effect of this administrative regulation on the expenditures and revenues of state government agencies in the first full year the administrative regulation is to be in effect is unknown.

Revenues: The effect of this administrative regulation on revenues of state government agencies in the first year the administrative regulation is to be in effect is unknown.

Cost Savings: The cost savings to the KPPA to administer this amendment to the administrative regulation in the first year should be minimal.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? The expenditures, revenues, or cost to the KPPA to administer this administrative regulation in subsequent years should be minimal.

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts): Local government agencies are not affected by this administrative regulation.

(a) Estimate the following for the first year:

Expenditures: Local government agencies are not affected by this administrative regulation.

Revenues: Local government agencies are not affected by this administrative regulation.

Cost Savings:

(b) How will expenditures, revenues, or cost savings differ in subsequent years? Local government agencies are not affected by this administrative regulation.

(4) Identify additional regulated entities not listed in questions (2) or (3): Additional regulated entities include approximately 100 quasi-governmental employers, including local and district health departments governed by KRS Chapter 212, state-supported universities and community colleges, mental health/mental retardation boards, domestic violence shelters, rape crisis centers, child advocacy centers, and other employers that are eligible to voluntarily cease participation in the Kentucky Employees Retirement System as provided by KRS 61.522 (excluding county attorneys, the Council on State Governments, the Kentucky Educational Television Foundation, Association of Commonwealth's Attorneys, the Kentucky High School Athletic Association, the Municipal Power Association of Kentucky, the Kentucky Office of Bar Admissions, the Nursing Home Ombudsman, the Kentucky Association of Regional Programs, and the Kentucky Association of Sexual Assault Programs).

(a) Estimate the following for the first year:

Expenditures: The effect of this administrative regulation on the expenditures and revenues of these regulated agencies in the first full year the administrative regulation is to be in effect is unknown.

Revenues: The effect of this administrative regulation on the expenditures and revenues of these regulated agencies in the first full year the administrative regulation is to be in effect is unknown.

Cost Savings: The effect of this administrative regulation on the cost savings of these regulated agencies in the first full year the administrative regulation is to be in effect is unknown.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? The expenditures, revenues, or cost to the KPPA to administer this administrative regulation in subsequent years should be minimal.

(5) Provide a narrative to explain the:

(a) Fiscal impact of this administrative regulation: The fiscal impact of this administrative regulation should be negligible because this administrative regulation is already being administered as written with only a change in the method the independent contractors and leased employees are reported.

(b) Methodology and resources used to determine the fiscal impact: This administrative regulation is already being administered as written with only a change in the method the independent contractors and leased employees are reported.

(6) Explain:

(a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2) - (4). (\$500,000 or more, in aggregate) This administrative regulation will not have an overall negative or adverse economic impact on regulated entities (quasi-governmental employers), as the regulated entities that comply with this administrative regulation and KRS 61.5991 are eligible to receive subsidies for retirement costs.

(b) The methodology and resources used to reach this conclusion: This regulation is already being administered as written with only a change in the method the independent contractors and leased employees are reported.

SUMMARY OF MATERIAL INCORPORATED BY REFERENCE

“Contractor Wizard”, is an online interactive form that guides employers to certify their non-contributing service providers by answering a series of questions broken into small, manageable steps.

Internal Revenue Service Publication 1779, "Independent Contractor or Employee" , is a two (2) page publication from the Internal Revenue Service that provides information on the factors used to distinguish between independent contractor and employee status.

Form 4225, "Verification of Past Employment", is a two (2) page form employers complete to certify past employment information that was not previously reported.

Form 6756, "Annual Employer Certification of Non-Contributing Service Providers" is the six (6) page form that certain quasi-governmental employers are required to submit annually in accordance with KRS 61.5991. KRS 61.5991 requires certain quasi-governmental employers that participate in the Kentucky Employees Retirement System to report information to the Kentucky Public Pensions Authority (KPPA) on some persons providing services for the quasi-governmental employer as an independent contractor, a leased employee, or via any other similar employment arrangement in the format, detail, and frequency determined by the KPPA.

IRS Tax Publications

If you are not sure whether you are an employee or an independent contractor, get Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding. Publication 15-A, Employer's Supplemental Tax Guide, provides additional information on independent contractor status.

IRS Electronic Services

You can download and print IRS publications, forms, and other tax information materials on the Internet at www.irs.gov. You can also call the IRS at 1-800-829-3676 (1-800-TAX-FORM) to order free tax publications and forms.

Call 1-800-829-4933, the Business and Speciality Tax Line, if you have questions related to employment tax issues.



INDEPENDENT CONTRACTOR

OR

EMPLOYEE



Publication 1779 (Rev. 3-2023) Catalog Number 16134L
Department of the Treasury **Internal Revenue Service**
www.irs.gov

Independent Contractor *or* Employee

Which are you?

For federal tax purposes, this is an important distinction. Worker classification affects how you pay your federal income tax, social security and Medicare taxes, and how you file your tax return. Classification affects your eligibility for social security and Medicare benefits, employer provided benefits and your tax responsibilities. If you aren't sure of your work status, you should find out now. This brochure can help you.

The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These relevant facts fall into three main categories: behavioral control; financial control; and relationship of the parties. In each case, it is very important to consider all the facts – no single fact provides the answer. Carefully review the following definitions.

Behavioral Control

These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done – as long as the employer has the right to direct and control the work. For example:

Instructions – if you receive extensive instructions on how work is to be done, this suggests that you are an employee. Instructions can cover a wide range of topics, for example:

- how, when, or where to do the work
- what tools or equipment to use
- what assistants to hire to help with the work
- where to purchase supplies and services

If you receive less extensive instructions about what should be done, but not how it should be done, you may be an independent contractor. For instance, instructions about time and place may be less important than directions on how the work is performed.

Training – if the business provides you with training about required procedures and methods, this indicates that the business wants the work done in a certain way, and this suggests that you may be an employee.

Financial Control

These facts show whether there is a right to direct or control the business part of the work. For example:

Significant Investment – if you have a significant investment in your work, you may be an independent contractor. While there is no precise dollar test, the investment must have substance. However, a significant investment is not necessary to be an independent contractor.

Expenses – if you are not reimbursed for some or all business expenses, then you may be an independent contractor, especially if your unreimbursed business expenses are high.

Opportunity for Profit or Loss – if you can realize a profit or incur a loss, this suggests that you are in business for yourself and that you may be an independent contractor.

Relationship of the Parties

These are facts that illustrate how the business and the worker perceive their relationship. For example:

Employee Benefits – if you receive benefits, such as insurance, pension, or paid leave, this is an indication that you may be an employee. If you do not receive benefits, however, you could be either an employee or an independent contractor.

Written Contracts – a written contract may show what both you and the business intend. This may be very significant if it is difficult, if not impossible, to determine status based on other facts.

When You Are an Employee...

- Your employer must withhold income tax and your portion of social security and Medicare taxes. Also, your employer is responsible for paying social security, Medicare, and unemployment (FUTA) taxes on your wages. Your employer must give you a Form W-2, Wage and Tax Statement, showing the amount of taxes withheld from your pay.

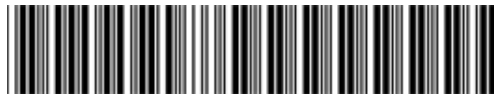
When You Are an Independent Contractor...

- The business may be required to give you Form 1099-MISC, Miscellaneous Income, to report what it has paid to you.
- You are responsible for paying your own income tax and self-employment tax (Self-Employment Contributions Act – SECA). The business does not withhold taxes from your pay. You may need to make estimated tax payments during the year to cover your tax liabilities.
- You may deduct business expenses on Schedule C of your income tax return.





Verification of Past Employment



Form 4225
Revised 03/2024

Member Information

Member Name:		Member ID or SSN:	
KPPA will update contact information for your retirement account based on the details provided below.			
Address:	City:	State:	Zip Code:
Phone (select type) <input type="checkbox"/> Mobile <input type="checkbox"/> Home <input type="checkbox"/> Work		Email:	
Name of Employer Verifying Employment:			
Dates of Past Employment for Missing Service:			

Employer Instructions

An Agency Head or Reporting Official will need to complete the following fields in their entirety because:

- The above member has contacted KPPA regarding employment with your organization. If any of the information provided by your organization is incorrect, in compliance with KRS 61.685(1) and 78.545, KPPA will correct any errors upon subsequent discovery, which may include the reduction of the member's service and benefits;
- OR-**
- KPPA has identified an employee in a regular full-time position for previous periods that were not reported by your organization in accordance with KRS 16.543, 61.543, 61.675, 78.615, and 78.625.

Please note the following:

- All applicable fields should be completed. If you are unable to provide information for all of the requested fields, please provide an explanation. Failure to verify all requested information may require a representative of KPPA to follow up or could cause the form not to be considered by KPPA.
- Each line item should be verified based upon fiscal year, NOT calendar year (i.e. July 1, 1995 to June 30, 1996).
- Please provide the exact start and end dates of the period(s) of service in question (i.e. If an employer is verifying three months of seasonal, full-time service that began September 1st and ended in January 30th, September 1st to January 30th would be verified on one line).
- If the member was employed during more than four (4) fiscal years, please copy page two (2) and complete/attach the additional pages to this form when you return the form to KPPA.
- Classified employees of school boards must average eighty (80) or more hours of work per month over a calendar or fiscal year to be eligible for service credit. All other employees must average one hundred (100) or more hours of work per month over a calendar or fiscal year to be eligible for service credit.
- If the member was on an approved leave of absence, please specify the leave dates as well as the type of leave (i.e. maternity, military leave, sick leave without pay, etc.).
- If the member provided services to the employer under a contract, please submit a copy of the contract to KPPA along with this form.

Your prompt reply is required pursuant to 105 KAR 1:140.

Retirement Coverage (To be completed by the employer.)

Please answer the following questions about the member's past employment, then verify this service on the next page.

- Did the member participate in an employer sponsored pension plan? Yes No
- If the answer to question 1 is yes, was it a: Defined Benefit Plan Defined Contribution Plan
- Did the member take a refund from the plan upon termination? Yes No

When all sections have been completed, please submit this form to KPPA. Employers may:

- Email the form using the [KPPA Secure Email Portal](#)
- Submit the form through Employer Self Service at MyRetirement.ky.gov
- Fax the form to 502-696-8822
- Mail the form to 1260 Louisville Road, Frankfort, KY 40601

Past Employment Information (To be completed by the employer)									
Member Name: _____			Member ID: _____			Employer: _____			
Fiscal Year (Mo/Day/Yr) Show breaks in service		No. of Months Worked	School Board Use Only		Hours Worked Per Day	Hourly Wage	Actual Wages Earned for Year	Notes	
Begin Date	End Date		Contract Days	No. of Actual Days Worked					
_____	_____	_____	_____	_____	_____	_____	_____	_____	
Position Title: (E.g. Bus Driver, Secretary, etc.) _____					Position Status: (E.g. Regular full-time, part-time, seasonal full-time, Temporary full-time, etc.) _____				
Fiscal Year (Mo/Day/Yr) Show breaks in service		No. of Months Worked	School Board Use Only		Hours Worked Per Day	Hourly Wage	Actual Wages Earned for Year	Notes	
Begin Date	End Date		Contract Days	No. of Actual Days Worked					
_____	_____	_____	_____	_____	_____	_____	_____	_____	
Position Title: (E.g. Bus Driver, Secretary, etc.) _____					Position Status: (E.g. Regular full-time, part-time, seasonal full-time, Temporary full-time, etc.) _____				
Fiscal Year (Mo/Day/Yr) Show breaks in service		No. of Months Worked	School Board Use Only		Hours Worked Per Day	Hourly Wage	Actual Wages Earned for Year	Notes	
Begin Date	End Date		Contract Days	No. of Actual Days Worked					
_____	_____	_____	_____	_____	_____	_____	_____	_____	
Position Title: (E.g. Bus Driver, Secretary, etc.) _____					Position Status: (E.g. Regular full-time, part-time, seasonal full-time, Temporary full-time, etc.) _____				
Fiscal Year (Mo/Day/Yr) Show breaks in service		No. of Months Worked	School Board Use Only		Hours Worked Per Day	Hourly Wage	Actual Wages Earned for Year	Notes	
Begin Date	End Date		Contract Days	No. of Actual Days Worked					
_____	_____	_____	_____	_____	_____	_____	_____	_____	
Position Title: (E.g. Bus Driver, Secretary, etc.) _____					Position Status: (E.g. Regular full-time, part-time, seasonal full-time, Temporary full-time, etc.) _____				

Certification Please Note: Only forms completed by an Agency Head or Reporting Official will be considered by KPPA.

I hereby certify that the information completed on this form is true and accurate. I acknowledge that I have full understanding that any person who provides a false statement, report, or representation to a governmental entity such as KPPA is subject to penalty of perjury in accordance with KRS 523.010, et seq. I further acknowledge that if I knowingly submit or cause to be submitted a false or fraudulent claim for the payment or receipt of benefit, the employer I represent, and I (personally) may be liable for restitution of the benefits for which the member was not eligible to receive, civil payments, legal fees, and costs.

Printed Name: _____

Date: _____

Signature: _____

Daytime Phone: _____

Title: _____

**Instructions for Completing Form 6756
Annual Employer Certification of Non-Contributing Service Providers**

Pursuant to Kentucky Revised Statutes (KRS) 61.5991, this form shall be completed by each of the following employers participating in the Kentucky Employees Retirement System (KERS) nonhazardous plan for each fiscal year beginning with the 2021-2022 fiscal year:

- Local and district health departments governed by KRS Chapter 212,
- State supported universities and community colleges,
- Mental health/mental retardation boards,
- Domestic violence shelters,
- Rape crisis centers,
- Child advocacy centers, and
- Any other nonhazardous employer that is eligible to voluntarily cease participation in the KERS as provided by KRS 61.522.

(Collectively referred to as “employers.”)

All employers must submit this form each fiscal year. If the employer will not utilize non-contributing service providers during a specific fiscal year, the appropriate section of the form must be completed. If the employer submits this form and all documentation, and subsequently uses or hires one or more of the below-listed persons during a given fiscal year, then the employer should submit an updated form and documentation as soon as it is aware of the following:

- That it intends to use one or more independent contractors, leased employees (through a third party, staffing agency, or other non-participating entity), or persons working via any other employment arrangement who, if employed directly by the employer, would qualify as a regular full-time employee in accordance with KRS 61.510(21), or
- That it has directly employed one or more persons who meet the definition of a regular full-time employee in accordance with KRS 61.510(21), yet who have not/are not being reported in accordance with KRS 61.675.

A “regular full-time employee in accordance with KRS 61.510(21)” is defined as a person employed in a position that averages one hundred (100) or more hours per month determined by using the number of months actually worked within a calendar or fiscal year, except persons employed in one of the following positions:

- Seasonal positions, which although temporary in duration, are positions which coincide in duration with a particular season or seasons of the year and which may recur regularly from year to year, the period of time shall not exceed nine (9) months;
- Emergency positions, which are positions which do not exceed thirty (30) working days and are nonrenewable;
- Temporary positions, which are positions of employment with a participating department for a period of time not to exceed nine (9) months and are nonrenewable;
- Part-time positions, which are positions which may be permanent in duration, but which require less than a calendar or fiscal year average of one hundred (100) hours of work per month, determined by using the number of months actually worked within a calendar or fiscal year, in the performance of duty; and
- Interim positions which are positions established for a one-time or recurring need not to exceed nine (9) months.

 **NOTICE OF EMPLOYER REQUIREMENTS**

If an employer is not sure whether it is required to submit this form to the KPPA, or has questions about whether one or more persons providing services to the employer is exempted from the definition of regular full-time, the employer should contact its Employer Reporting, Compliance, & Education (ERCE) representative for assistance at 1-888-696-8810. If in doubt, the KPPA recommends including such persons on this form because an employer’s failure to correctly submit such information may result in negative consequences to the employer and the person certifying this form. **Employers do not have discretion as to whether or not to submit this information to the KPPA as it is required by law. Before signing, employers should review the certification to understand the consequences for failing to submit complete, accurate information on this form and in accompanying documentation.** Within sixty (60) days following the close of each fiscal year occurring on or after July 1, 2021, the KPPA is required to provide extensive data on the response it has received from all affected KERS nonhazardous employers to the state budget director’s office and the Legislative Research Commission, including any employer’s noncompliance or failure to respond.

Required Documentation: In order for this form to be fully completed, both the form and additional documentation must be submitted for each individual listed on the form. Upon review, KPPA may request additional follow-up documentation.

1. If the employer has received one or more communication(s) from the KPPA or, prior to April 1, 2021, the Kentucky Retirement Systems concerning its independent contractors or leased employees, the employer must submit the relevant communication(s) with this form.
2. For each independent contractor, the following additional documentation must be submitted to the KPPA along with this completed form:
 - A copy of each contract between the employer and independent contractor,
 - Any other documentation explaining the services provided by each person serving as an independent contractor, and
 - Any other documentation explaining the compensation and benefits received by each person serving as an independent contractor in exchange for services provided to the employer.
3. For each third party, staffing company, and other non-participating entity through which persons who would otherwise meet the requirements of a regular full-time employee provide services for the KERS nonhazardous employer, the following additional documentation must be submitted to the KPPA along with this completed form:
 - A copy of each contract between the employer and third party, staffing company, or other non-participating entity,
 - Any other documentation explaining the services provided by each person working for a participating employer through a third party, staffing company, or other non-participating entity, and
 - Any other documentation explaining the compensation and benefits received by each person working through a third party, staffing company, or other non-participating entity in exchange for services provided by the person to the employer.
4. For each person providing services to the employer who the participating employer does not recognize as an employee, independent contractor, or leased employee (through a third party, staffing company, or other non-participating entity) and who would otherwise meet the requirements of a regular full-time employee, the following additional documentation must be submitted to the KPPA along with this completed form:
 - A copy of all documentation explaining the services provided to the participating employer,
 - A copy of all documentation explaining the relationship between the employer and persons who the participating employer does not recognize as an employee, independent contractor, or leased employee, and
 - A copy of all relevant documentation explaining the compensation and benefits received by each such person not recognized by the employer as an employee, independent contractor, or leased employee in exchange for services provided by the person to the employer.
5. For each person employed directly by the employer who meets the definition of a regular full-time employee in accordance with KRS 61.510(21) and who is not being reported in accordance with KRS 61.675, the employer must submit a Form 4225, Verification of Employment, for each person along with this completed form.

Reporting Determination

Following receipt by the KPPA of the completed form and accompanying documentation provided by the employer, the KPPA will determine whether any person for whom information is submitted by the KERS nonhazardous employer on this form should be reported to the KPPA as a regular full-time employee. In the event that the KPPA determines that any person should be reported to the KPPA as a regular full-time employee in KERS, the employer shall be required to report the person as an employee and pay employer contributions as appropriate on or after July 1, 2021 (but not prior to that date).



Form 6756
09/2021

Annual Employer Certification of Non-Contributing Service Providers

Employer Information	
Employer:	Employer Code:
This form is being completed for the 20__ - 20__ Fiscal Year.	
Has the employer submitted a form already for this fiscal year? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Has the employer received one or more communication(s) from the Kentucky Public Pensions Authority (KPPA) or, prior to April 1, 2021, the Kentucky Retirement Systems concerning its independent contractors or leased employees? <input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> If yes, check to indicate that the relevant communication(s) are submitted with this form.	

Non-Contributing Service Providers <i>(check only if the following statement is true)</i>
The employer has/will not utilize any independent contractors, third party companies, staffing companies, other non-participating entities, or other persons who will provide services to the employer through any other arrangement <u>and</u> has no direct employees who meet the definition of a regular full-time employee pursuant to KRS 61.510(21) and who are not being reported to the KPPA in accordance with KRS 61.675: <input type="checkbox"/> Check only if this statement is true.

Independent Contractors
The employer has utilized or will utilize independent contractors to provide services for the employer: <input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, how many persons have or will be utilized as independent contractors: _____
<input type="checkbox"/> Check to indicate that the relevant contract(s) and other documentation are submitted with this form. <i>(see Instructions for other required documentation)</i>
If one or more independent contractors are used during this fiscal year and the employer is <u>not</u> submitting information regarding the independent contract(s) on this form because the relevant original contract, excluding any renewal period, was entered into prior to January 1, 2021, identify each original contract by listing (a) the parties to the contract, (b) the date the contract was entered, (c) the date range the contract is in effect, and (d) where a copy of the contract can be found (use additional pages if necessary):

If the employer is <u>not</u> submitting information on one or more independent contractors used during this fiscal year because one or more of these independent contractors provide professional services that have <u>not</u> historically been provided by employees of the employer, provide the following:
How many independent contractors used during this fiscal year is the employer <u>not</u> providing information for because the independent contractor(s) are providing professional services that have not historically been provided by employees of the employer? _____
Provide a brief explanation of how the professional services provided by the independent contractor(s) differ from professional services historically provided by employees of the employer (use additional pages if necessary):

Third Party, Staffing Company, or Other Non-Participating Entity

The employer has utilized or will utilize a third party, staffing company, or other non-participating entity to provide services for the employer: Yes No

If yes, complete the following:

Name all third party, staffing companies, or other non-participating entities and number of persons provided by each company: (Use additional pages as necessary to provide the names of all companies and the number of employees from each company provided to employer.)

Name of company: _____ Number of persons provided to employer: _____

Name of company: _____ Number of persons provided to employer: _____

Name of company: _____ Number of persons provided to employer: _____

Check to indicate that the relevant contract(s) and other documentation are submitted with this form. (see *Instructions for other required documentation*)

If one or more third party, staffing company, or other non-participating entity are used during this fiscal year and information on such an entity is not being submitted on this form because the relevant original contract, excluding any renewal period, was entered into prior to January 1, 2021, identify each original contract by listing (a) the parties to the contract, (b) the date the contract was entered, (c) the date range the contract is in effect, and (d) where a copy of the contract can be found (use additional pages if necessary):

If the employer is not submitting information on one or more persons performing services through a third party, staffing company, or other non-participating entity during this fiscal year because one or more of these persons provide professional services that have not historically been provided by employees of the employer, provide the following:

How many such persons used during this fiscal year is the employer not providing information for because the person(s) are providing professional services that have not historically been provided by employees of the employer? _____

Provide a brief explanation of how the professional services performed by the person(s) providing services through a third party, staffing company, or other non-participating entity differ from professional services historically provided by employees of the employer (use additional pages if necessary):

Person(s) Employer Does Not Recognize as an Employee, Independent Contractor, or Leased Employee

The employer has utilized or will utilize one or more persons who the employer does not recognize as an employee, independent contractor, or leased employee (through a third party, staffing company, or non-participating entity), but who provide services for the employer: Yes No

If yes, complete the following:

Provide the number of persons who the employer does not recognize as an employee, independent contractor, or leased employee (through a third party, staffing company, or non-participating entity), but who provides services for the employer: _____

Name each company or business name (if available) through which these persons provide services for the participating employer and the number of persons provided by each company or business to the employer. (Use additional pages as necessary to provide the names of all companies and the number of employees from each company provided to employer.)

Name of company: _____ Number of persons provided to employer: _____

Name of company: _____ Number of persons provided to employer: _____

Name of company: _____ Number of persons provided to employer: _____

Check to indicate that the relevant contract(s) and other documentation are submitted with this form. (see *Instructions for other required documentation*)

If one or more persons who the employer does not recognize as an employee, independent contractor, or leased employee are used during this fiscal year and are not included on this form because the relevant original contract, excluding any renewal period, was entered into prior to January 1, 2021, identify each original contract by listing (a) the parties to the contract, (b) the date the contract was entered, (c) the date range the contract is in effect, and (d) where a copy of the contract can be found (use additional pages if necessary):

If the employer is not submitting information on one or more persons the employer does not recognize as an employee, independent contractor, or leased employee who is providing services to the employer during this fiscal year because one or more of these persons provide professional services that have not historically been provided by employees of the employer, provide the following:

How many such persons used during this fiscal year is the employer not providing information for because the person(s) are providing professional services that have not historically been provided by employees of the employer? _____

Provide a brief explanation of how the professional services performed by the person(s) the employer does not recognize as an employee, independent contractor, or leased employee differ from professional services historically provided by employees of the employer (use additional pages if necessary):

Not Reported to the KPPA in accordance with KRS 61.675

The employer did not report to the KPPA in accordance with KRS 61.675 persons employed directly by the employer who meet the definition of a regular full-time employee in accordance with KRS 61.510(21): Yes No

If yes, check to indicate that a Form 4225, Verification of Employment, was submitted for each such person with this form.

Employer Certification

As the agency head, appointing authority, or authorized designee of a local or district health department governed by KRS Chapter 212, state supported university or community college, mental health/mental retardation board, domestic violence shelter, rape crisis center, child advocacy center, or another nonhazardous employer that is eligible to voluntarily cease participation in the Kentucky Employees Retirement System (KERS) as provided by KRS 61.522, by signing this form I acknowledge the following:

- The employer participates in the KERS nonhazardous plan.
- On behalf of KERS, the Kentucky Public Pensions Authority (KPPA) may require additional information in order to process this form.
- If the employer subsequently uses or hires one or more independent contractors, leased employees (through a third party, staffing company, or other non-participating entity), or via any other arrangement during the fiscal year covered by this form, then the employer shall submit an updated form and documentation.
- The Kentucky Retirement Systems, responsible for the governance of KERS, and the KPPA have the exclusive authority to determine whether a person who has not been reported in KERS should be reported to in KERS as a regular full-time employee. Any relevant KERS nonhazardous employer shall be required to report the employee on or after July 1, 2021, and pay employer contributions after July 1, 2021.
- The KPPA has full power by statute to conduct an audit to ensure compliance and accuracy of the data required by this form. Upon finding in an audit that a KERS nonhazardous employer failed to file contributions for one or more employees in a regular full-time position required to participate in KERS pursuant to KRS 61.675 and/or KRS 61.5991, interest may be added to the contributions owed by the KERS nonhazardous employer.
- If the KPPA determines the participating employer for which I am signing on behalf of has knowingly falsified data or fails to submit information required the employer may face negative consequences, including, but not limited to ineligibility for any future appropriations or subsidies from the state to assist in paying employer contributions to the KPPA and/or back paying any appropriation or subsidies received from the state to assist in paying employer contributions.
- Effective June 28, 2021, the employer I am representing and I may be liable for civil payments, legal fees, and costs if found to possess or otherwise have custody or control of money or records "used or to be used by the [KPPA] or the systems it administers and fails to deliver or delivers less than all of the money [or] records" to the KPPA.
- I have full understanding that any person who provides a false statement, report, or representation is subject to penalty in accordance with KRS 523.100.

Printed Name: _____

Job Title: _____

Signature: _____

Date: _____

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Employer Certification of Non-Contributing Service Providers

[Contractor Wizard User Guide](#)

Contractor Wizard - Initial Agreement

Instructions for Completing the Annual Employer Certification of Non-Contributing Service Providers Contractor Wizard

All quasi-governmental employers must submit a Contractor Wizard each fiscal year. If the employer will not utilize non-contributing service providers during a specific fiscal year, the appropriate section of the Contractor Wizard must be completed. If the employer submits this Contractor Wizard and all documentation, and subsequently uses or hires one or more of the below-listed persons during a given fiscal year, then the employer should submit an updated form and documentation as soon as it is aware of the following:

- That it intends to use one or more independent contractors, leased employees (through a third party, staffing agency, or other non-participating entity), or persons working via any other employment arrangement who, if employed directly by the employer, would qualify as a regular full-time employee in accordance with KRS 61.510(21), or
- That it has directly employed one or more persons who meet the definition of a regular full-time employee in accordance with KRS 61.510(21), yet who have not/are not being reported in accordance with KRS 61.675.

Notice of Employer Requirements

If an employer is not sure whether it is required to submit this Contractor Wizard to the KPPA, or has questions about whether one or more persons providing services to the employer is exempted from the definition of regular full-time, the employer should contact its Employer Reporting, Compliance, & Education (ERCE) representative for assistance at 1-888-696-8810. If in doubt, the KPPA recommends including such persons on this Contractor Wizard because an employer's failure to correctly submit such information may result in negative consequences to the employer and the person certifying this Contractor Wizard.

Employers do not have discretion as to whether or not to submit this information to the KPPA as it is required by law. Before signing, employers should review the certification to understand the consequences for failing to submit complete, accurate information on this Contractor Wizard and in accompanying documentation. Within sixty (60) days following the close of each fiscal year, the KPPA is required to provide extensive data on the response it has received from all affected KERS nonhazardous employers to the state budget director's office and the Legislative Research Commission, including any employer's noncompliance or failure to respond.

Prior to entering this wizard, please ensure you have all contract and agreement documentation available in accordance with KRS 61.675. Once you select "agree" and begin the wizard, you will be unable to save your progress and return to your work at a later time. Each screen will time out after 15 minutes of inactivity.

[Agree](#)

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Employer Certification of Non-Contributing Service Providers

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Step 1 Step 2 Step 3 Step 4 Step 5

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Contractor Wizard - Step 1

For the current fiscal year, does the employer utilize independent contractors, third party companies, staffing companies, other non-participating entities or other persons who will provide services to the employer through any other arrangement where one or more persons work an average of 100 or more hours per month?

Yes No

[Next →](#)

* **NOTE:** Selecting **No** will take you directly to [Step 5](#) upon clicking the [Next →](#) button.

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Contractor Wizard - Step 2

Please answer the following questions for this contract/agreement not previously reported for this fiscal year. After you have answered questions for one agreement, you will have the opportunity to report additional agreements.

Prior Submissions

Contract Type:*
Independent Contractor
Other person not recognized as an employee
Third party, staffing company, or other entity

Please give the full name of all other parties to this agreement other than the employer:

List the Date this contract was entered: *
MM/DD/YYYY

How many total persons have or will be utilized by the employer under this agreement?*

How many persons on the agreement work less than an average of 100 hours per month?*

Does this contract meet the following? (check all that apply)

- Remains unrevised from the previous submission (same service and same people providing the services)
- Previously provided to KPPA with a Form 6756, Annual Employer Certification of Non-contributing Service Providers
- Received an official determination from KPPA for this contract

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Contractor Wizard - Step 3

Check all that Apply:

- The original contract, excluding any renewal period, was entered into prior to 1/1/2021.

What is the date range of the contract?

From:

To:

Where can a copy of the contract be found?

- Individuals under this agreement provide services that have NOT historically been provided by employees of the employer.

Number of Unreported Employees:*

Action	Describe the professional services provided.	# of Persons
<input type="button" value="Add"/>	<input type="text"/>	<input type="text"/>

- Persons under this agreement provide non-core services as defined in KRS 61.5991 (9).

Number of Non-Core Employees:*

Check all non-core services that apply:

<input type="checkbox"/> Facilities Services	<input type="checkbox"/> Design Services	<input type="checkbox"/> Ground Services
<input type="checkbox"/> Safety Services at Universities	<input type="checkbox"/> Book Store	<input type="checkbox"/> Production Services
<input type="checkbox"/> Dining Services	<input type="checkbox"/> Mail Services	<input type="checkbox"/> Construction Services
<input type="checkbox"/> Printing and Copier Services	<input type="checkbox"/> Trade or Maintenance Services	<input type="checkbox"/> Custodial Services
<input type="checkbox"/> Farmer Services	<input type="checkbox"/> Delivery Services	<input type="checkbox"/> Information Technology Services
<input type="checkbox"/> Sports Arena and Stadium Management	<input type="checkbox"/> Public Relation Services	<input type="checkbox"/> Photography Services
<input type="checkbox"/> Health Services for University Students and Employees of the Employer	<input type="checkbox"/> Assistive Services at Universities such as Interpreters or sign Language Services	<input type="checkbox"/> Hospitality Services Entertainment

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Contractor Wizard - Step 4

This contract pertains to _____ persons with _____ exception(s), we expect documentation for _____ persons on this agreement.

Upload [contract and all documentation](#) for this agreement.

Documents Uploaded:

Does employer have another agreement that has not already been reported for this fiscal year?

Note: "New or additional contracts for the current fiscal year can be submitted prior to the June 30 deadline."

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Step 1 Step 2 Step 3 Step 4 **Step 5**

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Contractor Wizard - Step 5

The employer is required to report all persons to the KPPA, in accordance with KRS 61.675, who are directly employed and meet the definition of a [regular full-time employee](#) in accordance with KRS 61.510(21).

The employer has reported all regular full-time employees? Yes No

As the agency head, appointing authority, or authorized designee, by signing this form I acknowledge the following:

- On behalf of KERS, the Kentucky Public Pensions Authority (KPPA) may require additional information to process this form.
- If the employer subsequently uses or hires one or more independent contractors, leased employees (through a third party, staffing company, or other non-participating entity), or via any other arrangement during the fiscal year covered by this form, then the employer shall submit an updated form and documentation.
- The Kentucky Retirement Systems, responsible for the governance of KERS, and the KPPA have the exclusive authority to determine whether a person who has not been reported in KERS should be reported to in KERS as a regular full-time employee. If a person who has not been reported as an employee in a regular full-time position is determined to be an employee of the employer in a regular full-time position, the employer shall be required to prospectively report contributions and information in accordance with KRS 61.675, KRS 61.543, and 105 KAR 1:140 for all such persons. Additionally, the employer may owe delinquent omitted employer contributions in accordance with KRS 61.552(2) and 61.675(3)(b) for such persons if the person was an employee in a regular full-time position pursuant to KRS 61.510(5) and 61.510(21) for previous periods that were not reported by the employer.
- The KPPA has full power by statute to conduct an audit to ensure compliance and accuracy of the data required by this form. Upon finding in an audit that an employer failed to file contributions for one or more employees in a regular full-time position required to participate in KERS pursuant to KRS 61.675 and/or KRS 61.5991, interest may be added to the contributions owed by the employer. Additionally, upon finding in an audit that an employer has not provided all relevant information, has provided inaccurate information, or has provided incomplete information about its non-employees pursuant to KRS 61.5991 or 105 KAR 1:451, the employer may be listed as noncompliant on the report provided to the State Budget Director's Office and the Legislative Research Commission.
- If the KPPA determines the participating employer on behalf of which I am signing has knowingly falsified data or fails to submit information required, the employer may face negative consequences, including, but not limited to ineligibility for any future appropriations or subsidies from the state to assist in paying employer contributions to the KPPA and/or back paying any appropriation or subsidies received from the state to assist in paying employer contributions. In addition, both the employer I am representing, and I may be liable for civil payments, legal fees, and costs if found to possess or otherwise have custody or control of money or records "used or to be used by the [KPPA] or the systems it administers and fails to deliver or delivers less than all of the money [or] records" to the KPPA.
- I have full understanding that any person who provides a false statement, report, or representation is subject to penalty of perjury in accordance with KRS 523.100.

Does this complete your contract and documentation submission(s) for this fiscal year 2023 - 2024? Yes No

Full Name:

By entering your PiN you are certifying you understand the above and have submitted all relevant documents for all contracts reported in this wizard.

Enter PiN here:*

 Need a new PiN?

Submit

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1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amendment)

4 105 KAR 1:001. Definitions for 105 KAR Chapter 1.

5 RELATES TO: KRS 16.505-16.652, 61.510-61.705, 78.510-78.852

6 STATUTORY AUTHORITY: KRS 61.505(1)(g)

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.505(1)(g) authorizes the

8 Kentucky Public Pension Authority on behalf of the Kentucky Retirement Systems and the

9 County Employees Retirement System to promulgate administrative regulations that are

10 consistent with the provisions of KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510

11 to 78.852. This administrative regulation establishes definitions for 105 KAR Chapter 1.

12 Section 1. Definitions. The following definitions shall apply to 105 KAR Chapter 1 unless

13 otherwise required by context or otherwise defined in a specific administrative regulation:

14 (1) "AAC" means:

15 (a) Prior to April 1, 2021, the Administrative Appeals Committee of the Board of Trustees
16 of the Kentucky Retirement Systems.

17 (b) Beginning April 1, 2021, the separate or joint Administrative Appeals Committees of
18 the Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the
19 County Employees Retirement System in accordance with KRS 61.645(16) and 78.782(16).

20 (2) "Accumulated account balance" is defined by KRS 16.505(40), 61.510(41), and
21 78.510(38).

22 (3) "Accumulated contributions" is defined by KRS 16.505(7), 61.510(12), and 78.510(12).

1 (4) "Accumulated employer credit" is defined by KRS 16.505(39), 61.510(40), and
2 78.510(37).

3 (5) "Act in line of duty" or "in line of duty" is defined by KRS 16.505(19) and 78.510(48).

4 (6) "Active member" means a member who is participating in the systems.

5 (7) "Actuarial equivalent" is defined by KRS 16.505(13), 61.510(17), and 78.510(17).

6 (8) "Agency" means:

7 (a) Prior to April 1, 2021, the Kentucky Retirement Systems, which administered the State
8 Police Retirement System, the Kentucky Employees Retirement System, and the County
9 Employees Retirement System; and

10 (b) Beginning April 1, 2021, the Kentucky Public Pensions Authority, which is authorized
11 to carry out the day-to-day administrative needs of the Kentucky Retirement Systems
12 (comprised of the State Police Retirement System and the Kentucky Employees Retirement
13 System) and the County Employees Retirement System.

14 (9) "Agency reporting official" is defined by KRS 78.510(20).

15 (10) "Alternate payee" is defined by KRS 16.505(38), 61.510(39), and 78.510(36).

16 (11) "Authorized leave of absence" is defined by KRS 16.505(14).

17 (12) "Beneficiary" is defined by KRS 16.505(25), 61.510(26), and 78.510(25).

18 (13) "Boards" means the Board of Trustees of the Kentucky Retirement Systems and the
19 Board of Trustees of the County Employees Retirement System.

20 (14) "Bona fide promotion or career advancement" is defined by KRS 61.598(1) and
21 78.545(22).

22 (15) "Career threshold" is defined by KRS 61.702(4)(e).9.a. and 78.5536(4)(e)9.a.

23 (16) "County" is defined by KRS 78.510(3).

24 (17) "Creditable compensation" is defined by KRS 16.505(8), 61.510(13), and 78.510(13).

1 (18) "Current rate of pay" is defined by KRS 16.505(24), 61.510(25), and 78.510(24).

2 (19) "Current service" is defined by KRS 16.505(4), 61.510(10), and 78.510(10).

3 (20) "DAC" means:

4 (a) Prior to April 1, 2021, the Disability Appeals Committee of the Board of Trustees of the
5 Kentucky Retirement Systems.

6 (b) Beginning April 1, 2021, the separate or joint Disability Appeals Committees of the
7 Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the
8 County Employees Retirement System in accordance with KRS 61.665(4) and 78.545(11).

9 (21) "Department" is defined by KRS 61.510(3).

10 (22) "Dependent child" is defined by KRS 16.505(17) and 78.510(49).

11 (23) "Disability retirement date" is defined by KRS 16.505(16), 61.590(5)(b), and
12 78.510(51).

13 (24) "Duty-related injury" is defined by KRS 61.621(2) and 78.545(20).

14 (25) "Early retirement date" is defined by KRS 16.505(20), 61.590(5)(c), and 78.545(4).

15 (26) "Employee" is defined by KRS 61.510(5) and 78.510(6).

16 (27) "Employer" is defined by KRS 16.505(3), 61.510(6), and 78.510(7).

17 (28) "Employer's effective cessation date" is defined by KRS 61.522(1)(c) and
18 78.535(1)(c).

19 (29) "End of day" means:

20 (a) 11:59 p.m. Eastern Time, on the date referenced; and

21 (b) If the date referenced falls on a Saturday, Sunday, a public holiday listed in KRS
22 2.110, a day on which the retirement office is actually and legally closed, or any other state or
23 federal holiday that disrupts mail service, then the time period shall be met if the application,
24 documentation, form, notice, or other requested or required information is filed or submitted no

1 later than 11:59 p.m. Eastern Time on the next business day following the weekend, holiday,
2 or date of closure.

3 (30) "Examiner" means the medical examiners as provided in KRS 61.665 and
4 78.545(11).

5 (31) "File" means a form or document has been received at the retirement office by mail,
6 fax, secure email, in-person delivery, or via Self Service on the Web site maintained by the
7 agency (if available).

8 (32) "Final compensation" is defined by KRS 16.505(9), 61.510(14), and 78.510(14).

9 (33) "Final rate of pay" is defined by KRS 16.505(10), 61.510(15), and 78.510(15).

10 (34) "Fiscal year" is defined by KRS 16.505(32), 61.510(19), and 78.510(19).

11 (35) "Full-time student" means a person:

12 (a) Enrolled in a postsecondary program of study that meets the full-time student
13 requirements of the institution in which he or she is enrolled;

14 (b) Enrolled in a continuing education or training program that meets the full-time
15 requirements of the program or institution in which he or she is enrolled; or

16 (c) Enrolled in high school or a GED program that meets the full-time student requirements
17 of the program or institution in which he or she is enrolled.

18 ~~(36)~~[35] "Gainful employment" means work in any capacity that is, or may be, performed
19 with regularity and is, or may be, usually done for pay, whether or not pay is received,
20 including seasonal, volunteer, part-time, and on-call work.

21 ~~(37)~~[36] "Grandfathered service" is defined by KRS 61.552(9)(b) and 78.545(7).

22 ~~(38)~~[37] "Hazardous disability" is defined by KRS 16.505(23) and 78.510(47).

23 ~~(39)~~[38] "Hazardous position" means a regular full-time officer as defined by 16.505(22),
24 or a "hazardous position" as defined by 61.592(1)(a), 78.510(42), and 78.5520(1).

1 (40) "Hazardous service" means the number of years and months of employment as an
2 employee in a hazardous position.

3 (41)[39] "Hospital and medical insurance plan" is defined by KRS 61.702(1)(a) and
4 78.5536(1)(a).

5 (42)[40] "In line of duty" or "act in line of duty" is defined by KRS 16.505(19) and
6 78.510(48).

7 (43)[41] "Inactive member" means a member who is not participating in the system.

8 (44)[42] "Increment" is defined by KRS 61.510(29) and 78.510(44).

9 (45)[43] "Instructional staff" is defined by KRS 61.510(48).

10 (46)[44] "Invalid," if used in reference to a form, means that the form does not meet the
11 requirements to be valid, and shall not be processed by the agency.

12 (47)[45] "Last day of paid employment" is defined by KRS 16.505(30), 61.510(32), and
13 78.510(45).

14 (48)[46] "Level percentage of payroll amortization method" is defined by KRS 61.510(28)
15 and 78.510(43).

16 (49)[47] "Medical information" as used in KRS 61.610, 61.615, 61.665, 78.5526 and
17 78.5528:

18 (a) Means reports of examinations or treatments; medical signs that are anatomical,
19 physiological, or psychological abnormalities that can be observed; psychiatric signs that are
20 medically demonstrable phenomena indicating specific abnormalities of behavior, affect,
21 thought, memory, orientation, or contact with reality; or laboratory findings that are anatomical,
22 physiological, or psychological phenomena that can be shown by medically acceptable
23 laboratory diagnostic techniques, including chemical tests, electrocardiograms,
24 electroencephalograms, X-rays, and psychological tests; and

1 (b) Does not mean written statements from medical providers alone unless accompanied
2 by supporting contemporaneous records as established in paragraph (a) of this subsection.

3 (50)[48] "Member" is defined by KRS 16.505(21), 61.510(8), and 78.510(8).

4 (51)[49] "Membership date" is defined by KRS 16.505(35), 61.510(36), and 78.510(33).

5 (52)[50] "Month" is defined by KRS 16.505(34), 61.510(35), and 78.510(32).

6 (53)[54] "Monthly average pay" is defined by KRS 16.505(41), 61.510(45), and
7 78.510(52).

8 (54)[52] "Monthly contribution rate" means the maximum contribution the systems will pay
9 toward the premium of a retired member based on:

10 (a) The amount determined by the boards as provided in KRS 61.702(1)(b), 61.702(4)(b)-
11 (d), 78.5536(1)(b), and 78.5536(4)(b)-(d) for a retired member who began participating in the
12 systems on or before June 30, 2003; or

13 (b) The amount per month earned by the retired member based on years of service as
14 provided in KRS 61.702(4)(e) and 78.5536(4)(e) for a retired member who began participating
15 in the systems on or after July 1, 2003.~~[is defined by KRS 61.702(1)(b) and 78.5536(1)(b)].~~

16 (55)[53] "Nominal fee" is defined by KRS 61.510(43) and 78.510(40).

17 (56)[54] "Non-core services independent contractor" is defined by KRS 61.5991(9).

18 (57)[55] "Nonhazardous position" is defined by KRS 61.510(44) and 78.510(41).

19 (58) "Nonparticipating position" means any position of employment with a participating
20 employer other than a regular full-time position or a regular full-time officer position.

21 (59)[56] "Normal retirement age" means the age at which the member meets the
22 requirements for his or her normal retirement date.

23 (60)[57] "Normal retirement date" is defined by KRS 16.505(15), 61.510(18), 61.590(5)(a),
24 and 78.510(18).

1 ~~(61)~~[58] "Objective medical evidence" is defined by KRS 16.505(31), 61.510(33), and
2 78.510(46).

3 ~~(62)~~[59] "Officers and employees of the General Assembly" is defined by KRS
4 61.510(20).

5 ~~(63)~~[60] "Optional allowance" is defined by KRS 16.505(18).

6 ~~(64)~~[64] "Participant" is defined by KRS 16.505(36), 61.510(37), and 78.510(34).

7 ~~(65)~~[62] "Participating" is defined by KRS 16.505(33), 61.510(34), and 78.510(31).

8 ~~(66)~~[63] "Participating employer" means any employer that participates in one (1) of the
9 systems operated by the agency.

10 ~~(67)~~ "Participating position" means a regular full-time position, a regular full-time officer
11 position, or other positions that meet the requirements of KRS 61.680(6)(a) and 78.545.

12 ~~(68)~~[64] "Participation date" means the earlier of "membership date" as defined in this
13 section or the date on which the member began participating in another state-administered
14 retirement system if the member has not retired or taken a refund from the other state-
15 administered retirement system.

16 ~~(69)~~[65] "Past service" is defined by KRS 61.552(5)(a) and 78.545(7).

17 ~~(70)~~[66] "Person" means a natural person.

18 ~~(71)~~[67] "Premium" means the monthly dollar cost required to provide hospital and
19 medical insurance plan coverage for a recipient, a recipient's spouse, or a disabled or
20 dependent child.

21 ~~(72)~~[68] "Prior service" is defined by KRS 16.505(5), 61.510(11), and 78.510(11).

22 ~~(73)~~[69] "Provide," if used in reference to a form or other document, means the agency
23 makes a form or document available on its Web site (if appropriate) or by mail, fax, secure
24 email, or via Self Service on the Web site maintained by the agency (if available).

1 ~~(74)~~~~[70]~~ "Qualified domestic relations order" is defined by KRS 16.505(37), 61.510(38),
2 and 78.510(35).

3 ~~(75)~~~~[74]~~ "Recipient" is defined by KRS 16.505(26), 61.510(27), and 78.510(26).

4 ~~(76)~~~~[72]~~ "Reemployment" means the retired member's first date of employment with a
5 participating employer following his or her most recent retirement date.

6 ~~(77)~~~~[73]~~ "Regular full-time officers" is defined by KRS 16.505(22).

7 ~~(78)~~~~[74]~~ "Regular full-time position" is defined by KRS 61.510(21) and 78.510(21).

8 ~~(79)~~~~[75]~~ "Retired member" is defined by KRS 16.505(11), 61.510(24), and 78.510(23).

9 ~~(80)~~~~[76]~~ "Retirement allowance" is defined by KRS 16.505(12), 61.510(16), and
10 78.510(16).

11 (81) "Retirement date" means a member's effective retirement date as described in KRS
12 61.590(5) and 78.545(4).

13 ~~(82)~~~~[77]~~ "Retirement office" is defined by KRS 16.505(28), 61.510(31), and 78.510(29).

14 ~~(83)~~~~[78]~~ "School board" is defined by KRS 78.510(4).

15 ~~(84)~~~~[79]~~ "School term or year" is defined by KRS 78.510(28).

16 (85) "Self-Service Web site" means the secure Member Self-Service or Retiree Self-Service
17 agency Web site.

18 ~~(86)~~~~[80]~~ "Service" is defined by KRS 16.505(6), 61.510(9), and 78.510(9).

19 ~~(87)~~~~[84]~~ "State" means the Commonwealth of Kentucky.

20 (88) "State-administered retirement system" means the retirement systems with
21 reciprocity as described in KRS 61.680.

22 (89) "Submit" means the required form, documentation, report, or payment has been
23 received by the retirement office via mail, fax, electronic mail, the Self-Service Web site, the

1 Employer Self-Service Web site, or other mode specifically detailed in an administrative
2 regulation.

3 (90)[82] "Systems" means the State Police Retirement System (KRS 16.505 to 16.652),
4 the Kentucky Employees Retirement System (KRS 61.510 to 61.705), and the County
5 Employees Retirement System (KRS 78.510 to 78.852).

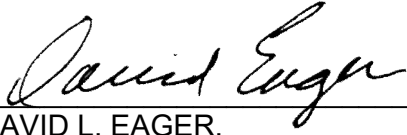
6 (91)[83] "Total and permanent disability" is defined by KRS 16.582(1)(a) and
7 78.5524(1)(a)1.

8 (92)[84] "Valid," if used in reference to a form, means that all required sections of a form
9 are filled out, the form has been fully executed by the required person or the person's legal
10 representative, and all supporting documentation required by the form is included with the
11 form.

12 (93)[85] "Volunteer" is defined by KRS 61.510(42) and 78.510(39).

13 (18 Ky.R. 1692; 2195; eff. 1-10-1992; 22 Ky.R. 1325; 3-7-1996; 31 Ky.R. 785; 1049; eff.
14 1-4-2005; 33 Ky.R. 2-2-2007; 44 Ky.R. 258; eff. 11-3-2017; 49 Ky.R. 1535, 1899; eff. 7-5-
15 2023.)

APPROVED:



DAVID L. EAGER,
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC PENSIONS AUTHORITY

3/21/2024

DATE

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing to allow for public comment on this administrative regulation shall be held on Tuesday, June 25, 2024, at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing was received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until June 30, 2024. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

KPPA shall file a response with the Regulations Compiler to any public comments received, whether at the public comment hearing or in writing, via a Statement of Consideration no later than the 15th day of the month following the end of the public comment period, or upon filing a written request for extension, no later than the 15th day of the second month following the end of the public comment period.

CONTACT PERSON: Jessica Beaubien, Policy Specialist, Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601, email Legal.Non-Advocacy@kyret.ky.gov, telephone (502) 696-8800 ext. 8570, facsimile (502) 696-8615.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation number: 105 KAR 1:001
Contact person: Jessica Beaubien
Phone number: 502-696-8800 ext. 8570
Email: Legal.Non-Advocacy@kyret.ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes definitions for Title 105 of the Kentucky Administrative Regulations.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the definitions for Title 105 of the Kentucky Administrative Regulations.

(c) How this administrative regulation conforms to the content of the authorizing statutes: This administrative regulation conforms to the authorizing statute by establishing definitions for Title 105 of the Kentucky Administrative Regulations, which contains administrative regulations for the Kentucky Public Pensions Authority and the systems for which it provides operations.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation will assist in the effective administration of the statutes by establishing definitions for the administrative regulations in Title 105 of the Kentucky Administrative Regulations.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This amendment adds several new definitions.

(b) The necessity of the amendment to this administrative regulation: These additional definitions are needed to assist in the effective administration of statutes by establishing them as definitions for the administrative regulations in Title 105 of the Kentucky Administrative Regulations.

(c) How the amendment conforms to the content of the authorizing statutes: This amendment conforms to the authorizing statute by adding definitions for Title 105 of the Kentucky Administrative Regulations, which contains administrative regulations for the Kentucky Public Pensions Authority and the systems for which it provides operations.

(d) How the amendment will assist in the effective administration of the statutes: This amendment will assist in the effective administration of the statutes by adding definitions for the administrative regulations in Title 105 of the Kentucky Administrative Regulations.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation may affect over 420,000 members of the systems for which the Kentucky Public Pensions Authority provides operations as well as their spouses, dependent children, and beneficiaries. Additionally, this administrative regulation may affect 1,452 employers that participate in the State Police Retirement System, the Kentucky Employees Retirement System, and the County Employees Retirement System. Finally, this administrative regulation will affect the Kentucky Public Pensions Authority and the three (3) systems for which it provides operations, the State Police Retirement System, the Kentucky Employees Retirement System, and the County Employees Retirement System.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: None.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): This regulation will not cost any additional funds.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): This administrative regulation will assist all entities identified in question (3) with understanding the administrative regulations in Title 105 of the Kentucky Administrative Regulations.

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: None.

(b) On a continuing basis: None.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: There is no funding needed.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: There is no increase in fees or funding required.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applied. All entities have the same requirements.

FISCAL IMPACT STATEMENT

105 KAR 1:001

Contact Person: Jessica Beaubien

Phone: 502-696-8800 ext. 8570

Email: Legal.Non-Advocacy@kyret.ky.gov

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.505(1)(g)

(2) Identify the promulgating agency and any other affected state units, parts, or divisions: The Kentucky Public Pensions Authority (KPPA) is the promulgating agency. The other affected state units are the employers that participate in the State Police Retirement System or the Kentucky Employees Retirement System.

(a) Estimate the following for the first year:

Expenditures: None.

Revenues: None.

Cost Savings: None.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? None.

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts): The employers that participate in the County Employees Retirement System may be impacted by this administrative regulation.

(a) Estimate the following for the first year:

Expenditures: None.

Revenues: None.

Cost Savings: None.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? None.

(4) Identify additional regulated entities not listed in questions (2) or (3): None.

(a) Estimate the following for the first year:

Expenditures: None.

Revenues: None.

Cost Savings: None.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? None.

(5) Provide a narrative to explain the:

(a) Fiscal impact of this administrative regulation: There is no fiscal impact for this administrative regulation.

(b) Methodology and resources used to determine the fiscal impact: There is no fiscal impact for this administrative regulation.

(6) Explain:

(a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2) - (4). (\$500,000 or more, in aggregate) This administrative regulation will not have a "major economic impact".

(b) The methodology and resources used to reach this conclusion: There is no major economic impact for this administrative regulation.

**KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES**

STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION

As Amended: June ~~518~~, 2024~~3~~

Section 1.1 GENERAL ADMINISTRATION.

This Statement of Bylaws and Committee Organization of the Board of Trustees of the Kentucky Retirement Systems is adopted pursuant to the authority of KRS 61.645. State and Federal law shall control any inconsistency that exists or may exist between the law and this Statement of Bylaws and Committee Organization.

a. **Definitions.**

1. **AAC:** “AAC” refers to the Joint CERS and Kentucky Retirement Systems Administrative Appeals Committee.
2. **Board:** “The Board” refers to the Board of Trustees of the Kentucky Retirement Systems.
3. **Board Year:** The Board Year shall be from April 1 of each calendar year through March 31 of the following year.
4. **Bylaws:** “Bylaws” refers to the Statement of Bylaws and Committee Organization.
5. **CEO:** “CEO” refers to Kentucky Retirement Systems’ Chief Executive Officer, as outlined in KRS 61.645 (9).
6. **CERS:** refers to the County Employees Retirement System
7. **CIO:** “CIO” refers to the KPPA Executive Director Office of Investments.
8. **Committee member:** “Committee member” or “member” used in relation to a Committee refers to a member of the Board of Trustees of the Kentucky Retirement Systems serving on its Standing or *ad hoc* Committees.
9. **DAC:** “DAC” refers to the Joint CERS and Kentucky Retirement Systems’ Disability Appeals Committee.
10. **KPPA:** “KPPA” refers to the Kentucky Public Pensions Authority.
11. **KRS:** “KRS” refers to the Kentucky Revised Statutes.
12. **Member:** “Member” or “members” used in relation to individuals participating in a system (or systems) administered by the Kentucky Retirement Systems refers to individuals who are active members (i.e., currently participating as an employee), inactive members (i.e., formerly participated as an employee, but is not currently participating as an employee, has not retired, and has not taken a refund), or retired.
13. **Retirement Office:** “Retirement Office” refers to the offices of the KPPA located at 1260 Louisville Road, Frankfort, Kentucky 40601.

14. **Take action on:** “Take action on” used in relation to the Board refers a motion being made, seconded, and voted upon by the Board in compliance with Robert’s Rules of Order. [RONR (11th ed., as amended)].
 15. **Trustee:** “Trustee” refers to a member of the Board of Trustees of the Kentucky Retirement Systems.
- b. **Quorum; Parliamentary Authority.**
1. **Board of Trustees:** As required by KRS 61.645(8)(c), a majority of the trustees shall constitute a quorum and all actions taken by the Board shall be by affirmative vote of a majority of the trustees present.
 2. **Committees of the Board of Trustees:** A majority of the trustees on any Committee of the Board appointed pursuant to Sections 2.1-2.5 of these Bylaws shall constitute a quorum of the Committee and all actions taken by the Committee shall be by affirmative vote of a majority of the Committee trustees present.
 3. The most recent edition of Robert’s Rules of Order shall be the parliamentary authority [RONR (11th ed., as amended)], except that if any Committee of the Board is comprised of five (5) or more trustees, the Committee shall not constitute a quorum of the Board and the Board shall be required to take action on all preliminary decisions made by the Committee, unless otherwise specified by these Bylaws.
- c. **Meetings.** Meetings of the Board and its Committees shall be conducted consistent with the Open Meetings Act, KRS 61.805 to 61.850. The Open Meetings Act shall control if any inconsistency exists between the Open Meetings Act and these Bylaws.
- d. **Annual Meeting.** The annual meeting of the Board shall be held on the third Thursday of April of each Board Year.
- e. **Regular Meetings.** The Board shall determine and approve, on an annual basis in advance, no later than the preceding December Board of Trustees’ meeting, the following years’ regular Board and Committee meeting schedule. This provision shall not apply to the Joint Disability Appeals Committee and Joint Administrative Appeals Committee meetings. Those meeting dates will be determined at committee meetings.
- f. **Special Meetings.**
1. Special meetings of the Board shall be held upon the call of the Chair of the Board or the CEO.
 2. Special meetings of a Standing or *ad hoc* Committee of the Board of Trustees shall be held upon the call of the Committee Chair or the CEO.
 3. A trustee may request that the CEO, Chair of the Board (in the case of a special meeting of the Board), or Committee Chair (in the case of a special meeting of a Committee) call a special meeting by email or other written means. Upon receipt of email or other written requests to call a special meeting from a majority of the trustees, the CEO, Board Chair, or Committee Chair shall call the requested special meeting.
- g. **Notice of Meetings.**
1. **Regular Meetings.** Notice of a regular meeting of the Board shall be posted at least

ten (10) days (inclusive of weekends and holidays) before the meeting is scheduled. The notice of a regular meeting shall include the date, time, and location of the meeting, and the agenda for the meeting. The agenda shall be determined under the direction of and approval by the Chair of the Board. Changes or revisions to the agenda may be proposed by the CEO or a trustee; provided such proposal shall be delivered to the Chair for approval not less than ninety-six (96) hours before the meeting is scheduled; and further provided that nothing in this sentence shall deprive a trustee from introducing new items of business during a regular meeting. Approved changes or revisions to the agenda shall be posted not less than seventy-two (72) hours before the meeting is scheduled.

2. **Special Meetings.** When circumstances warrant a special meeting of the Board or of a Committee, notice shall be posted as soon as reasonably possible, but not less than twenty-four (24) hours before the meeting is scheduled. The notice of a special meeting shall include the date, time, and location of the special meeting and the agenda for the meeting. Discussions and action at the meeting shall be limited to items listed on the agenda in the notice.
- h. **Change in Meeting Dates.** Any regular or special meeting of the Board may be changed by following the procedure prescribed in these Bylaws for calling special meetings.
- i. **Records of Proceedings.** All official acts of the Board shall be recorded in the minutes of the regular or special meeting at which the action was approved or adopted. The CEO shall cause the minutes to be transcribed and presented for approval or amendment at the next regular meeting. An electronic copy (certified by the Chair and the CEO) shall be on file in the Retirement Office for public inspection and posted on the KPPA website. Electronic copies are maintained on the KPPA Website for Board and Committee actions. Copies that have been archived from the website are available on request.
- j. **Chair and Vice-Chair of the Board.** The Board shall elect a Chair and a Vice-Chair at each annual meeting to hold office for the ensuing Board Year or until their successors are elected. The Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair (in combination) of the Board. The Vice-Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair (in combination) of the Board. A trustee who has served four (4) consecutive years as Chair or Vice-Chair of the Board may be elected Chair or Vice-Chair of the Board after an absence of two (2) years from both positions.
- k. **Committees.** The Board may create Committees with such powers and duties as established by the Board. The Chair of the Board, unless otherwise stipulated or determined by the Board, shall appoint the members of each Standing or *ad hoc* Committee, and such appointments shall be recorded in the minutes of the current or next-following regular Board meeting. Committee members shall serve concurrently with the appointing Chair.
- l. **Conflicts of Interest.**
 1. Trustees shall file a statement of financial disclosure with the Executive Branch Ethics Commission within thirty (30) days of taking office.
 2. Trustees shall also file a statement of financial disclosure by April 15 of each

- calendar year, and within thirty (30) days following departure from office as a trustee, or as otherwise provided by law.
3. Trustees shall also file a written conflict of interest statement as required pursuant to the Kentucky Retirement Systems' Conflict of Interest Policy.
- m. **Confidentiality.** Trustees shall file a written confidentiality statement as required by the Kentucky Retirement Systems' Confidentiality Policy.
- n. **Travel Policy Guidelines.**
1. All travel for official business of Kentucky Retirement Systems must be done in accordance with the requirements of and be consistent with KRS Chapter 45A and the Kentucky Retirement Systems' Board of Trustees Per Diem and Reimbursement Policy.
 2. No more than four (4) trustees may be passengers in the same common carrier. A Maximum of one (1) executive staff of the Kentucky Retirement Systems may be a passenger in the same common carrier.
 3. To avoid an accidental violation of Kentucky Open Meetings Laws, other than for scheduled meetings, no more than four (4) Trustees may attend the same off-site conference, training, etc., at the same time. The CEO, or his or her designee, shall review Trustee travel requests to coordinate attendance and avoid noncompliance with Kentucky Open Meetings Laws.
- o. **Election Policy Guidelines.** All elections for elected trustees of the Board must be conducted in accordance with the provisions of KRS 61.645, 105 KAR 1:445 and the Kentucky Retirement Systems' Board of Trustees Election Policy and Procedures adopted by the Board.
- p. **Violations of Board Policies and Guidelines.** If a complaint is made that a trustee violated these Bylaws or any policy approved by the Board, the Board shall follow the procedure found in the Conflict of Interest Policy in investigating the complaint.

Section 1.2 BOARD RESPONSIBILITIES.

- a. The Board shall make and maintain Bylaws.
- b. The Board shall appoint a CEO and fix the CEO's salary.
- c. The Board shall appoint a General Counsel and fix the General Counsel's compensation.
- d. The Board shall adopt a Personnel Management policy to outline the job descriptions, qualifications, education, and skills for both the CEO and the General Counsel. This policy should also describe recruitment strategies, performance evaluations, and succession planning for these two positions.
- e. The Board may act on contracts for rental of office space, and professional services, including, but not limited to, the auditor, and legal counsel in accordance with the requirements of the Commonwealth of Kentucky Model Procurement Act (KRS Chapter 45A).
- f. The Board shall consider and take action on changes to administrative regulations proposed by the staff of the Kentucky Retirement Systems or the KPPA.

- g. The Board shall consider and take action on its financial statements and external audits.
- h. The Board shall consider and take action on the recommendations of all of its Committees, except that the AAC and DAC shall have the authority to act upon the recommendations and reports of the hearing officer on behalf of the Board in accordance with KRS Chapter 13B.
- i. The Board shall work with an actuary, who shall be a Fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries. KPPA will select and contract with the actuary pursuant to KRS 61.645(2)(d) which allows the Board to carry out its obligations in accordance with KRS 61.670. The Board shall consider and act on the recommendations of its actuary.
- j. The Board shall adopt contribution rates toward medical insurance premiums.
- k. The Board shall provide oversight concerning programs and services for Kentucky Retirement Systems' members, beneficiaries, recipients, and participating employers.
- l. The Board shall select candidates for each trustee ballot as provided in KRS 61.645 and 105 KAR 1:445.
- m. The Board shall establish a formal trustee education program for all trustees of the Board, pursuant to the requirements of KRS 61.645(18) and 105 KAR 1:440, and ensure that CEO organizes process for this trustee education to occur.
- n. The Board, and individual trustees, should ordinarily refer all news media inquiries to the CEO and/or the Board Chair, and should not speak on behalf of the Board or Kentucky Retirement Systems with the news media. However, nothing in this subsection is intended to prevent individual trustees from speaking to the media concerning their actions, opinions, and decisions as individual trustees.
- o. The Board shall review the Kentucky Retirement Systems' biennial administrative budget and necessary budget amendments. The CEO (or designee) will schedule meetings, prepare budget documents and supporting schedules, and present them to Board members prior to the date of a meeting.
- p. The Board shall review and investigate the employees whose names have been certified by the applicable authority to meet the criteria of KRS 61.592 and 105 KAR 1:130 for hazardous duty, and also those employees who have been so certified who are not, or who no longer are, working in a hazardous duty position. The Board shall take action on all such employees in accordance with KRS 61.592 and 105 KAR 1:130.
- q. The Board shall collaborate with the KPPA on Business Continuity and Disaster Recovery to ensure that the Kentucky Retirement Systems' records and operations are adequately protected and that critical business operations will continue efficiently. The Board may rely on policies and procedures developed by the KPPA to address Business Continuity and Disaster Recovery issues. The Board Chair shall act as temporary CEO in the event the CEO is not available to perform duties outlined in these Bylaws.

Section 1.3 CEO RESPONSIBILITIES.

- a. The CEO shall be responsible for working with the KPPA Executive Director to ensure compliance with Kentucky's Open Records laws. The CEO shall be responsible for designating a records custodian for the Kentucky Retirement Systems and the Board.
- b. The CEO shall develop a biennial budget and necessary budget amendments for

approval by the Board. The CEO will coordinate approved budget requests with the KPPA Executive Director to ensure that Kentucky Retirement Systems budget requests are integrated with the KPPA budget request for submission to the Governor's office. The CEO (or designee) shall present a budget-to-actual expenditure analysis to the Board at each regular quarterly meeting of the Board.

- c. The CEO shall coordinate with the KPPA staff to ensure that information and record management is comprehensive and efficient, and shall ensure that a disaster recovery plan, continuity of operations plan, and policies to ensure cyber-security are developed and maintained.
- d. The CEO shall be responsible for implementing a formal trustee education program for all trustees of the Board, pursuant to the requirements of KRS 61.645(18).
- e. The CEO shall develop recommendations for improvements and revisions of Board policies and submit such revisions for Board approval. The CEO shall ensure that approved policies are implemented in conformance with statutes, regulations and Board policies.
- f. The CEO shall collaborate with the KPPA legal staff to monitor litigation affecting Kentucky Retirement Systems' plans. The CEO and KPPA legal staff shall report significant developments to the Board.
- g. The CEO shall act as legislative liaison, and represent the Board at legislative hearings and other legislative meetings. The CEO and KPPA Legal staff will review proposed legislation that is likely to affect the Kentucky Retirement Systems' plans or administrative management and advise the Board about pending legislation.
- h. The CEO shall provide technical assistance to the members of the General Assembly, Governor's office, and state and local government officials, as well as members, recipients, and beneficiaries of the Kentucky Retirement Systems.
- i. The CEO shall recommend legislative or regulatory changes and propose draft language.
- j. The CEO shall work with the Executive Director of KPPA to obtain from the actuary any necessary actuarial analysis of legislation affecting the Kentucky Retirement Systems.

- k. The CEO shall implement any statutory or regulatory changes and take appropriate action to conform to federal law. The CEO shall also collaborate with the KPPA Executive Director to monitor implementation of any changes designated as KPPA's responsibilities.
- l. The CEO shall sign all documents necessary to promulgate or amend an administrative regulation on behalf of the Board as the head of the Kentucky Retirement Systems in accordance with KRS 13A.220.
- m. The CEO shall communicate with the mass media and other agencies, entities or institutions, including responding to correspondence or inquiries addressed to the Board.
- n. The CEO shall coordinate reciprocal benefits with the other state administered retirement systems in Kentucky.
- o. In the case of emergency conditions that threaten the functioning of the Kentucky Retirement Systems, the preservation or protection Kentucky Retirement Systems' property or assets, vital data, or the health and safety of any person, and where a quorum of the Board is unavailable, the Executive Director may take actions necessary to prevent or mitigate the threat, even if a vote of the Board would otherwise be necessary to take such action. When a quorum of the Board becomes available, any such actions taken by the Executive Director shall be reviewed and ratified as necessary.

Section 2.1 STANDING COMMITTEES.

The Board shall have the Standing Committees specified in Section 2.2, each of them to have the duties and responsibilities as therein set forth, together with such other duties and responsibilities as the Board may by resolution determine. In each Board Year, the Chair, elected at the annual meeting, shall appoint trustees to Committees as specified in Section 2.2, unless otherwise determined by the Board. Each Committee shall have a Chair and the Board Chair shall appoint the Chair of each Committee, unless otherwise determined by the Board. A Committee may (but is not required to) elect a Vice-Chair from among its Committee members by a majority vote of the Committee. A Vice-Chair so elected shall preside at meetings of the Committee in the absence or inability to act of the Committee Chair. 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.

Section 2.2 STANDING COMMITTEES; DUTIES AND RESPONSIBILITIES.

The Standing Committees of the Board are, and shall have respective duties and responsibilities, as follows:

- a. **Administrative Appeals Committee.** The Board shall collaborate with the CERS Board to develop a timely disability and administrative appeals process. The Board and the CERS Board will coordinate the Administrative Appeals process with two AAC between the two Boards. These AACs may be combined with the DACs, in compliance with KRS 61.645(16) and KRS 78.782(16). Consistent with the provisions of KRS Chapter 13B, the AACs shall meet in alternate months, as needed, to act in matters of administrative appeals. Each Committee shall consist of three (3) members; however, the members appointed to one Committee may also serve from time to time

on the other Committee. One of the AAC shall consist of two (2) CERS Trustees and one (1) Kentucky Retirement Systems Trustee. The other AAC shall consist of one (1) CERS Trustee and two (2) Kentucky Retirement Systems Trustees. The Committees shall ensure that the laws governing Kentucky Retirement Systems are administered impartially and uniformly, and that the actions of the Kentucky Retirement Systems resulting in the appeal were correct and fair under the applicable statutes and regulations.

1. **Committee Responsibilities.** In matters of administrative appeals, the Committee members shall consider the administrative record, including the recommended order and any exceptions filed in compliance with KRS 13B.120. The Committee shall act on behalf of the entire Board as the agency head in making a final order of the Board in accordance with KRS 13B.120. The Committee may adopt the hearing officer's recommended order; or it may reject or modify, in whole or in part, the recommended order; or it may remand the matter, in whole or in part, to the hearing officer for further proceedings as appropriate; or it may act on cases properly remanded by a court of competent jurisdiction. The Committee may also recommend legislative changes to improve the administration of the benefits. Any recommended legislative changes shall be referred to the CEO for study.
 2. **KPPA Executive Director Office of Benefits Responsibilities.** The KPPA Executive Director Office of Benefits or designated staff, in coordination with KPPA's Office of Legal Services staff, will coordinate meeting dates and determine which cases will be reviewed. Designated staff will compile the administrative records and distribute the files to the Committee members prior to each meeting. Staff may provide legal or technical advice to the Committee.
- b. **Disability Appeals Committee.** The Board shall collaborate with the CERS Board to develop a timely disability and administrative appeals process. The Board and the CERS Board will coordinate the Disability Appeals process with two DAC between the two Boards. The DACs may be combined with the AACs, in compliance with KRS 61.645(16) and KRS 78.782(16). Consistent with the provisions of KRS Chapter 13B, the Committees shall meet in alternate months, as needed, to act in matters of disability appeals. Each Committee shall consist of three (3) members; however, the members appointed to one Committee may serve from time to time on the other Committee. One of the DAC shall consist of two (2) CERS Trustees and one (1) Kentucky Retirement Systems Trustee. The other DAC shall consist of one (1) CERS Trustee and two (2) Kentucky Retirement Systems Trustees. The Committees shall ensure that the disability retirement laws are administered impartially and uniformly, that all members of Kentucky Retirement Systems who apply for disability retirement benefits and qualify under the applicable statutes are approved for benefits and that the actions of the Kentucky Retirement Systems resulting in the appeal were correct and fair under the applicable statutes and regulations.
1. **Committee Responsibilities.** In matters of disability appeals, the Committee members shall consider the administrative record, including the recommended order and any exceptions filed in compliance with KRS 13B.120. The Committee shall act on behalf of the entire Board as the agency head in making a final order of the Board in accordance with KRS 13B.120. The Committee may adopt the

hearing officer’s recommended order; or it may reject or modify, in whole or in part, the recommended order; or it may remand the matter, in whole or in part, to the hearing officer for further proceedings as appropriate; or it may act on cases properly remanded by a court of competent jurisdiction. The Committee may also recommend legislative changes to improve the administration of the benefits. Any recommended legislative changes shall be referred to the CEO for study.

2. KPPA Executive Director Office of Benefits Responsibilities. The KPPA Executive Director, Office of Benefits, or designated staff, in coordination with KPPA Office of Legal Services staff, will coordinate meeting dates and determine which cases will be reviewed. Designated staff will compile the administrative records and distribute the files to the Committee members prior to each meeting. Staff may provide legal or technical advice to the Committee.

d. Investment Committee. The Committee shall consist of five (5) members, as follows:
 (i) the three (3) trustees with investment experience appointed by the Governor pursuant to KRS 61.645(1)(c), (ii) one (1) trustee with retirement experience appointed by the Governor pursuant to KRS 61.645(1)(c) appointed by the Board Chair, and (iii) one (1) elected trustee pursuant to KRS 61.645(1)(a)-(b) appointed by the Board Chair.

1. Committee Responsibilities.

A. The Investment Committee shall have authority to implement the investment policies adopted by the Board, including without limitation the Board’s Investment Policy Statement (pensions and health), and to recommend action on behalf of the Board on all investment-related matters, and to acquire, sell, safeguard, monitor, and manage the assets and securities of the several funds, subject to the Board’s approval.

B. The Investment Committee will meet quarterly to review reports from investment staff, investment consultants, and investment managers with authority to convene additional meetings as circumstances require.

C. The Committee will monitor investment performance and management practices and make reports and recommendations to the Board. The Committee will recommend the selection and termination of investment managers, investment products, custodial relationship and investment consultants. The Committee will evaluate whether the Investment Policy, the investment activities, and management controls and processes continue to be consistent with meeting the Kentucky Retirement Systems’ goals, and perform other duties specified in the Investment Policy Statement.

D. Actuarial Subcommittee.

—The Chair of the Investment Committee shall appoint an Actuarial Subcommittee comprised of three (3) members of the Investment Committee who have been appointed by the Governor pursuant to KRS 61.645(1)(c), with the concurrence of the Board Chair as to each appointee, as follows: (i) one (1) trustee appointed by the Governor pursuant to KRS 61.645(1)(c); (ii) one (1) trustee elected by members of the Kentucky Employees Retirement System; (iii) one (1)

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~~trustee elected by members of the State Police Retirement System.~~ The Investment Committee Chair shall appoint a Chair of the Actuarial Subcommittee. The Actuarial Subcommittee will meet as necessary upon call of the Chair of the Actuarial Subcommittee.

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~~2.1~~ Upon appointment, the Subcommittee will review and evaluate actuarial assumptions, funding methods and tables proposed by the actuary (including without limitation all economic, mortality, disability, etc. assumptions) for each system within Kentucky Retirement Systems that affect: (i) the annual determination of the actuarial valuation of assets and liabilities of the systems within the meaning of KRS 61.670; (ii) the factors that apply to amounts payable to members (e.g., early commencement, commutation, repayment, etc.); and (iii) the actuarially recommended contribution rate foremployers required under KRS 61.510 to 61.692 and KRS 16.505 to 16.652, except as otherwise determined by law or regulation.

~~3.2~~ The Subcommittee will report its findings and recommendations of each such review or evaluation to the Investment Committee. Upon review and approval, the Investment Committee shall forward the results and its recommendations to the Board for ratification.

E. The Investment Committee may also recommend legislative changes to the Board to improve the administration of investment-related matters.

2. **KPPA Executive Director Office of Investments Responsibilities.**

A. KPPA Executive Director, Office of Investments, also known as the Chief Investment Officer (CIO), shall administer the assets of the Kentucky Retirement Systems consistent with the policies, guidelines, and limits established by the law, the Investment Committee and the Investment Policy Statement.

B. The CIO shall provide members of the Investment Committee with assessments of service providers and performance reports and shall have authority, subject to the approval of the Chair of the Investment Committee or the Chair of the Board of Trustees, to reduce or increase assets assigned to an investment manager that has already been hired..

C. The CIO shall identify issues for consideration by the Investment Committee and prepare recommendations regarding those issues.

D. The CIO shall recommend changes to the Investment Committee regarding service providers, statutes, policies or guidelines, as needed, to maintain a productive relationship between the investment program and its goals.

E. The CIO shall communicate with the mass media and other agencies, entities, or institutions regarding investment related issues.

3. **Investment Policy.** The “Investment Policy Statement” and the “Investment Procurement Policy” are hereby incorporated by reference.

4. **KPPA Executive Director Responsibilities.**

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The Executive Director of the KPPA shall be responsible for KPPA executing all aspects of the KPPA duties including the management of the assets for Kentucky Retirement Systems and CERS in accordance with their Investment Policy Statements and their Funding Policies. The Executive Director will coordinate with the CEO and the Chair of the Investment Committee of the Kentucky Retirement Systems and the CEO and Chair of the Investment Committee of the CERS to insure they are able to fully satisfy their fiduciary responsibilities and monitor their assets by providing the required information and reports from the KPPA custodian and consultant(s) and access to and meeting with the employees of the KPPA investment department,.

- e. **Joint Kentucky Retirement Systems and CERS Retiree Health Plan Committee.** The Committee shall consist of four (4) Trustees total, two (2) Trustees appointed from the CERS Board by the CERS Chair and two (2) Trustees appointed from the Kentucky Retirement Systems Board by the Kentucky Retirement Systems' Chair. The Committee shall elect a Chair and Vice Chair and shall assist the Board in providing a group hospital and medical insurance plan for present and future recipients of a retirement allowance from the systems administered by Kentucky Retirement Systems as required by KRS 61.702.
 - 1. **Committee Responsibilities.**
 - A. The Committee will meet quarterly to review reports from KPPA staff and retiree health insurance consultants with authority to convene additional meetings, as circumstances require.
 - B. The Committee will monitor retiree health insurance matters and make reports and recommendations to the Board. The Committee will evaluate retiree health insurance issues and obligations set forth in state and federal law. The Committee may, as deemed necessary, evaluate health insurance companies, health maintenance organizations, self-insurance proposals, and other ways of providing a group hospital and medical insurance plan for retired members as provided in KRS 61.702.
 - C. The Committee may negotiate and recommend appropriate contracts for execution by the Board, in accordance with the requirements of the Commonwealth of Kentucky Model Procurement Act (KRS 45A). The Committee may solicit reports and actuarial analyses in order to analyze issues regarding retiree health insurance. The Committee may also recommend legislative changes to improve the administration of retiree health insurance related matters. Any recommended legislative changes shall be referred to the CEO for study.
 - 2. **KPPA Executive Director Responsibilities.** The KPPA Executive Director and designated staff will maintain and provide the Committee with necessary information to execute its responsibilities. The KPPA Executive Director or designated staff will provide advice regarding state and federal laws and

regulations. Staff will identify issues for consideration by the Committee and prepare recommendations regarding those issues.

- f. In addition to the duties and responsibilities described in this Section 2.2, each Standing Committee may develop appropriate additional policies and proposals to be ratified by the Board.

Section 2.3 DELEGATIONS OF AUTHORITY BY THE BOARD.

Delegation of Authority. Except as may be prohibited by or inconsistent with law, the Board may delegate to any Standing Committee of the Board any power, authority, duty, or responsibility conferred on the Board by law. In the case of any such delegation, the decision or action of the Committee within the scope of its delegated authority shall constitute the decision or action of the Board. The Board may at any time rescind the delegated authority as a whole or in part, except that a rescission of authority with respect to quasi-judicial matters delegated to a Committee shall not operate to affect the proceedings or the final action of any such matter pending before the Committee when the Board acts to rescind. This exception is designed to preclude the Board from using its authority to rescind a delegation to interfere with the process or outcome of a quasi-judicial proceeding then in progress before a Committee which had properly commenced the proceeding within the scope of its authority.

Section 2.4 AD HOC COMMITTEES.

In addition to the Standing Committees specified in Section 2.2, the Chair or the Board may at any time establish an *ad hoc* Committee of the Board and fix its duties and responsibilities for any purpose which, in the judgment of the Chair or the Board, is better served by a temporary rather than Standing Committee. Each such Committee shall consist of such number of members as the Chair shall determine, and the Chair shall also then appoint the Chair and designate the other members of the Committee, unless otherwise determined by the Board.

Section 2.5 LIMITATIONS ON AUTHORITY.

No Committee shall have any power or authority, nor shall the Board delegate to itself, power or authority, as to any of the following:

- a. The amendment or repeal of any Board resolution.
- b. Action on other matters committed by Board resolution or by Kentucky law (including the common law of trusts respecting the delegation or the non-delegation of fiduciary responsibilities) to the Board under terms or provisions that make such action non-delegable.

Section 2.6 AMENDMENT OF BYLAWS.

These Bylaws may be amended at any regular or special meeting of the Board of Trustees by a vote of a majority of the entire membership of the Board. The Board shall be provided a copy of the proposed changes at least fifteen (15) calendar days prior to the meeting of the Board of Trustees where this vote shall be taken.

Section 3.0 CERTIFICATION OF STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION.

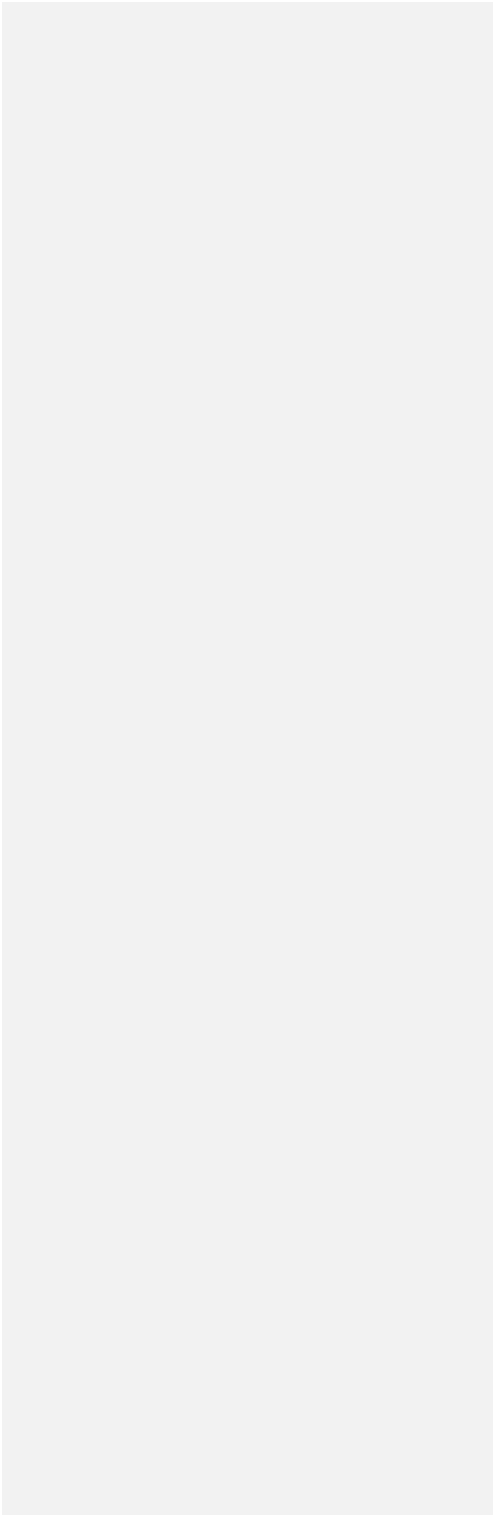
We, the Chair of the Board of Trustees and the Chief Executive Officer of the Kentucky Retirement Systems, do certify that this Statement of Bylaws and Committee Organization was approved and adopted by the Board on the ~~5th~~ 18th-day of June, 202~~4~~3.

Chair of the Board of Trustees
Kentucky Retirement Systems

Date

Chief Executive Officer
Kentucky Retirement Systems

Date





KRS
Kentucky Retirement Systems



SPRS
State Police Retirement System

MEMORANDUM

To: Kentucky Retirement Systems Board of Trustees

From: C. Prewitt Lane, Chair
Investment Committee

Date: June 18, 2024

Subject: Summary of Investment Committee Meeting

The Kentucky Retirement Systems Investment Committee held a regularly scheduled meeting on May 16, 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 advised the Committee of the change to the benchmark index for the US Public Equity large cap internally managed passive portfolio from the S&P 500 Index to the Russel 500 Index. This change will result in better alignment across the Public Equity asset allocation, reduce unintended tracking error and result in cost savings of approximately \$130,000 per year with no impact to performance or volatility.
4. 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 March 31, 2024.

KERS Pension 3.37%
SPRS Pension 3.41%
Benchmark 3.29%

KERSH Pension 4.30%

KERS Insurance 4.40%

KERSH Insurance 4.31%

SPRS Insurance 4.28%

Benchmark 4.37%

- c. Performance Attribution – The underperformance of the Private Equity portfolio relative to its stated benchmark was identified with the driver identified as the mismatch between the nature of the investments in the Private Equity portfolio and the public markets benchmark, the Russell 3000 + 3%. Strong performance of the internal proxy portfolios was highlighted as a key contributor to performance.
 - d. Peer Universe – All portfolios have produced top quartile or top decile risk adjusted performance over 3 and 5-year time periods.
 - e. Asset Allocations – Substantial progress was reported in moving the Portfolios toward their revised IPS Asset Allocation targets with rebalancing activity and capital calls in the Specialty Credit and Real Return asset classes. At the end of the Quarter only 1 individual asset class allocation was not in not in compliance with the allowable IPS range, compared to 14 asset class allocations as of December 31, 2023.
 - f. Compliance Review – The KERS Pension Cash allocation of 5.4% versus the IPS allowable maximum of 5.0% was the only item identified as not in compliance as of the end of the quarter.
5. Staff provided and update on the Investment Budget. Fiscal Year to Date, expenditures are running well below the amount budgeted with a total \$4.2MM, or 41% of the amount budgeted for the FY, spent YTD. Staff noted that the Legal expense category was the largest driver of the divergence with only 23% of the amount budget spent year to date but anticipated a significant increase in expenses over the coming quarters as activity ramped up in several ongoing cases. Staff also noted that the Systems have begun to realize the benefit of managing additional asset internally, highlighting the \$250,000 reduction in Core Fixed Income management fees paid FYTD despite the 25% increase in the market value of the Core Fixed Income allocation.

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



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director
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TO: Members of the KRS Board of Trustees

FROM: Joint CERS & KRS Retiree Health Plan Committee

DATE: June 18, 2024

SUBJECT: Joint CERS & KRS Retiree Health Plan Committee Report

The Joint CERS & KRS Retiree Health Plan Committee met on Thursday, May 8, 2024. The Committee elected Jerry Powell (CERS) as Chair and Dr. Crystal Miller (KRS) as Vice-Chair. Humana provided a presentation on Plan Performance for 2023, the Inflation Reduction Act (IRA) impact for 2025, the Centers for Medicare and Medicaid Services (CMS) Final Notice for 2025 plan year and introduced Personify Health.

The 2023 Plan Performance showed that medical and pharmacy claims costs increased 3.8% and 14.3% respectively for the Premium Plan. The Essential Plan saw a 3.8% and 4.1% increase in medical and pharmacy claims costs, respectively. The data also showed that member participation increased for Health Alerts, Preventative Services, and Silver Sneakers engagement in 2023.

Humana discussed the impact to the 2025 renewal rate caps because of the IRA and CMS Final Notice. The IRA provides an opportunity for retirees to use a Maximum Out of Pocket Smoothing in 2025 which will allow them to pay a monthly amount for their share of the copayment/coinsurance instead of the full amount at the point of sale. Additionally, the IRA will lower the annual maximum out of pocket amount for retirees on drug costs from \$8,000 to \$2,000 in 2025. The CMS Final Notice indicates an average CMS net payment of all payment policies of -0.16%. The IRA and CMS changes will result in an adjustment (increase) in the premium amount for 2025. The current Humana contract has a rate cap for 2025, included except when material changes or clarifications to existing or implementation of new federal regulations or requirements occur.

As part of Humana's presentation, they also introduced Personify Health. At the May 2023 meeting, Humana notified the Joint CERS/KRS Retiree Healthcare Committee of their exit from the Employer Group Commercial Medical Products which includes the KPPA Medical Only and Medicare Advantage (MA) Mirror self-funded plans. Humana has subcontracted with Personify Health who will continue to provide coverage for these plans through the contract engagement. This does not apply to the KPPA Medicare Advantage (MA) Premium and Essential plans.

This memo is presented for informational purposes only.



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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To: Kentucky Retirement Systems Board

From: David Eager, Executive Director

Date: June 18, 2024

Subject: KPPA Update

- I. STAFFING:** I agreed to extend my contract retirement date from June 30, 2024, to July 31, 2024. I will be serving as the Executive Director Consultant and will be assisting the transition of Ryan Barrow into the role of Executive Director.

Ryan Barrow will join the KPPA on June 16th, and shadow me until my departure. Meetings are being scheduled with internal staff, with more meetings being scheduled with State Legislators, various lobbying groups, and the media after his arrival.

As of June 4th, the staffing level was at 258 with 1 additional part time and 4 interns. We have the following compliment of interns in the following departments: Two in Legal (one in Advocacy and one in Non-Advocacy), one in Communications and one in Internal Audit.

Plans are being made to get legislation establishing the Office of Financial Management within KPPA and will move the position of Compliance Officer from the Investment Department to the Office of Financial Management.

Katie Park resigned effective May 31st. A search for a replacement is beginning.

A 3% raise will go into effect for all staff effective July 1, 2024.

KPPA and all State offices will be closed on June 19th in observance of Juneteenth.

- II. OUTSIDE MEETINGS:** I am presenting to Larry Totten's Kentucky Public Retirees in Lexington on June 13th. Ryan Barrow and Erin Surratt are attending with me.

III. LOUISVILLE OFFICE: KPPA and Finance Cabinet staff visited four locations in Louisville on June 3rd. Each will submit a proposal with build out ideas and pricing. We will review their proposals as soon as they are submitted. The build out is estimated to take two months.

IV. CONFERENCE ATTENDANCE: The following staff have attended conferences since the last update:

NCPERS Annual Conference- Rebecca Adkins
National Association of Government Communicators- Amy Fields
Kentucky Bar Association Annual Convention- Carrie Slayton
Building Business Capability Conference- Staci Receveur, Brent Shannon
Public Retirement Systems Management (PRISM) Conference- Dominique McKinley, Chris Johnson, Karen Pierson, Wes Crosthwaite
Government Finance Officers Association (GFOA)- Connie Davis, Natalie Young
State and Local Government Benefits Association (SALGBA) Conference- Abby Sutherland

V. STRATEGIC PLAN: Progressing on schedule under the direction of Rebecca Adkins, Deputy Executive Director.

VI. ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) and SUMMARY ANNUAL FINANCIAL REPORT (SAFR): We are prepared to produce two ACFRs this year (one for CERS and one for KRS). The SAFR will have the same combined format as we have used in the past with letters from each of the two CEOs.

VII. RETIREMENTS:	FY 22/23: CERS +2.8%	KRS -22.95%	Total -5.92%
	FY 23/24: CERS -11.82%	KRS -.36%	Total -8.76%

RESOLUTION ACKNOWLEDGING THE CONTRIBUTIONS OF DAVID EAGER TO THE KENTUCKY RETIREMENT SYSTEMS/KENTUCKY PUBLIC PENSIONS AUTHORITY

WHEREAS DAVID Eager was named Interim Executive Director of the then-Kentucky Retirement Systems (KRS), now the Kentucky Public Pensions Authority (KPPA) in August 2016; and

WHEREAS MR. Eager was named Executive Director of KRS (now KPPA) in April 2018; and

WHEREAS KPPA operates the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS), which together comprise some 421,000 current and former state and local government employees and State Police; and

WHEREAS AT the end of FY 2018 the KERS Nonhazardous pension plan was 12.9% funded and the SPRS pension reached a low of 27% funded in FY 2017 and again in 2019; and

WHEREAS SIX years later, as of June 30, 2024, both the KERS Nonhazardous pension and SPRS pension plans' funded levels have nearly doubled; and

WHEREAS MUCH of the credit for the increase in the funded status of the KERS Nonhazardous and SPRS plans is due to the work Mr. Eager and KPPA staff have done building relationships and trust with legislators and educating them on pension funding issues; and

WHEREAS THAT work has resulted in the legislature not only allocating the full actuarially recommended contribution (ARC) each year, but also additional appropriations to pay down KERS Nonhazardous and SPRS pension liability totaling \$1.14 billion for the two systems; and

WHEREAS EMPLOYEE surveys show morale at KPPA has improved under Mr. Eager's leadership, in large part due to better communication;

NOW THEREFORE BE IT RESOLVED that the Kentucky Retirement Systems Board of Trustees commends and thanks David Eager for his nearly eight years leading the former KRS, now KPPA, and wishes him all the best in his well-deserved retirement.