



**County Employees Retirement System
Finance Committee - Regular Meeting
November 3, 2021 at 2:00 PM EST
Live Video Conference/Facebook Live**

AGENDA

- | | |
|--|---------------------------------|
| 1. Call to Order | JT Fulkerson |
| 2. Legal Public Statement | Office of Legal Services |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Approval of Minutes* - September 1, 2021 | JT Fulkerson |
| 6. Update on External Audit | Blue & Co. |
| 7. Quarterly Financial Reports | Rebecca Adkins |
| a. YTD Financial Spreadsheet | Connie Davis |
| b. Administrative Expense to Budget | |
| c. Contribution Report | |
| d. Outstanding Invoice Report | |
| e. Penalty Waiver Report | |
| 8. Hazardous Duty Requests* | D’Juan Surratt |
| 9. Cybersecurity Awareness Training** | Chris Johnson |
| 10. Other Financial Updates | Rebecca Adkins |
| 11. Adjourn | JT Fulkerson |

****Committee Action May be Taken***

*****Trustees Will Receive Education Credit Upon Completion***

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES
FINANCE COMMITTEE SEPTEMBER 1, 2021 AT 2:00 P.M.
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the County Employees Retirement System Board of Trustees Finance Committee held on September 1, 2021 the following members were present: William O’Mara (Chair), George Cheatham and JT Fulkerson. Other Board members present: Betty Pendergrass and Jerry Powell. Staff members present were David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Steven Herbert, Jared Crawford, Elizabeth Smith, Ann Case, Connie Davis, D’Juan Surratt, Glenna Frasher, Shaun Case, Phillip Cook, and Sherry Rankin.

Mr. O’Mara called the meeting to order and Ms. Hale read the Legal Public Statement.

Ms. Rankin proceeded to take the Roll Call.

Since there was no public comment submitted, Mr. O’Mara introduced agenda item *Approval of Minutes – May 5, 2021*. Mr. Fulkerson made a motion and Mr. Cheatham second to approve the minutes as presented. The motion carried unanimously.

Mr. O’Mara introduced agenda item *Quarterly Financial Reports*. Ms. Adkins began by indicating that these reports are just reflecting the CERS accounts. Ms. Adkins reviewed the Combining Statement of Fiduciary Net Position for the Pension Funds and the Combining Statement of Changes in Fiduciary Net Position for Pension Funds, Combining Statement of Fiduciary Net Position for the Insurance Funds, Combining Statement of Changes in Fiduciary Net Position for Insurance Funds, KPPA Administrative Expenses – Budget to Actual Analysis for CERS system, Contribution Reports for both Pension Funds and Insurance Funds, Outstanding Invoice Report and Penalty Waiver Report. These reports were provided for informational purposes only. Mr. O’Mara questioned whether the end of the personnel with 11.8% remaining, is that typical in the personnel category. Ms. Adkins answered that it is a little lower than we usually are and that is because we started tracking more closely with Fiscal Year 2021. Normally, at the end of the

Operations list you see major legislation implementation and that amount is disbursed throughout the budget where we thought it would be needed if we had to implement major legislation, and most of the categories had more left over up to this time. Per the direction of the CERS Board, they wanted to watch this a little more closely, so we moved the major legislation implementation spending out so that we could watch it. It is closer than usual had we had been watching it before. Ms. Adkins indicated that we have made some personnel changes recently that has bumped it up a little, but this is exactly where I thought we would be. Mr. Eager stated that the favorable variance would most likely be eliminated as we ended the fiscal year with many position vacancies and those either have been or will be filled soon. Mr. Eager indicated that six new employees were starting today, so that favorable variance will be reduced. Ms. Adkins added that the agency was able to reduce the amount of overtime over this last fiscal year, and it is lowest she has seen in quite some time. Mr. Cheatham asked about the big variance between the budget and actual spending for Worker's Compensation. Ms. Adkins indicated that this was one case that settled and had a major payment that occurred in the First Quarter of the fiscal year. Ms. Adkins commented on the major legislation implementation in that we did implement major legislation with House Bill 8, and she is in favor of changing this for the future reports. She indicated she would speak with KPPA about the changes needed. Ms. Adkins also indicated that a little more was spent on COVID-related materials, which included laptops. A decision was made to issue laptops to almost everyone so this is the reason the COVID-related expenses are over budget. Mr. O'Mara asked about the funding of the Administrative Expenses, and wanted an explanation of the drawn downs and how those are reconciled. Ms. Adkins answered that we have the approved biennium budget, and that figure is divided by 12 and then they begin to draw it down month by month. In the Spring of the year, the accounting department is watching very closely and if they feel we have more money in there then we will actually use. In 2021 in May and June, they did not draw back anything else and at the end of the fiscal year they return anything that we have left over usually in the first half of July.

Mr. O'Mara introduced agenda item *Participation of CERS Agency*. Mr. Surratt addressed the committee regarding a new agency that has elected to participate in the County Employees Retirement System under non-hazardous coverage. The agency is Liberty Tourism and Convention Commission and they have produced all required documentation and our legal staff

has reviewed all of that material and has approved their eligibility for participation. Mr. Surratt recommends the approval of participation of Liberty Tourism and Convention Commission. Mr. Fulkerson made a motion and Mr. Cheatham seconded to approve the participation of Liberty Tourism and Convention Commission in the County Employees Retirement System’s non-hazardous coverage. The motion carried unanimously.

Mr. O’Mara introduced agenda item *Hazardous Duty Position Requests*. Mr. D’Juan Surratt provided details on agencies requesting hazardous duty coverage for the following positions:

<u>Agency</u>	<u>Position</u>	<u>Effective Date</u>
Burlington Fire Protection District	Sergeant	11/1/2016
City of Berea	Police Assistant Chief	10/1/2021
City of Berea	Fire/ Rescue Captain	10/1/2021
City of Berea	Firefighter 1	10/1/2021
City of Berea	Fire Training Officer	10/1/2021
City of Berea	Firefighter II	10/1/2021
City of Berea	Police Captain	10/1/2021
City of Berea	Police Chief	10/1/2021
City of Berea	Police Corporal	10/1/2021
City of Berea	Police Lieutenant	10/1/2021
City of Berea	Police Major	10/1/2021
City of Berea	Police Officer	10/1/2021
City of Berea	Police Sergeant	10/1/2021
City of Berea	School Resource Officer	10/1/2021
City of Berea	Fire Assistant Chief	10/1/2021
City of Berea	Fire Battalion Chief	10/1/2021
City of Berea	Fire Chief	10/1/2021
City of Berea	Fire Lieutenant	10/1/2021
City of Bloomfield	Chief of Police	04/1/2021
City of Brandenburg	Police Chief	10/1/2021
City of Brandenburg	Police Sergeant	10/1/2021
City of Brandenburg	Police Officer	10/1/2021
City of Grayson	Chief of Police	07/1/2021
City of Grayson	Assistant Chief of Police	07/1/2021
City of Grayson	Police Sergeant	07/1/2021
City of Grayson	Police Officer	07/1/2021
City of Grayson	Detective	07/1/2021
City of Radcliff	Captain/Firefighter	06/1/2020
Fire Department of Bellevue- Dayton	Fire Lieutenant	10/1/2018
Fire Department of Bellevue- Dayton	Firefighter/EMT	05/1/2021
Fire Department of Bellevue- Dayton	Fire Chief	10/1/2021

Fire Department of Bellevue- Dayton	Fire Captain	10/1/2021
Hardin County Fiscal Court	Quality Assurance Coordinator	07/1/2021
Shelby County Fiscal Court	Captain	09/1/2020
Walton Fire District/EMS	Fire Lieutenant	06/1/2021
Walton Fire District/EMS	Fire Captain	10/1/2021
Walton Fire District/EMS	Fire Chief	10/1/2021
Walton Fire District/EMS	Assistant Chief	10/1/2021

Mr. Fulkerson made a motion and Mr. Cheatham seconded to approve the hazardous duty requests as presented. The motion passed unanimously.

Mr. O’Mara introduced the agenda item *Other Financial Updates*. Ms. Adkins announced that the outside auditors, Blue and Company, are actively working on the financial statements we presented here today. Those presented today are unaudited, and once they are complete, this will be combined with the valuation determination by GRS, and the results will be brought to the Boards for approval for inclusion in our annual reporting.

The CERS Finance Committee will meet again on November 3, 2021, for a quarterly meeting.

Mr. Fulkerson made a motion and Mr. Cheatham seconded to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the CERS Finance Committee meeting held September 1, 2021 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, William O'Mara, the Chair of the County Employees Retirement System Finance Committee, do certify that the Minutes of Meeting held on September 1, 2021 were approved on November 3, 2021.

Chair of the CERS Finance Committee

I have reviewed the Minutes of the September 1, 2021 CERS Finance Committee Meeting for content, form, and legality.

Executive Director
Office of Legal Services

CERS Finance Committee - Update on External Audit

Combining Statement of Fiduciary Net Position						
As of June 30, 2021 with Comparative Totals as of June 30, 2020 (\$ in Thousands)						
ASSETS	CERS	KERS	SPRS	Insurance	KPPA Total 2021	KPPA Total 2020
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$ 344	\$ 313	\$ 70	\$ 416	\$ 1,143	\$ 608
Short-term Investments	486,085	416,480	131,684	429,500	1,463,749	935,267
Total Cash and Short-term Investments	486,429	416,793	131,754	429,916	1,464,892	935,875
RECEIVABLES						
Accounts Receivable	88,323	50,693	17,763	36,356	193,135	147,337
Accounts Receivable - Investments	153,262	55,983	38,476	85,776	333,497	148,651
Total Receivables	241,585	106,676	56,239	122,132	526,632	295,988
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	1,427,767	782,124	365,643	856,629	3,432,163	2,387,690
Public Equities	5,374,082	1,381,218	1,354,269	3,085,629	11,195,198	4,780,088
Private Equities	948,500	267,509	238,414	584,978	2,039,401	1,051,884
Specialty Credit	1,906,671	652,248	485,653	1,163,959	4,208,531	1,998,223
Derivatives	(156)	80	(33)	52	(57)	7,466
Absolute Return	-	-	-	-	-	175,390
Real Return	740,646	235,954	186,784	422,670	1,586,054	689,769
Opportunistic	307,267	88,461	76,341	205,755	677,824	314,575
Real Estate	455,127	141,477	110,311	258,216	965,131	573,313
Total Investments, at Fair Value	11,159,904	3,549,071	2,817,382	6,577,888	24,104,245	11,978,398
Securities Lending Collateral Invested	310,117	104,773	78,524	176,603	670,017	236,155
CAPITAL/INTANGIBLE ASSETS						
Capital Assets	1,854	1,020	153	-	3,027	2,885
Intangible Assets	10,788	6,413	827	-	18,028	17,302
Accumulated Depreciation	(1,854)	(1,020)	(153)	-	(3,027)	(2,826)
Accumulated Amortization	(10,431)	(6,093)	(819)	-	(17,343)	(15,742)
Total Capital Assets	357	320	8	-	685	1,619
Total Assets	12,198,392	4,177,633	3,083,907	7,306,539	26,766,471	13,448,035
LIABILITIES						
Accounts Payable	9,796	4,105	1,119	462	15,482	12,602
Investment Accounts Payable	273,391	108,813	69,842	155,862	607,908	338,060
Securities Lending Collateral	310,117	104,773	78,524	176,603	670,017	236,155
Total Liabilities	593,304	217,691	149,485	332,927	1,293,407	586,817
Total Fiduciary Net Position Restricted for Pension Benefits	\$ 11,605,088	\$ 3,959,942	\$ 2,934,422	\$ 6,973,612	\$ 25,473,064	\$ 12,861,218
<i>See accompanying notes which are an integral part of these combining financial statements.</i>						
<i>Note: The displayed fair values include investable assets held by each System and its associated contributions, payables, equipment and intangible assets; unlike those found which include only those investable assets held by each System.</i>						

CERS Finance Committee - Update on External Audit

Combining Statement of Fiduciary Net Position						
As of June 30, 2021 (\$ in Thousands)						
ASSETS	CERS Pension			KERS Pension		
	Non-Hazardous	Hazardous	Total	Non-Hazardous	Hazardous	TOTAL
INVESTMENTS						
Cash Deposits	\$ 274	\$ 70	\$ 344	\$ 263	\$ 50	\$ 313
Short-term Investments	354,401	131,684	486,085	362,327	54,153	416,480
Total Cash and Short-term Investments	354,675	131,754	486,429	362,590	54,203	416,793
RECEIVABLES						
Accounts Receivable	70,560	17,763	88,323	46,945	3,748	50,693
Accounts Receivable - Investments	114,786	38,476	153,262	44,473	11,510	55,983
Total Receivables	185,346	56,239	241,585	91,418	15,258	106,676
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	1,062,124	365,643	1,427,767	670,631	111,493	782,124
Public Equities	4,019,813	1,354,269	5,374,082	984,670	396,548	1,381,218
Private Equities	710,086	238,414	948,500	202,161	65,348	267,509
Specialty Credit	1,421,018	485,653	1,906,671	505,214	147,034	652,248
Derivatives	(123)	(33)	(156)	84	(4)	80
Absolute Return	-	-	-	-	-	-
Real Return	553,862	186,784	740,646	182,999	52,955	235,954
Opportunistic	230,926	76,341	307,267	67,526	20,935	88,461
Real Estate	344,816	110,311	455,127	109,064	32,413	141,477
Total Investments, at Fair Value	8,342,522	2,817,382	11,159,904	2,722,349	826,722	3,549,071
Securities Lending Collateral Invested	231,593	78,524	310,117	81,365	23,408	104,773
CAPITAL/INTANGIBLE ASSETS						
Capital Assets	1,701	153	1,854	929	91	1,020
Intangible Assets	9,961	827	10,788	5,920	493	6,413
Accumulated Depreciation	(1,701)	(153)	(1,854)	(929)	(91)	(1,020)
Accumulated Amortization	(9,612)	(819)	(10,431)	(5,611)	(482)	(6,093)
Total Capital Assets	349	8	357	309	11	320
Total Assets	9,114,485	3,083,907	12,198,392	3,258,031	919,602	4,177,633
LIABILITIES						
Accounts Payable	8,676	1,120	9,796	3,720	385	4,105
Investment Accounts Payable	203,549	69,842	273,391	87,932	20,881	108,813
Securities Lending Collateral	231,593	78,524	310,117	81,365	23,408	104,773
Total Liabilities	443,818	149,486	593,304	173,017	44,674	217,691
Total Fiduciary Net Position Restricted for Pension Benefits	\$ 8,670,667	\$ 2,934,421	\$ 11,605,088	\$ 3,085,014	\$ 874,928	\$ 3,959,942
See accompanying notes which are an integral part of these combining financial statements.						
Note: The displayed fair values include investable assets held by each System and its associated contributions, payables, equipment and intangible assets; unlike those which include only those investable assets held by each System.						

CERS Finance Committee - Update on External Audit

Combining Statement of Fiduciary Net Position - Insurance						
As of June 30, 2021 (\$ in thousands)						
ASSETS	CERS Non-Hazardous	CERS Hazardous	KERS Non-Hazardous	KERS Hazardous	SPRS	Insurance Total 2021
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$117	\$51	\$141	\$59	\$48	\$416
Short-term Investments	190,745	76,432	127,774	23,095	11,454	429,500
Total Cash and Short-term Investments	190,862	76,483	127,915	23,154	11,502	429,916
RECEIVABLES						
Accounts Receivable	15,690	4,690	14,807	371	798	36,356
Investment Accounts Receivable	38,392	19,528	17,102	7,772	2,982	85,776
Total Receivables	54,082	24,218	31,909	8,143	3,780	122,132
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	379,725	199,916	172,044	75,368	29,576	856,629
Public Equities	1,375,704	707,548	616,647	277,710	108,021	3,085,630
Specialty Credit	529,508	262,287	218,770	112,704	40,690	1,163,959
Private Equities	279,970	157,517	68,950	54,085	24,456	584,978
Derivatives	21	3	27	-	1	52
Absolute Return	-	-	-	-	-	-
Real Return	189,953	99,768	77,866	39,778	15,305	422,670
Opportunistic	93,243	50,798	33,337	20,724	7,653	205,755
Real Estate	118,422	64,920	37,138	27,302	10,434	258,216
Total Investments, at Fair Value	2,966,546	1,542,757	1,224,779	607,671	236,136	6,577,889
Securities Lending Collateral Invested	79,559	40,872	33,994	15,934	6,244	176,603
Total Assets	3,291,049	1,684,330	1,418,597	654,902	257,662	7,306,540
LIABILITIES						
Accounts Payable	292	80	80	8	2	462
Investment Accounts Payable	69,412	35,567	31,400	14,071	5,412	155,862
Securities Lending Collateral	79,559	40,872	33,994	15,934	6,244	176,603
Total Liabilities	149,263	76,519	65,474	30,013	11,658	332,927
Total Fiduciary Net Position Restricted for OPEB	\$3,141,786	\$1,607,811	\$1,353,123	\$624,889	\$246,004	\$6,973,613
<i>See accompanying notes, which are an integral part of these combining financial statements.</i>						
<i>Note: The displayed fair values include investable assets held by each System and its associated contributions, payables, equipment and intangible assets; unlike those found Section, which include only those investable assets held by each System.</i>						

CERS Finance Committee - Update on External Audit

Combining Statement of Changes in Fiduciary Net Position						
For the fiscal year ending June 30, 2021, with Comparative Totals as of June 30, 2020						
(\$ in Thousands)						
	CERS	KERS	SPRS	Insurance	KPPA Total 2021	KPPA Total 2020
ADDITIONS						
Member Contributions	\$ 228,065	\$ 110,163	\$ 4,752	\$ 346,026	\$ 689,006	\$ 353,360
Employer Contributions	644,285	1,020,762	59,262	3	1,724,312	1,709,544
General Fund Appropriations	-	-	384	563	947	1,086
Pension Spiking Contributions	148	70	4	42,897	43,119	369
Northern Trust Settlement	-	-	-	12,535	12,535	-
Health Insurance Contributions (HB1)	1	(5)	-	24,409	24,405	11
Employer Cessation Contributions	-	175,600	-	28,400	204,000	20
Total Contributions	872,499	1,306,590	64,402	454,833	2,698,324	2,064,390
INVESTMENT INCOME						
From Investing Activities						
Net Appreciation (Depreciation) in FV of Investments	2,203,400	638,787	56,081	1,286,327	4,184,595	(98,079)
Interest/Dividends	291,467	90,939	8,212	161,768	552,386	288,521
Total Investing Activities Income	2,494,867	729,726	64,293	1,448,095	4,736,981	190,442
Less: Investment Expense	48,352	12,912	1,245	30,076	92,585	50,740
Less: Performance Fees	62,584	13,784	1,113	41,086	118,567	2,366
Net Income from Investing Activities	2,383,931	703,030	61,935	1,376,933	4,525,829	137,336
From Securities Lending Activities						
Securities Lending Income	688	227	21	403	1,339	5,577
Less: Securities Lending Borrower Rebates (Income)/Expense	(523)	(162)	(15)	(300)	(1,000)	3,052
Less: Securities Lending Agent Fees	181	58	5	105	349	327
Net Income from Securities Lending	1,030	331	31	598	1,990	2,198
Net Investment Income	2,384,961	703,361	61,966	1,377,531	4,527,819	139,534
Total Additions	3,257,460	2,009,951	126,368	1,832,364	7,226,143	2,203,924
DEDUCTIONS						
Benefit Payments	1,116,749	1,083,390	63,249	375,598	2,638,986	2,205,859
Refunds	18,524	13,333	273	2,354	34,484	33,511
Administrative Expenses	23,677	12,882	230	5,465	42,254	37,668
Total Deductions	1,158,950	1,109,605	63,752	383,417	2,715,724	2,277,038
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	2,098,510	900,346	62,616	1,448,947	4,510,419	(73,114)
Total Fiduciary Net Position Restricted for Pension Benefits						
Beginning of Period	9,506,578	3,059,596	295,044	5,524,666	18,385,884	12,934,332
End of Period	\$ 11,605,088	\$ 3,959,942	\$ 357,660	\$ 6,973,613	\$ 22,896,303	\$ 12,861,218
<i>See accompanying notes, which are an integral part of these combining financial statements.</i>						

CERS Finance Committee - Update on External Audit

Combining Statement of Changes in Fiduciary Net Position						
For the fiscal year ending June 30, 2021						
(\$ in Thousands)						
	CERS Pension			KERS Pension		
	Non-Hazardous	Hazardous	Total	Non-Hazardous	Hazardous	Total
ADDITIONS						
Member Contributions	\$ 165,698	\$ 62,367	\$ 228,065	\$ 90,202	\$ 19,961	\$ 110,163
Employer Contributions	472,196	172,089	644,285	958,580	62,182	1,020,762
General Fund Appropriations	-	-	-	-	-	-
Pension Spiking Contributions	32	116	148	52	18	70
Northern Trust Settlement	-	-	-	-	-	-
Health Insurance Contributions (HB1)	(1)	2	1	(8)	3	(5)
Employer Cessation Contributions	-	-	-	175,600	-	175,600
Total Contributions	637,925	234,574	872,499	1,224,426	82,164	1,306,590
INVESTMENT INCOME						
From Investing Activities						
Net Appreciation (Depreciation) in FV of Investments	1,648,520	554,880	2,203,400	477,809	160,978	638,787
Interest/Dividends	218,068	73,399	291,467	69,458	21,481	90,939
Total Investing Activities Income	1,866,588	628,279	2,494,867	547,267	182,459	729,726
Less: Investment Expense	36,271	12,081	48,352	9,462	3,450	12,912
Less: Performance Fees	46,853	15,731	62,584	9,618	4,166	13,784
Net Income from Investing Activities	1,783,464	600,467	2,383,931	528,187	174,843	703,030
From Securities Lending Activities						
Securities Lending Income	512	176	688	174	53	227
Less: Securities Lending Borrower Rebates (Income)/Expense	(390)	(133)	(523)	(122)	(40)	(162)
Less: Securities Lending Agent Fees	135	46	181	44	14	58
Net Income from Securities Lending	767	263	1,030	252	79	331
Net Investment Income	1,784,231	600,730	2,384,961	528,439	174,922	703,361
Total Additions	2,422,156	835,304	3,257,460	1,752,865	257,086	2,009,951
DEDUCTIONS						
Benefit Payments	826,749	290,000	1,116,749	1,009,501	73,889	1,083,390
Refunds	13,862	4,662	18,524	8,953	4,380	13,333
Administrative Expenses	21,767	1,910	23,677	11,627	1,255	12,882
Total Deductions	862,378	296,572	1,158,950	1,030,081	79,524	1,109,605
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	1,559,778	538,732	2,098,510	722,784	177,562	900,346
Total Fiduciary Net Position Restricted for Pension Benefits						
Beginning of Period	7,110,889	2,395,689	9,506,578	2,362,230	697,366	3,059,596
End of Period	\$ 8,670,667	\$ 2,934,421	\$ 11,605,088	\$ 3,085,014	\$ 874,928	\$ 3,959,942
<i>See accompanying notes, which are an integral part of these combining financial statements.</i>						

CERS Finance Committee - Update on External Audit

Combining Statement of Changes In Fiduciary Net Position - Insurance Fund						
For the fiscal year ending June 30, 2021 (\$ in thousands)						
	CERS Non-Hazardous	CERS Hazardous	KERS Non-Hazardous	KERS Hazardous	SPRS	Insurance Total 2021
ADDITIONS						
Employer Contributions	\$124,697	\$58,451	\$153,571	\$23	\$9,284	\$346,026
Medicare Drug Reimbursement	3	-	-	-	-	3
Insurance Premiums	555	(149)	182	(11)	(14)	563
Humana Gain Share Payment	20,676	2,990	17,167	1,253	811	42,897
Retired Re-employed Healthcare	5,206	1,348	4,705	1,276	-	12,535
Health Insurance Contributions (HB1)	13,614	3,096	6,326	1,164	209	24,409
Employer Cessation Contributions	-	-	28,400	-	-	28,400
Total Contributions	164,751	65,736	210,351	3,705	10,290	454,833
INVESTMENT INCOME						
From Investing Activities						
Investments	578,584	302,532	240,117	118,103	46,991	1,286,327
Interest/Dividends	73,374	38,177	29,240	15,152	5,825	161,768
Total Investing Activities Income	651,958	340,709	269,357	133,255	52,816	1,448,095
Less: Investment Expense	13,895	7,395	4,836	2,815	1,135	30,076
Less: Performance Fees	18,739	10,634	6,044	4,018	1,651	41,086
Net Income from Investing Activities	619,324	322,680	258,477	126,422	50,030	1,376,933
From Securities Lending Activities						
Securities Lending Income	182	92	79	36	14	403
(Income)/Expense	(134)	(69)	(60)	(26)	(11)	(300)
Less: Securities Lending Agent Fees	47	24	21	9	4	105
Net Income from Securities Lending	269	137	118	53	21	598
Net Investment Income	619,593	322,817	258,595	126,475	50,051	1,377,531
Total Additions	784,344	388,553	468,946	130,180	60,341	1,832,364
DEDUCTIONS						
Healthcare Premiums Subsidies	136,263	85,151	119,897	19,800	14,487	375,598
Administrative Expenses	884	466	815	118	71	2,354
Self-Funded Healthcare Costs	3,462	257	1,609	112	25	5,465
Excise Tax Insurance	-	-	-	-	-	-
Total Deductions	140,609	85,874	122,321	20,030	14,583	383,417
Restricted for OPEB	643,735	302,679	346,625	110,150	45,758	1,448,947
OPEB						
Beginning of Period	2,498,051	1,305,132	1,006,498	514,739	200,246	5,524,666
End of Period	\$3,141,786	\$1,607,811	\$1,353,123	\$624,889	\$246,004	\$6,973,613
<i>See accompanying notes which are an integral part of these combining financial statements.</i>						



Combining Statement of Fiduciary Net Position - Pension Funds

As of September 30, 2021, with Comparative Totals as of September 30, 2020 (\$ in Thousands)

ASSETS	CERS		TOTAL		Percentage of Change	Notes
	Non-Hazardous	Hazardous	2022	2021		
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$2,002	\$295	\$2,297	\$1,649	39.31%	1
Short-term Investments	350,941	135,986	486,926	503,577	-3.31%	
Total Cash and Short-term Investments	352,943	136,281	489,224	505,226		
RECEIVABLES						
Accounts Receivable	59,061	20,239	79,300	77,168	2.76%	
Accounts Receivable - Investments	73,114	25,080	98,194	278,125	-64.69%	2
Total Receivables	132,174	45,319	177,494	355,293		
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	1,053,808	362,780	1,416,588	1,681,089	-15.73%	3
Public Equities	3,964,672	1,335,677	5,300,350	3,913,270	35.45%	4
Private Equities	753,842	253,841	1,007,683	852,954	18.14%	5
Specialty Credit	1,480,734	505,677	1,986,410	1,640,333	21.10%	6
Derivatives	2,149	732	2,882	1,455	98.09%	7
Absolute Return	-	-	-	114,704		8
Real Return	520,786	175,645	696,431	601,079	15.86%	9
Opportunistic	247,734	81,897	329,631	246,073	33.96%	10
Real Estate	382,380	122,102	504,482	431,277	16.97%	11
Total Investments, at Fair Value	8,406,104	2,838,351	11,244,455	9,482,233		
Securities Lending Collateral Invested	250,152	84,798	334,950	194,141	72.53%	12
CAPITAL/INTANGIBLE ASSETS						
Capital Assets	1,701	153	1,854	1,854	0.00%	
Intangible Assets	9,961	827	10,788	10,788	0.00%	
Accumulated Depreciation	(1,701)	(153)	(1,854)	(1,829)	1.37%	
Accumulated Amortization	(9,612)	(819)	(10,431)	(9,997)	4.34%	
Total Capital Assets	349	8	357	816		
Total Assets	9,141,722	3,104,757	12,246,479	10,537,710		
LIABILITIES						
Accounts Payable	5,014	763	5,777	4,797	20.43%	13
Investment Accounts Payable	171,357	58,787	230,144	448,568	-48.69%	14
Securities Lending Collateral	250,152	84,798	334,950	194,141	72.53%	15
Total Liabilities	426,522	144,347	570,870	647,506		
Total Fiduciary Net Position Restricted for Pension Benefits	\$8,715,200	\$2,960,409	\$11,675,609	\$9,890,204		

NOTE - Variance Explanation

Differences due to rounding

- 1) Variance is a result of continuous fluctuation of deposits and transactions that flow through the cash account.
- 2) The variance in Accounts Receivables is due to pending trades.
- 3) The decline in Core Fixed Income is a result of a rebalance to move money from Core Fixed Income to Public Equities and Specialty Credit as a result of the revised IPS.
- 4) The increase in Public Equities is due to positive market conditions throughout FY21 resulting in increased market values.
- 5) The increase in Private Equity is a result of additional funding and positive market conditions in FY21 resulting in increased market values.
- 6) The increase in Specialty Credit is due to additional funding and positive market conditions during FY21 increasing market values.
- 7) Variance is a result of hedging and arbitration of risk within the portfolios.
- 8) The decline in Absolute Return is result of the merging of the Absolute Return asset class with the Real Return asset class.
- 9) The increase in Real Return is a result of the merging of the Absolute Return asset class with the Real Return asset class and positive market conditions resulting in increased market values.
- 10) The increase in Opportunistic is due to additional funding and positive market conditions during FY21 increasing market values.
- 11) The increase in Real Estate is due to additional funding and positive market conditions during FY21 increasing market values.
- 12) Variance is a result of the demands of the Securities Lending Program.
- 13) The increase in Accounts Payable is due to an increase in outstanding Employer Reporting credit invoices.
- 14) The variance in Investment Accounts Payable is due to pending trades.
- 15) Variance is a result of the demands of the Securities Lending Program.



Combining Statement of Changes In Fiduciary Net Position - Pension Funds

For the fiscal year ending September 30, 2021, with Comparative Totals as of September 30, 2020 (\$ in Thousands)

	CERS		Total		Percentage of Change	Notes
	Non-Hazardous	Hazardous	2022	2021		
ADDITIONS						
Member Contributions	\$40,774	\$16,489	\$57,263	\$55,103	3.92%	
Employer Contributions	122,121	50,872	172,993	153,946	12.37%	1
General Fund Appropriations	-	-	-	-		
Pension Spiking Contributions	20	21	41	39	6.97%	
Health Insurance Contributions (HB1)	-	-	-	-		
Employer Cessation Contributions	-	-	-	-		
Total Contributions	162,914	67,383	230,297	209,087		
INVESTMENT INCOME						
From Investing Activities						
Net Appreciation (Depreciation) in FV of Investments	71,220	24,214	95,433	420,519	-77.31%	2
Interest/Dividends	65,764	22,297	88,061	57,541	53.04%	3
Total Investing Activities Income	136,984	46,511	183,494	478,060		
Less: Investment Expense	10,099	3,369	13,468	12,624	6.68%	
Less: Performance Fees	21,560	7,371	28,931	4,904	489.89%	4
Net Income from Investing Activities	105,325	35,771	141,096	460,531		
From Securities Lending Activities						
Securities Lending Income	143	49	192	161		
Less: Securities Lending Borrower Rebates (Income)/Expense	(381)	(130)	(511)	(134)		
Less: Securities Lending Agent Fees	79	27	105	44		
Net Income from Securities Lending	445	152	597	251	138.07%	5
Net Investment Income	105,770	35,923	141,693	460,782		
Total Additions	268,685	103,306	371,991	669,869		
DEDUCTIONS						
Benefit Payments	212,490	75,409	287,899	275,056	4.67%	
Refunds	5,211	1,337	6,548	5,285	23.88%	6
Administrative Expenses	6,451	572	7,023	5,902	19.01%	7
Total Deductions	224,152	77,318	301,470	286,243		
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	44,533	25,988	70,521	383,626		
Total Fiduciary Net Position Restricted for Pension Benefits						
Beginning of Period	8,670,667	2,934,421	11,605,088	9,506,578		
End of Period	\$8,715,200	\$2,960,409	\$11,675,609	\$9,890,204		

NOTE - Variance Explanation *Differences due to rounding*

- 1) Employer Contributions increased due to an increase in covered payroll as well as an increase in the Employer Contribution rates.
- 2) The decrease in Net Appreciation in Fair Value of Investments is a result of unfavorable market conditions resulting in unrealized losses in public equity for the first quarter of FY22.
- 3) The increase in Interest/Dividends is due to increased income from Private Equity, Core Fixed Income, and Specialty Credit asset classes.
- 4) The increase in Performance fees is due to favorable market conditions resulting in higher performance fees primarily in private equity.
- 5) Variance is a result of the demand of the Securities Lending Program.
- 6) The increase in Refunds was due to an increase in refunds taken by members who terminated employment and were not eligible for a retirement benefit.
- 7) Administrative Expenses increased for the first quarter of FY2022.



Combining Statement of Fiduciary Net Position - Insurance Fund

As of September 30, 2021, with Comparative Totals as of September 30, 2020 (\$ In Thousands)

ASSETS	CERS		TOTAL		Percentage of Change	Notes
	Non-Hazardous	Hazardous	2022	2021		
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$469	\$69	\$539	\$540	-0.26%	
Short-term Investments	351,981	129,441	481,422	201,730	138.65%	1
Total Cash and Short-term Investments	352,450	129,510	481,961	202,270		
RECEIVABLES						
Accounts Receivable	15,123	5,001	20,124	21,226	-5.19%	
Investment Accounts Receivable	26,607	13,470	40,077	112,259	-64.30%	2
Total Receivables	41,730	18,470	60,200	133,484		
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	375,397	197,637	573,035	667,391	-14.14%	3
Public Equities	1,356,324	697,563	2,053,887	1,526,571	34.54%	4
Specialty Credit	548,508	272,304	820,811	680,764	20.57%	5
Private Equities	294,200	165,498	459,698	390,348	17.77%	6
Derivatives	658	349	1,007	476	111.60%	7
Absolute Return	-	-	-	43,655	-100.00%	8
Real Return	176,355	92,628	268,982	238,524	12.77%	9
Opportunistic	100,030	54,495	154,525	115,354	33.96%	10
Real Estate	131,518	72,090	203,608	172,487	18.04%	11
Total Investments, at Fair Value	2,982,989	1,552,564	4,535,553	3,835,570		
Securities Lending Collateral Invested	60,720	31,040	91,760	72,104	27.26%	12
Total Assets	3,437,890	1,731,584	5,169,474	4,243,429		
LIABILITIES						
Accounts Payable	268	61	329	336	-2.07%	
Investment Accounts Payable	185,647	72,063	257,710	193,973	32.86%	13
Securities Lending Collateral	60,720	31,040	91,760	72,104	27.26%	14
Total Liabilities	246,635	103,164	349,799	266,413		
Total Fiduciary Net Position Restricted for OPEB	\$3,191,255	\$1,628,420	\$4,819,675	\$3,977,016		

NOTE - Variance Explanation *Differences due to rounding*

- 1) Short Term Investments is primarily comprised of the cash on hand with the custodial bank along with any small amounts of cash managers and brokers may have; therefore, the variance is driven by cash flow.
- 2) The variance in Investment Accounts Receivables is due to pending trades.
- 3) The decline in Core Fixed Income is a result of a rebalance to move money from Core Fixed Income to Public Equities and Specialty Credit as a result of the revised IPS.
- 4) The increase in Public Equities is due to additional funding and positive market conditions resulting in increased market values.
- 5) The increase in Specialty Credit is due to additional funding and positive market conditions increasing market values.
- 6) The increase in Private Equity is due to positive market conditions resulting in increased market values.
- 7) Variance is a result of hedging and arbitration of risk within the portfolios.
- 8) The decline in Absolute Return is a result of the merging of the Absolute Return asset class with the Real Return asset class.
- 9) The increase in Real Return is a result of the merging of the Absolute Return asset class with the Real Return asset class and positive market conditions resulting in increased market values.
- 10) The increase in Opportunistic is due to additional funding and positive market conditions increasing market values.
- 11) The increase in Real Estate is due to additional funding and positive market conditions increasing market values.
- 12) Variance is a result of the demands of the Securities Lending Program.
- 13) The variance In Investment Accounts Payable is due to pending trades.
- 14) Variance is a result of the demands of the Securities Lending Program.


Combining Statement of Changes In Fiduciary Net Position - Insurance Fund
 For the fiscal year ending September 30, 2021, with Comparative Totals as of September 30, 2020 (\$ In Thousands)

	CERS		TOTAL		Percentage of Change	Notes
	Non-Hazardous	Hazardous	2022	2021		
ADDITIONS						
Employer Contributions	\$35,524	\$16,512	\$52,036	\$45,009	15.61%	1
Medicare Drug Reimbursement	1	-	1	1	109.12%	2
Insurance Premiums	140	5	146	129	13.36%	3
Humana Gain Share Payment	-	-	-	-		
Retired Re-employed Healthcare	977	338	1,315	2,065	-36.33%	4
Health Insurance Contributions (HB1)	3,359	857	4,216	3,581	17.76%	5
Employer Cessation Contributions	-	-	-	-		
Total Contributions	40,002	17,712	57,714	50,783		
INVESTMENT INCOME						
From Investing Activities						
Net Appreciation (Depreciation) in FV of Investments	34,726	20,557	55,283	164,704	-66.43%	6
Interest/Dividends	21,898	11,452	33,350	23,014	44.91%	7
Total Investing Activities Income	56,623	32,009	88,633	187,718		
Less: Investment Expense	3,721	1,972	5,693	3,928	44.92%	8
Less: Performance Fees	9,662	5,468	15,131	3,124	384.35%	9
Net Income from Investing Activities	43,240	24,570	67,809	180,666		
From Securities Lending Activities						
Securities Lending Income	49	25	74	66		
Less: Securities Lending Borrower Rebates (Income)/Expense	(123)	(63)	(187)	(50)		
Less: Securities Lending Agent Fees	26	13	39	17		
Net Income from Securities Lending	147	75	222	98	125.59%	10
Net Investment Income	43,386	24,644	68,031	180,764		
Total Additions	83,388	42,357	125,745	231,547		
DEDUCTIONS						
Healthcare Premiums Subsidies	32,734	21,552	54,286	56,482	-3.89%	
Administrative Expenses	238	122	360	331	8.73%	
Self-Funded Healthcare Costs	942	73	1,015	901	12.58%	11
Excise Tax Insurance	6	-	6	-		
Total Deductions	33,919	21,748	55,667	57,715		
Net Increase (Decrease) in Fiduciary Net Position Restricted for OPEB	49,469	20,609	70,078	173,832		
Total Fiduciary Net Position Restricted for OPEB						
Beginning of Period	3,141,786	1,607,811	4,749,597	3,803,183		
End of Period	\$3,191,255	\$1,628,420	\$4,819,675	\$3,977,016		

NOTE - Variance Explanation *Differences due to rounding*

- 1) Employer Contributions increased due to an increase in covered payroll as well as an increase in the Employer Contribution rates.
- 2) Medicare drug reimbursement payments fluctuate year to year based on claims reviewed.
- 3) The increase in Insurance Premiums received is due to fewer refunds processed to hazardous retirees compared to last fiscal year for premiums paid for dependents that should have been covered by KRS.
- 4) The decrease in Retired Re-employed Health Insurance is due to a decrease in retired re-employed members reported for the first quarter of the fiscal year.
- 5) Health Insurance Contributions will continue to rise as Tier 3 members increase.
- 6) The decrease in Net Appreciation in Fair Value of Investments is a result of unfavorable market conditions resulting in unrealized losses in public equity for the first quarter of FY22.
- 7) The increase in Interest/Dividends is due to increased income from Private Equity, Core Fixed Income, and Specialty Credit asset classes.
- 8) The management fees are up due to the increase in market values across all asset classes.
- 9) The increase in Performance fees is due to favorable market conditions resulting in higher performance fees primarily within private equity.
- 10) Variance is a result of the demand of the Securities Lending Program.

NOTE - Variance Explanation continued on next page.

11) The increase in Self Funded Healthcare Claims is due to an increase in claims billed from the self funded insurance plan.

KPPA ADMINISTRATIVE BUDGET 2021-2022
FOURTH QUARTER BUDGET-TO-ACTUAL ANALYSIS
FY 2022

Account Name	Budgeted	Actual Expense	Remaining	Percent Remaining	CERS NHZ	CHAZ	Total CERS
					Actual Expense	Actual Expense	Actual Expense
PERSONNEL					59.75%	5.29%	
Salaries	\$16,900,000	\$4,316,718	\$12,583,282	74.46%	\$2,579,239	\$228,354	\$2,807,593
Wages (Overtime)	342,000	48,884	259,603	75.91%	29,208	2,586	31,794
Emp Paid Retirement	14,478,107	3,426,929	11,051,178	76.33%	2,047,590	181,285	2,228,875
Emp Paid Health Ins	2,500,000	735,904	1,764,096	70.56%	439,703	38,929	478,632
Emp Paid Sick Leave	115,650	-	115,650	100.00%	-	-	-
Workers Compensation	77,100	75,163	1,937	2.51%	44,910	3,976	48,886
Unemployment	3,600	-	3,600	100.00%	-	-	-
Other Personnel	1,130,250	309,998	820,252	72.57%	185,224	16,399	201,623
Employee Training	18,400	2,421	15,979	86.84%	1,447	128	1,575
LEGAL & AUDITING SERVICES							
Legal Hearing Officers	84,600	16,665	67,935	80.30%	9,957	882	10,839
Legal (Stoll, Keenon)	180,000	9,199	170,801	94.89%	5,496	487	5,983
Frost Brown (Tax Advisor)	173,000	(11,335)	184,335	106.55%	(6,773)	(600)	(7,372)
Reinhart	24,000	-	24,000	100.00%	-	-	-
Ice Miller	336,000	303	335,697	99.91%	181	16	197
Legal Expense	12,000	-	12,000	100.00%	-	-	-
Auditing	118,350	41,385	76,965	65.03%	24,728	2,189	26,917
CONSULTING SERVICES							
Medical Reviewers	1,200,000	300,493	899,508	74.96%	179,545	15,896	195,441
Escrow for Actuary Fees	12,000	-	12,000	100.00%	-	-	-
CONTRACTUAL SERVICES							
Miscellaneous Contracts	22,750	8,850	13,901	61.10%	5,288	468	5,756
Human Resources Consulting	6,600	5,794	806	12.21%	3,462	307	3,768
Actuarial Services	700,000	81,179	618,821	88.40%	48,504	4,294	52,799
Facility Security Charges	112,000	17,887	94,113	84.03%	10,687	946	\$11,634
PERSONNEL SUBTOTAL	\$38,546,407	\$9,386,436	\$29,159,971	75.65%	\$5,608,396	\$496,542	\$6,104,938
OPERATIONAL							
Natural Gas	\$25,200	\$1,227	\$23,973	95.13%	\$733	\$65	\$798
Electric	138,000	30,238	107,762	78.09%	18,067	1,600	19,667
Rent-NonState Building	52,000	12,661	39,339	75.65%	7,565	670	8,235
Building Rental - PPW	1,100,000	240,524	859,476	78.13%	143,713	12,724	156,437
Copier Rental	122,587	15,890	106,697	87.04%	9,494	841	10,335
Rental Carpool	4,800	970	3,830	79.79%	580	51	631
Vehicle/Equip. Mainten.	1,350	249	1,101	81.56%	149	13	162
Postage	610,000	24,300	585,700	96.02%	14,519	1,285	15,805
Freight	600	114	486	81.00%	68	6	74
Printing (State)	6,000	320	5,680	94.67%	191	17	208
Printing (non-state)	112,500	4,219	108,281	96.25%	2,521	223	2,744
Insurance	6,000	5,422	578	9.63%	3,226	287	3,513
Garbage Collection	6,000	1,324	4,676	77.93%	791	70	861
Conference Expense	\$25,750	4,307	21,444	83.28%	\$2,573	\$228	\$2,801
MARS Usage	52,800	6,775	46,025	87.17%	4,048	358	4,406

Account Name	Budgeted	Actual		Percent Remaining	CERS NHz	CHAZ	Total CERS
		Expense	Remaining		Actual Expense	Actual Expense	Actual Expense
COVID-19 Expenses	168,000	3,716	164,284	97.79%	2,220	197	2,417
Office Supplies	42,600	16,170	26,430	62.04%	9,662	855	10,517
Furniture & Office Equipment	9,600	-	9,600	100.00%	-	-	-
Travel (In-State)	12,600	1,565	11,035	87.58%	935	83	1,018
Travel (Out of State)	45,150	-	45,150	100.00%	-	-	-
Dues & Subscriptions	61,600	15,872	45,728	74.23%	9,484	840	10,323
Miscellaneous	1,600	128	1,472	92.00%	76	7	83
COT Charges	24,000	3,940	20,060	83.58%	2,354	208	2,563
Telephone - Wireless	5,400	1,368	4,032	74.67%	817	72	890
Telephone - Other	120,000	26,541	93,459	77.88%	15,858	1,404	17,262
Computer Equip./Software	2,640,000	696,646	1,943,354	73.61%	416,246	36,853	453,099
OPERATIONAL SUBTOTAL	\$5,394,137	\$1,114,486	\$4,279,651	79.34%	\$665,892	\$58,956	\$724,848
SUBTOTAL	\$43,940,544	\$10,500,922	\$33,439,622	76.10%	\$6,274,287	\$555,499	\$6,829,786
Major Legislative Implementation	4,064,956	-	4,064,956	58.77%	-	-	-
TOTALS	\$48,005,500	\$10,500,922	\$37,504,578	78.13%	\$6,248,048	\$555,499	\$6,803,547

Differences due to rounding

Plan	Budgeted	Actual Expense	% of Total CERS Actual Expense
CERS	\$28,683,286	\$6,274,301	59.75%
CHAZ	\$2,539,491	\$555,499	5.29%
TOTAL	\$31,222,777	\$6,829,800	

Plan - Specific Expenses			
	CERS	CHAZ	Amount
CERS Adjustment	\$-	\$-	\$1,069
CERS Actual	-	-	
KERS Adjustment	-	-	14,522
KERS Legal Actual	-	-	
Subtotal Plan Specific	-	-	15,591
Total Expenses	\$6,274,301	\$555,499	

Pension Fund Contribution Report

For the period ending September 30, 2021, with Comparative Totals as of September 30, 2020 (\$ in Millions)

	County Employees Retirement System			
	Non-Hazardous		Hazardous	
	FY22	FY21	FY22	FY21
Member Contributions	\$40.8	\$37.8	\$16.5	\$17.3
Employer Contributions	122.1	106.1	50.9	47.9
Net Investment Income	34.6	30.2	11.7	10.1
Total Inflows	197.5	174.1	79.1	75.3
Benefit Payments/Refunds	217.7	207.6	76.7	72.7
Administrative Expenses	6.5	5.4	0.6	0.5
Total Outflows	224.2	213.0	77.3	73.2
NET Contributions	(26.7)	(38.9)	1.8	2.1
Realized Gain/(Loss)	78.3	34.5	26.9	11.9
Unrealized Gain/(Loss)	(7.1)	280.1	(2.7)	94.1
Change in Net Position	44.5	275.6	26.0	108.1
Beginning of Period	8,670.7	7,110.9	2,934.4	2,395.7
End of Period	\$8,715.2	\$7,386.5	\$2,960.4	\$2,503.8

*Differences due to rounding.***Insurance Fund Contribution Report**

For the period ending September 30, 2021, with Comparative Totals as of September 30, 2020 (\$ in Millions)

	County Employees Retirement System			
	Non-Hazardous		Hazardous	
	FY22	FY21	FY22	FY21
Employer Contributions	\$35.5	\$28.2	\$16.6	\$16.8
Insurance Premiums	0.1	0.1	-	-
Retired Reemployed Healthcare	1.0	1.8	0.3	0.3
Health Insurance Contributions	3.4	2.8	0.9	0.8
Net Investment Income	8.7	10.7	4.1	5.4
Total Inflows	48.7	43.6	21.8	23.2
Healthcare Premiums	33.7	36.8	21.6	20.6
Administrative Expenses	0.2	0.2	0.2	0.1
Total Outflows	33.9	37.0	21.8	20.7
NET Contributions	14.8	6.6	-	2.5
Realized Gain/(Loss)	36.6	10.2	19.6	5.4
Unrealized Gain/(Loss)	(1.9)	97.8	0.9	51.3
Change in Net Position	49.5	114.6	20.6	59.2
Beginning of Period	3,141.8	2,498.1	1,607.8	1,305.1
End of Period	\$3,191.3	\$2,612.7	\$1,628.4	\$1,364.3

Differences due to rounding.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Outstanding Invoices by Type and Employer

Invoice Type	9/30/2021	6/30/2021	Change H/(L)
Averaging Refund to Employer	\$(431,762)	\$(459,730)	-6%
Employer Free Military and Decompression Service	280,778	58,861	377%
Member Pension Spiking Refund	(28,486)	(25,546)	12%
Monthly Reporting Invoice	(50,017)	(74,761)	-33%
Penalty – Monthly Reporting	249,807	234,473	7%
Reinstatement	275,235	244,823	12%
Total	\$295,555	\$(21,879)	1451%
Actuarially Accrued Liability Contribution	\$428,570	\$-	
Health Insurance Reimbursement	1,484,849	1,198,562	24%
Omitted Employer	1,658,929	1,576,232	5%
Employer Pension Spiking*	1,371,944	1,760,350	-22%
Standard Sick Leave	8,578,095	8,253,827	4%
Total	13,522,387	12,788,971	6%
Grand Total	\$13,817,941	\$12,767,091	8%

*Pension Spiking invoices on this report are Employer Pension Spiking. By statute these invoices are due 12 months from 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..

Employer Name (Top Ten)	9/30/2021	6/30/2021	Change H/(L)
Kentucky State Police	\$7,398,671	\$7,011,463	6%
Kentucky River Regional Jail	979,925	979,925	0%
Department of Highways	795,367	826,323	-4%
City of Covington	375,368	371,872	1%
Department for Community Based Services	370,767	218,148	70%
Kentucky River Community Care	361,582	361,582	0%
Kenton County Airport Board	329,030	322,897	2%
City of Fort Thomas	224,422	220,287	2%
TARC - Transit Authority River City	209,713	178,211	18%
Henry County Fiscal Court	\$206,088	\$205,792	0%

	Total Unpaid Balance	Number of Invoices
CERS	\$1,644,590	2,039
CERH	1,612,753	361
KERS	2,441,195	1,113
KERH	665,119	228
SPRS	7,398,671	131
Grand Total:	\$13,762,329	3,872

	Total Unpaid Balance	Number of Invoices
CERS/CERH	\$3,257,344	2,400
KERS/KERH	3,106,315	1,341
SPRS	7,398,671	131
Grand Total:	\$13,762,328.90	3,872



County Employees Retirement System
Penalty Waivers Report
 From: 7/1/2021 To: 9/30/2021
 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	\$-	\$-	7/7/2021	5/23/2014	CANC	Cities	Agency in good standing with KPPA
1,000	-	-	7/29/2021	10/20/2016	CANC	Development Authorities	New employer reporting official
1,000	-	-	7/29/2021	10/20/2016	CANC	Development Authorities	New employer reporting official
1,000	-	-	7/29/2021	4/19/2017	CANC	Development Authorities	New employer reporting official
1,000	-	-	7/29/2021	4/19/2017	CANC	Development Authorities	New employer reporting official
1,000	-	-	7/29/2021	4/19/2017	CANC	Development Authorities	New employer reporting official
1,000	-	-	7/21/2021	7/5/2019	CANC	Special Districts & Boards	Agency in good standing with KPPA
1,000	-	-	8/25/2021	5/12/2021	CANC	Cities	New employer reporting official
1,000	-	-	8/25/2021	5/12/2021	CANC	Cities	New employer reporting official
1,000	-	-	8/25/2021	5/12/2021	CANC	Cities	New employer reporting official
1,000	-	-	7/30/2021	8/15/2021	CANC	Fiscal Courts	Agency in good standing with KPPA
1,000	-	-	7/29/2021	8/20/2021	CANC	Housing Authorities	New employer reporting official
1,000	-	-	7/30/2021	8/25/2021	CANC	Fiscal Courts	Agency in good standing with KPPA
1,000	-	-	8/31/2021	9/22/2021	CANC	Boards of Education	New employer reporting official
Total	\$14,000						
\$1,000	\$1,000	\$-	7/6/2021	8/5/2021	CRTD	Conservation Districts	
1,000	1,000	-	7/26/2021	8/25/2021	CRTD	Libraries	
1,000	1,000	-	7/28/2021	8/27/2021	CRTD	Cities	
1,000	1,000	-	8/5/2021	9/4/2021	CRTD	Cities	
1,000	1,000	-	8/24/2021	9/23/2021	CRTD	Boards of Education	
1,000	1,000	-	8/26/2021	9/25/2021	CRTD	Boards of Education	
1,000	1,000	-	8/27/2021	9/26/2021	CRTD	Fiscal Courts	
1,000	1,000	-	9/8/2021	10/8/2021	CRTD	Cities	
1,000	1,000	-	9/13/2021	10/13/2021	CRTD	Cities	
1,000	1,000	-	9/22/2021	10/22/2021	CRTD	Cities	
1,360	1,360	-	9/23/2021	10/23/2021	CRTD	Cities	

CERS Finance Committee - Quarterly Financial Reports

	Invoice Amount	Invoice Remaining Balance	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
	1,000	1,000	-	9/28/2021	10/28/2021	CRTD	Housing Authorities	
Total	\$12,360							
	\$1,000	\$-	\$-	7/2/2021	7/12/2021	PAID	Housing Authorities	
	1,000	-	-	7/1/2021	7/11/2021	PAID	Utility Boards	
	1,000	-	-	7/1/2021	7/11/2021	PAID	Utility Boards	
	1,000	-	-	8/27/2021	2/22/2018	PAID	Housing Authorities	
	1,000	-	-	7/1/2021	7/11/2021	PAID	Utility Boards	
	1,000	-	-	8/27/2021	8/9/2019	PAID	Fiscal Courts	
	1,000	-	-	7/1/2021	7/11/2021	PAID	Utility Boards	
	1,000	-	-	8/27/2021	9/22/2019	PAID	Fiscal Courts	
	1,000	-	-	8/27/2021	2/9/2020	PAID	Fiscal Courts	
	1,000	-	-	8/27/2021	5/28/2020	PAID	Fiscal Courts	
	1,082	-	-	7/21/2021	7/31/2021	PAID	Cities	
	1,000	-	-	8/27/2021	8/9/2020	PAID	Fiscal Courts	
	1,000	-	-	7/29/2021	8/23/2020	PAID	County Attorneys	
	1,000	-	-	8/27/2021	11/19/2020	PAID	Fiscal Courts	
	2,282	-	-	8/31/2021	9/10/2021	PAID	Boards of Education	
	1,000	-	-	8/27/2021	12/11/2020	PAID	Fiscal Courts	
	1,000	-	-	8/27/2021	5/9/2021	PAID	Fiscal Courts	
	1,000	-	-	8/27/2021	5/9/2021	PAID	Fiscal Courts	
	1,222	-	-	7/19/2021	7/29/2021	PAID	Cities	
	1,000	-	-	8/27/2021	5/28/2021	PAID	Fiscal Courts	
	1,000	-	-	8/4/2021	6/18/2021	PAID	Boards of Education	
	1,000	-	-	7/29/2021	6/27/2021	PAID	County Attorneys	
	1,000	-	-	9/1/2021	7/14/2021	PAID	Housing Authorities	
	1,145	-	-	7/19/2021	7/29/2021	PAID	Cities	
	1,000	-	-	8/2/2021	8/15/2021	PAID	Airport Boards	
	1,146	-	-	7/21/2021	7/31/2021	PAID	Cities	
	5,726	-	-	8/31/2021	9/10/2021	PAID	Boards of Education	
	1,149	-	-	7/28/2021	8/7/2021	PAID	Cities	
	1,000	-	-	9/7/2021	9/17/2021	PAID	Utility Boards	

CERS Finance Committee - Quarterly Financial Reports

Invoice Amount	Invoice Remaining Balance	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
1,000	-	-	8/27/2021	9/6/2021	PAID	Cities	
1,000	-	-	8/27/2021	8/26/2021	PAID	Fiscal Courts	
1,165	-	-	9/23/2021	10/3/2021	PAID	Cities	
1,000	-	-	9/10/2021	8/28/2021	PAID	County Attorneys	
1,208	-	-	9/23/2021	10/3/2021	PAID	Cities	
1,000	-	-	9/29/2021	9/17/2021	PAID	Community Action Agencies	
1,000	-	-	9/10/2021	9/17/2021	PAID	Utility Boards	
1,000	-	-	9/8/2021	9/17/2021	PAID	Fiscal Courts	
1,016	-	-	9/8/2021	9/29/2021	PAID	Fiscal Courts	
1,970	-	-	9/23/2021	10/3/2021	PAID	Cities	
1,000	-	-	7/29/2021	4/15/2012	PAID	County Attorneys	
Total	\$48,110.44						

Notes:

Invoice Status:

- CANC - Cancelled
- CRTD - Created
- PAID - Paid



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: CERS Finance Committee

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

Date: 11/03/2021

Subject: Hazardous Position Classification

AGENCIES ARE REQUESTING HAZARDOUS DUTY COVERAGE FOR THE FOLLOWING POSITIONS:

<u>Agency</u>	<u>Position</u>	<u>Effective Date</u>
Shelby County Fiscal Court	Captain/Advanced Emergency Medical Technician	12/1/2021
Shelby County Fiscal Court	Sergeant/Advanced Emergency Medical Technician	12/1/2021
Shelby County Fiscal Court	Advanced Emergency Medical Technician	12/1/2021
Adair County Fiscal Court	Emergency Management Director	09/1/2021
City of Taylor Mill	Assistant Fire Chief	09/1/2021
City of Murray	Assistant Fire Chief	11/1/2021

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.

SOCIAL ENGINEERING THE EXECUTIVE



Series, Episode 17

Executive Series: Social Engineering the Executive

This two minute course was created to show executives and board members techniques social engineers and hackers use to trick senior executives and steps they can take to reduce the risk of falling victim to sophisticated phishing attacks.



Series, Episode 3

Using the Phish Alert Button: Report Unsolicited Emails

When using your KRS/KPPA email address, you have access to functionality to report phishing emails. In this module, you'll learn about the Phish Alert Button (PAB), an email plugin that gives you a safe way to handle unsolicited emails (SPAM and Phishing).

Using the PAB will forward any unsolicited emails to your organization's security team for analysis and delete the email from your user's inbox, preventing future exposure.



In the Phish Alert Module, it will ask you which version of email you use. KPPA currently utilizes Exchange, so you will need to choose the Blue icon. We also chose to use the Phish Alert link found in emails that come from outside KPPA.

[Phish Alert](#)



2021 Kevin Mitnick Security Awareness Training - 15 Minutes

This module gives you the insider information you need to identify common techniques hackers use against you in an attempt to gain access to your organization's valuable resources. It actually happens way more than you would think. Join Kevin Mitnick as he takes you behind the scenes to demonstrate how the bad guys do what they do. Finally, discover the warning signs of a hacker's attack and the actions you should take to protect yourself and your organization from them.



Internet Security When You Work From Home

The concept “Working From Home” (WFH) has gone mainstream, and is often the preferred way for some positions to get maximum productivity. Apart from that, it’s also an effective way for organizations to assure business continuity when unexpected circumstances like natural disasters or pandemics crop up. This training module helps you understand the challenges and trains you to stay secure online while working from home.



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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**Kentucky Public
Pensions Authority**

November 1, 2021

Office of the State Budget Director
Governor's Office for Policy and Management
Legislative Research Commission
Capitol Annex, 702 Capitol Avenue
Frankfort, KY 40601

Re: Biennial Budget Request Submission Statement

Ladies and Gentlemen:

This is to advise you that the Kentucky Public Pensions Authority (KPPA) is submitting its Budget Request for Fiscal Years 2023 and 2024 for your review. Accompanying this letter is one (1) complete copy of the budget request for submission to the Governor's Office for Policy and Management and three (3) complete copies of the budget request for submission to the Legislative Research Commission, as specified in the *Branch Budget Request Manual*.

If you have any questions regarding this submission, please contact me at 696-8444.

Sincerely,

David L. Eager /s/ David L. Eager
Executive Director

enclosures

2022-2024 Kentucky Branch Budget
Total Request: Financial Record
 All requested columns rounded to nearest \$100

OPERATING BUDGET RECORD C1/C2		Agency: Kentucky Public Pension Authority				
Governmental Branch: Executive Branch		Appropriation: Kentucky Public Pension Authority				
Cabinet: General Government		Program/Service Unit:				
		Sub Program:				
		Posting Unit:				
	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Budgeted	FY 2022-23 Requested	FY 2023-24 Requested	
SOURCE OF FUNDS						
General Fund						
Regular Appropriation	1,086,200	384,000	0	0	0	
Surplus Expenditure Plan	60,094,500	0	0	0	0	
Total General Fund	61,180,700	384,000	0	0	0	
Restricted Funds						
Balance Forward	0	0	0	1,220,500	3,493,900	
Current Receipts	23,979	13,497	0	0	0	
Non-Revenue Receipts	35,961,782	35,753,509	50,528,500	50,528,500	50,528,500	
Total Restricted Funds	35,985,761	35,767,006	50,528,500	51,749,000	54,022,400	
TOTAL SOURCE OF FUNDS	97,166,461	36,151,006	50,528,500	51,749,000	54,022,400	
EXPENDITURES BY CLASS						
Personnel Costs	31,729,820	32,070,246	43,171,100	42,118,100	42,664,700	
Operating Expenses	4,255,332	3,612,784	6,136,900	6,137,000	6,137,200	
Grants Loans Benefits	61,179,685	384,000	0	0	0	
Capital Outlay	464	83,977	0	0	0	
TOTAL EXPENDITURES BY CLASS	97,165,300	36,151,006	49,308,000	48,255,100	48,801,900	
EXPENDITURES BY FUND SOURCE						
General Fund	61,179,539	384,000	0	0	0	
Restricted Funds	35,985,761	35,767,006	49,308,000	48,255,100	48,801,900	
TOTAL EXPENDITURES BY FUND	97,165,300	36,151,006	49,308,000	48,255,100	48,801,900	
EXPENDITURES BY UNIT						
Kentucky Public Pension Authority	97,165,300	36,151,006	49,308,000	48,255,100	48,801,900	
TOTAL EXPENDITURES BY UNIT	97,165,300	36,151,006	49,308,000	48,255,100	48,801,900	

2022-2024 Kentucky Branch Budget
Total Request: Expenditure Detail Summary Record
 All requested columns rounded to nearest \$100

OPERATING BUDGET RECORD C-3		Agency: Kentucky Public Pension Authority			
		Appropriation: Kentucky Public Pension Authority			
Governmental Branch: Executive Branch		Program/Service Unit:			
Cabinet: General Government		Sub Program:			
		Posting Unit:			
	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Budgeted	FY 2022-23 Requested	FY 2023-24 Requested
EXPENDITURES BY FUND SOURCE					
General Fund	61,179,539	384,000	0	0	0
Restricted Fund	35,985,761	35,767,006	49,308,000	48,255,100	48,801,900
TOTAL EXPENDITURES BY FUND	97,165,300	36,151,006	49,308,000	48,255,100	48,801,900
EXPENDITURE CATEGORY					
Personnel Cost					
E111 Regular Salaries & Wages	13,452,214	13,827,013	16,325,000	15,900,700	16,083,800
Other Salaries & Wages	377,599	201,028	5,500	0	0
E121 Employer FICA	1,020,471	1,024,218	1,200,100	1,167,300	1,180,100
E122 Employer Retirement	11,350,048	11,566,766	13,416,800	13,056,400	13,209,400
E123 Health Insurance	2,189,619	2,192,639	2,744,900	2,763,300	3,025,000
E124 Life Insurance	3,005	2,949	300	0	0
Other Fringe Benefits	41,603	13,848	100,000	100,000	100,000
Subtotal Salaries & Fringes	28,434,559	28,828,462	33,792,600	32,987,700	33,598,300
E131 Worker's Compensation	11,719	75,163	75,200	11,100	11,100
Other Personnel Cost (E132-E139)	23,886	20,891	30,500	29,400	29,400
E141 Legal Services	681,760	764,356	3,220,000	3,220,000	3,220,000
E142 Auditing Services	160,351	72,047	500,000	500,000	500,000
Other Professional Services Contracts	2,344,900	2,239,103	5,481,300	5,363,900	5,299,900
E162 Security Guard Services	72,644	70,222	71,500	6,000	6,000
Total Personnel Cost	31,729,820	32,070,246	43,171,100	42,118,100	42,664,700
Operating Expenses					
E210 Utilities & Heating Fuels	180,852	147,767	240,000	240,000	240,000
Facilities & Support Services Charges	934,317	1,005,815	1,000,000	1,000,000	1,000,000
Other Rentals	139,628	122,006	200,000	200,000	200,000
E230 Maintenance & Repairs	1,267,870	792,427	2,729,000	2,729,000	2,729,000
E240 Postage & Related Services	411,556	552,199	426,200	426,200	426,200
E250 Miscellaneous Services	148,095	142,117	639,100	639,200	639,400
E260 Telecommunications	112,649	105,421	258,000	258,000	258,000
E270 Computer Services	66,800	69,286	140,000	140,000	140,000
E320 Supplies	216,548	209,832	150,000	150,000	150,000
E340 Commodities	642,143	417,998	3,000	3,000	3,000
E360 Travel Exp and Exp Allowance	81,371	1,870	149,500	149,500	149,500
E370 Miscellaneous Commodities	53,501	46,047	202,100	202,100	202,100
Total Operating Expenses	4,255,332	3,612,784	6,136,900	6,137,000	6,137,200
Grants/Loans/Benefits					
E460 Subsidies	-1,015	0	0	0	0
Transfers - Grants Loans Benefits	61,180,700	384,000	0	0	0
Total Grants/Loans/Benefits	61,179,685	384,000	0	0	0
Capital Outlay					
E606 Buildings/Fixed Equipment	464	0	0	0	0
E620 Computer Equipment	0	83,977	0	0	0
Total Capital Outlay	464	83,977	0	0	0
TOTAL EXPENDITURES	97,165,300	36,151,006	49,308,000	48,255,100	48,801,900

**2022-2024 Kentucky Branch Budget
Baseline Budget Request: Financial Record
All requested columns rounded to nearest \$100**

OPERATING BUDGET RECORD A1/A2		Agency: Kentucky Public Pension Authority				
Governmental Branch: Executive Branch		Appropriation: Kentucky Public Pension Authority				
Cabinet: General Government		Program/Service Unit:				
		Sub Program:				
		Posting Unit:				
	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Budgeted	FY 2022-23 Requested	FY 2023-24 Requested	
SOURCE OF FUNDS						
General Fund						
Regular Appropriation	1,086,200	384,000	0	0	0	
Surplus Expenditure Plan	60,094,500	0	0	0	0	
Total General Fund	61,180,700	384,000	0	0	0	
Restricted Funds						
Balance Forward	0	0	0	1,220,500	3,493,900	
Current Receipts	23,979	13,497	0	0	0	
Non-Revenue Receipts	35,961,782	35,753,509	49,226,000	50,278,900	49,732,100	
Total Restricted Funds	35,985,761	35,767,006	49,226,000	51,499,400	53,226,000	
TOTAL SOURCE OF FUNDS	97,166,461	36,151,006	49,226,000	51,499,400	53,226,000	
EXPENDITURES BY CLASS						
Personnel Costs	31,729,820	32,070,246	41,868,600	41,868,600	41,868,600	
Operating Expenses	4,255,332	3,612,784	6,136,900	6,136,900	6,136,900	
Grants Loans Benefits	61,179,685	384,000	0	0	0	
Capital Outlay	464	83,977	0	0	0	
TOTAL EXPENDITURES BY CLASS	97,165,300	36,151,006	48,005,500	48,005,500	48,005,500	
EXPENDITURES BY FUND SOURCE						
General Fund	61,179,539	384,000	0	0	0	
Restricted Funds	35,985,761	35,767,006	48,005,500	48,005,500	48,005,500	
TOTAL EXPENDITURES BY FUND	97,165,300	36,151,006	48,005,500	48,005,500	48,005,500	
EXPENDITURES BY UNIT						
Kentucky Public Pension Authority	97,165,300	36,151,006	48,005,500	48,005,500	48,005,500	
TOTAL EXPENDITURES BY UNIT	97,165,300	36,151,006	48,005,500	48,005,500	48,005,500	

2022-2024 Kentucky Branch Budget
Baseline Budget Request: Expenditure Detail Summary Record
 All requested columns rounded to nearest \$100

OPERATING BUDGET RECORD A-3		Agency: Kentucky Public Pension Authority			
		Appropriation: Kentucky Public Pension Authority			
		Program/Service Unit:			
Governmental Branch: Executive Branch		Sub Program:			
Cabinet: General Government		Posting Unit:			
	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Budgeted	FY 2022-23 Requested	FY 2023-24 Requested
EXPENDITURES BY FUND SOURCE					
General Fund	61,179,539	384,000	0	0	0
Restricted Fund	35,985,761	35,767,006	48,005,500	48,005,500	48,005,500
TOTAL EXPENDITURES BY FUND	97,165,300	36,151,006	48,005,500	48,005,500	48,005,500
EXPENDITURE CATEGORY					
Personnel Cost					
E111 Regular Salaries & Wages	13,452,214	13,827,013	15,745,800	15,808,000	15,841,900
Other Salaries & Wages	377,599	201,028	0	0	0
E121 Employer FICA	1,020,471	1,024,218	1,157,100	1,161,000	1,163,100
E122 Employer Retirement	11,350,048	11,566,766	12,927,400	12,978,700	13,006,700
E123 Health Insurance	2,189,619	2,192,639	2,559,800	2,559,800	2,559,800
E124 Life Insurance	3,005	2,949	0	0	0
Other Fringe Benefits	41,603	13,848	100,000	100,000	100,000
Subtotal Salaries & Fringes	28,434,559	28,828,462	32,490,100	32,607,500	32,671,500
E131 Worker's Compensation	11,719	75,163	75,200	75,200	75,200
Other Personnel Cost (E132-E139)	23,886	20,891	30,500	30,500	30,500
E141 Legal Services	681,760	764,356	3,220,000	3,220,000	3,220,000
E142 Auditing Services	160,351	72,047	500,000	500,000	500,000
Other Professional Services Contracts	2,344,900	2,239,103	5,481,300	5,363,900	5,299,900
E162 Security Guard Services	72,644	70,222	71,500	71,500	71,500
Total Personnel Cost	31,729,820	32,070,246	41,868,600	41,868,600	41,868,600
Operating Expenses					
E210 Utilities & Heating Fuels	180,852	147,767	240,000	240,000	240,000
Facilities & Support Services Charges	934,317	1,005,815	1,000,000	1,000,000	1,000,000
Other Rentals	139,628	122,006	200,000	200,000	200,000
E230 Maintenance & Repairs	1,267,870	792,427	2,729,000	2,729,000	2,729,000
E240 Postage & Related Services	411,556	552,199	426,200	426,200	426,200
E250 Miscellaneous Services	148,095	142,117	639,100	639,100	639,100
E260 Telecommunications	112,649	105,421	258,000	258,000	258,000
E270 Computer Services	66,800	69,286	140,000	140,000	140,000
E320 Supplies	216,548	209,832	150,000	150,000	150,000
E340 Commodities	642,143	417,998	3,000	3,000	3,000
E360 Travel Exp and Exp Allowance	81,371	1,870	149,500	149,500	149,500
E370 Miscellaneous Commodities	53,501	46,047	202,100	202,100	202,100
Total Operating Expenses	4,255,332	3,612,784	6,136,900	6,136,900	6,136,900
Grants/Loans/Benefits					
E460 Subsidies	-1,015	0	0	0	0
Transfers - Grants Loans Benefits	61,180,700	384,000	0	0	0
Total Grants/Loans/Benefits	61,179,685	384,000	0	0	0
Capital Outlay					
E606 Buildings/Fixed Equipment	464	0	0	0	0
E620 Computer Equipment	0	83,977	0	0	0
Total Capital Outlay	464	83,977	0	0	0
TOTAL EXPENDITURES	97,165,300	36,151,006	48,005,500	48,005,500	48,005,500

2022-2024 KENTUCKY BRANCH BUDGET
Baseline Budget Request: Program Narrative/Documentation Record

OPERATING BUDGET REPORT A-4

Agency: Kentucky Public Pensions Authority
 Appropriation Unit: Kentucky Public Pensions Authority
 Program/Service Unit: Kentucky Public Pensions Authority
 Sub Program:
 Posting Unit:

Governmental Branch: Executive Branch
 Cabinet/Function: General Government

PROGRAM/RESULTS DOCUMENTATION

I. PROGRAM DESCRIPTION/PURPOSE

	Actual FY 2019-20	Actual FY 2020-21	Budgeted FY 2021-22	Budget Request FY 2022-23	Budget Request FY 2023-24
Total Funding	\$ 47,702,500	\$ 48,888,200	\$ 48,005,500	\$ 48,005,500	\$ 48,005,500
Tier 1 (prior 2008)	52,424	47,528	42,775	38,498	34,648
Tier 2 (2008-2013)	22,330	20,760	18,944	17,286	15,774
Tier 3 (2014-present)	54,154	55,521	64,127	74,068	85,549
Active Members	128,908	123,809	125,380	129,852	135,971
Inactive Members	148,367	155,506	160,171	164,976	169,926
Retirees & Beneficiaries	117,665	121,728	125,380	129,141	133,015
Total Membership	394,940	401,043	411,397	423,969	438,912
Employers	1,468	1,468	1,468	1,468	1,468
Call Center Inbound Volume	275,163	283,012	291,084	299,388	307,928
Retirement & Death Benefits Paid	\$ 2,205,859,488	\$ 2,263,388,289	\$ 2,322,417,440	\$ 2,382,986,071	\$ 2,445,134,331
Refunds Paid	\$ 33,510,689	\$ 32,129,724	\$ 30,805,668	\$ 29,536,175	\$ 28,318,998
Medical Insurance Plan	\$ 5,986,675	\$ 5,464,690	\$ 4,988,218	\$ 4,553,290	\$ 4,156,284
Insurance Premiums Paid	\$ 375,793,133	\$ 375,598,593	\$ 375,404,153	\$ 375,209,813	\$ 375,015,575
Retirements	7,289	6,545	6,545	6,545	6,545

II. PROGRAM DESCRIPTION/PURPOSE

Kentucky Public Pensions Authority (KPPA) is the administrative arm of three retirement systems which are qualified governmental defined benefit plans under Section 401(a) of the Internal Revenue Code:

- **County Employees Retirement System (CERS)** is made up of employees of cities, counties, local government entities, and classified employees of school boards, is governed by the County Employees Retirement System Board of Trustees and is controlled by KRS 78.510 – 78.990;

- **Kentucky Employees Retirement System (KERS)** is made up of employees of state government, universities, health departments, certain boards, is governed by the Kentucky Retirement Systems Board of Trustees and is controlled by KRS 61.510 – 61.705; and
- **State Police Retirement System (SPRS)** includes only the uniformed officers of Kentucky State Police, is governed by the Kentucky Retirement Systems Board of Trustees and is controlled by KRS 16.505 – 16.652.

KRS 61.701, 61.702, and 78.5536 govern medical insurance benefits provided to retirees. The systems were established in the 1950s to provide a pension benefit that, when coupled with Social Security, would give career public employees a sufficient retirement income to maintain the employee's pre-retirement standard of living. The benefits provided serve employers by providing both a recruitment and retention tool.

In addition to the state laws and regulations applicable to its retirement plans, KPPA must comply with a multitude of federal tax laws governing the management of pension assets and payments in order to maintain the tax-exempt status of its pension plans. KPPA must also comply with other federal laws such as the Health Insurance Portability and Accountability Act (HIPAA), which established national standards for electronic healthcare transactions and national identifiers for providers, health plans, and employers. HIPAA also established requirements for the security and privacy of health data. Other compliance requirements have been added with the Affordable Care Act.

House Bill 484, passed during the 2020 Regular Session of the Kentucky General Assembly, and House Bill 9, passed during the 2021 Regular Session of the General Assembly, made significant changes to the governance and administrative structure of the Kentucky Public Pensions Authority. Most notably, the governance of the County Employees Retirement System was transferred to a separate 9-member board of trustees called the County Employees Retirement System (CERS). Another 9-member board of trustees called the Kentucky Retirement Systems (KRS) was established to oversee the Kentucky Employees Retirement System and the State Police Retirement System. The administrative entity comprising the office of counselors and professional staff that had previously been known as Kentucky Retirement Systems had its name changed to the Kentucky Public Pensions Authority (KPPA). It is governed by a third 8-member board composed of trustees from CERS and KRS. Daily system activities, including administrative support, investment management, benefits counseling, accounting and payroll functions, and legal services are performed by a staff of professional employees working at the state agency named KPPA.

All trustees have a fiduciary (legal) obligation to work solely in the best interests of the members of the systems their board administers, without preference to any particular group. All boards, including the 8-member KPPA board, are statutorily required to "... administer the retirement system in an efficient and cost effective manner for the taxpayers of the Commonwealth of Kentucky and shall take all actions available under the law to contain costs for the trusts, including costs for participating employers, members, and retirees." Additionally, the boards are required to invest the funds under the Prudent Person Rule. Investments are diversified among common stock, government and private bonds, real estate, private equity and cash equivalents. In-house investment staff manages approximately 20% of KRS' trust assets. A number of external managers invest the remainder of the assets in accordance with the Investment Policy Statement of each Board and subject to oversight by the Investment Committee of each Board, the CERS Board of Trustees, the KRS Board of Trustees, the KPPA staff, and independent investment consultants. An actuarial valuation must be conducted each year to determine the funded status of the 10 funds and to establish actuarially recommended employer contribution rates. KPPA is the umbrella agency for 3 retirement systems, two of which (KERS and CERS) have both a hazardous and a non-hazardous components. All five pension funds and the corresponding five insurance funds are actuarially separate funds. Therefore, the annual actuarial valuation determines the funded status of each of these ten funds and establishes actuarially recommended employer contribution rates for each. An annual independent audit is also performed. KPPA also provides updates on performance, funding, and other issues to the monthly meetings of the Public Pension Oversight Board of the Kentucky General Assembly.

Employers contribute a percentage of gross payroll determined by the annual actuarial valuation. KERS Non-hazardous employers contribute an additional flat amount based on their assigned percentage of the total unfunded liability as calculated within the annual valuation. This KERS Non-Hazardous-specific change was effective July 1, 2021, and was the result of HB 8 which passed in the 2021 Regular Session of the Kentucky General Assembly. Employees contribute at a fixed rate set by statute. The assets of the system are considered trust funds as defined by federal law and as such are not part of the Kentucky General Fund. KPPA provides daily assistance to almost 1,500 employers concerning their monthly reporting of contributions.

Retirement benefits are determined by a formula using years of service, a benefit factor, and a high five, high three or last five years average final salary. Benefits are payable for the retiree's lifetime. At retirement, the member receives a portion of the state's contribution toward medical insurance depending on years of service. There are enhanced benefits for employees in positions considered hazardous. Additional benefits also include death benefits and long-term disability. Disability recipients undergo a periodic review to determine their continued eligibility for benefits.

The total membership of the systems, which includes active, inactive, and retired members, is over 400,000 members. KPPA provides pre-retirement webinars and counseling to the more than 279,000 active employees and inactive members, including the provision of benefit estimates and service purchase cost calculations. When an employee retires, the retirement system processes the retirement application and then administers the monthly payment of retirement benefits and health insurance benefits for retirees and beneficiaries. Pre-Medicare eligible retirees participate in the Kentucky Employees Health Plan. Medicare eligible retirees participate in fully insured Medicare Advantage plans provided by Humana Insurance Company. A relatively small number of Medicare eligible retirees participate in plans that mirror the Medicare Advantage plans offered by Humana or in a Medical Only plan self-insured by KPPA. As of June 30, 2021, there were 121,728 retirees and beneficiaries receiving monthly benefit payments that totaled \$2.3 Billion.

III. PROGRAM RESULTS/FISCAL JUSTIFICATION

Kentucky Public Pensions Authority's administrative expenses are paid from the pension trust funds. No general fund dollars are used for administrative expenses. KPPA has submitted a 2023-2024 biennial budget request at the same expenditure level as the FY2022 budget period. Actual expenditures for fiscal year 2021 increased mainly due to increased employer contributions for retirement. It is anticipated that expenditures for computer software and equipment will increase with the implementation of a few Information Technology projects that are critical for security especially in the area of maintaining up-to-date software to meet data security compliance requirements including KRS 61.931 through 61.934 (RS 2014 HB5) and HIPAA. The software spending that is anticipated to increase includes the upgrade of the Microsoft Office suite to Microsoft 365, enhancements to self-service and security upgrades. The major governance and administrative changes to KPPA made by House Bill 484, passed during the 2020 Regular Session of the Kentucky General Assembly, and House Bill 9, passed during the 2021 Regular Session of the General Assembly have increased expenditures. These changes have added executive staff and require expenditures to support the three boards. The establishment of new Boards has increased expenditures in staffing and vendor contracts.

Additionally, KPPA has experienced increased spending on disability reviews due to a new vendor who supplies a holistic solution to the disability review process. KPPA was forced to select this course due to being unable to acquire the resources to piece-meal the tasks as we had traditionally. We experienced repeated poor responses to RFPs for medical examiners and delayed services due to limited numbers of medical examiners. A full cost analysis was performed before making this decision and although more expensive now, in the long run it is anticipated this will provide cost-savings, improved efficiency and improved service to our members.

It remains financially untenable to obtain liability insurance for Kentucky Public Pensions Authority and its boards; therefore, the boards elected to self-insure for liability insurance. This continues to provide a cost savings for insurance premiums but is a potential significant unplanned outlay if forced to pay for services that would have been paid in a claim against the liability insurance. The same is true for cyber insurance. The cost of the premiums has made it unreasonable to purchase cyber insurance; therefore, this is another potentially significant unplanned outlay if KPPA experienced a major security breach.

KPPA currently faces and will continue to face for the foreseeable future, numerous challenges from ongoing litigation, investment regulations, and increased actuarial services for GASB 67, 68, 71, 72, 74, 75, and actuarial analysis of a dramatically increasing number of House and Senate bills related to pensions due to the low funding status of the funds administered by the CERS and KRS boards.

In summary, within the last twenty years, KPPA has gone from managing simplistic, single-tiered pension and insurance plans for each system (CERS, KERS and SPRS) controlled by one board, to a current model whereby KPPA is charged with administering complex, multi-tiered pension and insurance plans under the control of three unique boards. This biennial budget request reflects our commitment to meeting our member's needs and implementing pension-related bills, while maintaining fiscal responsibility.

2022-2024 KENTUCKY BRANCH BUDGET
Agency Publication Exhibit

Cabinet/Agency:
Appropriation Unit:

Publication Title	Quantity	Fund Source	FY 2021-22	FY 2022-23	FY 2023-24
Business Cards	-	Restricted	350	200	200
Disability Retirement Brochure	1,000	Restricted	-	850	-
Medicare Insurance Plans					
Medicare Mirror Plan Book	400	Restricted	2,500	3,000	3,500
Medicare Medical Only Book	4,600	Restricted	6,500	7,000	7,500
Non Medicare Insurance Plans					
Open Enrollment Book	40,000	Restricted	5,000	5,500	6,000
Default Letter	3,000	Restricted	-	1,000	1,000
Qualifying Events Book	2,500	Restricted	1,500	2,000	2,500
New Retiree Book	22,000	Restricted	6,000	6,500	7,000
Board Election Notices	70,000	Restricted	4,000	1,000	-
1099	145,000	Restricted	20,000	22,000	24,000
Sympathy Cards	5,000	Restricted	-	3,000	-
Summary Annual Financial Report	4,000	Restricted	4,500	5,000	5,500
PreRetirement Education Program Materials	5,000	Restricted	-	10,000	10,000
Employer Training Program Materials	1,000	Restricted	-	3,500	3,500
Active Member Mailing - Quasi Cessation	5,500	Restricted	2,000	-	-
Paperless Election Notice	400,000	Restricted	-	60,000	-
Miscellaneous Publication Expenses	40,000	Restricted	10,000	10,000	10,000
Total			\$62,350	\$140,550	\$80,700

2022-2024 Kentucky Branch Budget
 Defined Calculations Budget Request: Financial Record
 All requested columns rounded to nearest \$100

PRIORITY
 Cabinet #: 1
 Agency #: 1

OPERATING BUDGET RECORD DCB-1/B2		FY 2022-23	FY 2023-24
		Requested	Requested
Agency: Kentucky Public Pension Authority Appropriation: Kentucky Public Pension Authority Governmental Branch: Executive Branch Cabinet: General Government Program/Service Unit: Sub Program: Posting Unit:			
SOURCE OF FUNDS			
Restricted Funds			
Non-Revenue Receipts		72,900	334,800
<u>Total Restricted Funds</u>		<u>72,900</u>	<u>334,800</u>
TOTAL SOURCE OF FUNDS		72,900	334,800
EXPENDITURES BY CLASS			
Personnel Costs		72,800	334,500
Operating Expenses		100	300
TOTAL EXPENDITURES BY CLASS		72,900	334,800
EXPENDITURES BY FUND			
Restricted Funds		72,900	334,800
TOTAL EXPENDITURES BY FUND		72,900	334,800
BUDGET POSITIONS COST BY FUND SOURCE			
Restricted Fds Cost of Positions		203,500	465,200
TOTAL FUNDS		203,500	465,200

2022-2024 Kentucky Branch Budget
Baseline Budget Request: Expenditure Detail Summary Record
 All requested columns rounded to nearest \$100

OPERATING BUDGET RECORD A5		Agency: Kentucky Public Pension Authority				
Governmental Branch: Executive Branch		Appropriation: Kentucky Public Pension Authority				
Cabinet: General Government		Program/Service Unit:				
		Sub Program:				
		Posting Unit:				
Personnel Budget by Source of Funds	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Budgeted	FY 2022-23 Requested	FY 2023-24 Requested	
Number of Positions						
Full Time Positions						
Filled	256	256	256	270	270	
Vacant	0	0	0	35	0	
Total Full Time Positions	256	256	256	305	270	
Part Time Positions						
Filled	1	1	1	3	3	
Total Part Time Positions	1	1	1	3	3	
Other Positions						
Filled	5	5	5	10	10	
Total Other Positions	5	5	5	10	10	
GRAND TOTAL						
1. Number of Positions						
Filled	28,057,222	28,627,696	32,490,362	32,607,783	32,671,783	
Vacant	0	0	0	35	0	
Total Positions	28,057,222	28,627,696	32,490,362	32,607,818	32,671,783	
2. Source of Funds (\$)						
Restricted Fds Cost of Positions	28,056,960	28,627,434	32,490,100	32,607,500	32,671,500	
Total Funds	28,056,960	28,627,434	32,490,100	32,607,500	32,671,500	

2022-2024 Kentucky Branch Budget
 Defined Calculations Budget Request: Expenditure Detail Summary Record
 All requested columns rounded to nearest \$100

PRIORITY
 Cabinet #: 1
 Agency #: 1

OPERATING BUDGET RECORD DCB-3
 Agency: Kentucky Public Pension Authority
 Governmental Branch: Executive Branch
 Cabinet: General Government
 Appropriation: Kentucky Public Pension Authority
 Program/Service Unit:
 Sub Program:
 Posting Unit:
 REQUEST TITLE: DEFINED CALCULATIONS

	FY 2022-23 Requested	FY 2023-24 Requested
EXPENDITURES BY FUND		
Restricted Fund	72,900	334,800
<u>TOTAL EXPENDITURES BY FUND</u>	<u>72,900</u>	<u>334,800</u>
EXPENDITURE CATEGORY		
<u>Personnel Cost</u>		
E123 Health Insurance	203,500	465,200
Subtotal Salaries & Fringes	203,500	465,200
E131 Worker's Compensation	-64,100	-64,100
Other Personnel Cost (E132-E139)	-1,100	-1,100
E162 Security Guard Services	-65,500	-65,500
<u>Total Personnel Cost</u>	<u>72,800</u>	<u>334,500</u>
<u>Operating Expenses</u>		
E250 Miscellaneous Services	100	300
<u>Total Operating Expenses</u>	<u>100</u>	<u>300</u>
TOTAL EXPENDITURES	<u>72,900</u>	<u>334,800</u>

APPENDIX G

Schedule of Planned Contract Activity

Cabinet/Agency: General Government/Kentucky Public Pensions Authority
Appropriation Unit: Kentucky Public Pensions Authority

	FY 2021-22 Total Amount	FY 2022-23 Total Amount	FY 2023-24 Total Amount
Memorandum of Agreement			
Personnel Service Contracts			
Legal Counsel; Disability Hearing Officers; Medical Reviewers; Medical Reports; Medical Exams; Human Resource Consulting; Actuarial Services; Investment Consulting; Auditing Services	5,895,000.00	8,124,100.00	8,124,100.00

**2022-2024 Kentucky Branch Budget
 Operating Budget Request: Restricted Fund Summary Record
 All requested columns rounded to nearest \$100**

OPERATING BUDGET SUMMARY RECORD D

**Governmental Branch: Executive Branch
 Cabinet: General Government**

**Agency: Kentucky Retirement Systems
 Appropriation: Kentucky Retirement Systems**

		Actual FY 2019 - 20	Actual FY 2020 - 21	Budgeted FY 2021 - 22	Requested FY 2022 - 23	Requested FY 2023 - 24
Summary of Resources:						
	Balance Forward (E Form)	0	0	0	1,218,900	2,142,800
	Current Receipts-Existing (E Form)	23,979	13,497	0	0	0
	Non-Revenue Receipts (E form)	35,961,782	35,753,509	50,528,500	50,528,500	50,528,500
	Total Resources	35,985,761	35,767,006	50,528,500	51,747,400	52,671,300
Summary of Expenditures:						
	Baseline Budget Expenditures	35,985,761	35,767,006	48,005,500	48,005,500	48,005,500
	Defined Calculations Expenditures	0	0	0	203,500	465,200
	Additional Budget Request Expenditures	0	0	1,304,100	176,700	461,600
	Total Expenditures	35,985,761	35,767,006	49,309,600	48,385,700	48,932,300
Cash Control Account	Title	Actual FY 2019 - 20	Actual FY 2020 - 21	Budgeted FY 2021 - 22	Requested FY 2022 - 23	Requested FY 2023 - 24
132E-2224	Ky Retirement Systems Fund	35,985,761	35,767,006	49,309,600	48,385,700	48,932,300
	Total Expenditures	35,985,761	35,767,006	49,309,600	48,385,700	48,932,300

**2022-2024 Kentucky Branch Budget
Operating Budget Request: Restricted Fund Record
All requested columns rounded to nearest \$100**

OPERATING BUDGET RECORD E

Governmental Branch: Executive Branch
Cabinet: General Government

Agency: Kentucky Retirement Systems
Appropriation: Kentucky Retirement Systems

I. FUND SOURCE DATA

Account Title: Ky Retirement Systems Fund
eMARS Fund Code: 132E
Legal Authority Citation: KRS 61.645

II. RESTRICTED FUNDS DESCRIPTION: Restricted Uses (Yes/No): Yes

Pursuant to KRS 61.645, the administrative expenses of the Kentucky Retirement Systems are paid from Pension Trust Funds on a pro-rata basis based on percentage of membership in each of the trusts.

III. RECEIPT STRUCTURE

Receipts by Revenue Source Code (Both Revenue and Non-revenue)		Actual FY 2019 - 20	Actual FY 2020 - 21	Budgeted FY 2021 - 22	Requested FY 2022 - 23	Requested FY 2023 - 24
CASH	Cash	0	0	0	0	0
N151	Operating Transfer from Ky Employees Ret Fund	11,439,443	11,314,269	16,073,200	16,073,200	16,073,200
N152	Operating Transfer from State Police Ret Fund	251,732	239,711	353,700	353,700	353,700
N156	Operating Transfer from County Retirement Fund	21,282,183	21,128,180	29,902,700	29,902,700	29,902,700
N158	Operating Transfer from Emp Haz Fund	1,118,411	1,209,884	1,571,500	1,571,500	1,571,500
N159	Operating Transfer from County Haz Fund	1,870,013	1,861,465	2,627,400	2,627,400	2,627,400
R731	Contributions-Employer	71	0	0	0	0
R821	Proceeds from Asset Disposition	0	0	0	0	0
R829	Undistributed Receipts	23,909	13,497	0	0	0
	Total Receipts	35,985,761	35,767,006	50,528,500	50,528,500	50,528,500

IV. RESTRICTED FUNDS BUDGETS SUMMARY		Actual FY 2019 - 20	Actual FY 2020 - 21	Budgeted FY 2021 - 22	Requested FY 2022 - 23	Requested FY 2023 - 24
(A) Resources:						
	Balance Forward (E Form)	0	0	0	1,218,900	2,142,800
	Current Receipts-Existing (E Form)	23,979	13,497	0	0	0
	Non-Revenue Receipts (E form)	35,961,782	35,753,509	50,528,500	50,528,500	50,528,500
	Total Resources	35,985,761	35,767,006	50,528,500	51,747,400	52,671,300
(B) Expenditures:						
	Additional Budget Request Expenditures	0	0	1,304,100	176,700	461,600
	Baseline Budget Expenditures	35,985,761	35,767,006	48,005,500	48,005,500	48,005,500
	Defined Calculations Expenditures	0	0	0	203,500	465,200
	Total Expenditures	35,985,761	35,767,006	49,309,600	48,385,700	48,932,300

V. Explain the current receipt structure, type of fee, description of fee, current rate and any proposed rate changes during the 2022 - 2024 biennium. Indicate the date the rate was last changed. Also, explain any rate /fee changes that have been implemented during the 2020 - 2022 biennium. Identify the rate/fee change, the amounts affected and authority for change.

Specifically identify and explain any rate/fee changes that were not incorporated in the 2020 - 2022 budget as enacted by the 2020 General Assembly.

2022-2024 KENTUCKY BRANCH BUDGET
Additional Budget Request: Program Narrative/Documentation Record

PRIORITY
Cabinet #: General Government
Agency #: Kentucky Retirement Systems

OPERATING BUDGET REPORT B-4

Agency: Kentucky Public Pensions Authority
Appropriation Unit: Kentucky Public Pensions Authority
Program/Service Unit: Kentucky Public Pensions Authority
Sub Program:
Posting Unit:
REQUEST TITLE:

Governmental Branch: Executive Branch
Cabinet/Function: General Government

PROGRAM/RESULTS DOCUMENTATION

I. PROGRAM DESCRIPTION/PURPOSE

	Actual FY 2019-20	Actual FY 2020-21	Budgeted FY 2021-22	Budget Request FY 2022-23	Budget Request FY 2023-24
Total Funding	\$ 47,702,500	\$ 48,888,200	\$ 48,005,500	\$ 48,005,500	\$ 48,005,500
Tier 1 (prior 2008)	52,424	47,528	42,775	38,498	34,648
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Tier 3 (2014-present)	54,154	55,521	64,127	74,068	85,549
Active Members	128,908	123,809	125,380	129,852	135,971
Inactive Members	148,367	155,506	160,171	164,976	169,926
Retirees & Beneficiaries	117,665	121,728	125,380	129,141	133,015
Total Membership	394,940	401,043	411,397	423,969	438,912
Employers	1,468	1,468	1,468	1,468	1,468
Call Center Inbound Volume	275,163	283,012	291,084	299,388	307,928
Retirement & Death Benefits Paid	\$ 2,205,859,488	\$ 2,263,388,289	\$ 2,322,417,440	\$ 2,382,986,071	\$ 2,445,134,331
Refunds Paid	\$ 33,510,689	\$ 32,129,724	\$ 30,805,668	\$ 29,536,175	\$ 28,318,998
Medical Insurance Plan	\$ 5,986,675	\$ 5,464,690	\$ 4,988,218	\$ 4,553,290	\$ 4,156,284
Insurance Premiums Paid	\$ 375,793,133	\$ 375,598,593	\$ 375,404,153	\$ 375,209,813	\$ 375,015,575
Retirements	7,289	6,545	6,545	6,545	6,545

II. PROGRAM DESCRIPTION/PURPOSE

Kentucky Public Pensions Authority (KPPA) is the administrative arm of three retirement systems which are qualified governmental defined benefit plans under Section 401(a) of the Internal Revenue Code:

- **County Employees Retirement System (CERS)** is made up of employees of cities, counties, local government entities, and classified employees of school boards, is governed by the County Employees Retirement System Board of Trustees and is controlled by KRS 78.510 – 78.990;
- **Kentucky Employees Retirement System (KERS)** is made up of employees of state government, universities, health departments, certain boards, is governed by the Kentucky Retirement Systems Board of Trustees and is controlled by KRS 61.510 – 61.705; and
- **State Police Retirement System (SPRS)** includes only the uniformed officers of Kentucky State Police, is governed by the Kentucky Retirement Systems Board of Trustees and is controlled by KRS 16.505 – 16.652.

KRS 61.701, 61.702, and 78.5536 govern medical insurance benefits provided to retirees. The systems were established in the 1950s to provide a pension benefit that, when coupled with Social Security, would give career public employees a sufficient retirement income to maintain the employee's pre-retirement standard of living. The benefits provided serve employers by providing both a recruitment and retention tool.

In addition to the state laws and regulations applicable to its retirement plans, KPPA must comply with a multitude of federal tax laws governing the management of pension assets and payments in order to maintain the tax-exempt status of its pension plans. KPPA must also comply with other federal laws such as the Health Insurance Portability and Accountability Act (HIPAA), which established national standards for electronic healthcare transactions and national identifiers for providers, health plans, and employers. HIPAA also established requirements for the security and privacy of health data. Other compliance requirements have been added with the Affordable Care Act.

House Bill 484, passed during the 2020 Regular Session of the Kentucky General Assembly, and House Bill 9, passed during the 2021 Regular Session of the General Assembly, made significant changes to the governance and administrative structure of the Kentucky Public Pensions Authority. Most notably, the governance of the County Employees Retirement System was transferred to a separate 9-member board of trustees called the County Employees Retirement System (CERS). Another 9-member board of trustees called the Kentucky Retirement Systems (KRS) was established to oversee the Kentucky Employees Retirement System and the State Police Retirement System. The administrative entity comprising the office of counselors and professional staff that had previously been known as Kentucky Retirement Systems had its name changed to the Kentucky Public Pensions Authority (KPPA). It is governed by a third 8-member board composed of trustees from CERS and KRS. Daily system activities, including administrative support, investment management, benefits counseling, accounting and payroll functions, and legal services are performed by a staff of professional employees working at the state agency named KPPA.

All trustees have a fiduciary (legal) obligation to work solely in the best interests of the members of the systems their board administers, without preference to any particular group. All boards, including the 8-member KPPA board, are statutorily required to "... administer the retirement system in an efficient and cost effective manner for the taxpayers of the Commonwealth of Kentucky and shall take all actions available under the law to contain costs for the trusts, including costs for participating employers, members, and retirees." Additionally, the boards are required to invest the funds under the Prudent Person Rule. Investments are diversified among common stock, government and private bonds, real estate, private equity and cash equivalents. In-house investment staff manages approximately 20% of KRS' trust assets. A number of external managers invest the remainder of the assets in accordance with the Investment Policy Statement of each Board and subject to oversight by the Investment Committee of each Board, the CERS Board of Trustees, the KRS Board of Trustees, the KPPA staff, and independent investment consultants. An actuarial valuation must be conducted each year to determine the funded status of the 10 funds and to establish actuarially recommended employer contribution rates. KPPA is the umbrella agency for 3 retirement systems, two of which (KERS and CERS) have both a hazardous and a non-hazardous components. All five pension funds and the corresponding five insurance funds are actuarially separate funds. Therefore, the annual actuarial valuation determines the funded status of each of these ten funds and establishes actuarially recommended employer contribution rates for each. An annual independent audit is also performed. KPPA also provides updates on performance, funding, and other issues to the monthly meetings of the Public Pension Oversight Board of the Kentucky General Assembly.

Employers contribute a percentage of gross payroll determined by the annual actuarial valuation. KERS Non-hazardous employers contribute an additional flat amount based on their assigned percentage of the total unfunded liability as calculated within the annual valuation. This KERS Non-Hazardous-specific change was effective July 1, 2021, and was the result of HB 8 which passed in the 2021 Regular Session of the Kentucky General Assembly. Employees contribute at a fixed rate set by statute. The assets of the system are considered trust funds as defined by federal law and as such are not part of the Kentucky General Fund. KPPA provides daily assistance to almost 1,500 employers concerning their monthly reporting of contributions.

Retirement benefits are determined by a formula using years of service, a benefit factor, and a high five, high three or last five years average final salary. Benefits are payable for the retiree's lifetime. At retirement, the member receives a portion of the state's contribution toward medical insurance depending on years of service. There are enhanced benefits for employees in positions considered hazardous. Additional benefits also include death benefits and long-term disability. Disability recipients undergo a periodic review to determine their continued eligibility for benefits.

The total membership of the systems, which includes active, inactive, and retired members, is over 400,000 members. KPPA provides pre-retirement webinars and counseling to the more than 279,000 active employees and inactive members, including the provision of benefit estimates and service purchase cost calculations. When an employee retires, the retirement system processes the retirement application and then administers the monthly payment of retirement benefits and health insurance benefits for retirees and beneficiaries. Pre-Medicare eligible retirees participate in the Kentucky Employees Health Plan. Medicare eligible retirees participate in fully insured Medicare Advantage plans provided by Humana Insurance Company. A relatively small number of Medicare eligible retirees participate in plans that mirror the Medicare Advantage plans offered by Humana or in a Medical Only plan self-insured by KPPA. As of June 30, 2021, there were 121,728 retirees and beneficiaries receiving monthly benefit payments that totaled \$2.3 Billion.

III. PROGRAM RESULTS/FISCAL JUSTIFICATION

Kentucky Public Pensions Authority's administrative expenses are paid from the pension trust funds. No general fund dollars are used for administrative expenses. KPPA has submitted a 2023-2024 biennial budget request at the same expenditure level as the FY2022 budget period. Actual expenditures for fiscal year 2021 increased mainly due to increased employer contributions for retirement. It is anticipated that expenditures for computer software and equipment will increase with the implementation of a few Information Technology projects that are critical for security especially in the area of maintaining up-to-date software to meet data security compliance requirements including KRS 61.931 through 61.934 (RS 2014 HB5) and HIPAA. The software spending that is anticipated to increase includes the upgrade of the Microsoft Office suite to Microsoft 365, enhancements to self-service and security upgrades. The major governance and administrative changes to KPPA made by House Bill 484, passed during the 2020 Regular Session of the Kentucky General Assembly, and House Bill 9, passed during the 2021 Regular Session of the General Assembly have increased expenditures. These changes have added executive staff and require expenditures to support the three boards. The establishment of new Boards has increased expenditures in staffing and vendor contracts.

Additionally, KPPA has experienced increased spending on disability reviews due to a new vendor who supplies a holistic solution to the disability review process. KPPA was forced to select this course due to being unable to acquire the resources to piece-meal the tasks as we had traditionally. We experienced repeated poor responses to RFPs for medical examiners and delayed services due to limited numbers of medical examiners. A full cost analysis was performed before making this decision and although more expensive now, in the long run it is anticipated this will provide cost-savings, improved efficiency and improved service to our members.

It remains financially untenable to obtain liability insurance for Kentucky Public Pensions Authority and its boards; therefore, the boards elected to self-insure for liability insurance. This continues to provide a cost savings for insurance premiums but is a potential significant unplanned outlay if forced to pay for services that would have been paid in a claim against the liability insurance. The same is true for cyber insurance. The cost of the premiums has made it unreasonable to purchase cyber insurance; therefore, this is another potentially significant unplanned outlay if KPPA experienced a major security breach.

KPPA currently faces and will continue to face for the foreseeable future, numerous challenges from ongoing litigation, investment regulations, and increased actuarial services for GASB 67, 68, 71, 72, 74, 75, and actuarial analysis of a

dramatically increasing number of House and Senate bills related to pensions due to the low funding status of the funds administered by the CERS and KRS boards.

In summary, within the last twenty years, KPPA has gone from managing simplistic, single-tiered pension and insurance plans for each system (CERS, KERS and SPRS) controlled by one board, to a current model whereby KPPA is charged with administering complex, multi-tiered pension and insurance plans under the control of three unique boards. This biennial budget request reflects our commitment to meeting our member's needs and implementing pension-related bills, while maintaining fiscal responsibility.

2022-2024 Kentucky Branch Budget
 Additional Budget Request: Financial Record
 All requested columns rounded to nearest \$100

PRIORITY
 Cabinet #: 2
 Agency #: 2

OPERATING BUDGET RECORD B-1/B-2

Governmental Branch: Executive Branch
 Cabinet: General Government

Agency: Kentucky Public Pension Authority
 Appropriation: Kentucky Public Pension Authority
 Program/Service Unit:
 Sub Program:
 Posting Unit:

REQUEST TITLE: One Per Cent Salary Increase

REQUEST TYPE: 1% Increase	FY 2021-22 Requested	FY 2022-23 Requested	FY 2023-24 Requested
SOURCE OF FUNDS			
Restricted Funds			
Non-Revenue Receipts	0	176,700	461,600
<u>Total Restricted Funds</u>	<u>0</u>	<u>176,700</u>	<u>461,600</u>
TOTAL SOURCE OF FUNDS	0	176,700	461,600
EXPENDITURES BY CLASS			
Personnel Costs	0	176,700	461,600
TOTAL EXPENDITURES BY CLASS	0	176,700	461,600
EXPENDITURES BY FUND SOURCE			
Restricted Funds	0	176,700	461,600
TOTAL EXPENDITURES BY FUND	0	176,700	461,600
PERSONNEL POSITIONS			
Number of Positions	0	0	0
GRAND TOTAL - Number of Positions	0	0	0
BUDGET POSITIONS COST BY FUND SOURCE			
Restricted Fds Cost of Positions	0	176,700	461,600
TOTAL FUNDS	0	176,700	461,600

2022-2024 Kentucky Branch Budget
 Additional Budget Request: Expenditure Detail Summary Record
 All requested columns rounded to nearest \$100

PRIORITY
 Cabinet #: 2
 Agency #: 2

OPERATING BUDGET RECORD B-3		Agency: Kentucky Public Pension Authority		
Governmental Branch: Executive Branch		Appropriation: Kentucky Public Pension Authority		
Cabinet: General Government		Program/Service Unit:		
		Sub Program:		
		Posting Unit:		
		REQUEST TITLE: One Per Cent Salary Increase		
REQUEST TYPE	1% Increase	FY 2021-22 Requested	FY 2022-23 Requested	FY 2023-24 Requested
EXPENDITURES BY FUND				
	Restricted Fund	0	176,700	461,600
	TOTAL EXPENDITURES BY FUND	0	176,700	461,600
EXPENDITURE CATEGORY				
Personnel Cost				
	E111 Regular Salaries & Wages	0	92,700	241,900
	E121 Employer FICA	0	6,300	17,000
	E122 Employer Retirement	0	77,700	202,700
	Subtotal Salaries & Fringes	0	176,700	461,600
	Total Personnel Cost	0	176,700	461,600
	TOTAL EXPENDITURES	0	176,700	461,600

**2022-2024 Kentucky Branch Budget
Operating Budget Request: Priority Ranking Summary Record**

OPERATING BUDGET SUMMARY RECORD P

Agency: Kentucky Public Pension Authority
Appropriation: Kentucky Public Pension Authority

Governmental Branch: Executive Branch
Cabinet: General Government

				FY 2021-22 Budgeted	FY 2022-23 Requested	FY 2023-24 Requested
1			Defined Calculations		72,900	334,800
2	1% Increase	100H22X002	One Per Cent Salary Increase	0	176,700	461,600
Total Additional Budget Request				1,302,500	249,600	796,400