

**Kentucky Public Pensions Authority
Quarterly Board Meeting
September 25, 2025 at 10:00 a.m. EST
Live Video Conference/Facebook Live
AGENDA**

- | | |
|----------------------------------------------------------------------------|-------------------------------------------|
| 1. Call to Order | Keith Percy |
| 2. Legal Opening Statement | Michael Board |
| 3. Roll Call/Public Comment | Sherry Rankin |
| 4. Approval of Minutes – June 26, 2025* | Keith Percy |
| 5. KPPA Audit Committee Report** | Kristen Coffey
Eide Bailly |
| 6. FY26-28 Biennium Budget* | Michael Lamb |
| 7. Administrative Budget to Actual | Michael Lamb |
| 8. Investment Department Update | Steve Willer |
| 9. KPPA Ad Hoc Regulation Committee Report* | Nathan Goodrich
Carole Catalfo |
| a. 105 KAR 1:445, Trustee Elections | |
| b. 105 KAR 1:020, Reciprocal Program | |
| c. 105 KAR 1:150, Installment Purchase procedures | |
| d. 105 KAR 1:300, Determination of service credit for classified employees | |
| e. 105 KAR 1:340, Rollovers and transfers of contributions in other plans | |
| f. 105 KAR 1:350, Collection of account under \$1000 by next of kin | |
| g. 7 year certification to LRC | |
| i. 105 KAR 1:320, Proration of service credit | |
| ii. 104 KAR 1:345, Rollovers & transfers of contributions to other plans | |
| 10. KPPA Meeting Calendar 2026* | Keith Percy |
| 11. KPPA Strategic Plan** | Rebecca Adkins |
| 12. KPPA Update | Ryan Barrow |
| 13. Office of Chief Auditor Proposed Legislation | Keith Percy |
| 14. Closed Session – Litigation** | Keith Percy |
| 15. Adjourn* | Keith Percy |

**Board Action Required*

***Board Action May Be Required*

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
QUARTERLY BOARD MEETING
VIA LIVE VIDEO TELECONFERENCE
JUNE 26, 2025, AT 10:00 AM EST**

At the quarterly meeting of the Kentucky Public Pensions Authority held on June 26, 2025, the following members were present: Keith Percy, Dr. Patricia Carver, George Cheatham, Dr. Merl Hackbart, Lynn Hampton, Prewitt Lane, William O'Mara, and William Summers V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens III, Ryan Barrow, Rebecca Adkins, Mike Lamb, Lori Casey, Leigh Ann Davis, Nathan Goodrich, Kristen Coffey, Madeline Evans, Connie Davis, Joe Gilbert, Ian Blaiklock, Ashley Gabbard, Phillip Cook, Sherry Rankin, and Sandy Hardin.

1. Mr. Percy called the meeting to order.
2. Mr. Board read the Legal Opening Statement.
3. Ms. Rankin called roll.
4. Mr. Percy introduced agenda item ***Public Comment***. Ms. Rankin indicated that there were no public comments.
5. Mr. Percy introduced agenda item ***Approval of Minutes – KPPA Board for April 4, 2025, and April 23, 2025 (Video 00:06:00 to 00:06:25)***. Ms. Hampton made a motion to approve the April 4, 2025, and April 23, 2025, minutes as presented. Dr. Hackbart seconded the motion. The motion passed unanimously.
6. Mr. Percy introduced agenda item ***Closed Session (Video 00:06:25 to 00:07:28)***. Mr. Lane made a motion to enter closed session to discuss pending litigation. Ms. Hampton seconded the motion. The motion passed unanimously.

Mr. Peercy read the following closed-session statement: *A motion having been made in open session to move into closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to conduct discussions that might lead to the appointment of an employee pursuant to KRS 61.810(1)(f) and to consider litigation matters pursuant to KRS 61.810(1)(c). Closed session is necessary because of the necessity of protecting the confidentiality of the employee's personal information and KPPA's litigation strategy and preserving any available attorney-client privilege.*

All other attendees exited the meeting.

Closed Session (Video 00:00:35 to 00:01:16). Mr. Peercy called the meeting back to open session. As a result of the closed session, Mr. Peercy sought a motion to approve the Chief Auditor Contract with the terms and conditions discussed.

Dr. Carver made a motion to approve the Chief Auditor Contract with the terms and conditions as discussed. Mr. O'Mara seconded the motion. The motion passed unanimously.

7. Mr. Peercy introduced agenda item **KPPA Audit Committee Report and Recommendations** (Video 00:01:16 to 00:13:03). Ms. Coffey reported that the KPPA Audit Committee held a regularly scheduled meeting on May 29, 2025. She noted that several items were being presented to the Board for ratification.

The first item discussed was the FY 2026 proposed budget for the Division of Internal Audit. Ms. Coffey briefly reviewed the budget and noted that it had been approved by the Audit Committee. Mr. O'Mara made the motion to ratify the approval of the budget for the Division of Internal Audit. Ms. Hampton seconded the motion. The motion passed unanimously.

Ms. Coffey noted that the next item requiring ratification is the Annual Risk Assessment and Audit Plan. Following a review of the plan by Ms. Coffey, with input from Mr. O'Mara regarding the process, Mr. O'Mara made the motion to ratify the approval of the Annual Risk

Assessment and Audit Plan. Mr. Summers V seconded the motion. The motion passed unanimously.

The final item requiring ratification was the Audit Committee's approval of the internal audits and open audit findings. Ms. Coffey provided a summary of the following areas:

- *2025-7 Follow-up on Open Audit Recommendations:* For audits completed by the end of calendar year 2024, there were 23 recommendations with an expected implementation date of December 31, 2024, or earlier. Of these, 17 recommendations have been fully implemented, while six remain open. KPPA non-audit staff have requested additional time to complete the implementation of the six open items.
- *2025-5 Disability Appeal Process:* No reportable findings were noted during the audit. Certain other matters were communicated to KPPA management in a separate management letter dated March 31, 2025, and Ms. Coffey shared the related recommendations and subsequent progress.
- *2025-6 Hiring Process:* No findings or observations were identified as a result of the audit.
- *2025-10 Travel Process:* One finding was noted during the review, and it related to meals reimbursed without an overnight stay not being treated as a taxable benefit. This issue represented a partial breakdown in the process. Ms. Coffey indicated that the Audit Committee provided recommendations for improvement to the KPPA Executive Management Team.

Mr. O'Mara made a motion to ratify the Audit Committee's approval of the internal audit reports and open audit findings as presented and to authorize KPPA staff to implement any corrective action. Ms. Hampton seconded the motion. The motion passed unanimously.

8. Mr. Percy introduced agenda item ***FY26 Administrative Budget, FY26 Hybrid Percentage, FY26 Investment Budget, and FY26 Board Separation Expenses*** (Video 00:13:03 to 00:28:20). Mr. Lamb noted that the separation costs expired last June and, therefore, are not

being presented as they are no longer applicable. He also stated that the hybrid percentage was approved by the KPPA Board in April, noting the focus would be on the FY 2026 KPPA Administrative and Investment Budget. Mr. Lamb introduced three items for Board approval:

- *The FY 2026 KPPA Administrative Budget* of \$49,969,700, as presented.
- *The FY 2026 KPPA Investment Budget* of \$11,823,223, as presented.
- *The formation of a budget workgroup* to assist KPPA staff in preparing, reviewing, and approving the budget-related items for the:
 - Upcoming Commonwealth Biennium Budget (due by October 1, 2025)
 - FY 2027 Hybrid Percentage
 - FY 2027 Administrative Budget
 - FY 2027 Investment Budget
 - Other budget-related items

Mr. Lamb delivered a detailed summary of each item, highlighting relevant background and implications, and addressed questions from the Board prior to each motion requiring approval.

Mr. O'Mara made a motion to approve the FY 2026 Administrative Budget and FY 2026 Investment Budget as presented. Dr. Hackbart seconded the motion. The motion passed unanimously.

Mr. Summers V made a motion to approve the creation of a budget working group to assist KPPA staff in preparing, reviewing, and approving budget-related items as presented. Ms. Hampton seconded the motion. During the discussion, Mr. O'Mara and Mr. Lane volunteered to participate in the workgroup. The motion passed unanimously.

9. Mr. Peercy introduced agenda item ***Investment Department Update*** (Video 00:28:20 to 00:34:25). Mr. Gilbert began by introducing Ian Blaiklock, who has been hired to be a general analyst in the Office of Investments. Mr. Gilbert provided a summary of the Investment Committee meetings.

On March 26, 2025, the CERS Investment Committee held a special-called meeting and unanimously approved Investment Staff's recommendation to invest up to an additional \$30 million in the Arctos American Football Fund. This investment will be distributed across all CERS portfolios as part of their Real Return allocation. Mr. Gilbert reported that this investment will result in an additional 5 basis points of fee concession for all CERS assets invested on the Arctos platform.

On April 29, 2025, the KRS Investment Committee held a special-called meeting and unanimously approved Investment Staff's recommendation to invest up to \$100 million in the Kayne Private Energy Income Fund III. This investment will be shared among all KERS and SPRS portfolios as part of their Real Return allocation. The investment will be funded either through existing cash or the unwinding of proxy positions, based on the specific needs of each portfolio.

On April 30, 2025, the CERS Investment Committee held a special-called meeting and declined to approve the Investment Staff's recommendation to invest up to \$100 million in the Kayne Private Energy Income Fund III. The proposed investment would have been shared across all CERS portfolios as part of their Real Return allocation.

On May 13, 2025, the CERS Investment Committee held a special-called meeting. The following actions were taken by the Committee and forwarded to the CERS Board of Trustees for ratification:

- Unanimously approved Investment Staff's recommendation to abstain from voting on the proposal to amend the partnership agreement for H.I.G. Capital Partners V, L.P., extending the life of the Fund by one additional year, until July 1, 2026.
- Unanimously approved Investment Staff's recommendation to approve Adams Street Partners' proposal to amend the Amended and Restated Limited Partnership Agreement, extending the final admission date from May 31, 2025, to March 31, 2026.

The CERS Board of Trustees ratified both recommendations at their regularly scheduled meeting on May 13, 2025.

On June 13, 2025, the CERS Investment Committee held a special-called meeting. The following action was taken by the Committee and forwarded to the CERS Board of Trustees for ratification:

- Unanimously approved Investment Staff's recommendation to approve New Mountain Capital's proposal to amend the Limited Partnership Agreement (LPA) and extend the term of New Mountain Partners IV, L.P., by two years to July 8, 2027. This extension is intended to allow for a more orderly and profitable liquidation of the Fund's remaining investments. As part of this extension, New Mountain Capital will cease charging management fees as of the extension date.

The CERS Board of Trustees ratified this recommendation at their special-called meeting on June 13, 2025.

On May 22, 2025, the KRS Investment Committee held a regularly scheduled meeting. No recommendations were made that required approval by the Committee, and no actions were taken that required ratification by the KRS Board of Trustees.

On May 28, 2025, the CERS Investment Committee held a regularly scheduled meeting. No recommendations were made that required approval by the Committee, and no actions were taken that required ratification by the CERS Board of Trustees. During the meeting, the Investment Staff and Wilshire presented materials and provided a comprehensive review of economic conditions, market activity, performance outlooks, relative performance, and asset allocations for the pension and insurance portfolios for the quarter ending March 31, 2025. They also discussed performance attribution, internally managed portfolios, peer universe comparisons, and provided an update on the investment budget.

Mr. Gilbert then summarized the key points for the KPPA Board of Trustees. This presentation was for informational purposes only, and no action was required by the Board members.

10. Mr. Percy introduced agenda item ***KPPA Update*** (Video 00:34:25 to 00:36:17). Mr. Barrow began by announcing the Trustee IMPACT Forum is scheduled for October 22–23, with dates confirmed as ideal for all Trustees. He noted that the first meeting regarding programming was held, and Ms. Rankin will be sending out a separate E-mail focused on logistics. Trustees were encouraged to share any items they wish to have included, and Ms. Rankin will follow up accordingly.

Mr. Barrow then provided an update on the Louisville office for the Office of Investments and expressed his appreciation for having Ian Blaiklock join the Investment Staff.

11. Mr. Percy introduced agenda item ***Strategic Plan Update*** (Video 00:36:17 to 00:51:28). Ms. Adkins provided an overview of KPPA’s strategic planning efforts, emphasizing that the organization had not previously undertaken formal strategic planning in several years and that developing such a plan has now become a strategic priority.

She also provided a brief history of the planning process, explaining that in early 2024, KPPA engaged Provaliant to help facilitate the initiative. Through staff input and brainstorming sessions, the 2024–2028 Strategic Plan was developed and formally approved by the Board in June 2024.

Ms. Adkins outlined the four primary areas of focus within the Strategic Plan Summary:

1. Organizational Excellence
2. Customer Service Delivery
3. Infrastructure and Key Resources – with emphasis on human capital
4. Governance – focused on staff support for the Board

She reviewed the specific initiatives associated with each focus area and encouraged Trustees to provide feedback or suggestions to Mr. Barrow, Mr. Chilton, or Mr. Owens III.

She also presented the FY 2026 Implementation Plan, which outlines the allocation of human and financial resources to support the strategic priorities. While not all initiatives are expected to be completed within FY 2026, the plan emphasizes thoughtful prioritization of efforts. Additional activities include a review of KPPA's longstanding mandates and collaboration with the Leadership Academy to help shape KPPA's future vision of excellence. The Strategic Planning Committee will continue to provide guidance and oversight for these initiatives.

Dr. Carver made a motion to approve the updates to the KPPA Strategic Plan as presented. Ms. Hampton seconded the motion. The motion passed unanimously.

12. Mr. Percy introduced agenda item ***New Business*** (Video 00:51:28 to 00:54:02). Ms. Hampton informed the Committee that the KRS Board had recently learned of CERS's intent to issue a Request for Information (RFI) regarding potential external investment consulting services.

Ms. Hampton expressed concern over the urgency of the RFI and the exclusion of KRS from the process. Drawing from her professional experience, she cautioned against rapidly executed contracts—particularly those involving savings-based compensation—without full transparency and collaboration. She noted having contacted Mr. Cheatham to request a delay to ensure KRS is briefed and included in a joint effort by both Boards and Investment Staff.

Ms. Hampton stated for the record that, while she trusts Wilshire, she is unfamiliar with the other firm involved and is uncomfortable proceeding without further information.

Mr. Barrow noted that he and Mr. Willer would take responsibility for preparing a follow-up report on the matter.

13. There being no further business, Mr. Percy ***adjourned*** the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA held June 26, 2025, 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 Board 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

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on June 26, 2025, were approved on September 25, 2025.

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the June 26, 2025, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services



Kentucky Public Pensions Authority

Division of Internal Audit



To: Kentucky Public Pensions Authority Board

From: William O'Mara, Chair
KPPA Audit Committee

Kristen N. Coffey, CICA
KPPA Chief Auditor

Date: September 25, 2025

Subject: Summary of KPPA Audit Committee Meeting

The KPPA Audit Committee held a regularly scheduled meeting on August 26, 2025.

1. **We are requesting the Authority ratify the acceptance of the issued internal audits and authorize KPPA staff to implement corrective action.***
 - a. 2025-9 Review of the Accounts Payable Process
 - b. 2025-11 Review of the Accrual Process
2. The following other items were also discussed during the Audit Committee meeting. These were presented for informational purposes only.
 - a. Update on the fiscal year 2025 External Audit – *separate presentation to be made to KPPA.*
 - b. Review of June 30, 2025 Unaudited Financial Statements.
 - c. Information disclosures – *Seven internal disclosures effecting seven members and one external disclosure effecting 1,491 members.*
 - d. Anonymous Tips – *Six open cases.*
 - e. Internal Audit Budget – *17.63% of budget remaining at fiscal year end; however, invoice for a 2025 expense for audit software was not received until July and will be paid in fiscal year 2026.*
 - f. Status of current internal audits – *35 audits/projects were assigned in fiscal year 2025. All but two were completed. One was asked by KPPA staff to be deferred and this audit is on the fiscal year 2026 audit plan. The other was delayed based on priorities of the KPPA staff assigned to the process. This project will be completed in fiscal year 2026.*

***Authority action may be required**



KPPA
Kentucky Public Pensions Authority

2025-9

Accounts Payable Process

Lead Auditor: James Westbay

Issue Date: July 9, 2025

Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KERS - Kentucky Employees Retirement System
4. SPRS - State Police Retirement System
5. KRS - Kentucky Retirement Systems
6. Board(s) – Board of Trustees
7. CEO - Chief Executive Officer
8. CFO - Chief Financial Officer
9. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO
10. Accounting – KPPA Division of Accounting
11. Procurement – KPPA Division of Procurement and Office Services
12. DETS – KPPA Division of Enterprise and Technology Services
13. Internal Audit – KPPA Division of Internal Audit
14. WHD – Web Help Desk
15. eMARS - enhanced Management Administrative Reporting System

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Overall Opinion

The process generally complies with relevant laws, regulations, policies and procedures. Internal controls are established but steps could be taken to strengthen controls or make more the process effective and/or efficient.

Strategic Risk Addressed (Objective)

Review the accounts payable process and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure expenses are properly paid, supported, tracked, coded, and allocated. Ensure process is effective and efficient.

Audit Scope

The Accounts Payable Process audit was conducted from March 19, 2025 to June 10, 2025. The scope of the audit was invoices paid between July 2024 and February 2025.

Summary of Findings and Observations

A finding is defined as a breakdown, or partial breakdown of a process or major non-compliance with statutes and/or regulations. Development of a corrective action plan is recommended in the next three months with full implementation recommended within one year.

An observation is defined as a minor deviation from an otherwise well-implemented process or a minor oversight by staff. Corrective action is recommended, but timing is more flexible based on staffing needs and availability.

The following Observations were noted during our review. Additional details related to the findings, including the corresponding recommendations can be found in Appendix A.

1. Invoices not paid timely.

We noted other Opportunities for Improvement that we communicated to the KPPA Executive Management team in a separate letter dated July 9, 2025.

Commendations

We would like to thank Accounting and Procurement staff for their assistance during this audit. They worked with Internal Audit staff to help provided detailed explanations related to sampled invoices and the related eMARS payment process. Additionally, staff worked with Internal Audit staff to ensure audit recommendations were feasible and would correct the root cause of the findings.

Recommendations for Future Audits

Based on work conducted during this audit, the following items have been recommended for review during future audits:

1. Review the procurement process and ensure compliance with statutes/regulations/policies. Confirm controls have been established to ensure services match the contract, are properly procured, monitored, and best value for the agency. This audit is scheduled to be conducted in during fiscal year 2026.
2. Review the process for monitoring outstanding check balances and ensure compliance with statutes/regulations/policies. Confirm controls have been established to ensure outstanding checks are monitored and proper follow-up is taken. A risk was noted on the fiscal year 2026 risk assessment regarding reconciliation of bank accounts. Monitoring of outstanding check balances will be incorporated into that review.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Divisions of Accounting and Procurement and Office Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Audit Results

Observation

1. Invoices not paid timely	
Recurring Issue:	Yes
Condition:	<p>Controls have not been established to ensure the following:</p> <ol style="list-style-type: none"> 1. Invoices are remitted to Accounting so they can be paid by the due date. 2. Invoices are paid within the statutorily required deadline. <p>Note: A compensating control does exist - if a vendor is not paid timely, they will contact KPPA staff and inquire about payment. This compensating control reduces the risk to the agency.</p>
Criteria:	Kentucky Revised Statutes 45.453 and 45.454 state, "All bills shall be paid within thirty (30) working days of receipt of goods and services or a vendor's invoice except when the purchasing agency has transmitted a rejection notice to the vendor" (45.453) and "An interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty (30) working days which followed receipt of the goods or services or vendor's invoice by a purchasing agency" (45.454).
Cause:	Some, but not all, divisions in KPPA track when invoices are received, approved, and paid. For the divisions that are tracking this information, there is no mechanism in place to ensure invoices are paid prior to the due date.
Effect:	Invoices could be paid late, resulting in late charges being incurred.
Recommendations:	<p>The CFO is currently reviewing this process to determine what additional steps, if any, need to be established.</p> <p>Recommendation previously made regarding this situation</p> <p>The KPPA Executive Management team should review invoice procedures throughout the agency and determine if it would be cost beneficial to KPPA to establish controls that ensure the following:</p> <ol style="list-style-type: none"> 1. Invoices are remitted to Accounting in a sufficient time so that invoices can be paid by the due date. For example, when invoices are remitted, there could be a requirement that a copy of the invoice also be electronically provided to Accounting to ensure Accounting staff are aware that an invoice has been received. 2. An automatic notification to Accounting staff when unpaid invoices are approaching their due date. For example, an email or other reminder could be sent from SharePoint when invoices are approaching the due date.
Management Response:	<p>KPPA management concurs.</p> <p>As noted above, the CFO is currently reviewing this process</p> <p>The estimated completion date needs to be moved to June 30, 2026, but the intent is for accounting to:</p> <ul style="list-style-type: none"> • Establish a policy requiring invoice owners (Divisions/Branches) to implement a control, (like what Investment Operations and Legal Services have in place), to ensure invoices are provided to accounting in time to be paid within the statutorily required deadline. • Review internal processes and procedures to determine if and where enhancements can be made to help ensure payments are made timely.
Implementation Date:	June 30, 2026

Appendix B – Control Matrix

Judgmental sampling was used to select one invoice per vendor (65 total vendors). Invoice values starting with four, eight or nine were selected when available due to the Benford's analysis results showing that invoices starting with these numbers deviated from predicted results. The highest four, eight or nine were selected. When an invoice starting with four, eight or nine was not available, the highest valued invoice was selected. The total testing population consisted of 418 invoices totaling \$5,468,084. The sampled invoices totaled \$1,490,778, which represented 14.55% by count and 27.63% by value of the testing population.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Trustees may not receive complete accounts payable information in a timely manner	Accounts payable are reconciled monthly	Control Activity: Management designs control activities to achieve objectives and respond to risks.	Quarterly, the CFO presents a budget to actual comparison to the Trustees, which allows them the opportunity to review expenditures. Additionally, the quarterly financial statements are presented for review, which shows a comparison to the same time period for the prior year as well as an analysis of percentage change. The Trustees also review and accept the Annual Comprehensive Financial Report.	To ensure accounts payable information is presented to Trustees, auditor reviewed meeting materials and ensured the budget to actual comparison was presented.	Budget to actual comparison was presented to trustees on a quarterly basis.
2.	Accounts payable procedures/internal controls may not be established, documented, effective or efficient	Accounts payable procedures reviewed annually and updated as needed	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management implements control activities through policies. Information and Communication: Management uses quality information to achieve the organization's objectives.	Graduate Accountant II reviews procedures on SharePoint annually and makes necessary updates. If a process changes, the procedures are updated at the time of the change for the accounts payable process. Graduate Accountant Branch Manager ensures all procedures are included on SharePoint.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures are up-to-date.
3.	Prior approval may not be received before purchase is made	Purchase request is not routed to Procurement and Office Services until approved by the Deputy Executive Director	Control Activity: Management designs the entity's information system and control activities.	When a KPPA employee determines a good or service needs to be purchased, the employee discusses the need with their director and the director enters a request for the good or service through the Web Help Desk ticket system. The ticket is routed to the Deputy Executive Director for approval. Deputy Executive Director reviews all WHD ticket procurement requests. If the request is approved, the ticket is forwarded to the Division of Procurement and Office Services, who will process the purchase following required statutes and state policies. If additional information is needed, the Deputy Executive Director will ask that the requestor update the ticket with the additional information. If the request is denied, the Deputy Executive Director leaves a note explaining why it was denied. Note, the purchasing process will be tested in a future audit. For purposes of this audit, we will ensure the initial purchase request was approved by the Deputy Executive Director and will ensure proper payment after the purchase is completed.	Compared initial purchase approval date to the date the purchase was made to ensure approval was received prior to the purchase being made.	Of the 65 invoices sampled, 5 purchases were made before the WHD ticket was approved for annual expenses that should have been launched at the beginning of the fiscal year. See Management Letter item #2
4.	Expenditure may not be for a legitimate business purpose	Deputy Executive Director reviews request	Control Environment: Not Applicable Risk Assessment: Not Applicable Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Not Applicable Monitoring: Not Applicable	When a KPPA employee determines a good or service needs to be purchased, the employee discusses the need with their director and the director enters a request for the good or service through the Web Help Desk ticket system. The ticket is routed to the Deputy Executive Director for approval. Deputy Executive Director reviews all WHD ticket procurement requests. If the purchase is a valid business expense, it will be approved, and the ticket is forwarded to the Division of Procurement and Office Services, who will process the purchase following required statutes and state policies. If the purchase is not a valid business expense, the request is denied. Prior to entering payment in eMARS, the Graduate Accountant I compares the purchase request, bill of lading (or invoice for services), and invoice to ensure all documents match regarding item and quantity. Prior to approving the payment in eMARS, the Graduate Accountant II ensures that supporting documentation is uploaded to eMARS.	Reviewed the good/service purchased and ensured the purchase was for a legitimate business purpose and documented.	All 65 sampled invoices were for legitimate business purposes.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
5.	Good or service may not be actually received by KPPA	Purchasing director approves the invoice	Control Activity: Management designs control activities to achieve objectives and respond to risks.	When an invoice is received, the purchasing director reviews the invoice and verifies that the service has been rendered or good was received. Purchasing director emails the approved invoice to Accounting. For the purchase of goods, when an item is received, Mailroom staff compare actual items received to the Bill of Lading. Staff sign the Bill of Lading to confirm the items listed on the Bill of Lading were actually received. Document Imaging staff scan the signed Bill of Lading to the Accounting SharePoint site.	For services, ensured invoice was signed to indicate that service was provided. For goods, compared invoice to bill of lading to ensure invoiced item was actually received.	Of the 65 sampled invoices, 2 invoices for goods were missing a bill of lading to show that good were received. This issue was only observed with DETS and not with other divisions receiving goods/services which indicates this division may not be clear on what is required to pay an invoice. See Management Letter item #1
6.	Invoice may not be calculated properly	Reviewer recalculates invoice amount	Control Activity: Management designs control activities to achieve objectives and respond to risks.	The approver of the invoice is instructed to recalculate the invoice and ensure that the correct rate is used according to the contract.	Recalculated invoice total, based on contract or purchase order, and ensured invoice was accurate.	Of the 65 sampled invoice, 63 were mathematically accurate and used the correct rate. Of the remaining two, one charged a rate lower than the contracted rate and the other had a typo in the invoice but charged KPPA correctly overall.
7.	Sales tax may be paid on purchases	Graduate Accountant I performs secondary review	Control Activity: Management designs control activities to achieve objectives and respond to risks.	The reviewer of the invoice and procurement staff member who enters the payment into eMARS ensures that sales tax is not included in what was charged.	Reviewed each sampled invoice to ensure that sales tax was not charged.	None of the 65 sampled invoices included sales tax.
8.	Payment may not be properly approved	Two levels of approval required	Control Activity: Management designs control activities to achieve objectives and respond to risks.	After a purchase is made the invoice is received by the division who requested the good/service. The director reviews the invoice to ensure the following items. If everything is accurate, the invoice is forwarded to Accounting with instructions that the invoice is ready for payment. The invoice may also be attached to the original WHD ticket with a note indicating the item is approved for payment. 1. Ordered item was received or service was provided. 2. Billed rate matches contract or PO. 3. Sales tax not charged. Once an invoice is received by Accounting, the Graduate Accountant I enters the payment in eMARS. The Graduate Account II compares the payment in eMARS to the invoice and the total requested in the original WHD ticket to ensure the amounts agree.	Ensured purchasing director indicated approval to pay invoice either through signing the invoice, adding an approval note to the original WHD ticket, or by noting approval in the email sent to Accounting.	All 65 sampled invoices were approved by the purchasing director.
9.	Payment may not be properly approved	Two levels of approval required	Control Activity: Management designs control activities to achieve objectives and respond to risks.	After a purchase is made the invoice is received by the division who requested the good/service. The director reviews the invoice to ensure the following items. If everything is accurate, the invoice is forwarded to Accounting with instructions that the invoice is ready for payment. The invoice may also be attached to the original WHD ticket with a note indicating the item is approved for payment. 1. Ordered item was received or service was provided. 2. Billed rate matches contract or PO. 3. Sales tax not charged. Once an invoice is received by Accounting, the Graduate Accountant I enters the payment in eMARS. The Graduate Account II compares the payment in eMARS to the invoice and the total requested in the original WHD ticket to ensure the amounts agree.	Reviewed invoice payment document in eMARS and ensured payment was entered and approved by different individuals.	All 65 samples invoice were entered and approved by different individuals in eMARS.

KPPA Board Meeting - KPPA Audit Committee Report**

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
10.	Invoice payment may not be properly supported	Staff perform three-way match	Control Activity: Management designs control activities to achieve objectives and respond to risks.	Prior to entering payment in eMARS, the Graduate Accountant I compares the purchase request, bill of lading (or invoice for services), and invoice to ensure all documents match regarding item and quantity. Prior to approving the payment in eMARS, the Graduate Accountant II ensures that supporting documentation is uploaded to eMARS.	Ensured that the original invoice, bill of lading (if applicable), and WHD ticket (purchase request) reflected the same good/service - item and quantity.	Other than two invoices missing bills of lading (see Management Letter item #1), all WHD ticket purchase requests, invoiced service or goods and bill of lading matched.
11.	Expenditures may be coded incorrectly	Graduate Accountant II confirms accuracy of expense object code	Control Activity: Management designs control activities to achieve objectives and respond to risks.	When entering payments in eMARS, the Graduate Accounting I enters the proper object code for the expense if the payment type is GAX or TP. Prior to approving the payment, the Graduate Accountant II reviews the object code and ensure it is accurate. If the payment type is something other than GAX or TP, then the procurement staff member who sends the payment to accounting will enter in the object code and the Graduate accountant I and II will ensure it is correct.	Ensured the expense object code properly reflected the good/service purchased.	Of the 65 invoices sampled, auditor found potentially more appropriate codes for five invoices. However, these codes cannot currently be used by Procurement or Accounting staff because the codes have not been established for use by KPPA. The use of these accounts would be infrequent, so it does not seem like a good use of staff resources to pursue establishing these codes at this time.
12.	Actual amount paid does not match invoice amount	Staff compare payment amount to invoice amount	Control Activity: Management designs control activities to achieve objectives and respond to risks.	Prior to approving the payment in eMARS, the Graduate Accountant II ensures the commodity line item, vendor name, object code and amount total match the invoice.	Ensured the invoice amount agreed to payment amount entered in eMARS.	Of the 65 sampled invoice, 63 payments matched the invoiced amount exactly. The remaining two were off by \$0.01 and \$0.32 due to how the contract is keyed into eMARS. As a compensating control, eMARS will not allow total payments to exceed the total contract amount.
13.	Invoices may be paid more than once	Graduate Accountant II ensures the item has not been previously paid	Control Activity: Management designs control activities to achieve objectives and respond to risks.	Graduate Accountant II has created an expenditure tracking spreadsheet. When a transaction is added to the spreadsheet after it's been approved into eMARS, the Graduate Accountant II ensures the item has not been previously paid. eMARS keeps track of paid invoices and does not allow an invoice with a duplicate number to be paid.	Ran a report of all invoices paid between July 1, 2024 - February 28, 2025. Performed analysis to ensure invoices were not paid more than once.	No duplicate payments were found for invoices paid between July 1, 2024 - February 28, 2025.
14.	Invoices may not be paid timely	Compensating Control: Vendor contacts KPPA if payment is past due	Control not established by KPPA. Compensating control is in place.	Administrative expense procedures state that process owners must submit invoices with in 5-10 business days of receipt. <ul style="list-style-type: none"> For vendors such as utilities that have expected monthly billings, accounting knows to ask the process owner about outstanding invoices if they haven't gotten an invoice by a certain time in the month. For vendors with a history of having issues with their invoices, the graduate accountant II will reach out to the process owner periodically to see if any outstanding invoices need to be paid. <p>If an invoice is submitted late to Accounting, the process owner documents the reason for the late submission. Once an invoice is received by Accounting, there is no official control to ensure that the invoice is paid on time. However, as compensating control, a vendor will contact KPPA if they have not received payment.</p>	Compared eMARS payment date to the invoice due date. Additionally, created a timeline showing number of days between when invoice was received by KPPA and when it was approved for payment in eMARS.	Of the 65 sampled invoices, four were paid outside of the statutory required due date. Of the four late payments, three were late because the invoices were not provided to Accounting staff until after the due date. One payment was paid late because the web help desk ticket for the purchase was not created until after the invoice was received. See Observation item #1.
15.	Expenditures may not reconcile between eMARS and Great Plains	A reconciliation of eMARS to Great Plains is performed monthly	Control Activity: Management designs control activities to achieve objectives and respond to risks.	The day after payments post in eMARS, the Graduate Accountant Branch Manager posts the transactions to Great Plains account number 13-AD-010. At the end of each month, the Graduate Accountant II compares the 13-AD-010 balance to the total on the Administrative Expense Tracking Spreadsheet to ensure that all expenses are recorded in Great Plains.	Compared expense recorded in Great Plains to the expense recorded in eMARS and ensured the two matched.	All 65 transactions entered in the Great Plains Admin Expense account matched the corresponding eMARS entry. However, one transaction was incorrectly entered into eMARS and, therefore; entered incorrectly into Great Plains.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
16.	The process to send payments to vendors may include unnecessary steps	No Control Established: A review has not been conducted to ensure the check payment process is efficient	No Control Established: A review has not been conducted to ensure the check payment process is efficient	<p>All checks written from KPPA accounts are printed by Treasury and placed in an unsealed envelope. These are picked up by mailroom staff and distributed among the divisions responsible for each check. For example, checks to retirees go to Retiree Payroll and checks to vendors go to Accounting. Retiree Payroll checks will be reviewed in a separate audit.</p> <p>Each vendor sets themselves up in eMARS and the vendor dictates if they will be paid by ACH or by check. The vendor sets the banking information and mailing address and they are responsible for updating this information should anything change. Accounting staff have requested that vendors who are paid by check update their payment preference to ACH, but ultimately, this is the responsibility (and choice) of the vendor.</p> <ul style="list-style-type: none"> For vendors paid by ACH, the payment is sent as soon as the payment is approved. For vendors paid by check, Treasury prints the checks and places them in unsealed envelopes for KPPA mailroom staff to pick up and deliver to the Accounting Clerk, who works in the office daily. For vendors paid by check, the original invoice is attached because Accounting staff indicated that there have been times when vendors did not understand why they were receiving a payment from KPPA. Additionally, providing the invoice helps reduce the risk that the vendor applies the payment to the wrong account. 	Created a timeline to determine the amount of time between Treasury generating checks and KPPA mailing checks to vendor.	<p>Audit staff interviewed several KPPA employees about this process and determined a review had not been conducted to determine if the current process of returning all checks to KPPA for processing is the most efficient. For example, checks that do not require correspondence could be mailed by the State Treasurer after the checks are printed. Alternatively, vendors who receive payment by check could be contacted and asked to update their payment to ACH, rather than paper check.</p> <p>See Appendix C and Management Letter item #3</p>

Appendix C – Comparison of Payments by Check vs ACH

Of the 65 sampled invoices, 31 were paid by check (47.69%). The average value of checks reviewed was \$18,131. It took Accounting staff an average of 3 days to mail the checks after they were returned to KPPA. The checks cleared an average of 11 days after being mailed.

Factor	Paper Checks	ACH Payments
Speed	Slow 3-10 days including mailing and clearing	Fast 1-2 business days
Cost	Higher Printing, ink, envelopes, postage, handling. Expensive and slow.	Lower Typically, \$0-\$1 per transaction
Security	Lower Checks can be lost, stolen or altered in transit.	Higher Transmittals are encrypted, resulting in less fraud.
Labor/Process	Manual Print, sign, stuff, mail, reconcile.	Automated Set up once, schedule payments
Recordkeeping	Manual Filing physical copies or scanned images	Automatic Digital record and audit trail.
Control	High Can hold or delay mailing checks manually	Moderate Can schedule or delay payments
Vendor Acceptance	Universal	Some vendors may not be set up for ACH.
Fraud Risk	High Bank routing and account information listed on check, can lead to forgery.	Low Requires bank authorization by Originating Depository Financial Institution (ODFI) and Receiving Depository Financial Institution (RDFI).
Reconciliation	Slower and manual	Fast Automated with software integration.
Environment Impact	Uses paper and resources	Paperless and ecofriendly.

Transitioning to paying vendors by EFT is becoming a national topic due to Executive Order (EO) 14247 ([Federal Register :: Modernizing Payments To and From America's Bank Account](#)) which is requiring the US Treasury department to cease issuing paper checks for all federal disbursements inclusive of intragovernmental payments, benefits payments, vendor payments, and tax refunds,' with exceptions, including people who do not have access to banking services and national security or law enforcement activities effective September 30, 2025. The US Treasury website explains that this executive order is in place because paper checks are increasingly the front door for fraud.

Similarly, KPPA should consider requiring vendors to utilize electronic remittance to receive payment for invoices when available as our checks have the same potential for what the US Treasury calls “front door fraud.” This transition will mitigate check fraud risk and streamline the accounts payable process.



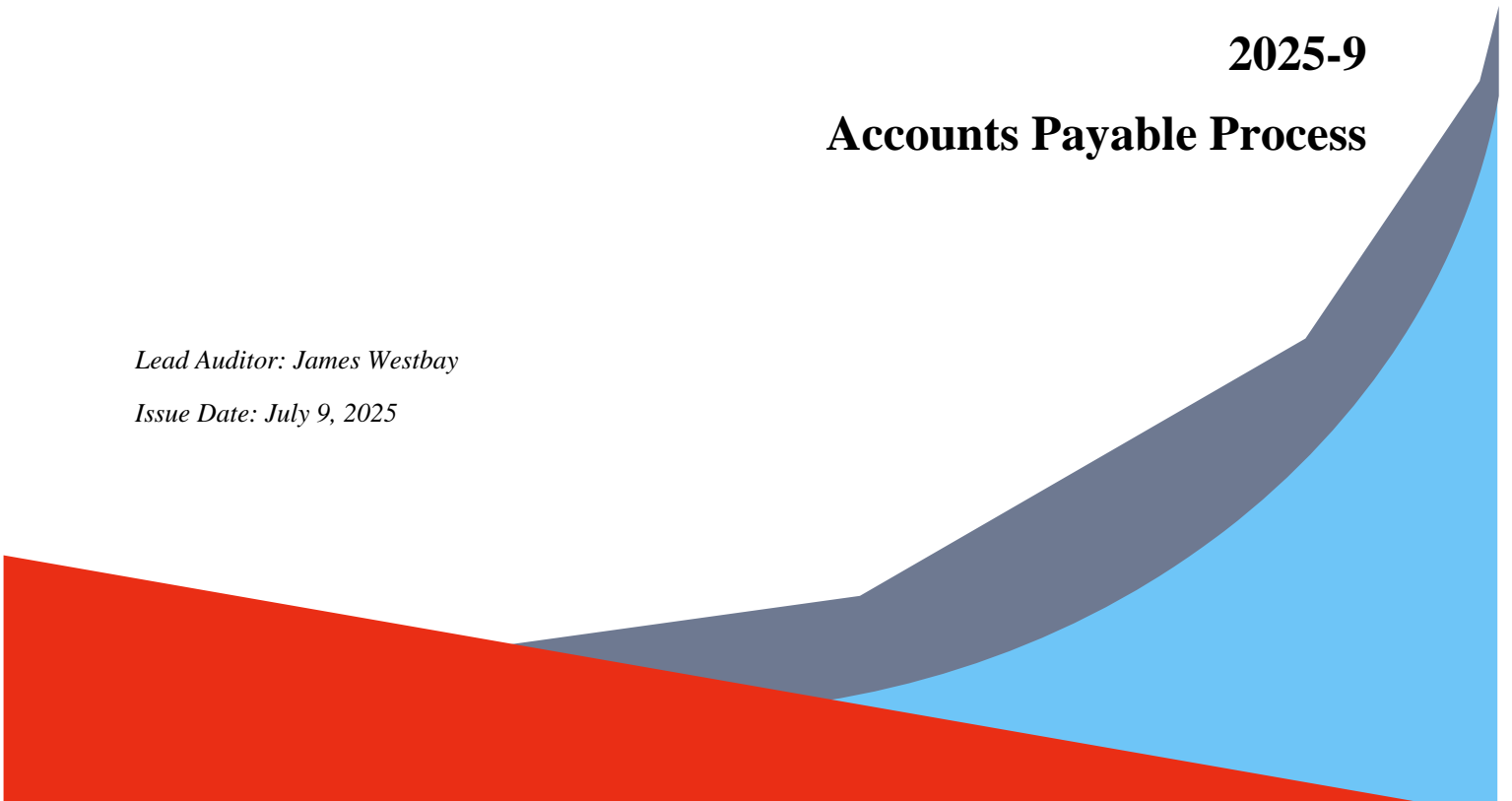
KPPA
Kentucky Public Pensions Authority

2025-9

Accounts Payable Process

Lead Auditor: James Westbay

Issue Date: July 9, 2025



Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO - Chief Executive Officer
6. CFO - Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO
8. Accounting – KPPA Division of Accounting
9. Internal Audit – KPPA Division of Internal Audit
10. eMARS - enhanced Management Administrative Reporting System

Strategic Risk Addressed

Review the accounts payable process and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure expenses are properly paid, supported, tracked, coded, and allocated. Ensure process is effective and efficient.

Audit Scope

The Accounts Payable Process audit was conducted from March 19, 2025 to June 10, 2025. The scope of the audit was invoices paid between July 2024 and February 2025. In addition to the items included in that report, we noted three opportunities for improvement that we wanted to communicate to management.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Divisions of Accounting and Procurement and Office Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Opportunities for Improvement

An opportunity for improvement is an item noted during the audit that was outside of the expected test result but is not indicative of a compliance or control failure. These items represent a possible area of improvement that we wanted to bring to the attention of KPPA management and Trustees. No management response is required for these items; however, management has elected to provide a response:

1. Invoices paid without confirming item actually received.

Finding: Two of 65 invoices were paid without confirmation that the item purchased was actually received. Both invoices were for purchases made by one KPPA division, indicating this is not a wide-spread agency concern. Administrative Expenses Payment Procedures state, “Authorized personnel should verify receipt of merchandise or verify service is completed and provide an initialed and dated packing slip and send to SharePoint immediately upon receiving goods or service. If packing slip is not received in SharePoint once the invoice has been received, accounting staff emails mailroom department to request the packing slip.” *Note: Auditor was able to confirm that items listed on these invoices were actually received.*

Recommendations:

- a. KPPA Executive Management should remind all staff about the supporting documentation that is required to be submitted when requesting payment of an invoice.
- b. KPPA Executive Management should remind Accounting staff about the documentation required to be provided prior to approving an item for payment.
- c. KPPA Executive Management should determine if it would be beneficial to have a centralized storage location for invoice related documents. A few options for the centralized storage include the Web Help Desk ticket, SharePoint, or eMARS.

Management Response: KPPA management concurs. Accounting staff have since been instructed that if an approved payment does not have confirmation via bill of lading or other supporting documentation that item(s) was received, then Accounting staff are to obtain such documentation prior to processing payment to the vendor. Furthermore, the policy that is to be implemented, will incorporate a requirement to include a bill of lading or other evidence that product has been received. The use of a centralized storage location is still being reviewed. While research is being conducted, staff have been instructed to utilize the Web Help Desk ticket as the repository for all payment related documentation.

2. Approval not requested timely for annual expenses.

Finding: Invoices were received for five of 65 purchases before a Web Help Desk ticket was approved by the Deputy Executive Director. Each of these instances were for recurring annual expenses. The approval ticket for annual items is typically created and approved around July 1 of the fiscal year. However, for various reasons, these five requests were not entered until after the first invoice was received for the fiscal year. While some divisions maintain a listing of their annual expenses, a centralized list of all annual expenses is not maintained. Therefore, Procurement staff cannot easily ensure approval has been requested for all annual expenses. *Note: None of the invoice were paid until after the purchase was approved.*

Recommendation: KPPA Executive Management should consider establishing a way to track recurring expenses. Possible options include:

- a. Developing a way to track recurring expenses in the Web Help Desk system so that a report of recurring expenses can be generated each year.
- b. Creating a centralized list of annual expenses, accessible to Executive Management and Procurement staff. Procurement staff could then ensure a web help desk ticket requesting approval for these expenses is submitted at the beginning of each fiscal year.

Management Response: KPPA management concurs. The CFO will look to define what an annual expense is and incorporate an entity wide centralized list of annual expenses as part of the admin budget

preparation process. Full implementation will occur with the next Admin Budget cycle (Fiscal Year 2027) however, by July 1, 2025, the CFO will ask divisions to initiate web help desk tickets for known annual items that are applicable for fiscal year 2026.

3. A review has not been conducted on the efficiency of the vendor payment process.

Finding: Of the 65 sampled invoices, 31 were paid by check (47.69%). The average value of the paper checks was \$18,131. After the check was printed, it took an average of three days for KPPA to mail the checks to the vendor. The checks cleared the bank an average of 11 days after the checks were mailed.

Note: Although not included as an official finding, in a 2019 audit a suggestion was made to Executive Management to review the process of checks being returned to the agency.

Recommendation:

- a. Action already taken by KPPA: Beginning with the new fiscal year, vendors awarded a KPPA contract will be required to use the ACH payment type.
- b. KPPA Executive Management should determine if all checks must be returned to KPPA for processing or if some can be mailed by the State Treasurer.
- c. KPPA Executive Management should consider contacting vendors who receive payment by check and recommend they update their payment type to ACH.
- d. KPPA Executive Management should consider the feasibility of updating the member travel reimbursement form (8846) to include an option for electronic reimbursement, rather than receiving a paper check.

Management Response: KPPA management concurs that enhancements and efficiencies can be implemented regarding payments to vendors via checks. The Accounting Division will lead a review of the items recommended above by Internal Audit, as well as other paper check related items, and provide feedback to executive management for improvements. This review will occur during fiscal year 2026 with recommendations to be provided by 6/30/2026.



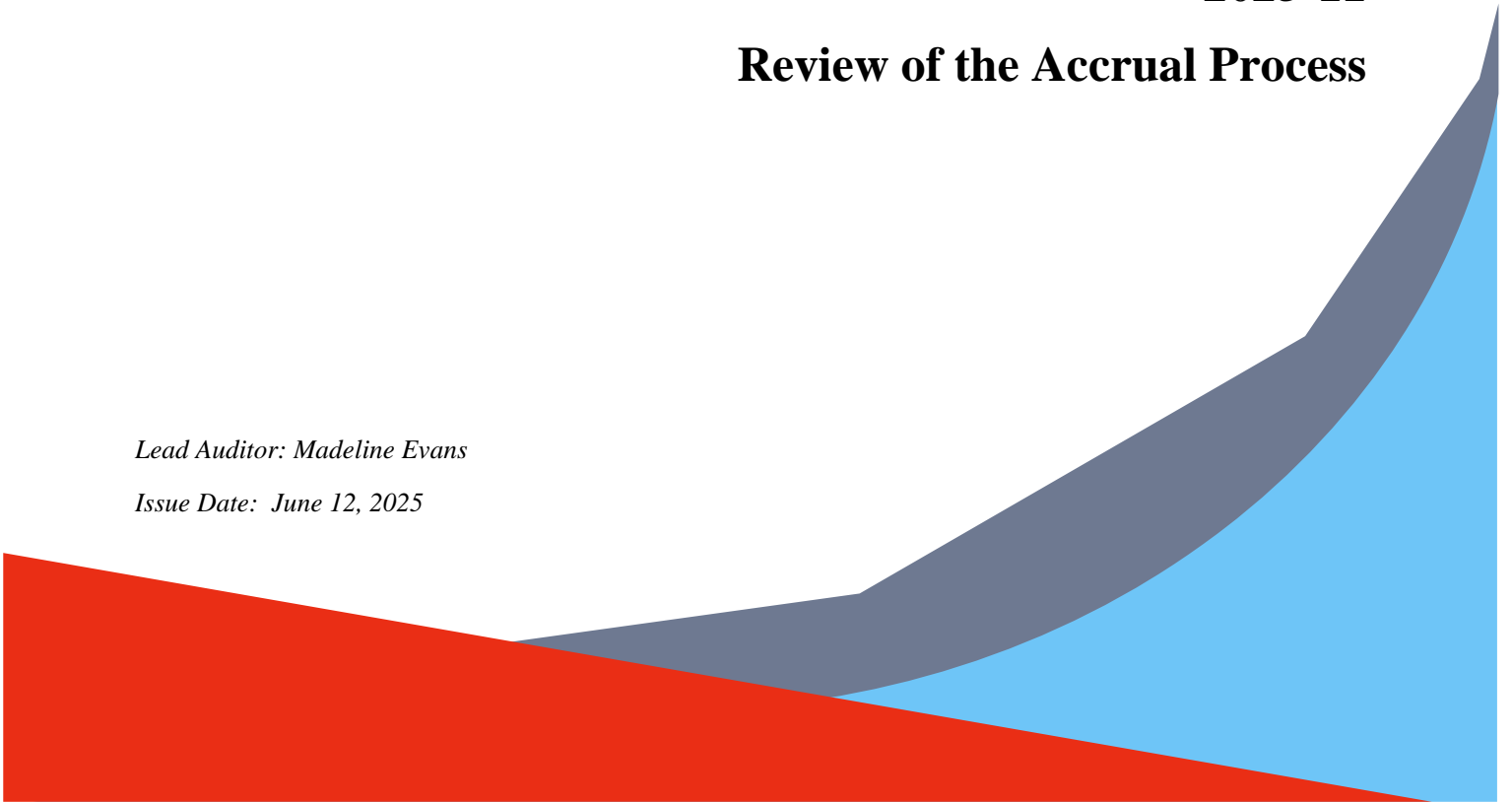
KPPA
Kentucky Public Pensions Authority

2025-11

Review of the Accrual Process

Lead Auditor: Madeline Evans

Issue Date: June 12, 2025



The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KERS - Kentucky Employees Retirement System (non-hazardous)
4. KHAZ - Kentucky Employees Retirement System (hazardous)
5. SPRS - State Police Retirement System
6. KRS - Kentucky Retirement Systems
7. Board(s) – Board of Trustees
8. CEO - Chief Executive Officer
9. CFO - Chief Financial Officer
10. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO
11. Accounting – KPPA Division of Accounting
12. DETS – Division of Enterprise and Technology Services
13. eMARS - enhanced Management Administrative Reporting System
14. IPS – Installment Purchase of Service
15. LOB – Line of Business
16. PC001 – Personnel Cabinet related report

Report Contents

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Overall Opinion

Process generally complies with relevant statutes, regulations, policies, and procedures. Internal controls are established and working effectively and efficiently.

Strategic Risk Addressed (Objective)

Review the accrual process and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure accruals are properly supported, reversed, and approved.

Audit Scope

The Review of the Accrual Process audit was conducted from April 9, 2025 to May 20, 2025. The scope of the audit was accruals completed fiscal year 2025 as of March 2025.

Summary of Findings and Observations

No findings or observations were noted as a result of this audit. We noted two opportunities for improvement that we communicated to the Division of Accounting in a separate letter dated June 12, 2025.

Commendations

Auditors would like to commend the Division of Accounting for their assistance and prompt responses to questions related to this project.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Division of Accounting. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Control Matrix

Auditor tested one of each type of accrual. The month for the test was randomly selected using a random number generator.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Policies/procedures/internal controls related to accruals are not established, documented, effective or efficient.	Procedures are reviewed and updated as needed.	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management implements control activities through policies. Information and Communication: Management uses quality information to achieve the organization's objectives.	The Graduate Accountant Manager updates procedures as needed. Procedures for accruals have not changed since these were written.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures are straightforward and accurately present the process. However, there are some opportunities for improvement related to the documentation of the approval process. See management letter opportunity for improvement #1.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
2.	Accruals may be entered into and/or reversed from the wrong account.	The approver reviews accrual accounts and ensures they are accurate; system automatically reverses entry.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Management designs the entity's information system and control activities.	Seven accruals are performed monthly around the 15th of each month. Accruals that are not already allocated across the plans are allocated using the hybrid percentage approved by the KPPA Board at the beginning of each fiscal year. Each debit and credit must be entered for each plan associated with each accrual type. All seven accrual types are prepared by the Graduate Accountant Manager and checked by the Accounting Division Director. <ol style="list-style-type: none"> 1. Member and employer contributions <ol style="list-style-type: none"> a. Contributions submitted by the 10th of each month are contributions from the prior month (15th-30th pay period) and these need to be moved back to the previous month. b. This accrual is already allocated across the 10 plans based on statutorily required member and employer contributions rates for Pension and Insurance funds. c. Credits are posted in Great Plains to account numbers ending in 407 and 419 for Pension and account numbers ending in 411 and 420 for Insurance and debited to account 105 for both pension and insurance. 2. Employee payroll <ol style="list-style-type: none"> a. The monthly cash detail report is generated from eMARS for the 15th or 30th depending on the current pay period. b. The hybrid percentage rates are used to allocate the total across the 10 plans. c. Debit 505 and credit 202. 3. Leave liability <ol style="list-style-type: none"> a. Division of Human Resources emails to several Accounting staff with the total accrued sick leave and comp leave saved up by KPPA employees. b. These are added together, and the total is allocated using the hybrid percentage. c. Debit 505 and credit 202. 4. IPS <ol style="list-style-type: none"> a. The LOB data warehouse automatically sends an email to a variety of DETS and accounting staff showing a chart of the total IPS unpaid principal amounts for each pension plan. IPS contracts are recognized in total when they are entered into by the member. The unpaid portion after partial monthly payments are made is being accrued. 	Confirmed that accruals and reversals in Great Plains were posted to the appropriate accounts.	All sampled accruals were debited and credited to the correct accounts. There were two accruals entered incorrectly initially but the error was corrected as soon as the preparer noticed the error.

				<ul style="list-style-type: none"> b. This is pre-allocated across the 10 plans. c. Debit 105 and credit 405. <p>5. Monthly end qualification money</p> <ul style="list-style-type: none"> a. At the end of the month some contributions are not qualified in the month they were received. The Graduate Accountant Manager pulls up the daily qualification wire worksheets to see when the first few days of the prior month's contributions were qualified. Each plan specific amount is copy and pasted to accrual worksheet and summed to find the plan specific accrual total. b. This is pre-allocated across the 10 plans. c. Debit 105 and credit 115. <p>6. PC001 Accrual</p> <ul style="list-style-type: none"> a. Contributions submitted by the Personnel Cabinet can be difficult to balance in a timely manner, so the first half of each month's contributions are qualified for the pension accounts KERS, KHAZ and SPRS without being fully verified in order to have the money at the investment bank. At the end of the month this qualification is backed out and the total true qualification is sent. b. This is pre-allocated across the 10 plans. c. Debit 115 and credit 105. <p>7. Unused cash</p> <ul style="list-style-type: none"> a. The total administrative budget is divided by 24 and pulled down twice a month from the custodial bank. The monthly ending balance of unused cash is accrued to ensure that the administrative expense account reflects the accurate balance of spent cash for quarterly financial statements. b. This is allocated using the hybrid percentage. c. Credit 505 and debit 105. <p>Reversing entries of accruals is an automatic process executed by Great Plains.</p> <p>Great Plains account descriptions:</p> <ul style="list-style-type: none"> 1. 505 - Administrative expense transfer 2. 202 - Accounts Payable 3. 105 - Accounts Receivable 4. 405 - Member contributions - Service Purchases 5. 115 - Transfer out 6. 407 - Member contributions from payrolls 7. 419 - Employer contributions from payrolls 8. 411 - Employer contributions 9. 420 - Additional Healthcare contribution House Bill 1 		
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Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
3.	Accruals may be entered and/or reversed in the wrong amount.	The approver compares accrual amount to the source documentation; system automatically reverses entry.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Management designs the entity's information system and control activities.	See Item 2 - Staff Process to Mitigate Risk.	Compared initial accrual and reversal in Great Plains to the appropriate supporting documentation and ensured the entries were posted for the correct amount.	All sampled accruals were entered correctly into Great Plains. There were two accruals that were initially incorrect, but the preparer corrected the error as soon as the error occurred.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
4.	Accruals may be entered and/or reversed in the wrong period.	The approver compares accrual amount to the source documentation; system automatically reverses entry.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Management designs the entity's information system and control activities.	See Item 2 - Staff Process to Mitigate Risk.	Reviewed initial accrual and reversal in Great Plains and ensured the entries were posted to the appropriate period.	All sampled accruals were entered at the end of the sampled month and reversed on the 1st of the following month.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
5.	Accruals and/or reversals may be improperly allocated.	The approver confirms the correct allocation is used; system automatically reversed entry.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Management designs the entity's information system and control activities.	See Item 2 - Staff Process to Mitigate Risk.	Compared the allocation rates used against the board approved rates for accrual types not already pre-allocated.	The KPPA Board approved hybrid percentage was used for the three accrual types that are not already pre-allocated based on contribution rates and membership.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
6.	Accrual entries and/or reversals may not be properly approved.	Division Director reviews accrual worksheets and documents approval in the excel document.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Management designs the entity's information system and control activities.	All accrual types are prepared by the Graduate Accountant Manager and reviewed by the Accounting Division Director.	Confirmed that sampled accrual worksheets were approved by the Accounting Division Director.	<p>All sampled accruals were checked by the Accounting Division Director. However, the form of approval is not reliable because it could easily be changed, removed from the worksheet, or signed by anyone with access to the worksheet. Additionally, the Accounting Division Director thought some accruals were approved by the Accounting Assistant Director-Cash Management, so those approvals were not completed throughout the year. Accounting Division Director performed all reviews once this was discovered during an Accounting team meeting.</p> <p>The approval format is a known issue, as it has been reported in past audits. The CFO is working with his staff to develop a solution that will work for all approvals that are currently in excel format.</p> <p>See management letter opportunity for improvement #2.</p>



KPPA
Kentucky Public Pensions Authority

2025-11

Review of the Accrual Process

Lead Auditor: Madeline Evans

Issue Date: June 12, 2025

Acronyms

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3. KRS - Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO - Chief Executive Officer
6. CFO - Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO

Strategic Risk Addressed

Review the accrual process and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure accruals are properly supported, reversed, and approved.

Audit Scope

The Review of the Accrual Process audit was conducted from April 9, 2025 to May 20, 2025. The scope of the audit was accruals completed fiscal year 2025 as of March 2025. In addition to the items included in that report, we noted two opportunities for improvement that we wanted to communicate to management.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Division of Accounting. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Opportunities for Improvement

An opportunity for improvement is an item noted during the audit that was outside of the expected test result but is not indicative of a compliance or control failure. These items represent a possible area of improvement that we wanted to bring to the attention of KPPA management and Trustees. A management response is not required for these items; however, management has opted to provide a response.

1. No exceptions were noted during testing, which indicates the current process and controls are operating effectively and efficiently. However, we did note that written procedures related to accruals are not up-to-date and do not reflect current practices.
 - a. Accounting staff should update the procedures to include current screenshots from eMARS, specifically related to generating the report used in the employee pay accrual.
 - b. References to the “Admin Depreciation worksheet” should be updated to refer to the hybrid allocation approved by the KPPA Board at the beginning of each fiscal year.

- c. Procedures should state that approval for each accrual is needed, who performs the approval, and how that approval is documented. Note: During testing we found that the Accounting Division Director thought some reviews were being performed by the Accounting Assistant Director-Cash Management so these reviews had not been previously completed throughout the year. After it was determined that the Division Director should be conducting all reviews, these reviews were performed.

Management Response: We concur with the recommendation and have updated the procedures noted above as of May 14, 2025.

Auditor Response: On May 20, 2025, Internal Audit confirmed that procedures had been updated. This Opportunity for Improvement is considered closed for audit purposes.

2. Approvals for monthly accruals are documented in an unprotected worksheet. The approval format is a known issue, and the CFO is working with his staff to develop a solution that will work for all approvals that are currently in excel format.
 - a. The approver's initials and the approval date can be edited by all employees with access to the spreadsheet.
 - b. There is no way to verify that different individuals prepared and approved the accruals.
 - c. There is no way to ensure the review and approval were completed in a timely manner because there is no timestamp showing the approval date.

Management Response: We concur. As noted in the recommendation we are working on a formal solution to a formal approval process. We would like to implement a solution prior to December 31, 2025 for all approvals.



July 21, 2025

Mr. Ryan Barrow
Executive Director
Kentucky Public Pension Authority
1260 Louisville Rd
Frankfort, Kentucky 40601

The following represents our understanding of the services we will provide to the Kentucky Public Pensions Authority (KPPA).

You have requested that we audit the financial statements of Kentucky Retirement System (KRS) and County Employees Retirement System (CERS) (hereby referred to as the "Systems"), as of June 30, 2025, and for the year then ended, and the related notes, which collectively comprise the Systems' basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with *Government Auditing Standards*, will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Schedule of Employers' Net Pension Liability
- Schedule of Employers' Changes in the System's Total Pension Liability
- Schedule of Employers' Contributions
- Schedule of Employers' Net OPEB Liability

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- Schedule of Employers' Changes in Net OPEB Liability
- Schedule of Employers' OPEB Contributions
- Money Weighted Rates of Return

Supplementary information other than RSI will accompany the Systems' basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- Schedule of Administrative Expenses
- Schedule of Direct Investment Activity Expenses
- Schedule of Professional Consultant Fees

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

- Introduction Section
- Investment Section
- Actuarial Section
- Statistical Section

Auditor Responsibilities

We will conduct our audit in accordance with GAAS and in accordance with *Government Auditing Standards*. As part of an audit in accordance with GAAS and in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of controls.
- Obtain an understanding of the system of internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Retirement the Systems' ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and, in accordance with *Government Auditing Standards*. Please note that the determination of abuse is subjective, and *Government Auditing Standards* does not require auditors to detect abuse.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Systems' compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of the system of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit;
 - iii. Unrestricted access to persons within the entity and others from whom we determine it necessary to obtain audit evidence.
- d. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- e. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- f. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- g. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.
- h. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in the system of internal control and others where fraud could have a material effect on the financials; and
- j. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue written reports upon completion of our audit of the Systems' basic financial statements. Our reports will be addressed to the board of trustees of the Systems. Circumstances may arise in which our reports may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

Except for responses required by the Kentucky Open Records Act, If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your website or elsewhere, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we will only provide confidential engagement documentation to you via Eide Bailly's secure portal or other secure methods, and request that you use the same or similar tools in providing information to us. Should you choose not to utilize secure communication applications, you acknowledge that such communication contains a risk of the information being made available to unintended third parties. Similarly, we may communicate with you or your personnel via e-mail or other electronic methods, and you acknowledge that communication in those mediums contains a risk of misdirected or intercepted communications.

Should you provide us with remote access to your information technology environment, including but not limited to your financial reporting system, you agree to (1) assign unique usernames and passwords for use by our personnel in accessing the system and to provide this information in a secure manner; (2) limit access to "read only" to prevent any unintentional deletion or alteration of your data; (3) limit access to the areas of your technology environment necessary to perform the procedures agreed upon; and (4) disable all usernames and passwords provided to us upon the completion of procedures for which access was provided. We agree to only access your technology environment to the extent necessary to perform the identified procedures.

Lealan Miller is the engagement partner for the audit services specified in this letter. The engagement partner's responsibilities include supervising services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses, administrative charges and a technology fee. Invoices are payable, within 30 days, upon proper invoice presentation. Our fees, including any out-of-pocket expenses, administrative charges and technology fees, for the audits of the Systems will not exceed \$156,000.

The ability to perform and complete our engagement consistent with the estimated fee included above depends upon the quality of your underlying accounting records and the timeliness of your personnel in providing information and responding to our requests. To assist with this process, we will provide you with an itemized request list that identifies the information you will need to prepare and provide in preparation for our engagement, as well as the requested delivery date for those items. A lack of preparation, including not providing this information in an accurate and timely manner, unanticipated audit adjustments, and/or untimely assistance by your personnel may result in a delay in the completion of our engagement.

We may be requested to make certain audit documentation available to outside parties, including regulators, pursuant to authority provided by law or regulation or applicable professional standards. If requested, access to such audit documentation will be provided under the supervision of Eide Bailly LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the outside party, who may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. If the request initiates with KPPA or the Systems, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in making such audit documentation available or in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our audit procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt, within 30 days of proper vendor invoice presentation. An interest penalty of 1% per month, which is an annual rate of 12%, will be added to all

accounts unpaid 30 days after billing date in accordance with KRS 45.454. If collection action is necessary, if ordered by Franklin Circuit Court, expenses and reasonable attorney's fees will be added to the amount due.

We may use third party service providers and/or affiliated entities (including Eide Bailly Shared Services Private Limited) (collectively, "service providers") in order to facilitate delivering our services to you. Our use of service providers may require access to client information by the service provider. We will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the confidentiality of client information accessed by such service provider and any work performed by such service provider.

Neither of us may use or disclose the other's confidential information for any purpose except as permitted under this engagement letter or as otherwise necessary for Eide Bailly to provide the services or as otherwise required by law. Your confidential information is defined as any information you provide to us that is not available to the public. Eide Bailly's confidential information includes our audit documentation for this engagement. Our audit documentation shall at all times remain the property of Eide Bailly LLP. To the extent that any of the confidentiality obligations described in this paragraph conflict with the PON2 100 2500003213, those provisions shall supersede and replace any and all prior confidentiality and/or nondisclosure agreements (NDAs) between us.

You agree to share all facts that may affect your financial statements, even if you first become aware of those facts after the date of the auditor's report but before the date your financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least eight years from the date of our report.

At the conclusion of our audit engagement, we will communicate to management and board of trustees the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

Government Auditing Standards require that we provide, upon request, a copy of our most recent external peer review report and any subsequent review reports to the party contracting for the audit. Accordingly, we will provide a copy of our most recent peer review report at your request.

MEDIATION

Any disagreement, controversy or claim arising out of or related to any aspect of our services or relationship with you (hereafter a "Dispute") shall, as a precondition to litigation in court, first be submitted to mediation. In

mediation, the parties attempt to reach an amicable resolution of the Dispute with the aid of an impartial mediator. Mediation shall begin by service of a written demand. The mediator will be selected by mutual agreement. If we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA"). Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

LIMITED INDEMNITY

Eide Bailly LLP and its partners, affiliates, officers and employees (collectively "Eide Bailly") shall not be responsible for any misstatements in your financial statements that we may fail to detect as a result of misrepresentations or concealment of information by any of your owners, directors, officers or employees.

LIMITATION OF LIABILITY

The exclusive remedy available to you for any alleged loss or damages arising from or related to Eide Bailly's services or relationship with you shall be the right to pursue claims for actual damages, to the extent allowable by Kentucky State Law, that are directly caused by Eide Bailly's breach of this agreement or Eide Bailly's violation of applicable professional standards. To the extent applicable law does not prevent or restrict KPPA from accepting limitations on liability, Eide Bailly's aggregate liability will be capped at two times the fees paid under this agreement. Furthermore, Eide Bailly will not be responsible for any incidental, consequential, punitive, exemplary damages, or attorney's fees.

TIME LIMITATION

You may not bring any legal proceeding against Eide Bailly unless it is commenced within twenty-four (24) months ("Limitation Period") after the date when we delivered our report, return, or other deliverable under this agreement to you, regardless of whether we do other services for you or that may relate to the audit. The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of a possible Dispute.

GOVERNING LAW AND VENUE

Any Dispute between us, including any Dispute related to the engagement contemplated by this agreement, shall be governed by Kentucky law. Any unresolved Dispute shall be submitted to the Franklin Circuit Court in Frankfort, Kentucky.

ASSIGNMENTS PROHIBITED

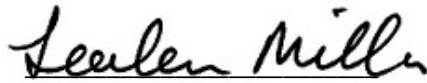
You shall not assign, sell, barter or transfer any legal rights, causes of actions, claims or Disputes you may have against Eide Bailly to any person.

Eide Bailly LLP, shall not assign, sell, barter or transfer any legal rights, causes of actions, claims or disputes against KPPA or the Systems to any person.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Respectfully,

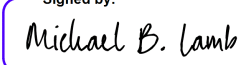


Lealan Miller
Partner

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Kentucky Public Pensions Authority by:

Signed by:
Name: 
E1A28036AE374A8...

Title: CFO

Date: 7/21/2025



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: Kentucky Public Pensions Authority (KPPA) Board
From: Mike Lamb, KPPA, Chief Financial Officer
Date: September 25, 2025
Subject: FY27-28 Biennium Budget Recommendations.

The KPPA Ad Hoc Budget Committee (the Workgroup) was formed during the June 26, 2025 KPPA Board meeting and includes:

- Mr. William O'Mara, Vice Chair - KPPA Board, County Employees Retirement System (CERS) Trustee, Chair - CERS Finance Committee, and Chair - KPPA Audit Committee.
- Mr. Prewitt Lane, KPPA Board Member, Vice Chair-Kentucky Retirement System (KRS) and Chair – KRS Investment Committee,

As well as the following participants

- Mr. Ed Owens III, CERS CEO,
- Mr. John Chilton, KRS CEO,
- Mr. Ryan Barrow, KPPA Executive Director,
- Ms. Rebecca Adkins, KPPA Deputy Executive Director,
- Mr. Mike Lamb, KPPA Chief Financial Officer

The Workgroup makes the following recommendations to the KPPA Board related to the FY 27/28 Biennium Budget, due October 1, 2025, to the Office of State Budget Director (OSBD) and the Legislative Research Commission (LRC).

RECOMMENDATIONS:

1. Approve the FY2027/2028 Biennium Baseline Budget Submission of \$50,115,600.
2. Approve the Capital Planning Submission of \$75 Million,
 - a. with \$15M in FY 2028,
 - b. \$50M in FYE's 2029/20230, and
 - c. \$10M in FYE's 2031/2032.
3. Approve the Additional Budget Request (ABR) of \$750,000 for FY 2027 and \$1,500,000 for FY 2028 to account for ancillary personnel costs associated with the Pension Administration System (PAS) Modernization, and other IT projects.



KPPA
Kentucky Public Pensions Authority

Budget Workgroup
FY 27/28 Biennial Budget
KPPA Board Presentation 9-25-2025





Current Workgroup

- Σ Mr. William O'Mara, Vice Chair - KPPA Board, County Employees Retirement System (CERS) Trustee, Chair CERS Finance Committee, and Chair KPPA Audit Committee.
- Σ Mr. Prewitt Lane, KPPA Board Member, Vice Chair-Kentucky Retirement System (KRS) and Chair – KRS Investment Committee,

The following participants

- Σ Mr. Ed Owens III, CERS CEO,
- Σ Mr. John Chilton, KRS CEO,
- Σ Mr. Ryan Barrow, KPPA Executive Director
- Σ Ms. Rebecca Adkins, KPPA Deputy Executive Director,
- Σ Mr. Mike Lamb, KPPA Chief Financial Officer
- Σ Multiple KPPA employees contributed to and participated in the multiple Workgroup meetings, and we express our sincere thanks for all their efforts.



FY 2026
Administrative
Budget,
approved by
KPPA on June
26, 2025.

ADMINISTRATIVE EXPENSES (RESTRICTED FUNDS)		Current KPPA Approved ADMIN BUDGET
		FY 2026
PERSONNEL		
	PERSONNEL (Salaries, FICA, Retirement, Health, Life)	\$ 37,718,000
	OTHER PERSONNEL	1,085,000
	Personnel Subtotal	\$ 38,803,000
	LEGAL CONTRACTS	1,820,000
	AUDITING	250,000
	ACTUARIAL SERVICES	550,000
	MEDICAL EXAMINERS / HEARING OFFICERS	1,800,000
	PERSONNEL TOTAL	\$ 43,223,000
OPERATIONAL		
	RENTALS - BUILDING & EQUIPMENT	1,210,000
	INFORMATION TECHNOLOGY	4,005,000
	OTHER OPERATIONAL	1,509,000
	OPERATIONAL TOTAL	\$ 6,724,000
	Unallocated Reserve	22,700
	ADMINISTRATIVE BUDGET AMOUNT	49,969,700
	Personnel Cabinet's review of IT job classifications	145,900
TOTAL FY2026 BUDGET FROM OSBD		\$ 50,115,600



FY 27/28 Biennium Baseline Amounts Provided by OSBD

TOTAL AMOUNT: OSBD Provided the KPPA with their total FY 27/28 baseline biennium amount of:
\$51,115,600

Personnel Costs: OSBD also provides the Baseline amounts for Personnel Costs (Salary, FICA, Retirement, Health, Life), and that amount is **\$38,459,400** for both FY 27 & 28. (this is part of the \$51.1 million total above.)

RESTRICTED FUNDS: All of the Administrative expenses in the biennium budget request are restricted funds, not general funds.



FY 27/28 Proposed Biennium Baseline Submission

ADMINISTRATIVE EXPENSES (RESTRICTED FUNDS)	Current KPPA Approved ADMIN BUDGET	Proposed KBUD Baseline Submission		Additional Budget Request		Total KPPA Biennium Budget Request		Budget Difference 2026 to 2027	% Change	Budget Difference 2026 to 2028	% Change
	FY 2026	FY 2027	FY 2028	FY 2027	FY 2028	FY 2027	FY 2028				
PERSONNEL											
PERSONNEL (Salaries, FICA, Retirement, Health, Life)	\$ 37,718,000	\$ 38,459,400	\$ 38,459,400			\$ 38,459,400	\$ 38,459,400	\$ 741,400	1.97%	\$ 741,400	1.97%
OTHER PERSONNEL	1,085,000	1,786,100	1,436,100	750,000	1,500,000	2,536,100	2,936,100	1,451,100	133.74%	1,851,100	170.61%
KPPA Reduction to meet OSBD Baseline Amounts	-	(1,015,100)	(905,900)			(1,015,100)	(905,900)	(1,015,100)	#DIV/0!	(905,900)	#DIV/0!
Personnel Subtotal	\$ 38,803,000	\$ 39,230,400	\$ 38,989,600	\$ 750,000	\$ 1,500,000	\$ 39,980,400	\$ 40,489,600	\$ 1,177,400	3.03%	\$ 1,686,600	4.35%
LEGAL CONTRACTS	1,820,000	1,675,000	1,675,000			1,675,000	1,675,000	(145,000)	-7.97%	(145,000)	-7.97%
AUDITING	250,000	201,000	201,000			201,000	201,000	(49,000)	-19.60%	(49,000)	-19.60%
ACTUARIAL SERVICES	550,000	550,000	550,000			550,000	550,000	-	0.00%	-	0.00%
MEDICAL EXAMINERS / HEARING OFFICERS	1,800,000	1,600,000	1,600,000			1,600,000	1,600,000	(200,000)	-11.11%	(200,000)	-11.11%
PERSONNEL TOTAL	\$ 43,223,000	\$ 43,256,400	\$ 43,015,600	\$ 750,000	\$ 1,500,000	\$ 44,006,400	\$ 44,515,600	\$ 783,400	1.81%	\$ 1,292,600	2.99%
OPERATIONAL											
RENTALS - BUILDING & EQUIPMENT	1,210,000	1,205,000	1,205,000			1,205,000	1,205,000	(5,000)	-0.41%	(5,000)	-0.41%
INFORMATION TECHNOLOGY	4,005,000	4,105,000	4,305,000			4,105,000	4,305,000	100,000	2.50%	300,000	7.49%
OTHER OPERATIONAL	1,509,000	1,549,200	1,590,000			1,549,200	1,590,000	40,200	2.66%	81,000	5.37%
OPERATIONAL TOTAL	\$ 6,724,000	\$ 6,859,200	\$ 7,100,000	\$ -	\$ -	\$ 6,859,200	\$ 7,100,000	\$ 135,200	2.01%	\$ 376,000	5.59%
Unallocated Reserve	22,700	-	-					(22,700)	-100.00%	(22,700)	-100.00%
ADMINISTRATIVE BUDGET AMOUNT	\$ 49,969,700	\$ 50,115,600	\$ 50,115,600	\$ 750,000	\$ 1,500,000	\$ 50,865,600	\$ 51,615,600	\$ 895,900	1.79%	\$ 1,645,900	3.29%
Personnel Cabinet's review of IT job classifications	145,900	-	-					(145,900)	-100.00%	(145,900)	-100.00%
TOTAL FY2026 BUDGET FROM OSBD	\$ 50,115,600	\$ 50,115,600	\$ 50,115,600	\$ 750,000	\$ 1,500,000	\$ 50,865,600	\$ 51,615,600	\$ 750,000	1.50%	\$ 1,500,000	2.99%

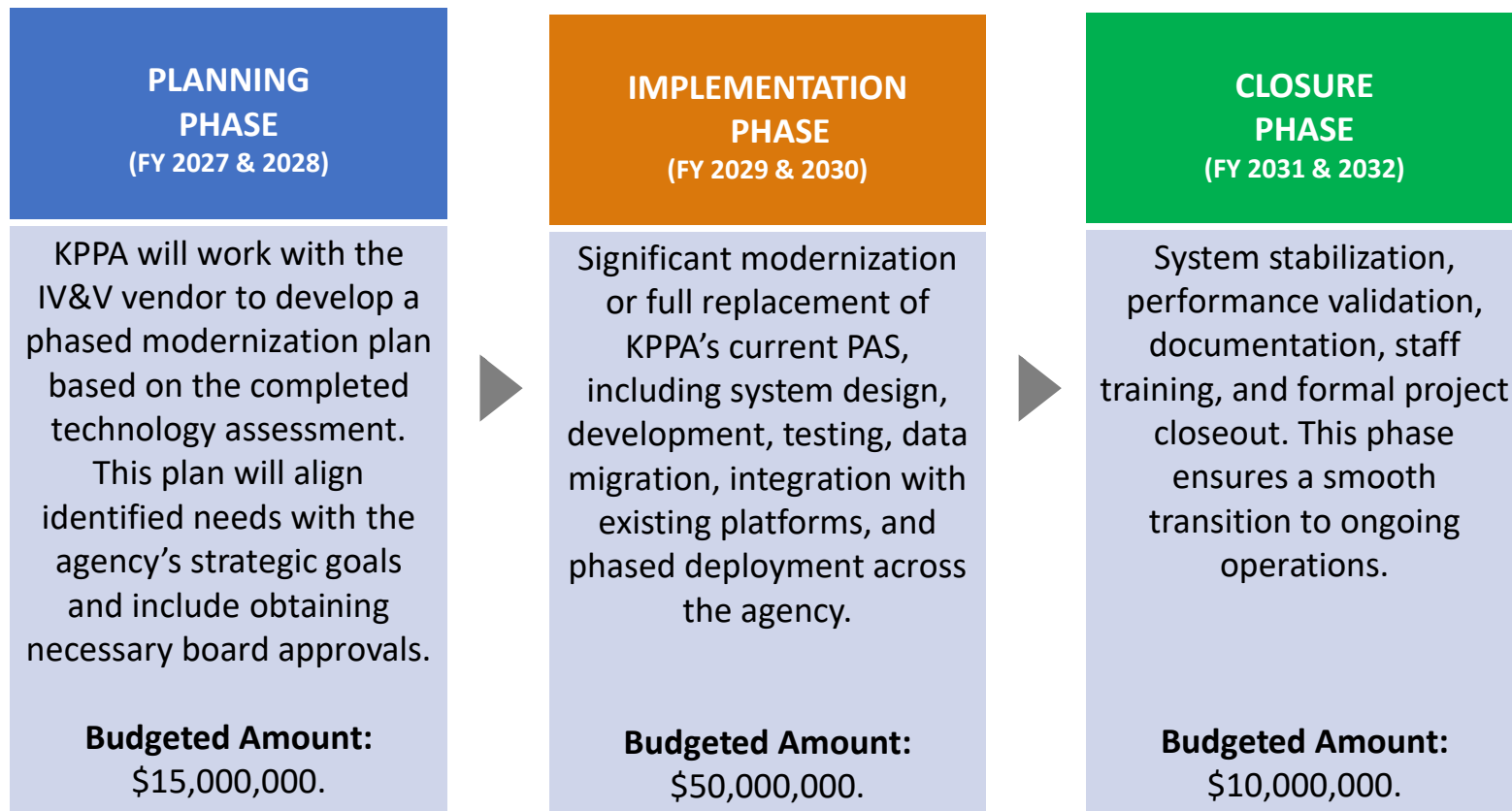


KPPA

Kentucky Public Pensions Authority

Capital Project Phases

Total Budgeted Amount: \$75 Million (of RESTRICTED FUNDS)





Questions

KPPA ADMINISTRATIVE BUDGET FY 2024-2025 BUDGET-TO-ACTUAL SUMMARY ANALYSIS FOR THE TWELVE MONTHS ENDING JUNE 30, 2025, WITH COMPARATIVE TOTALS FOR THE TWELVE MONTHS ENDING JUNE 30, 2024						
CATEGORY	BUDGETED	FY 2025 EXPENSE	REMAINING	PERCENT REMAINING	FY 2024 EXPENSE	PERCENT DIFFERENCE
PERSONNEL	\$36,798,000	\$34,960,780	\$1,837,220	4.99%	\$35,052,431	(0.26)%
LEGAL CONTRACTS	2,030,000	1,286,061	743,939	36.65%	1,192,804	7.82%
AUDITING	300,000	201,847	98,153	32.72%	234,246	(13.83)%
ACTUARIAL SERVICES	525,000	316,119	208,881	39.79%	411,539	(23.19)%
MEDICAL REVIEWERS	1,800,000	1,131,465	668,535	37.14%	1,400,455	(19.21)%
OTHER PERSONNEL	510,000	265,255	244,745	47.99%	298,947	(11.27)%
PERSONNEL TOTAL	\$41,963,000	\$38,161,527	\$3,801,474	9.06%	\$38,590,421	(1.11)%
RENTALS - BUILDING & EQUIPMENT	1,175,000	1,075,158	99,842	8.50%	1,029,113	4.47%
INFORMATION TECHNOLOGY	4,230,000	3,587,613	642,387	15.19%	3,327,635	7.81%
OTHER OPERATIONAL	1,397,500	1,309,156	88,344	6.32%	1,196,236	9.44%
OPERATIONAL TOTAL	\$6,802,500	\$5,971,927	\$830,573	12.21%	\$5,552,984	7.54%
RESERVE	216,000	-	216,000	100.00%	-	0.00%
ADMINISTRATIVE BUDGETED AMOUNT	\$48,981,500	\$44,133,454	\$4,848,047	9.90%	\$44,143,405	(0.02)%

Administrative Budget Summary Notes

Through the 3rd Quarter KPPA has spent just over \$26.1 million which is just over 70% of the budget (leaving nearly 29%) to spend in the 4th Quarter and keeping us on track to be under budget for this overall category at year end.

Within this category one line item is at risk of being over budget. The employer paid health insurance has a budget of \$2.875 million, and we have spent \$2.3 million (or 80% of the budget) as of March 31. I anticipate this line item being about \$225k over budget at year-end, attributed to increased premiums.

Furthermore, for the salaries line item, the Personnel cabinet did significantly adjust the salaries for some IT related positions during the 4th quarter of FY 2025. In addition, they are continuing to evaluate other IT related positions with more increases to follow in FY 2026. The OSBD did add an additional \$110k in the 4th quarter to help offset these costs in this line item, which will allow KPPA to stay under budget for the year.

PERSONNEL (Staffing):

We have spent nearly 53% of the legal admin budget and have 47% remaining for the final quarter. This overall category will remain underbudget for the year.

LEGAL CONTRACTS:

The budget for Dentons was \$50k and we have spent \$90k through March, so that specific line item will be over budget, but within the entire legal category, we have significant capacity to absorb and stay under budget.

AUDITING:

This will be underbudget for the fiscal year.

ACTUARIAL, MEDICAL, AND OTHER PERSONNEL:

All are below budget and will finish under budget for the fiscal year.

Overall Operational total is also under budget and will remain overall underbudget for the fiscal year.

OPERATIONAL TOTAL:

A few line items in this category will likely be overbudget including equipment maintenance (climate control in the server room); MISC. (JPM bank fees from FYE 2024, were not paid until FY 2025).

KPPA ADMINISTRATIVE BUDGET FY 2024-2025						
BUDGET-TO-ACTUAL ANALYSIS						
FOR THE TWELVE MONTHS ENDING JUNE 30, 2025, WITH COMPARATIVE TOTALS FOR THE TWELVE MONTHS ENDING JUNE 30, 2024						
Account Name	Budgeted	FY 2025 Expense	Remaining	Percent Remaining	FY 2024 Expense	Percent Difference
PERSONNEL						
Staff						
Salaries/Wages	\$21,138,000	\$20,268,549	\$869,451	4.38%	\$18,477,475	9.69%
Wages (Overtime)	310,000	192,278	117,723	37.98%	265,809	(27.66)%
Emp Paid FICA	1,641,000	1,478,076	162,924	9.93%	1,352,988	9.25%
Emp Paid Retirement	10,511,000	9,809,431	701,569	6.67%	12,081,328	(18.81)%
Emp Paid Health Ins	2,875,000	3,099,419	(224,419)	(7.81)%	2,801,896	10.62%
Emp Paid Sick Leave	250,000	87,735	162,265	64.91%	40,221	118.13%
Adoption Assistance Benefit	10,000	-	10,000	100.00%	-	0.00%
Escrow for Admin Fees	-	(3,000)	3,000	(100.00)%	(1,000)	200.00%
Workers Compensation	15,000	12,485	2,515	16.76%	11,116	12.32%
Unemployment	10,000	2,007	7,993	79.93%	8,691	(76.91)%
Emp Paid Life Ins	3,000	3,098	(98)	(3.27)%	3,034	2.11%
Employee Training	25,000	10,702	14,298	57.19%	10,872	(1.56)%
Tuition Assistance	10,000	-	10,000	100.00%	-	0.00%
Bonds	-	-	-	0.00%	-	0.00%
Staff Subtotal	36,798,000	34,960,780	1,837,220	4.99%	35,052,431	(0.26)%
LEGAL & AUDITING SERVICES						
Legal Hearing Officers	270,000	188,861	81,139	30.05%	256,571	(26.39)%
Legal (Stoll, Keenon)	250,000	-	250,000	100.00%	8,201	(100.00)%
Frost Brown	1,000,000	506,081	493,919	49.39%	492,500	2.76%
Reinhart	50,000	-	50,000	100.00%	-	0.00%
Ice Miller	300,000	250,538	49,462	16.49%	320,852	(21.91)%
Johnson, Bowman, Branco LLC	100,000	123,182	(23,182)	(23.18)%	85,391	44.26%
Dentons Bingham & Greenbaum	50,000	98,998	(48,998)	(98.00)%	11,586	754.46%
Kellerman Law PLC	-	90,772	(90,772)	-	-	100.00%
Legal Expense	10,000	27,630	(17,630)	(176.30)%	17,702	56.08%
Auditing	300,000	201,847	98,153	32.72%	234,246	(13.83)%
Total Legal & Auditing Services	2,330,000	1,487,908	842,092	36.14%	1,427,050	4.26%
CONSULTING SERVICES						
Medical Reviewers	1,800,000	1,132,465	667,535	37.09%	1,400,955	(19.16)%
Escrow for Actuary Fees	-	(1,000)	1,000	(100.00)%	(500)	100.00%
Total Consulting Services	1,800,000	1,131,465	668,535	37.14%	1,400,455	(19.21)%
CONTRACTUAL SERVICES						
Miscellaneous Contracts	425,000	210,873	214,127	50.38%	254,374	(17.10)%
Human Resources Consulting	10,000	-	10,000	100.00%	-	0.00%
Actuarial Services	525,000	316,119	208,882	39.79%	411,539	(23.19)%
Facility Security Charges	75,000	54,382	20,618	27.49%	44,573	22.01%
Contractual Subtotal	1,035,000	581,374	453,626	43.83%	710,485	(18.17)%
PERSONNEL SUBTOTAL	\$41,963,000	\$38,161,527	\$3,801,473	9.06%	\$38,590,421	(1.11)%
OPERATIONAL						
Natural Gas	45,000	34,157	10,843	24.10%	25,984	31.45%
Electric	130,000	112,627	17,373	13.36%	108,533	3.77%
Rent-Non State Building	80,000	-	80,000	100.00%	-	0.00%
Building Rental - PPW	1,000,000	961,968	38,032	3.80%	961,969	(0.00)%
Copier Rental	90,000	107,215	(17,215)	(19.13)%	62,701	70.99%
Rental Carpool	5,000	5,975	(975)	(19.49)%	4,443	34.48%
Vehicle/Equip. Maint.	1,300	22,432	(21,132)	(1625.51)%	1,247	1698.88%

KPPA ADMINISTRATIVE BUDGET 2024-25 BUDGET-TO-ACTUAL ANALYSIS						
FOR THE TWELVE MONTHS ENDING JUNE 30, 2025, WITH COMPARATIVE TOTALS FOR THE TWELVE MONTHS ENDING JUNE 30, 2024						
Account Name	Budgeted	FY 2025 Expense	Remaining	Percent Remaining	FY 2024 Expense	Percent Difference
Postage	450,000	418,461	31,539	7.01%	592,352	(29.36)%
Freight	200	-	200	100.00%	-	0.00%
Printing (State)	15,000	50	14,950	99.67%	400	100.00%
Printing (non-state)	85,000	89,693	(4,693)	(5.52)%	87,682	0.00%
Insurance	7,500	12,692	(5,192)	(69.23)%	5,090	149.35%
Garbage Collection	7,000	6,637	363	5.19%	6,684	(0.70)%
Conference Expense	45,000	45,815	(815)	(1.81)%	38,819	18.02%
Conference Exp. Investment	2,000	-	2,000	100.00%	-	0.00%
Conference Exp. Audit	3,000	744	2,256	75.20%	-	0.00%
MARS Usage	50,000	58,710	(8,710)	(17.42)%	27,100	116.64%
COVID-19 Expenses	-	-	-	0.00%	-	0.00%
Office Supplies	90,000	43,223	46,777	51.97%	40,563	6.56%
Furniture & Office Equipment	30,000	2,474	27,526	91.75%	-	100.00%
Travel (In-State)	15,500	9,123	6,377	41.14%	12,482	(26.91)%
Travel (In-State) Investment	-	217	(217)	0.00%	191	0.00%
Travel (In-State) Audit	1,000	-	1,000	100.00%	-	0.00%
Travel (Out of State)	77,000	63,409	13,591	17.65%	53,911	17.62%
Travel (Out of State) Investment	135,000	9,376	125,624	93.06%	15,176	(38.22)%
Travel (Out of State) Audit	3,000	-	3,000	100.00%	-	0.00%
Dues & Subscriptions	69,000	69,072	(72)	(0.10)%	64,005	7.92%
Dues & Subscriptions Invest	15,000	6,420	8,580	57.20%	14,321	(55.17)%
Dues & Subscriptions Audit	1,000	805	195	19.50%	380	0.00%
Miscellaneous	55,000	172,117	(117,117)	(212.94)%	18,088	851.55%
Miscellaneous Investment	-	-	-	0.00%	90	0.00%
Miscellaneous Audit	-	-	-	0.00%	-	0.00%
COT Charges	40,000	24,098	15,902	39.76%	23,796	1.27%
Telephone - Wireless	10,000	7,706	2,294	22.94%	8,086	(4.70)%
Telephone - Other	90,000	178,014	(88,014)	(97.79)%	93,919	89.54%
Telephone - Video Conference	15,000	3,893	11,107	74.04%	8,233	100.00%
Computer Equip./Software	4,120,000	3,504,805	615,196	14.93%	3,262,371	7.43%
Comp. Equip./Software Invest	-	-	-	0.00%	-	0.00%
Comp. Equip./Software Audit	20,000	-	20,000	100.00%	14,368	0.00%
OPERATIONAL SUBTOTAL	\$6,802,500	\$5,971,927	\$830,573	12.21%	\$5,552,984	7.54%
SUB-TOTAL	\$48,765,500	\$44,133,453	\$4,632,046	9.50%	\$44,143,405	(0.02)%
Reserve	216,000	-	216,000	100.00%	-	0.00%
TOTAL	\$48,981,500	\$44,133,454	\$4,848,046	9.90%	\$44,143,405	(0.02)%
<i>Differences due to rounding</i>						

Plan	Budgeted	FY 2025 Expense	% of Total KPPA FY 2025 Expense
CERS Nonhazardous	\$28,899,085	\$26,038,738	59.00%
CERS Hazardous	2,527,445	2,277,286	5.16%
KERS Nonhazardous	15,436,030	13,908,217	31.514%
KERS Hazardous	1,771,661	1,596,307	3.617%
SPRS	347,279	312,906	0.709%
TOTAL	\$48,981,500	\$44,133,454	100.00%

Plan - Specific Expenses	CERS	CERS Hazardous	KERS	KERS Hazardous	SPRS	Total
FY 2025 Expense	\$26,038,738	\$2,277,286	\$13,908,217	\$1,596,307	\$312,906	\$44,133,454
Plan-Specific Adjustment - Hybrid Percent	(511,250)	(44,713)	(273,077)	(31,342)	(6,144)	(866,526)
Plan Specific Adjustment	277,029	24,220	506,659	58,177	441	866,526
Total Expenses	\$25,804,516	\$2,256,794	\$14,141,799	\$1,623,142	\$307,205	\$44,133,455

JP MORGAN CHASE CREDIT EARNINGS AND FEES

FOR THE FISCAL YEAR ENDING JUNE 30, 2025

	Earnings	Fees	Net Earnings
July-24	\$-	\$(7,337)	\$(7,337)
August-24	-	(7,646)	\$(7,646)
September-24	-	(7,733)	\$(7,733)
October-24	-	(6,919)	\$(6,919)
November-24	-	(6,823)	\$(6,823)
December-24	-	(7,572)	\$(7,572)
January-25	-	(6,951)	\$(6,951)
February-25	-	(8,043)	\$(8,043)
March-25	-	(7,814)	\$(7,814)
April-25	-	(7,270)	\$(7,270)
May-25	-	(7,306)	\$(7,306)
June-25			\$-
Total	\$-	\$(66,838)	\$(66,838)

JP MORGAN CHASE HARD INTEREST EARNED

FOR THE FISCAL YEAR ENDING JUNE 30, 2025

	Clearing Account	CERS	KERS	SPRS	Total
July-24	\$25,823	\$15,119	\$7,930	\$348	\$49,220
August-24	27,262	20,476	10,633	1,081	\$59,451
September-24	34,046	16,441	8,353	262	\$59,101
October-24	15,627	13,684	7,931	330	\$37,572
November-24	14,694	12,366	9,711	249	\$37,021
December-24	20,158	18,973	11,170	655	\$50,957
January-25	10,681	14,775	8,462	202	\$34,120
February-25	27,295	15,519	8,994	599	\$52,407
March-25	27,493	13,787	6,576	227	\$48,083
April-25	18,295	12,947	5,278	223	\$36,744
May-25	20,511	11,658	5,592	234	\$37,995
June-25	15,414	13,843	6,155	251	\$35,664
Total	\$257,299	\$179,588	\$96,786	\$4,660	\$538,334



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
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To: Kentucky Public Pensions Authority

From: Steve Willer, CIO
Office of Investments

Date: September 25, 2025

Subject: Summary of Investment Committee Meetings

The Kentucky Retirement Systems Investment Committee held a Special Called meeting on September 11, 2025.

The following action was taken by the Investment Committee and was forwarded to the Kentucky Retirement Systems Board of Trustees for ratification. The Kentucky Retirement Systems Board of Trustees ratified this recommendation at their regularly scheduled meeting on September 11, 2025.

Unanimously approved Investment Staff's recommendation to invest up to \$75 million in the Strategic Value Special Situations Fund VI to be shared among all KRS and SPRS plans pending successful legal negotiations. The investment will be part of the Real Return allocation and will be funded by existing cash, or the unwinding of proxy positions based on the specific needs of each portfolio.

The Kentucky Retirement Systems Investment Committee held a regularly scheduled meeting on August 20, 2025.

- a. **No recommendations were made that required approval by the Investment Committee.**
- b. **No actions were taken that required ratification by the Kentucky Retirement Systems Board of Trustees.**

The County Employees Retirement System Investment Committee held a regularly scheduled meeting on August 27, 2025.

The following action was taken by the Investment Committee and was forwarded to the County Employees Retirement System Board of Trustees for ratification. The County Employees Retirement System Board of Trustees ratified this recommendation at their regularly scheduled meeting on September 8, 2025.

Unanimously approved Investment Staff's recommendation to invest up to \$100 million in the Strategic Value Special Situations Fund VI to be shared among all CERS plans pending successful legal negotiations. The investment will be part of the Private Equity allocation and will be funded by existing cash, or the rebalancing based on the specific needs of each portfolio.

Investment Staff and Wilshire presented material* and discussed the following items during the Regular Investment Committee meetings.

- a. *Review of Economic Conditions, Market Activity, Outlooks*
- b. *Absolute and Relative Performance and Asset Allocations for the Pension and Insurance Portfolios for the Quarter ending June 30, 2025*

Quarter Ending June 30, 2025

Pension Composite 6.09% vs Pension Composite Benchmark 5.33%

Insurance Composite 6.28% vs Insurance Composite Benchmark 5.60%

2025 Fiscal Year:

Pension Composite 11.68% vs Pension Composite Benchmark 10.80%

Insurance Composite 11.50% vs Insurance Composite Benchmark 11.11%

The Fiscal Year outperformance relative to the benchmark equated to \$187.4mm of outperformance for the Pension portfolios and \$33.3mm for the Insurance portfolios.

Quarter Ending June 30, 2025:

KERS Pension 5.30%
SPRS Pension 5.34%
 Benchmark 4.31%

KERSH Pension 6.29%
KERS Insurance 6.30%
KERSH Insurance 6.03%
SPRS Insurance 6.10%
 Benchmark 5.31%

CERS Pension 6.32%
CERSH Pension 6.38%
CERS Insurance 6.29%
CERSH Insurance 6.21%
 Benchmark 5.75%

2025 Fiscal Year:

KERS Pension 11.22%
SPRS Pension 10.96%
 Benchmark 9.63%

KERSH Pension 11.87%
KERS Insurance 11.75%
KERSH Insurance 11.18%
SPRS Insurance 11.25%
 Benchmark 10.79%

CERS Pension 11.64%
CERSH Pension 11.69%
CERS Insurance 11.31%
CERSH Insurance 11.18%
 Benchmark 11.27%

- c. *Performance Attribution* - The largest contributors to relative performance for the quarter were outperformance in the Real Return, Public Equity and Private Equity portfolios while the only detractor was the relative underperformance in the Specialty Credit portfolio. During the Fiscal Year, the Real Return, Real Estate and Specialty Credit portfolios all substantially outperformed their benchmarks and were the main drivers of overall outperformance. These portfolios outperformed by 1044pb, 346bps and 108bps respectively. The overweight to NonUS Public Equity relative to US Public Equity also benefitted portfolios during the year as these markets outperformed their US counterparts by over 2.5%. The main detractor to performance during the Fiscal Year was the 305bps of underperformance in the Private Equity portfolio relative to its public market benchmark plus 300bps.
- d. *Asset Class Performance* - For the Fiscal year, the US Equity portfolios produced a return of 15.09% vs the Russell 3000's return of 15.89% while the NonUS Equity portfolio returned 17.95% vs its benchmark return of 17.83%. The Core Fixed Income Portfolio produced a return of 6.27%, outperforming the benchmark by 19bps. The Specialty Credit Portfolio produced a return of 9.87%, outperforming the benchmark's return of 8.79%. The Real Estate Portfolio produced a return of 4.63% outperforming the 1.17% return of the benchmark. The Real Return Portfolio produced a return of 15.79% outperforming the 5.35% return of the benchmark. The Private Equity Portfolio produced a return of 7.17% compared to the 10.22% return of the benchmark.
- e. *Internally Managed Portfolios* - An update was provided on the performance of the internally managed passive and proxy portfolios. The portfolios performed in line with expectations and consistent with their mandates. The Real Return and Real Estate portfolios produced notable strong performance, outperforming their benchmarks by 16.34% and 2.05% respectively for the full Fiscal Year.
- f. *Peer Universe* – All of the Pension and Insurance portfolios have produced exceptional, top decile risk adjusted performance over the reported 1, 3 and 5 year time periods based on Wilshire's All Public Plans universe and all portfolios have produced Sharpe ratios in the top 5% of Wilshire's peer universe over all reported time periods.
- g. *Asset Allocations* – Staff provided an update on the rebalancing activity and noted that as of the end of the Fiscal Year, all asset classes were within their specified IPS allocation ranges with most asset classes within 1% of their Target Allocations. The largest underweight remained in Private Equity as staff has viewed the asset class as having limited value from a relative risk/reward basis with better opportunities available in other asset classes.
- h. *Investment Budget Update* – For the full Fiscal Year, overall investment expenses were in line with the budget with a total of \$11.3MM spent during the year which was 89% of the amount budgeted. This represented an increase of \$4.0MM or 55% from the prior fiscal year. The majority of the Increase was the result of the significant increase in Legal expenses which were up \$3.8MM or 173% from Fiscal 2024. At the total pension level, Investment Fees and Expenses increased by 20.3MM or 14% compared to the prior fiscal year. The increase was primarily driven by performance based fees across alternative asset with performance fees increasing \$5.5MM in Real Estate, \$4.7MM in Real Return and \$2.5MM in Private Equity.
- i. *Investment Compliance* – The Compliance Officer presented the Quarterly Investment Compliance report and discussed enhancements to the process and reporting. As of the end of the Fiscal Year there were no compliance violations reported.

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



Brief for Administrative Regulations

Date: September 2025

1. Number and Title of Regulation(s): 105 KAR 1:445 Trustee Elections

☐ Emergency Regulation ☐ New Administrative Regulation ☒ Amendment
☐ Repealer ☐ Amended After Comments (w/SOC) ☐ Not Amended After Comments

2. Proposed schedule for regulation process:

File – by November 15, 2025

Public Comment period – through January 31, 2026

Public Hearing – January 26, 2026

ARRS – February 2026 (if no comments are received), March 2026 (if comments are received)

3. Statutory Authority: KRS 61.505(1)(g), 61.645(4)(j), 78.782(4)(j)

4. a) Major Economic Impact Certification (KRS 13A.010, Section 1(14): Will the combined implementation and compliance costs of this administrative regulation be at least five hundred thousand dollars (\$500,000) over any two-year period? No. The regulations are already being administered as written.

b) Cite the exemption under KRS 13A.105(2):

(a) Will not have a major economic impact:

(b) *Is an emergency administrative regulation that must be put into effect immediately to meet an imminent threat to public health, safety, or welfare;*

(c) *Is necessary to prevent the loss of federal or state funds;*

(d) *Is necessary to meet a deadline that is established by federal law, federal regulation, or state law;*

(e) *Is necessary to comply with a final order from a court of competent jurisdiction; or*

(f) *Relates to the licensure and regulation of health facilities and services pursuant to KRS Chapter 216B.*

5. If applicable, list the statute that requires this regulation to be submitted to another official or administrative body for review or approval prior to filing the administrative regulation with the LRC (KRS 13A.220, Section 5(6)(a)): None.

6. Summary of the Regulations:

KRS 61.505(1)(g) authorizes KPPA to promulgate administrative regulations on behalf of KERS and CERS that are consistent with KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510 to 78.852. KRS 61.645(4)(j) and 78.782(4)(j) authorize the systems to promulgate an administrative regulation to implement the use of electronic and telephonic ballots in the trustee election process and requires paper ballots to be mailed upon request of any eligible voter. This administrative regulation establishes the procedures and requirements for preparing and casting electronic, telephonic, and paper ballots, and the tabulation of the ballots for trustee elections.

7. Justification for Amendment(s) or New Regulation(s): Agency experience with elections and vendors, and needing additional time to develop, create, and mail ballots within regulatory and statutory deadlines,

as well as bulk mail expenses, prompted the amendments. The amendments provide a date certain by which eligible participants must provide their materials to the agency so that they may be included on a ballot, additional time for the agency and election services vendor to notify participants of how to become a trustee candidate and create the ballot while remaining within the statutory voting deadlines, remove the restriction of only providing details about voting by telephone on the ballot, remove provisions regarding returned ballots that no longer comply with agency protocol for changing mail and email addresses, add a section regarding filling trustee vacancies before the expiration of the term, and align language with KRS Chapter 13A drafting requirements.

8. Affected Entities: This administrative regulation will affect approximately 433,461 participants in the Kentucky Employees Retirement System, the State Police Retirement System, and the County Employees Retirement System. This administrative regulation will also affect the KPPA and its authorized election services vendors.

9. Is there a cost to or savings for the affected entities or the agency? If so, please explain and include funding source: The amendments should provide cost savings to the agency. Since the information for members employed as of December 31 does not arrive at the agency until around the second week in January, additional time to gather the information for, and delivery of, the mailing file to the election services vendor will eliminate short turnaround times that require overtime for agency audit and IT staff required to produce a second mailing after receiving the information. This could save the agency approximately \$1000.00 for 21.5 hours of collective staff time. The additional time to prepare ballots should also reduce mailing expenses. Finally, there may be a greater response to the election services vendor RFP since vendors previously indicated the short turnaround would not provide their print vendors with enough time to meet the regulatory mailing date of January 20. Administrative expenses of the KPPA are paid from the Retirement Allowance Account (trust and agency funds).

10. Is the regulation more stringent than federal regulation? If so, explain how and why: No.

11. Internal-External review/stakeholder involvement in promulgation process: The regulation was reviewed/discussed/ amended internally by staff and the Executive Team. Feedback from election service vendors during RFPs and the election process was also considered for amendments.

12. Comparison to Surrounding States: At least two sister states have similar or lengthier timeframes for trustee elections.

Ohio – the Board sets an election schedule in March, with the first Monday in October as the date that the Secretary of State supervises the election count. For 2025, nominating petitions and forms are due to the OPERS office on August 4, and ballots are mailed on August 26 (3 weeks). Ohio Rule 145-1-02 and

<https://www.opers.org/elections/>

Tennessee - The qualifying petition must be returned to the Tennessee Consolidated Retirement System by 4:30 p.m., Monday, March 3, 2025. Watch your email for voting ballots in May. (60 days)

<https://treasury.tn.gov/Portals/0/Documents/Retirement/Board%20Elections/Memorandum%20to%20State%20Personnel%20Officers%20Elections%20for%20TCRS%20Board.pdf>

13. Is Tiering Applied? (Explain why or why not): No, tiering is not applied. All candidates for trustee and voting members have the same requirements.

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amendment)

4 105 KAR 1:445. Trustee elections.

5 RELATES TO: KRS 11A.020, 11A.040, 61.080, 61.505, 61.645, 78.782

6 STATUTORY AUTHORITY: KRS 61.505(1)(g), 61.645(4)(j), 78.782(4)(j)

7 CERTIFICATION STATEMENT: This is to certify that this administrative regulation
8 complies with the requirements of KRS 13A.105(2) because it does not have a major economic
9 impact.

10 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.505(1)(g) authorizes the
11 Kentucky Public Pensions Authority to promulgate administrative regulations on behalf of the
12 Kentucky Retirement Systems and the County Employees Retirement System that are consistent
13 with KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510 to 78.852. KRS 61.645(4)(j)
14 and 78.782(4)(j) authorize the systems to promulgate an administrative regulation to implement
15 the use of electronic and telephonic ballots in the trustee election process and requires paper
16 ballots to be mailed upon request of any eligible voter. This administrative regulation establishes
17 the procedures and requirements for preparing and casting electronic, telephonic, and paper
18 ballots, and the tabulation of the ballots for trustee elections.

19 Section 1. Definitions.

20 (1) "Ballot" means an electronic or paper document that meets~~includes~~ the requirements

1 ~~of provisions required by~~ KRS 61.645(4)(c) and 78.782(4)(c), and for each candidate
 2 includes~~the candidate's~~:

3 (a) A recent~~Recent~~ photograph;

4 (b) City and county of residence;

5 (c) Employer and position title, or the employer from which the candidate last worked or
 6 retired, and the position title of the last position held;

7 (d) Education, including schools and universities attended and degrees earned;

8 (e) Any professional licenses or certifications~~held by the candidate~~;

9 (f) Any organization of which the candidate is a member that is listed on the candidate's
 10 application; and

11 (g) The website~~Web site~~ address where each candidate's materials are~~filed Application~~
 12 ~~for Trustee and resume is~~ available for viewing.

13 (2) "Board" means the Board of Trustees of the Kentucky Retirement Systems or the
 14 Board of Trustees of the County Employees Retirement System.

15 (3) "Candidate" means a participant of the system for which the election is being held
 16 who is nominated by:

17 (a) The~~Is nominated by the~~ relevant board; or

18 (b) Petition~~Is nominated by petition~~ of the members of the relevant system.

19 (4) "Election year" means the year of the:

20 (a) Expiration of a trustee's term of office; and~~the year of the~~

21 (b) Trustee election.

22 (5) "Eligible voter" means any person who:

23 (a) Is a participant of the system for which the vote is being taken on or before December

1 31 of the year preceding the election year; and

2 (b) Has on file:

3 1. A valid email address; or

4 2. If a paper ballot is requested pursuant to KRS 61.645(4)(j), a valid physical mailing
5 address.

6 (6) "Plurality of votes" means a majority of valid votes cast in an election.

7 (7) "Resume" means a document that at a minimum includes the participant's:

8 (a) First and last name;

9 (b) Address;

10 (c) Phone number;

11 (d) E-mail address;

12 (e) Educational background; and

13 (f) Professional employment history that includes dates of employment, job title,
14 employer name and address, and type of business.

15 (8) "Term of Office" means the period of membership on the relevant Board, which
16 begins on April 1 of the year elected or appointed and ends on March 31 four (4) years
17 thereafter.

18 (9) "Valid email address" means an email address the agency has on file for a participant
19 that is operational and able to receive messages, or has not otherwise been deemed an invalid
20 email address by the agency.

21 (10) "Valid physical mailing address" means the mailing address on file at which~~for~~ a
22 participant~~where he or she~~ is able to receive U.S. mail, including a:

23 (a) Current~~A-current~~ street address;

1 (b)[A] Post Office box registered with the United States Postal Service; or

2 (c) Private[A-private] mailbox registered with a commercial mail receiving agency
3 established pursuant to the United States Postal Service regulation.

4 (11) "Valid vote" means a timely cast vote by an eligible voter that clearly designates[has
5 ~~clearly designated~~] the voter's choice of an eligible candidate or candidates.

6 (12) "Write-in" means casting a valid vote for an eligible candidate[a person] not listed
7 on the ballot as a candidate by:

8 (a) Inserting their[his or her] name in the designated place when casting the vote by mail
9 or electronically; or

10 (b) Providing their[his or her] name when casting the vote by telephone.

11 (13) "Write-in candidate" means a person who is not listed on the ballot as a candidate
12 and has been inserted or provided as a write-in.

13 Section 2. Use of Third-party Vendors. Subject to KRS 61.505(3)(d), the agency may
14 contract with third-party vendors to provide services for the trustee election process as provided
15 by KRS 61.645(4) and 78.782(4).

16 Section 3. Election and ballot requirements.

17 (1) At the expiration of an elected trustee's term of office, an election shall occur for the:

18 (a)[The] Kentucky Retirement Systems Board of Trustees pursuant to KRS 61.645; and

19 (b)[The] County Employees Retirement System Board of Trustees pursuant to KRS
20 78.782.

21 (2) Ballots shall include:

22 (a) Candidates nominated by the Board in accordance with Section 4 of this
23 administrative regulation;

(b) Candidates nominated by Petition in accordance with Section 5 of this administrative regulation; or

(c) A write-in option.

(3) (a) On or before May 31 of the year immediately preceding an election year, the agency shall provide notice to current participants detailing the steps they~~[he or she]~~ shall take to become a potential candidate.

(b) A participant shall only be a potential candidate if they~~[he or she]~~:

1. Are~~[Is]~~ a member or retired member of the system in which they are~~[he or she is]~~ seeking placement on the ballot~~[or is a retired member with the majority of his or her service in that system]~~,

2. Are a member or a retired member of County Employees Retirement System if they are seeking placement on the ballot for the County Employees Retirement System, and the agency verifies the majority of their~~[his or her]~~ service was earned in that system in a:

a. Nonhazardous position if they are seeking placement on the ballot for a trustee position under KRS 78.782(1)(a)(1)

b. Hazardous position if they are seeking placement on the ballot for a trustee position under KRS 78.782(1)(a)(2);

3. Are~~[2. Is]~~ not statutorily prohibited by virtue of term limits as established in KRS 61.645(3) and 78.782(3);

4. Complete~~[3. Completes]~~ the requirements of paragraph (c) of this subsection;

5. Pass~~[4. Passes]~~ the background check in accordance with subsection (4)(b) of this section;

6. Are~~[5. Is]~~ determined constitutionally compatible in accordance with subsection (4)(c)

1 of this section;

2 7. Are~~[6. Is]~~ not a current or former employee of the agency, Kentucky Retirement
3 Systems, or County Employees Retirement System, or are not otherwise prohibited from being
4 placed~~[the Board in which he or she is seeking placement]~~ on the ballot pursuant to KRS
5 61.545(6)(c) or 78.782(6)(c); and

6 8. Are~~[7. Is]~~ not in violation of any provision of KRS 11A.020 or 11A.040 by a court of
7 competent jurisdiction or any other statute.

8 (c) Each participant seeking to be a potential candidate shall file in accordance with~~[the~~
9 ~~notice indicated in]~~ paragraph (a) of this subsection:

10 1. A valid Application for Trustee;

11 2. A resume with cover letter;

12 3. A recent color photograph; and

13 4. An authorization for the agency to complete a background check.

14 (4) (a) The agency shall review the filed documentation to ensure a potential candidate
15 meets the requirements established in subsection (3)(b) of this section, and completed the
16 requirements established in subsection (3)(c) of this section and KRS 61.645 and 78.782.

17 (b) A background check shall be completed for each potential candidate.

18 (c) If currently employed, the Kentucky Attorney General's Office shall review the
19 potential candidate's employment to determine if it is constitutionally compatible with the trustee
20 position in accordance with KRS 61.080, 61.645, 78.782, and the Kentucky Constitution Section
21 165. If the Kentucky Attorney General's Office indicates that the potential candidate's
22 employment is not constitutionally compatible with the trustee position, the potential candidate
23 shall be:

- 1 1. Excluded~~[Be excluded]~~ from placement on the ballot; or
- 2 2. Included~~[Be included]~~ for possible placement on the ballot if they provide a written
- 3 statement confirming their agreement~~[he or she agrees]~~ to resign from their~~[his or her]~~ current
- 4 position if elected~~[, and provides a written statement as such]~~.

5 Section 4. Nomination by the Board.

6 (1) The agency shall provide the respective Board of each system~~[system's Board]~~ with a

7 list of potential candidates who meet the requirements of Section 3(3) and (4) of this

8 administrative regulation, and each of their~~[his or her]~~ completed corresponding Applications for

9 Trustee.

10 (2) The name of each candidate nominated by the respective Board within six (6) months

11 prior to the end of a term of office shall be placed on the ballot.

12 Section 5. Petitions.

13 (1) To be included on the ballot by petition, the potential candidate shall file a valid

14 petition no later than October 31 of the year preceding the election year~~[four (4) months from the~~

15 ~~end of the term of office set to expire]~~.

16 (2) A valid petition is a petition that:

- 17 (a) Meets the requirements of Section 3(3) and (4) of this administrative regulation; and
- 18 (b) KRS 61.645(4)(b) or 78.782(4)(b).

19 (3) Each petition shall be reviewed by the agency to verify that each signature belongs to

20 a participant of the respective system.

21 (4) The name of each candidate who meets the requirements of this section shall be

22 placed on the ballot.

23 Section 6. Default to electronic ballots.

(1) The agency shall notify each eligible voter that an electronic ballot shall be provided unless they request~~[he or she requests]~~ a modification to the ballot type received in accordance with subsection (2) of this section.

(2) (a) A request to modify the ballot type shall be received on or before November 30 of the year preceding the election year in order to be effective for the upcoming election.

Modifications of the ballot type include changing from:

1. An~~[From an]~~ electronic ballot to a paper ballot; and
2. A~~[From a]~~ paper ballot to an electronic ballot.

(b) An eligible voter shall request a change in~~[change in]~~ the type of ballot:

1. Through the Self-Service Web site;
2. Via phone by calling the agency and providing their agency-issued~~[his or her agency issued]~~ personal identification number (PIN); or
3. By filing a signed written request.

(3) Once an eligible voter modifies the ballot type they receive~~[he or she receives]~~, the eligible voter shall receive the specified ballot type until they request~~[he or she requests]~~ a change in the ballot type in accordance with subsection (2) of this section.

Section 7. Ballot Preparation and Delivery.

(1) The agency or its third-party vendor shall prepare the official ballot within four (4) months of the nominations of the respective Board~~[no later than three (3) months prior to the expiration of the term of office]~~. The ballot shall:

- (a) Provide a unique voter identification number;
- (b) Provide details on how to vote~~[by telephone]~~;
- (c) Contain instructions defining what constitutes a valid vote; and

1 (d) Indicate that any invalid vote shall not be counted.

2 (2) Ballots shall be provided to eligible voters~~[the eligible voter]~~ on or before January
3 28[20] of the election year.

4 (a) The agency or its third-party vendor shall email electronic ballots to~~[For an electronic~~
5 ~~ballot,~~ the email address on file unless the eligible voter:

6 1. Has requested a paper ballot which shall be sent to their last valid physical mailing
7 address on file; or

8 2. Only has a valid physical mailing address on file to which a paper ballot shall be
9 sent~~[on or before December 31 of the year preceding the election year shall be used. If the~~
10 ~~eligible voter does not have a valid email address on file, the electronic ballot shall not be sent. If~~
11 ~~the agency discovered the invalid email address on or before one (1) week prior to the deadline~~
12 ~~to cast a valid vote, a paper ballot shall be mailed in accordance with paragraph (b) of this~~
13 ~~subsection.~~

14 (b) ~~For a paper ballot, the valid physical mailing address on file on or before December 31~~
15 ~~of the year preceding the election year shall be used. If a returned paper ballot is received:~~

16 ~~1. With notification of a new mailing address from the United States Postal Service, the~~
17 ~~ballot will be mailed to the new address if the notification is received on or before one (1) week~~
18 ~~prior to the date the vote shall be cast; or~~

19 ~~2. With no notification of a new mailing address from the United States Postal Service,~~
20 ~~on or before one (1) week prior to deadline to cast a valid vote, if the participant has a valid~~
21 ~~email address on file, an electronic ballot shall be sent in accordance with paragraph (a) of this~~
22 ~~subsection].~~

23 (b)~~(e)~~ The ballot shall not be provided if there is no valid physical mailing address and

1 no valid email address on file.

2 (3) The agency and its third-party vendor shall be held harmless for any incorrect email
3 address or mailing address submitted by the participant or inadvertently entered by the agency or
4 its third-party vendor.

5 Section 8. Casting of Votes.

6 (1) In order to be accepted and counted as a valid vote pursuant to KRS 61.645:

7 (a) Electronic votes and votes by telephone shall be cast on or before March 1 of the
8 election year; and~~[For an electronic vote or vote by telephone to be accepted and counted as a~~
9 ~~valid vote, it shall be cast on or before the end of day on March 1 of the election year, except as~~
10 ~~provided in paragraph (b) of this subsection.]~~

11 (b) Paper votes~~[For paper voting, the vote]~~ shall be on a ballot postmarked to the required
12 address by~~[the end of day on]~~ March 1 of the election year.

13 (2) (a) For an electronic or paper ballot, the eligible voter shall:

14 1. Indicate the candidate or candidates of their~~[his or her]~~ choice pursuant to KRS
15 61.645(4)(f) and 78.782(4)(f); or

16 2. Indicate a write-in option and add the name of an eligible participant as specified by
17 the Board for which the vote is being cast.

18 (b) To cast a vote by electronic ballot, the eligible voter shall electronically sign the
19 completed ballot on the Web site provided~~[to him or her]~~ and follow any other prompts.

20 (c) To cast a vote by paper ballot, the eligible voter shall sign the completed ballot and
21 mail it to the address indicated on the paper ballot.

22 (3) To cast a vote by telephone, the eligible voter shall:

23 (a) Call the number provided on the paper or electronic ballot;

1 (b) Provide their~~[his or her]~~ unique voter identification number;

2 (c) Indicate the candidate or write-in candidate of their~~[his or her]~~ choice verbally; and

3 (d) Follow any other prompts.

4 (4) Each eligible voter shall cast only one (1) vote per open position in each applicable
5 system and any subsequent vote received or submitted shall be invalid and not accepted.

6 Section 9. Review of Cast Votes.

7 (1) The third-party vendor shall review each cast vote to determine~~[ascertain]~~ whether it
8 is a valid vote.

9 (2) (a) Invalid votes shall include ballots:

10 1. Returned to the agency or third-party vendor for faulty or invalid physical mailing
11 addresses or email addresses;

12 2. Incorrectly returned or mailed to the street address of the agency or third-party vendor;
13 or

14 3. That do not comply with Section 8 of this administrative regulation.

15 (b) Invalid votes shall not be considered or counted. Once the final results are announced,
16 the ballots from these invalid votes shall be shredded or otherwise electronically destroyed by the
17 third-party vendor and a certificate shall be provided to the agency confirming the shredding or
18 destruction of these ballots.

19 Section 10. Tabulation of Votes.

20 (1) After totaling the valid votes, the third-party vendor shall certify the results of the
21 election in writing to the Chair of the respective Board in care of the Chief Executive Officer.
22 The certified results shall be provided to the agency on or before March 15 of the election year.

23 (2) Once all valid votes have been counted and the results are final, the third-party vendor

1 shall destroy all ballots, including ballots or data generated and stored from electronic or
2 telephone votes, and provide a certificate confirming the destruction of the ballots or data to the
3 agency.

4 (3) The candidate or write-in candidate with the plurality of votes is~~[votesis]~~ elected to
5 the vacant trustee position and shall begin their~~[his or her]~~ term of office on April 1 of the
6 election year.

7 (4) The agency shall notify each balloted candidate~~[and write in candidate]~~ of the
8 outcome of the election.

9 Section 11. Board Vacancies.

10 (1) The agency shall notify participants of the vacancy of an elected trustee during an
11 unexpired term within thirty (30) days of the vacancy occurring. The notice shall detail the steps
12 members or retired members shall take to become a potential candidate.

13 (2) In order to be an eligible candidate for the trustee vacancy, a participant shall:

14 (a) Meet the requirements established in Section 3(3)(b) of this administrative regulation;
15 and

16 (b) File the materials established in Section 3(3)(c) of this administrative regulation with
17 the agency no later than sixty (60) days after the vacancy occurs.

18 (3) The agency shall provide a list of eligible candidates to the applicable board for
19 consideration and appointment by majority vote of the remaining elected trustees pursuant to
20 KRS 61.645(5) or 78.782(5)(a).

21 Section 12. Incorporation by reference.

22 (1) "Application for Trustee", March 2022, is incorporated by reference.

23 (2) This material may be inspected, copied, or obtained, subject to applicable copyright

1 law, at the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky
2 40601, Monday through Friday, 8 a.m. to 4:30 p.m. This material is also available on the
3 agency's Web site at <https://kyret.ky.gov>.

105 KAR 1:445. Trustee elections. is approved for filing.

Ryan Barrow,
Executive Director
Kentucky Public Pensions Authority

Date

105 KAR 1:445. Trustee elections.

Certified pursuant to KRS 13A.150(2) and (3):

No signature pursuant to current litigation in Franklin County Circuit Court (Case No. 25-CI-00269).

Andy Beshear
Governor

Date

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Monday, January 26, 2026 at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through January 31, 2026 and shall receive the same consideration as verbal comments. Send written notification of intent to be heard at the public hearing, or written comments on the proposed administrative regulation, to the contact person.

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

Contact person: Carole J. Catalfo
Policy Specialist
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601
Phone (502) 696-8679
Fax (502) 696-8615
Email: Legal.Non-Advocacy@kyret.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

105 KAR 1:445

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the procedures and requirements for preparing and casting electronic, telephonic, and paper ballots, and the tabulation of ballots, for trustee elections.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the procedures and requirements for preparing and casting electronic, telephonic, and paper ballots, and the tabulation of ballots, for trustee elections.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority to promulgate administrative regulations on behalf of the Kentucky Retirement Systems and the County Employees Retirement System that are consistent with KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510 to 78.852. KRS 61.645(4)(j) and 78.782(4)(j) authorize the systems to promulgate an administrative regulation to implement the use of electronic and telephonic ballots in the trustee election process and requires paper ballots to be mailed upon request of any eligible voter. This administrative regulation establishes the procedures and requirements for preparing and casting electronic, telephonic, and paper ballots, and the tabulation of ballots, for trustee elections.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists with the effective administration of the statutes by establishing the procedures and requirements for preparing and casting electronic, telephonic, and paper ballots, and the tabulation of ballots, for trustee elections.

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

(a) How the amendment will change this existing administrative regulation: The amendment to this administrative regulation provides a date certain by which eligible participants must provide their materials to the agency so that they may be included on a ballot, additional time for the agency and election services vendor to notify participants of how to become a trustee candidate and create the ballot while remaining within the statutory voting deadlines, removes the restriction of only providing details about voting by telephone on the ballot, removes provisions regarding returned ballots that no longer comply with agency protocol for changing mail and email addresses, adds a section regarding filling trustee vacancies before

the expiration of the term, and aligns language with KRS Chapter 13A drafting requirements.

(b) The necessity of the amendment to this administrative regulation: Agency experience with elections and vendors, and needing additional time to develop, create, and mail ballots within regulatory and statutory deadlines, as well as qualifying for a bulk mail discount, prompted the amendment. The amendment to this administrative regulation is necessary to provide a date certain by which eligible participants must provide their materials to the agency so that they may be included on a ballot, additional time for the agency and election services vendor to notify participants of how to become a trustee candidate and create the ballot while remaining within the statutory voting deadlines, removes the restriction of only providing details about voting by telephone on the ballot, removes provisions regarding returned ballots that no longer comply with agency protocol for changing mail and email addresses, adds a section regarding filling trustee vacancies before the expiration of the term, and aligns language with KRS Chapter 13A drafting requirements.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority to promulgate administrative regulations on behalf of the Kentucky Retirement Systems and the County Employees Retirement System that are consistent with KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510 to 78.852. KRS 61.645(4)(j) and 78.782(4)(j) authorize the systems to promulgate an administrative regulation to implement the use of electronic and telephonic ballots in the trustee election process and requires paper ballots to be mailed upon request of any eligible voter. This administrative regulation establishes the procedures and requirements for preparing and casting electronic, telephonic, and paper ballots, and the tabulation of ballots, for trustee elections.

(d) How the amendment will assist in the effective administration of the statutes: The amendment to this administrative regulation will assist in the effective administration of the statutes by providing a date certain by which eligible participants must provide their materials to the agency so that they may be included on a ballot, additional time for the agency and election services vendor to notify participants of how to become a trustee candidate and create the ballot while remaining within the statutory voting deadlines, removes the restriction of only providing details about voting by telephone on the ballot, removes provisions regarding returned ballots that no longer comply with agency protocol for changing mail and email addresses, adds a section regarding filling trustee vacancies before the expiration of the term, and aligns language with KRS Chapter 13A drafting requirements.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation will affect approximately 433,461 participants in the Kentucky Employees Retirement System, the State Police Retirement System, and the County Employees Retirement System. This administrative regulation will also affect the Kentucky Public Pensions Authority and its authorized vendors.

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

amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The regulated community will be minimally impacted because the administrative regulation is already being substantially implemented as written. The amendment to this administrative regulation will assist in the effective administration of trustee elections by providing a date certain by which eligible participants must provide their materials to the agency so that they may be included on a ballot, additional time for the agency and election services vendor to notify participants of how to become a trustee candidate and create the ballot while remaining within the statutory voting deadlines, removes the restriction of only providing details about voting by telephone on the ballot, removes provisions regarding returned ballots that no longer comply with agency protocol for changing mail and email addresses, and adds a section regarding filling trustee vacancies before the expiration of the term.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): The cost of compliance with the amendment is minimal because the administrative regulation is already being substantially implemented as written.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The regulated community will benefit from this amendment which provides a date certain by which eligible participants must provide their materials to the agency so that they may be included on a ballot, provides additional time for the agency and election services vendor to notify participants of how to become a trustee candidate and create the ballot while remaining within the statutory voting deadlines will also provide cost savings, removes the restriction of only providing details about voting by telephone on the ballot, removes provisions regarding returned ballots that no longer comply with agency protocol for changing mail and email addresses, and adds a section regarding filling trustee vacancies before the expiration of the term.

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

(a) Initially: The cost of implementing the amendment is minimal because the administrative regulation is already being substantially implemented as written.

(b) On a continuing basis: The continuing cost to implement the amendment is minimal.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: An increase in fees or funding will not be necessary.

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

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applied. The regulated entity, potential trustee candidates, and members are subject to the same requirements, processes, and procedures.

FISCAL IMPACT STATEMENT

105 KAR 1:445

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority to promulgate administrative regulations on behalf of the Kentucky Retirement Systems and the County Employees Retirement System that are consistent with KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510 to 78.852. KRS 61.645(4)(j) and 78.782(4)(j) authorize the systems to promulgate an administrative regulation to implement the use of electronic and telephonic ballots in the trustee election process and requires paper ballots to be mailed upon request of any eligible voter. This administrative regulation establishes the procedures and requirements for preparing and casting electronic, telephonic, and paper ballots, and the tabulation of ballots, for trustee elections.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 61.505(1)(g), 61.645(4)(j), 78.782(4)(j)

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: The promulgating agency is the Kentucky Public Pensions Authority. This administrative regulation does not affect any other state unit, part, or division.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: The amendments should provide cost savings to the agency. Since the information for members employed as of December 31 does not arrive at the agency until around the second week in January, additional time to gather the information for, and delivery of, the mailing file to the election services vendor will eliminate short turnaround times that require overtime for agency audit and IT staff required to produce a second mailing after receiving the information. This could save the agency approximately \$1000.00 for 21.5 hours of collective staff time. The additional time to prepare ballots should also reduce mailing expenses and increase the bulk discount rate. Finally, there may be a greater response to the election services vendor RFP since vendors previously indicated the short turnaround would not provide their print vendors with enough time to meet the regulatory mailing date of January 20.

For subsequent years: This amendment could save the agency approximately \$1000.00 for 21.5 hours of collective staff time whenever a trustee election is held.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): There are no affected local entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year: N/A

For subsequent years: N/A

2. Revenues:

For the first year: N/A

For subsequent years: N/A

3. Cost Savings:

For the first year: N/A

For subsequent years: N/A

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): There are no additional regulated entities.

(b) Estimate the following for each affected local entity identified in (5)(a):

1. Expenditures:

For the first year: N/A

For subsequent years: N/A

2. Revenues:

For the first year: N/A

For subsequent years: N/A

3. Cost Savings:

For the first year: N/A

For subsequent years: N/A

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: The amendments should provide cost savings to the agency. Since the information for members employed as of December 31 does not arrive at the agency until around the second week in January, additional time to gather the information for, and delivery of, the mailing file to the election services vendor will eliminate short turnaround times that require overtime for agency audit and IT staff required to produce a second mailing after receiving the information. This could save the agency approximately \$1000.00 for 21.5 hours of collective staff time. The additional time to prepare ballots should also reduce mailing expenses and increase the bulk discount rate. Finally, there may be a greater response to the election services vendor RFP since vendors previously indicated the short turnaround would not provide their print vendors with enough time to meet the regulatory mailing date of January 20.

(b) Methodology and resources used to determine the fiscal impact: This agency analyzed costs and procedures for past trustee elections, including overtime required for agency staff, the opportunity for better bulk discounts, and feedback from, and the shortage of, available election services vendors under the current regulatory deadlines.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a “major economic impact”, as defined by KRS 13A.010(13): No, this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13). This administrative regulation is already being substantially administered as written, and costs are covered in an existing contract between the Kentucky Public Pensions Authority and its election services vendor.

(b) The methodology and resources used to reach this conclusion: This agency analyzed costs and procedures for past trustee elections, including overtime required for agency staff, the opportunity for better bulk discounts, and feedback from, and the shortage of, available election services vendors under the current regulatory deadlines.

SUMMARY OF MATERIALS INCORPORATED BY REFERENCE

“Application for Trustee”, March 2022, is a 2-page form used by system participants to file an application to become a Trustee candidate for their respective Board.



APPLICATION FOR TRUSTEE

Kentucky Public Pensions Authority

1260 Louisville Rd. • Frankfort KY 40601-6124

Phone: (502) 696-8800 • Fax: (502) 696-8801 • kyret.ky.gov

Deaf/Hard of Hearing TTY (502)564-4306

Trustee Information

Today's Date (mm/dd/yyyy)		Date of Birth (mm/dd/yyyy) <i>For identification purposes only</i>	
Phone (select type) <input type="checkbox"/> Mobile <input type="checkbox"/> Home		Work Phone No.	
Last Name	First Name	Middle Name	Other Name (if any)
Select Retirement System in which you have majority of service: <input type="checkbox"/> CERS <input type="checkbox"/> CERS-H <input type="checkbox"/> KERS <input type="checkbox"/> KERS-H <input type="checkbox"/> SPRS			
Position(s) held in above selected system: 			

Constitutional Incompatibility: Your application will not be processed if you select No.

- ☐ Yes ☐ No Some Constitutional Offices or positions of public employment are considered constitutionally incompatible with other Constitutional Offices (see KRS 61.645, KRS 61.080, and Kentucky Constitution Section 165). If upon review of your application, it is deemed that you hold a Constitutional Office or position of employment that is incompatible with the office of Trustee, do you agree to resign that position prior to the beginning of the term of Trustee or to withdraw your application for Trustee upon notice of the incompatibility?

The following are examples of positions that **may** be constitutionally incompatible with the office of Trustee: Commissioner of the fiscal court in counties containing a city of the first class; Member of the legislative body of cities of the first class; Mayor and member of the legislative council of a consolidated local government; Mayor and member of the legislative body in cities of the home rule class; County Indexer; member of the Public Service Commission of Kentucky; member of the Worker's Compensation Board; an appointed office of a special purpose governmental entity that has the authority to levy taxes; and an officer or employee of any county, city, town, or other municipality. **This list is not all inclusive.** Current work information will be submitted to the Office of the Attorney General of Kentucky to make the final determination on constitutional compatibility.

Background

- ☐ Yes ☐ No Have you ever been convicted of or plead guilty to a felony? If yes, list offense(s), date(s) of offense(s), date(s) of conviction(s) or plea(s), and jurisdiction(s) in which the offense(s) occurred. Conviction is not an automatic rejection of application.

Conflict of Interest

- ☐ Yes ☐ No Do you or any member(s) of your immediate family own more than 5% interest in an entity that does business or might seek to do business with the CERS Board, KRS Board, or KPPA? If yes, please list below.

- ☐ Yes ☐ No Do you or any member(s) of your immediate family serve in a leadership or fiduciary capacity with an entity that does business or might seek to do business with the CERS Board, KRS Board, or KPPA? If yes, please list below.

- ☐ Yes ☐ No Do you have any other actual or potential conflicts of interest that may hinder or prevent you from serving as a Trustee? If yes, please list below.

Name: _____

Date _____

Licenses or Certificates: Please list any professional licenses or certifications you currently hold.

License or Certification Title & Number	Original Issue Date	Current Expiration Date	Name, Address & Phone of Licensing Agency

Membership in Organizations: Indicate current membership in professional organizations, if you wish for the organization to be listed in your biography.

ORGANIZATION	TITLE	DATE MEMBERSHIP EXPIRES

In order to be considered as an applicant for the position of Trustee, along with the completed application, you must submit the following items:

1. Cover Letter explaining your qualifications for serving as a trustee and why you would like to serve as a trustee.
2. Detailed résumé which includes name, address, phone number, e-mail address, educational background, and employment history. Employment history must include dates of employment, job title, employer name and address, and type of business.
3. Color picture, 5x7 or larger, in PNG or JPG format submitted to trustee.election@kyret.ky.gov.
4. Release for criminal background check to be completed by Kentucky State Police. Payment for the background check will be made by the retirement system conducting the election.

Please note that name and current work related information provided by applicants will be forwarded to the Office of the Attorney General of Kentucky who will then determine whether the member is constitutionally eligible to join the Board of Trustees.

Signature - Please read and sign the following statement:

I certify, under penalty of law, that the information given in this application is correct and complete to the best of my knowledge.

Date _____

Signature: _____



Brief for Administrative Regulations

Date: September 2025

1. Number and Title of Regulation(s): 105 KAR 1:020. Reciprocal program between CERS, KERS, SPRS, TRS, JRP and LRP

☐ Emergency Regulation ☐ New Administrative Regulation ☒ Amendment
☐ Repealer ☐ Amended After Comments (w/SOC) ☐ Not Amended After Comments

2. Proposed schedule for regulation process:

File – by November 15, 2025

Public Comment period – through January 31, 2026

Public Hearing – January 26, 2026

ARRS – February 2026 (if no comments are received), March 2026 (if comments are received)

3. Statutory Authority: KRS 61.505(1)(g) and 61.645(9)(e), 61.680 and 78.5542.

4. a) Major Economic Impact Certification (KRS 13A.010, Section 1(14): “Major economic impact” means the combined implementation and compliance costs of an administrative regulation are at least five hundred thousand dollars (\$500,000) over any two (2) year period;

b) Cite the exemption under KRS 13A.105(2):

(a) Will not have a major economic impact:

(b) Is an emergency administrative regulation that must be put into effect immediately to meet an imminent threat to public health, safety, or welfare;

(c) Is necessary to prevent the loss of federal or state funds;

(d) Is necessary to meet a deadline that is established by federal law, federal regulation, or state law;

(e) Is necessary to comply with a final order from a court of competent jurisdiction; or

(f) Relates to the licensure and regulation of health facilities and services pursuant to KRS Chapter

216B.

5. If applicable, list the statute that requires this regulation to be submitted to another official or administrative body for review or approval prior to filing the administrative regulation with the LRC (KRS 13A.220, Section 5(6)(a)): None.

6. Summary of the Regulation: KRS 61.505(1)(g) and 61.645(9)(e) authorize the Board of Trustees to promulgate all administrative regulations necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.520 to 78.852. KRS 61.680 and 78.5542 provide for the combining of retirement accounts for public employees having a retirement account in more than one (1) of the following state administered retirement systems: County Employees Retirement System, Kentucky Employees Retirement System, Judicial Retirement Plan, Legislators Retirement Plan, State Police Retirement System and Teachers' Retirement System. This administrative regulation establishes requirements to implement KRS 61.680 and 78.5542.

7. Justification for Amendment(s) or New Regulation(s): The amendment corrects and adds statutory references, adds a definition for “death benefit” or “survivor benefit”, adds benefit calculations for Tier 2

employees, clarifies calculations for participation under KRS 6.577 and 21.427, removes a form that has been incorporated by reference into its own regulation, reorganizes related substantive provisions, and clarifies terms and aligns language with KRS Chapter 13A drafting requirements.

8. **Affected Entities:** This administrative regulation affects the Kentucky Public Pensions Authority, the state-administered retirement systems, and only those members who are or become eligible to purchase service credit and who have an account in more than one system. There are approximately 433,461 members in the state-administered retirement systems.

9. **Is there a cost to or savings for the affected entities or the agency? If so, please explain and include funding source:** The cost for the amendment is minimal because the administrative regulation is already being substantially implemented as written. Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

10. **Is the regulation more stringent than federal regulation? If so, explain how and why:** No.

11. **Internal-External review/stakeholder involvement in promulgation process:** The regulation was reviewed/discussed/and amended internally by staff and the Executive Team.

12. **Is Tiering Applied? (Explain why or why not):** No, tiering is not applied in either regulation. All members who wish to keep their accounts separated have the same requirements.

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amendment)

4 105 KAR 1:020. Reciprocal program between CERS, KERS, SPRS, TRS, JRP and LRP.

5 RELATES TO: KRS 6.500-6.577, 16.505 – 16.652~~[16.505-16.645]~~, 21.345-21.570,
6 61.510-61.705, 78.510-78.990, 161.600(3), 161.675

7 STATUTORY AUTHORITY: KRS 61.505(1)(g), 61.645(9)(e), 61.680, 78.552

8 CERTIFICATION STATEMENT: This is to certify that this administrative regulation
9 complies with the requirements of KRS 13A.105(2) because it does not have a major economic
10 impact.

11 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.505(1)(g) and 61.645(9)(e)
12 authorize~~[authorizes]~~ the Board of Trustees of the Kentucky Public Pensions Authority
13 ~~[Kentucky Retirement Systems]~~ to promulgate all administrative regulations necessary or proper
14 in order to carry out the provisions of KRS 16.505 to 16.652, 61.505~~[61.515]~~ to 61.705,~~[16.510~~
15 ~~to 16.652,~~] and 78.520 to 78.852. KRS 61.680 and 78.5542 provide~~[provides]~~ for the combining
16 of retirement accounts for public employees having a retirement account in more than one (1) of
17 the following state administered retirement systems: County Employees Retirement System,
18 Kentucky Employees Retirement System, Judicial Retirement Plan, Legislators Retirement Plan,
19 State Police Retirement System and Teachers' Retirement System. This administrative regulation
20 establishes requirements to implement KRS 61.680 and 78.5542.

Section 1. Definitions.

“Death benefit” or “survivor benefit” means a payment to a beneficiary of a deceased member who met the eligibility requirements of KRS 16.578(1), 61.640(1), or 78.5532(1) on the date of their death.

Section 2. General Provisions.

(1) To determine benefits upon the ~~Upon~~ death, disability or service retirement of a member having an account in more than one (1) state-administered retirement system, the Kentucky Public Pensions Authority shall ~~the following procedure shall be applicable in order to determine benefits for a member having an account in more than one (1) retirement system~~:

(a) ~~(1)~~ Combine the member's service in all systems; ~~;~~

(b) ~~(2)~~ Determine eligibility in each system based on combined service; ~~;~~

(c) ~~(3)~~ If eligible in any system, determine benefits; ~~and~~ ~~;~~

(d) ~~(4)~~ Check for specific exceptions such as prior service, request for separate account or special death or disability exception.

(2) The earliest membership date among the systems in which the member has service shall be used to calculate the benefits in each system ~~(5) Each system shall pay the applicable percentage of total benefit unless a specific exception exists~~.

Section 3. Service Retirement ~~Section 2~~.

(1) A member eligible to retire who elects service retirement from one (1) system, shall be paid from all systems in which the member ~~he~~ has an account unless they request that their ~~he requests that his~~ accounts be separated.

(2) The "final compensation" shall be calculated by:

(a) For a member with a membership date prior to September 1, 2008, using the five (5)

highest, or three (3) highest, if eligible, fiscal years creditable compensation regardless of the system under which the service was earned, except as provided in KRS 61.680(7).

(b) For a member with a membership date on or after September 1, 2008 but prior to January 1, 2014 who is employed in a:

1. Nonhazardous position, using the five (5) complete fiscal years immediately preceding retirement regardless of the system under which the service was earned, except as provided in KRS 61.680(7). Fiscal years added to the final compensation calculation to reach sixty (60) months shall be added regardless of the system under which the service was earned; and

2. Hazardous position, by using the highest complete fiscal years regardless of the system under which the service was earned, except as provided in KRS 61.680(7). Fiscal years added to the final compensation calculation to reach thirty-six (36) months shall be added regardless of the system under which the service was earned.

(3) Each system shall determine benefit payments on the basis of the final compensation but using only the service earned in that system. Payments shall be made by each system in accordance with its usual procedures. If a member is not eligible for an unreduced benefit, benefits shall be actuarially reduced based on factors adopted by the respective retirement boards.

(4) The retiring member or beneficiary shall be required to elect the same payment option in each system administered by the Kentucky Public Pensions Authority~~[Retirement Systems]~~ except that a member of the State Police Retirement System~~[state policeman]~~ or a member with hazardous service may select the "Ten (10) Year Certain" option established~~[set forth]~~ in KRS 16.576(4) irrespective of the option chosen for nonhazardous service in another retirement system administered by the Kentucky Public Pensions Authority.

(5) (a) A ~~retiring~~ member may elect to have each system treat their~~his~~ service credit in that system without regard to any other service credit, by requesting that their~~his~~ accounts be separated by filing a Form 2022, Separation of Accounts; or

(b) Failing to retire from the other state-administered retirement system within one (1) calendar month of their effective retirement date with the retirement systems administered by Kentucky Public Pensions Authority. A member will not be considered to have failed to retire from the other state-administered retirement system on the basis of the other state-administered retirement system's determination, notwithstanding the provisions of KRS 61.680, that the member is only eligible for a refund of contributions from the other state-administered retirement system ~~[, with the Form 6000, Notification of Retirement]~~.

(6) If so requested, "final compensation" shall be based on the creditable compensation earned under each system separately.

Section 4. Disability Retirement~~[Section 3]~~.

(1) (a) If a contributing member of one (1) of the six (6) state-administered retirement systems qualifies for disability benefits, all systems under which the combined service meets service requirements shall participate in benefit payments unless accounts are separated by provisions of KRS 61.680(2)(b).

(b) Each system shall calculate benefits using the formula in effect in that system.

(c) Service added to County Employees Retirement System, Kentucky Employees Retirement System and State Police Retirement System accounts in accordance with the appropriate disability formula established in 105 KAR 1:210, Section 11~~9~~, shall be prorated between system accounts based on a percentage of actual earned service in each system unless such proration conflicts with maximum added service permitted by law governing each system.

(d) Service added to Teachers Retirement System accounts pursuant to KRS 161.661(4) shall be actual earned service and upon such an award of service the Kentucky Public Pensions Authority shall recalculate the service to be added to the County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System accounts using the appropriate disability formula as established in 105 KAR 1:210, Section 11.

(2) If the combined service of a member meets service requirements in only one (1) system then that system shall pay benefits under the disability formula and the other system shall pay[as follows]:

(a) Benefits based on separate accounts if the member elects to maintain separate accounts;

(b) An actuarial accrued benefit based on the member's age, service and final compensation; or

(c) A refund, if requested by the member.

(3) The medical requirements for disability benefits shall be those of the system to which the member last contributed if combined service meets service requirements of that system. If service requirements are met in only one (1) system, the medical requirements of that system shall prevail.

(4) The process established in this section shall also be followed if the member qualifies for duty-related injury or death benefits pursuant to KRS 61.621.

Section 5. Survivor Benefit[Section 4]. A member contributing to any of the six (6) state-administered retirement systems who has combined service sufficient to qualify their beneficiaries for a survivor[death] benefit shall have their[his] County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System benefits

computed under the regular survivor~~[death]~~ formula based on their~~[his]~~ service in each of the three (3) systems.

Section 6. Service Purchases~~[Section 5]~~. A member having valid service credit in more than one (1) of the retirement systems administered by Kentucky Public Pensions Authority~~[Retirement Systems]~~ who is eligible to purchase service credit may elect to purchase service credit in one (1) system, or~~[he]~~ may divide the service credit between the systems permitting purchase. If service is to be divided~~[, the following additional requirements shall be met]~~:

(1) The same years of service shall not be used in more than one (1) system; ~~and~~~~[,]~~

(2) Each system shall calculate the costs of the retirement credit pursuant to~~[in keeping with]~~ the statutes and administrative regulations of that system.

Section 7. Medical Insurance~~[Section 6]~~.

(1) A retiring member with service in more than one state-administered retirement system~~[the Kentucky Teachers' Retirement System and one (1) or more of the three (3) systems administered by Kentucky Retirement Systems]~~ shall have their~~[his]~~ total service in all~~[four (4)]~~ systems combined to determine their~~[his]~~ eligibility for medical insurance benefits. The systems shall share the cost of the member's premium under this section based on the member's~~[his]~~ combined service.

(2) If the member meets the minimum eligibility requirements, the member may elect to participate in the insurance program established in~~[under]~~ KRS 6.577, 16.645, 21.427, 61.702, 78.5536, or 161.675. The premium paid from the insurance funds shall not be more than 100 percent of the single premium amount adopted by the respective boards of trustees or more than the maximum percentage payable under the program established under KRS 6.577, 16.645,

1 21.427, 61.702, 78.5536, or 161.675.

2 (3) (a) If the member elects to participate in the program under KRS 61.702 or 78.5536,
 3 the member's service in the state-administered retirement systems shall be combined to
 4 determine the applicable percentage that shall be paid toward their[his] individual coverage
 5 under KRS 61.702(3) and 78.5536(3).

6 (b) The state-administered retirement systems shall pay a pro rata share of the member's
 7 premium based on the service in each system expressed as a percentage of total service credit
 8 earned in all systems not to exceed the amount of the single monthly contribution rate[premium
 9 cost] adopted by the Board of Trustees of Kentucky Retirement Systems or the Board of Trustees
 10 of County Employees Retirement System.

11 1. The amount paid by the Kentucky Teachers' Retirement System shall not exceed the
 12 amount of the single monthly contribution rate[premium-cost] adopted by the Board of Trustees
 13 of the Kentucky Teachers' Retirement System.

14 2. The Kentucky Teachers' Retirement System shall not pay a percentage of the premium
 15 for a[the] spouse or[and] dependents.

16 (4) (a) If the member elects to participate in the program under KRS 161.675, the
 17 member's service in the state-administered retirement systems shall be combined to determine
 18 the applicable percentage that shall be paid under KRS 161.675(4)[161.675(3)].

19 (b) The state-administered retirement systems shall pay a pro rata share of the member's
 20 premium based on the service in each system expressed as a percentage of total service credit
 21 earned in all systems,~~[including service in the Legislators' Retirement Plan and Judicial~~
 22 ~~Retirement Plan,]~~ not to exceed the amount paid toward the monthly contribution[premium-cost]
 23 adopted by the Board of Trustees of Kentucky Teachers' Retirement System.

1. The amount paid by the Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System shall not exceed the amount of the single monthly contribution~~[premium cost]~~ adopted by the Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of County Employees Retirement System.

2. The Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System shall not pay a percentage of the premium for ~~a~~the spouse or dependents.

(c) Premiums payable pursuant to KRS 161.675 shall be paid by the Kentucky Teachers' Retirement System. The County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System shall reimburse the Teachers' Retirement System for the portion of the premium attributable to service in those systems.

(5) (a) If the member elects to participate in the program under KRS 6.577 or 21.427, the member's service in the systems shall be combined to determine the applicable percentage that shall be paid under KRS 21.427(2)(a).

(b) The state-administered systems shall each pay a pro rata share of the member's premium based on the service in each system expressed as a percentage of total service credit earned in all state-administered retirement systems, not to exceed the amount paid toward the monthly contribution adopted by the Board of Trustees of the Judicial Form Retirement System.

1. The amount paid by the County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System shall not exceed the amount of the single monthly contribution adopted by the Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the County Employees Retirement Systems.

2. The County Employees Retirement System, Kentucky Employees Retirement System,

and State Police Retirement System shall not pay a percentage of the monthly contribution for a spouse or dependents.

(c) Premiums payable pursuant to KRS 6.577 or 21.427 shall be paid by the Judicial Form Retirement System. The County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System shall reimburse Judicial Form Retirement System for the portion of the premium attributable to service in those systems.

(6)(a) Premiums payable pursuant to~~[under]~~ KRS 61.702 and 78.5536 shall be paid by the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System. The Kentucky Teachers' Retirement System or Judicial Form Retirement System shall reimburse the systems for the portion of the premium attributable to service in that system.

(b) Premiums payable pursuant to~~[under]~~ KRS 161.675 shall be paid by the Kentucky Teachers' Retirement System. The Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System shall reimburse the system for the portion of the premium attributable to service in those systems.

Section 8[7]. Incorporation by Reference.

~~(1)[The following material is incorporated by reference:~~

~~(a)] "Form 2022, Separation of Accounts, 11/25", Kentucky Public Pensions Authority is incorporated by reference~~[August 2002", Kentucky Retirement Systems; and

~~(b) "Form 6000, Notification of Retirement, July 2004", Kentucky Retirement Systems].~~

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Public Pensions Authority~~[Retirement Systems, Perimeter Park West]~~, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, Monday through Friday, 8 a.m. to 4:30 p.m.

- 1 and on the agency's website at kyret.ky.gov.

105 KAR 1:020. Reciprocal program between CERS, KERS, SPRS, TRS, JRP and LRP is approved for filing.

Ryan Barrow,
Executive Director
Kentucky Public Pensions Authority

Date

105 KAR 1:020 Reciprocal program between CERS, KERS, SPRS, TRS, JRP and LRP.

Certified pursuant to KRS 13A.150(2) and (3):

No signature pursuant to current litigation in Franklin County Circuit Court (Case No. 25-CI-00269).

Andy Beshear
Governor

Date

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Monday, January 26, 2026 at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through January 31, 2026 and shall receive the same consideration as verbal comments. Send written notification of intent to be heard at the public hearing, or written comments on the proposed administrative regulation, to the contact person.

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

Contact person: Carole J. Catalfo
Policy Specialist
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601
Phone (502) 696-8679
Fax (502) 696-8615
Email: Legal.Non-Advocacy@kyret.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

105 KAR 1:020

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the procedures for determining retirement benefits for public employees who have retirement accounts in more than one state-administered retirement system.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the procedures for determining retirement benefits for public employees who have retirement accounts in more than one state-administered retirement system.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) and 61.645(9)(e) authorize the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.520 to 78.852. KRS 61.680 and 78.5542 provide for the combining of retirement accounts for public employees having a retirement account in more than one (1) of the following state administered retirement systems: County Employees Retirement System, Kentucky Employees Retirement System, Judicial Retirement Plan, Legislators Retirement Plan, State Police Retirement System and Teachers' Retirement System. This administrative regulation establishes requirements to implement KRS 61.680 and 78.5542.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation is necessary to establish the procedures for determining retirement benefits for public employees who have retirement accounts in more than one state-administered retirement system.

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

(a) How the amendment will change this existing administrative regulation: The amendment corrects and adds statutory references, adds a definition for “death benefit” or “survivor benefit”, adds benefit calculations for Tier II employees, clarifies calculations for participation under KRS 6.577 and 21.427, removes a form that has been incorporated by reference into its own regulation, reorganizes related substantive provisions, and clarifies terms and aligns language with KRS Chapter 13A drafting requirements.

(b) The necessity of the amendment to this administrative regulation: The amendment is necessary to correct and add recent statutory references, add a definition for “death benefit” or

“survivor benefit”, add benefit calculations for Tier II employees, clarify calculations for participation under KRS 6.577 and 21.427, remove a form that has been incorporated by reference into its own regulation, reorganize related substantive provisions, and clarify terms and align language with KRS Chapter 13A drafting requirements.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) and 61.645(9)(e) authorize the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.520 to 78.852. KRS 61.680 and 78.5542 provide for the combining of retirement accounts for public employees having a retirement account in more than one (1) of the following state administered retirement systems: County Employees Retirement System, Kentucky Employees Retirement System, Judicial Retirement Plan, Legislators Retirement Plan, State Police Retirement System and Teachers' Retirement System. This administrative regulation establishes requirements to implement KRS 61.680 and 78.5542.

(d) How the amendment will assist in the effective administration of the statutes: The amendment will assist in the effective administration of the statutes by correcting and adding recent statutory references, adding a definition for “death benefit” or “survivor benefit”, adding benefit calculations for Tier II employees, clarifying calculations for participation under KRS 6.577 and 21.427, removing a form that has been incorporated by reference into its own regulation, reorganizing related substantive provisions, and clarifying terms and aligning language with KRS Chapter 13A drafting requirements.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation affects the Kentucky Public Pensions Authority, the state-administered retirement systems, and only those members who are or become eligible to purchase service credit and who have an account in more than one system. There are approximately 433,461 members in the state-administered retirement systems.

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

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The regulated community will be minimally impacted because the administrative regulation is already being implemented as written.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There will be no additional costs to comply with the amendment because it is already being implemented as written.

(c) As a result of compliance, what benefits will accrue to the entities identified in

question (3): The regulated community will benefit from corrected and the addition of recent statutory references, the new definition for “death benefit” or “survivor benefit”, benefit calculations for Tier II employees, clarified calculations for participation under KRS 6.577 and 21.427, the removal of a form that has been incorporated by reference into its own regulation, reorganized related substantive provisions, and clarified terms in language that aligns with KRS Chapter 13A drafting requirements.

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

(a) Initially: There will be no additional costs because the regulation is already being implemented as written.

(b) On a continuing basis: There will be no additional costs because the regulation is already being implemented as written.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No, an increase in fees or funding will not be necessary.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: No, this administrative regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not) No, tiering is not applied. The processes and procedures are the same for all members.

FISCAL IMPACT STATEMENT

105 KAR 1:020

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.505(1)(g), 61.645(9)(e), 61.680 and 78.5542.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 61.505(1)(g), 61.645(9)(e), 61.680 and 78.5542.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: The promulgating agency is the Kentucky Public Pensions Authority. Affected state units are the state-administered retirement systems.

(b) Estimate the following for each affected state unit, part, or division identified in

(3)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): There are no affected local entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year: N/A

For subsequent years: N/A

2. Revenues:

For the first year: N/A

For subsequent years: N/A

3. Cost Savings:

For the first year: N/A

For subsequent years: N/A

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): There are no additional affected regulated entities.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year: N/A

For subsequent years: N/A

2. Revenues:

For the first year: N/A

For subsequent years: N/A

3. Cost Savings:

For the first year: N/A

For subsequent years: N/A

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: This administrative regulation has minimal fiscal impact. It is already being administered as written.

(b) Methodology and resources used to determine the fiscal impact: The agency analyzed costs and procedures related to administering the reciprocal state-administered retirement systems for public employees who have a retirement account in more than one (1) of the state administered retirement systems.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a “major economic impact”, as defined by KRS 13A.010(13): No, this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13).

(b) The methodology and resources used to reach this conclusion: The agency analyzed costs and procedures related to administering the reciprocal state-administered retirement systems for public employees who have a retirement account in more than one (1) of the state administered retirement systems.

SUMMARY OF MATERIALS INCORPORATED BY REFERENCE

“Form 2022, Separation of Accounts”, KPPA, 10/2025, is a 1-page form used by participants who are members in more than one state-administered system to keep their accounts separate.

SUMMARY OF CHANGES TO MATERIALS INCORPORATED BY REFERENCE

“Form 2022, Separation of Accounts”, KPPA, 11/2025, is a 1-page form used by participants who are members in more than one state-administered system and who want to keep their accounts separate.

Changes to the previous form include:

Name and address change from Kentucky Retirement Systems to Kentucky Public Pensions Authority.

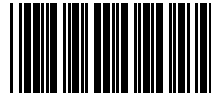
Bar code inserted in top right corner of page.

Member Information fields inserted for Name, contact information, and Member ID. Field for SSN removed.

State Administered Retirement Systems fields inserted to identify the state-administered retirement systems that the applicant is a member of.

Waiver of Reciprocity added fields to select which accounts the member wants to remain separate. Field for SSN removed.

“Acknowledgement” banner added to the field for notarization.

KENTUCKY PUBLIC PENSIONS AUTHORITY1260 Louisville Road • Frankfort, KY 40601
Phone: (502) 696-8800 • Fax: (502) 696-8822 • kyret.ky.gov

Print Form

Form 2022
Revised 11/2025**Separation of Accounts****Member Information**

Member Name:		Member ID:	
Address:	City:	State:	Zip Code:

State Administered Retirement Systems

Identify the state-administered retirement systems in which you have an account by checking the appropriate boxes below:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> County Employees Retirement System (CERS)
(city, county and local governments, classified employees of boards of education) | <input type="checkbox"/> Kentucky Teachers' Retirement System (TRS)
(certified employees of boards of education) |
| <input type="checkbox"/> Kentucky Employees Retirement System (KERS)
(state employees, health departments, universities) | <input type="checkbox"/> Legislators' Retirement Plan (LRP)
(State Senators and Representatives) |
| <input type="checkbox"/> State Police Retirement System (SPRS)
(full-time officers) | <input type="checkbox"/> Judicial Retirement Plan (JRP)
(Judges) |

Waiver of Reciprocity

I, _____ (print member name), hereby waive the reciprocity provisions of KRS

61.680 and 78.545 as follows:

- ☐ I elect to separate all of my retirement account(s) marked in Section 2.
- ☐ I elect to only separate the following retirement account(s) from all other systems marked in Section 2:
(select **ALL** accounts to be maintained and administered individually. Accounts selected below will not be eligible for reciprocity.)
- ☐ CERS ☐ KERS ☐ SPRS ☐ TRS ☐ LRP ☐ JRP

I acknowledge that by waiving reciprocity and separating my retirement accounts as marked, my salary and service used in determining my benefit eligibility will not be combined. Upon election to separate my accounts, I acknowledge I must meet separate vesting and eligibility requirements in order to receive benefits for each relevant system. I acknowledge that the waiver of reciprocity and election to separate my retirement accounts is effective immediately once this form is on file at the retirement office, and that my waiver reciprocity and election to separate retirement accounts is permanent and irrevocable once this form is on file at the retirement office.

Signature: _____ Date: _____

Acknowledgement

State of _____

County of _____

The foregoing was acknowledged by _____ (print member name)

before me this _____ day of _____, 20 _____

(Notary Seal)

Notary Public _____

My Commission Expires: _____

Kentucky Retirement Systems
1260 Louisville Rd
Frankfort KY 40601-6124
Phone: (502) 564-4646 ext. 4522
F: (502) 564-9198
www.kyret.com

FORM 2022

Member's
 Soc. Sec. No.:

Member's Name: _____

SEPARATION OF ACCOUNTS

State Administered Retirement Systems

Identify the state administered retirement systems in which you have an account by checking the appropriate boxes below:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Kentucky Employees Retirement System (KERS)
(state employees, health departments, universities) | <input type="checkbox"/> Kentucky Teachers Retirement System (KTRS)
(certified employees of boards of education) |
| <input type="checkbox"/> County Employees Retirement System (CERS)
(city, county and local governments, classified employees of boards of education) | <input type="checkbox"/> Legislators Retirement Plan (LRP)
(State Senators and Representatives) |
| <input type="checkbox"/> State Police Retirement System (SPRS)
(full time officers of Kentucky State Police) | <input type="checkbox"/> Judicial Retirement Plan (JRP)
(Judges) |

Waiver of Reciprocity

I, _____ (print member name), with Social Security No. _____ (print member social security number) hereby waive the reciprocity provisions of KRS 61.680 and elect to retire from _____ (KERS, GERS, or SPRS). I acknowledge by waiving reciprocity and separating my retirement accounts, my salary and service used in determining my retirement benefit will not be combined with my account in any other state administered retirement system. I acknowledge I must meet the separate vesting requirements to be eligible for retirement benefits from the state administered retirement system(s) from which I elect not to retire. I acknowledge that once the first retirement allowance is issued by the State Treasurer, the waiver of reciprocity and separation of accounts becomes permanent and irrevocable.

 Signature _____ Date _____

State of _____,

County of _____,

The foregoing was acknowledged by _____ (print member name)

before me this _____ day of _____ '20.

My Commission Expires: _____

(Notary Seal)

 Notary Public



Brief for Administrative Regulations

Date: September 2025

1. Number and Title of Regulation(s): 105 KAR 1:150. Installment purchase procedures

☐ Emergency Regulation ☐ New Administrative Regulation ☒ Amendment
☐ Repealer ☐ Amended After Comments (w/SOC) ☐ Not Amended After Comments

2. Proposed schedule for regulation process:

File – by November 15, 2025

Public Comment period – through January 31, 2026

Public Hearing – January 26, 2026

ARRS – February 2026 (if no comments are received), March 2026 (if comments are received)

3. Statutory Authority: KRS 16.645, 61.505(1)(g), 61.552(9), 78.545

4. a) Major Economic Impact Certification (KRS 13A.010, Section 1(14): “Major economic impact” means the combined implementation and compliance costs of an administrative regulation are at least five hundred thousand dollars (\$500,000) over any two (2) year period;

b) Cite the exemption under KRS 13A.105(2):

(a) **Will not have a major economic impact;**

(b) Is an emergency administrative regulation that must be put into effect immediately to meet an imminent threat to public health, safety, or welfare;

(c) Is necessary to prevent the loss of federal or state funds;

(d) Is necessary to meet a deadline that is established by federal law, federal regulation, or state law;

(e) Is necessary to comply with a final order from a court of competent jurisdiction; or

(f) Relates to the licensure and regulation of health facilities and services pursuant to KRS Chapter 216B.

5. If applicable, list the statute that requires this regulation to be submitted to another official or administrative body for review or approval prior to filing the administrative regulation with the LRC (KRS 13A.220, Section 5(6)(a)): None.

6. Summary of the Regulation: KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority on behalf of KERS and CERS to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. KRS 16.645, 61.552(9), and 78.545 permit an employee participating in KERS or CERS to purchase service credit by payroll deducted installments. This administrative regulation establishes the process and forms related to this option, and provides for the preservation of installment purchases for military personnel called into service.

7. Justification for Amendment(s) or New Regulation(s): The amendment to this administrative regulation adds definitions for “amortization schedule”, “omitted service”, “recontribution of a refund”, “remit”, and “termination date”, removes two “forms” that are actually agreements specific to the member who requests an installment plan to pay for service credit, replaces two additional forms incorporated by reference with citations to other regulations in which they are incorporated by reference, and reorganizes

and updates language for easier use and clarity and to comply with KRS Chapter 13A drafting requirements.

8. **Affected Entities:** There are approximately 433,461 participants in KERS, CERS, and SPRS. This regulation only affects those members who wish to purchase service credit through an installment agreement. In FY23 82 members, in FY24 58 members, and FY25 51 members, entered into installment agreements.

9. **Is there a cost to or savings for the affected entities or the agency? If so, please explain and include funding source:** The cost for the amendment is minimal because the administrative regulation is already being substantially implemented as written. Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

10. **Is the regulation more stringent than federal regulation? If so, explain how and why:** No.

11. **Internal-External review/stakeholder involvement in promulgation process:** The administrative regulation was reviewed/discussed/and amended internally by staff and the Executive Team.

12. **Is Tiering Applied? (Explain why or why not):** No, tiering is not applied. All members who want to purchase service credit by installments must meet the same requirements.

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amendment)

4 105 KAR 1:150. Installment purchase procedures.

5 RELATES TO: KRS 16.560, 16.645(19), 61.552(9)~~[61.373, 61.377, 61.552(14),~~
6 ~~61.552(24)]~~, 61.575, 78.545(7), 78.640~~[78.545(34)]~~, 26 U.S.C. 414(h), 415~~[, 29 U.S.C. 28]~~, 38
7 U.S.C. 43

8 STATUTORY AUTHORITY: KRS 16.645, 61.505(1)(g), 61.552(9),
9 78.545~~[61.552(14), (24), 61.645(9)(e)]~~

10 CERTIFICATION STATEMENT: This is to certify that this administrative regulation
11 complies with KRS 13A.150(2) because it does not have a major economic impact.

12 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.505(1)(g)~~[61.645(9)U(e)]~~
13 authorizes the Kentucky Public Pensions Authority on behalf~~[Board of Trustees]~~ of Kentucky
14 Retirement Systems and County Employees Retirement System to promulgate~~[all]~~ administrative
15 regulations that are consistent with and necessary or proper~~[in order]~~ to carry out the provisions
16 of KRS 16.505 to 16.652, 61.505~~[61.515]~~ to 61.705, and 78.510~~[16.510 to 16.652, and 78.520]~~
17 to 78.852. KRS 16.645, 61.552(9), and 78.545 permit~~[61.552(14) and 61.552(24) permits]~~ an
18 employee participating in the Kentucky Retirement Systems or the County Employees
19 Retirement System to purchase service credit by payroll deducted installments. This
20 administrative regulation establishes the process and forms related to this option, and provides

for the preservation of installment purchases for military personnel called into service.

Section 1. Definitions.

(1) “Amortization schedule ” means a table of installment payments for the entirety of the repayment period that includes each month’s interest, principal, and remaining balance.

(2) “Omitted service” is defined by KRS 61.552.

(3) “Recontribution of a refund” is defined by KRS 61.552.

(4) “Remit” means to make payment to the agency through the normal State Treasurer Office process.

(5) “Termination date” means the date on which the member has ceased or will cease their employment with their participating employer.

Section 2. Eligibility for installment payment plan.

(1) An employee may purchase or regain service credit by making installment payments in lieu of a lump-sum pursuant to KRS 16.645, 61.552(9)(a)2., and 78.545.

(2) Installment payment plans shall be allowed for participating[the] employees of a participating employer if:

(a) The employee has complied with all requirements to purchase service credit pursuant to 105 KAR 1:130 and 1:260;

(b) One (1) year of installment payments shall be made for each \$1,000 or any part thereof of the total cost, except that the total period allowed for installments shall not be less than one (1) year and shall not exceed five (5) years;

(c) The agency has provided notification to the employee that they are eligible to purchase or regain service by installment payments; and

(d) The employer certifies[an agency that has certified] its agreement to deduct and remit

installment payments on all participating employees by submitting to the agency a
completed~~[participating in the Kentucky Retirement Systems. The certification shall be made on~~
~~the]~~ "Form 7280, Employer Certification for Installment Purchase of Service," incorporated by
reference in 105 KAR 1:120~~[provided by the retirement system].~~

(3) The agency may refuse to allow new installment purchase agreements for employees
of an employer that has previously failed to deduct and remit installment payments for other
employees pursuant to administration regulations established in KAR Title 105.

(4)(a) Multiple service purchases may be combined under a single installment purchase,
except that an employee shall not make more than one (1) installment purchase at the same time;
and

(b) Once multiple service purchases have been combined in an installment purchase, the
employee shall not separate the purchases or pay a portion of one (1) of the purchases even if the
installment payment plan ceases.

Section 3. Calculation and Selection~~[Section 2].~~

(1) The agency~~[retirement system]~~ shall:

(a) Calculate~~[calculate]~~ the monthly installment payment necessary to pay the cost of the
service being purchased pursuant to KRS 16.645, 61.552(9)(c)1., and 78.545; and

(b) Provide the calculations and monthly payment options to the employee on a:

1. After Tax Installment Purchase of Service Agreement pursuant to KRS 61.645,
61.552(9)(a)2.b., and 78.545, and shall not exceed the limitations for annual additional
contributions in 26 U.S.C. 415; and

2. Before Tax Installment Purchase of Service Agreement pursuant to KRS 16.645,
61.552 (9)(a)2.a, and 78.545.

(2) The employee shall choose, complete, and file their selected payment option on the applicable installment agreement.

(3) Installment payments shall be established in accordance with KRS 16.645 and 61.552(9)(c)5., and 78.545

~~[(2) The employee may select a payment period of not less than one (1) year and not more than five (5) years in accordance with KRS 61.552(14)(c).~~

~~(3) The retirement system shall provide to the employee a "Form 5708, After Tax Installment Service Agreement" and a "Form 5709, Before Tax Installment Purchase of Service Agreement." The employee shall complete and return to the retirement systems only one (1), but not both, of either the Form 5708, After Tax Installment Purchase of Service Agreement or the Form 5709, Before Tax Installment Purchase of Service Agreement. An employee shall not enter into more than one (1) installment purchase of service agreement at any given time.~~

~~(4) The agreement shall contain a space for selecting the payment option and an authorization for withholding the installment payments.~~

~~(5) The agreement shall provide a space for the employee to indicate the amount of any down payment to be made by the employee, whether by personal check or rollover or transfer of funds from a qualified retirement plan or deferred compensation arrangement.~~

~~(6) The monthly payment options offered to the employee on the Form 5708 After Tax Installment Purchase of Service Agreement shall not exceed the limitations for annual additional contributions in 26 U.S.C. 415].~~

Section 4. Administration of the Installment Purchase of Service Agreement~~[Section 3].~~

(1) Upon receipt of a valid~~[the completed and signed Form 5708,]~~ After Tax Installment Purchase of Service Agreement or~~[the Form 5709,]~~ Before Tax Installment Purchase of Service

Agreement, the ~~agency[retirement system]~~ shall provide the employee with an amortization schedule~~[notify the employee and employer of the amount of the installment payment, the date the payments shall begin, the date the payments shall end, and the total payments]~~.

(2) After receipt of any~~[If the employee is making a]~~ down payment by transfer or rollover from a qualified retirement plan or deferred compensation arrangement pursuant to Section 7 of this administrative regulation, if applicable, the ~~agency[retirement system]~~ shall notify the employee and employer of the:

1. Amount~~[amount]~~ of the monthly installment payments;

2. Total installment payments; and

3. Dates the installment payments shall begin and shall end~~[following receipt of the transferred or rolled over funds]~~.

~~(3) An amortization schedule shall be sent to the employee]~~.

~~(3)~~(4) The agency shall reject an~~[Form 5708, After Tax]~~ Installment Purchase of Service Agreement~~[or the Form 5709, Before Tax Installment Purchase of Service Agreement shall be rejected]~~ and shall calculate a new~~[calculation of the]~~ cost of the purchase~~[shall be performed]~~ if the employee:

(a) Does not file a valid~~[The Form 5708, After Tax]~~ Installment Purchase of Service Agreement~~[or the Form 5709, Before Tax Installment Purchase of Service Agreement is not filed at the retirement systems]~~ by the deadline for purchase of the service credit;

(b) Fails~~[The employee fails]~~ to fully and properly complete and sign the~~[Form 5708, After Tax]~~ Installment Purchase of Service Agreement~~[or the Form 5709, Before Tax Installment Purchase of Service Agreement]~~;

(c) Indicates~~[The employee indicates]~~ that a down payment is to be made, but the

1 employee does not pay the down payment pursuant to Section 7 of this administrative
 2 regulation~~[include the check or proof of eligibility to rollover or transfer funds from a qualified~~
 3 ~~retirement plan or deferred compensation arrangement with the Form 5708, After Tax~~
 4 ~~Installment Purchase of Service Agreement or Form 5709, Before Tax Installment Purchase of~~
 5 ~~Service Agreement by the deadline for purchase of the service credit]; or~~

6 (d) Fails~~[The employee fails]~~ to file a corrected valid Installment Purchase of Service
 7 Agreement by the end of the thirtieth (30th) calendar day from~~[Installment Purchase of Service~~
 8 ~~Agreement within thirty (30) days of]~~ a recalculation of the cost to purchase.

9 (4)~~(5)~~ If the agency rejects an~~[Form 5708, After Tax]~~ Installment Purchase of Service
 10 Agreement~~[or Form 5709]~~ pursuant to~~[, Before Tax Installment Purchase of Service is rejected~~
 11 ~~under]~~ subsection (4) of this section, any down payment shall be refunded to the member or, if
 12 rollover or transfer, returned to the qualified retirement plan or deferred compensation
 13 arrangement.

14 Section 5. After Tax Installment Purchase of Service Agreement~~[Section 4].~~

15 (1) The employer shall~~[remit the installments to the retirement system as required by the~~
 16 ~~agreement, but shall]~~ be solely responsible for withholding sufficient amounts through payroll
 17 reduction from the employee to allow the payment of After Tax Installment Purchase of Service
 18 Agreement~~[the]~~ installments.

19 (2)~~[The installments shall be remitted to the retirement systems only with the employer's~~
 20 ~~contribution report.]~~ If the employee is not employed twelve (12) months each fiscal year, the
 21 employer~~[agency]~~ shall withhold sufficient funds from the employee's wages to allow the
 22 employer~~[agency]~~ to remit the required reductions~~[deductions]~~ with the employer's contribution
 23 reports during any months in which the employee is not paid.

(3)(a) The~~retirement system shall not accept personal checks from the employee as~~
~~payment for these deductions.~~

~~Section 5.~~

(1) The amount required to purchase one (1) month of service credit shall be calculated
~~by dividing the total of the installment payments due under the agreement by the number of~~
~~months of service credit being purchased.~~

(2) Upon receipt of installment payments equal to this amount, the retirement system
~~shall credit one (1) month of service credit to the member's account.~~

~~Section 6.~~

(1) The] employee shall notify the agency~~retirement system~~ in writing if they desire~~he~~
~~desires~~] to terminate the agreement~~Form 5708, After Tax Installment Purchase of Service~~
~~Agreement~~].

(b) Upon receipt of the notice from the employee, the agency~~retirement system~~ shall
 notify the employee and~~his~~] employer of the date to stop reductions~~deductions~~].

(c) Payments made prior to cancellation will be credited in accordance with Section 8(2)
of this administrative regulation. Any payment amount remaining that does not purchase a full
month of service credit shall be refunded.

(4)~~(2)~~] The employee may request a payoff amount for the~~Form 5708;~~] After Tax
 Installment Purchase of Service Agreement and~~[-The employee]~~ shall have until the end of the
sixtieth (60th) calendar day~~sixty (60) days~~] from the payoff date, requested by the employee and
 agreed to by the agency~~retirement system~~], to pay the installment agreement in full by lump sum
 payment, but the payoff shall be made prior to the effective date of retirement~~[-At the end of the~~
~~due date of the contract, the contract shall be terminated and any payment received shall be~~

1 ~~credited for service, and any payment amount remaining that will not purchase the next month of~~
2 ~~service shall be refunded].~~

3 (5) The employee may have the installment agreement recalculated to add one or more
4 service purchases if they are otherwise qualified to do so.

5 (6) The employee shall not receive a return of the payroll reductions pursuant to this
6 administrative regulation except pursuant to the normal disbursement procedures for a member's
7 accumulated contributions or accumulated account balance under KRS 61.575 and 78.640.

8 (7) The After Tax Installment Purchase of Service Agreement shall be void if the
9 employer fails to remit installment payments in accordance with Section 8(1) of this
10 administrative regulation for sixty (60) calendar days. The employee may request a:

11 (a) Payoff pursuant to subsection (4) of this section; or

12 (b) New installment agreement for the balance if they are otherwise qualified to do so.

13 Section 6. Before Tax Installment Purchase of Service Agreement.

14 (1)(a) A valid[(3) The Form 5709,] Before Tax Installment Purchase of Service
15 Agreement including all specified payroll reduction authorizations, amounts, and deductions,
16 shall be an irrevocable, binding agreement if properly and fully completed and signed by the
17 employee, authorized by the employer, and accepted by the agency[retirement systems].

18 (b) Once the employee enters into the irrevocable agreement:

19 1. Prepayments shall not be accepted for the purchase of service credit that is subject to
20 the installment purchase agreement; and

21 2. The employee shall not receive the payroll reduction or installment payment directly
22 instead of having it contributed to the systems.

23 (c) For the purposes of this section, after-tax contributions shall only be received to the

extent allowed by 26 U.S.C. 415.

(d) Payroll reductions shall cease only after the installment purchase agreement has expired by its terms or upon:

1.a. The employee's death if the employee's beneficiary pays the remaining amount owed by lump sum payment using after-tax dollars by the end of the sixtieth (60th) calendar day from the employee's date of death.

b. If the balance is not paid, the beneficiary shall receive credit for each one (1) month period of service credit purchased. The beneficiary shall receive any installment payment which had already been made when the employee's death occurred, and which were not used to purchase a one (1) month period of service credit pursuant to the normal disbursement procedures for a member's accumulated contributions or accumulate account balance pursuant to KRS 61.575 and 78.640.

2.a. Termination of the member's employment if the member pays the remaining amount owed by lump sum payment by the end of the sixtieth (60th) calendar day from the member's termination date but prior to the member's effective retirement date.

b. If the balance is not paid, the member shall only be entitled to receive credit for each one (1) month period of service credit actually purchased. The member shall receive any contributions which were not used to purchase one (1) month period of service credit pursuant to the normal disbursement procedures for the member's accumulated contributions or accumulated account balance pursuant to KRS 61.575 and 78.640.

(2)(a) If a valid Before Tax Installment Purchase of Service Agreement is on file, the monthly reductions for installment payments shall be:

1. Through employer pick-up contributions established in 26 U.S.C. 414(h)(2); and

2. Remitted to the agency from the same funding source used to pay earnings to employees.

(b)1. The employer shall pick up these contributions by a corresponding reduction in the cash salary of the employees;

2. Although designated as employee contributions, the contributions shall be paid by the employer in lieu of contributions by the employee; and

3. The pick-up shall:

a. Not commence earlier than the month after the authorization is signed; and

b. Only be applicable to contributions to the extent that the compensation which is reduced for the contributions is limited to compensation earned for services after the effective date of the pick-up.

(3) Employee contributions picked up pursuant to this section shall:

(a) Be treated as tax-deferred employer pick-up contributions pursuant to 26 U.S.C. 414(h);

(b) Not be included in the gross income of the employee until they are distributed or made available pursuant to 26 U.S.C. 414(h);

(c) Not have federal income taxes withheld;

(d) Be remitted to the agency in accordance with Section 8 of this administrative regulation; and

(e) Be credited to the employee's account and treated, for all other purposes, as if the amount were part of the employee's annual compensation.

Section 7. Down Payment.

(1) A down payment shall be made by:

(a) Completing and filing a valid Form 4170, Direct Transfer/Rollover Authorization, incorporated by reference in 105 KAR 1:330, for the amount of the down payment; or

(b) Personal check if the service purchase is for:

1. Recontribution of refund as defined by Section 1 of this administrative regulation;

2. Omitted service as defined by Section 1 of this administrative regulation; or

3. Grandfathered service as defined by 105 KAR 1:001.

(2) The down payment shall be made no later than the end of due date indicated on the Installment Purchase of Service Agreement~~[The retirement system may refuse to allow new installment agreements for employees of an agency which fails to deduct and remit the installment payments in accordance with Sections 1 through 10 of this administrative regulation].~~

Section 8. Remission of Installment Payments and Service Credit.

(1) The employer shall remit installment payments to the agency:

(a) As required by the Installment Purchase of Service Agreement; and

(b) In conjunction with the employer's contribution report as established in 105 KAR 1:140.

(2) The amount required to purchase one (1) month of service credit shall be calculated by dividing the total of the installment payments due under the agreement by the number of months of service credit being purchased. Upon receipt of installment payments equal to this amount, the agency shall credit one (1) month of service credit to the member's account.

(3) On the end date of the Installment Purchase of Service Agreement:

(a) The agreement shall be terminated;

(b) Any payments received shall be credited for service; and

(c) Any payment amount remaining that does not purchase a full month of service credit

1 shall be refunded.

2 Section 9. Suspension of Installment Purchase of Service Agreement Due to Military
3 Service.

4 (1) ~~The~~~~[If an employee leaves a position to perform military duty as provided in KRS~~
5 ~~61.377, the]~~ employer shall advise the agency~~[retirement system]~~ in writing or by appropriate
6 personnel action that the employee is on active military duty, and the employee's installment
7 purchase agreement shall be suspended during the period of military duty for which the
8 employee does not receive creditable compensation from the employer.

9 (2) When an employee who did not receive creditable compensation during military leave
10 returns to employment~~[Upon return to employment as provided in KRS 61.373],~~ the employee's
11 installment purchase agreement shall not be recalculated and the employer shall resume remitting
12 the remaining reductions~~[deductions]~~ unless the employee terminates or pays the balance of their
13 After Tax Installment Purchase of Service Agreement pursuant to Section 5~~[the installment~~
14 ~~agreement as provided in Section 6]~~ of this administrative regulation.

15 Section 10. Suspension of Installment Purchase Service Agreement Due To~~[Section 9-]~~
16 Sick Leave Without Pay.

17 (1) The employer shall notify the agency~~[advise the retirement system]~~ in writing or by
18 appropriate personnel action that the employee is on sick leave without pay, and the installment
19 purchase agreement~~[of an employee placed on sick leave without pay]~~ shall be suspended during
20 the period of sick leave without pay.

21 (2) Upon return to the employer from the period of sick leave without pay, the
22 employee's installment purchase agreement shall not be recalculated. The employer shall resume
23 remitting the remaining reductions~~[deductions]~~ unless the employee terminates or pays the

1 balance of their After Tax Installment Purchase Service Agreement pursuant to Section 5~~[the~~
2 ~~installment agreement as provided in Section 6]~~ of this administrative regulation.

3 ~~[Section 10. (1) KRS 61.552(14) allows a member to purchase and reinstate credit under~~
4 ~~any of the provisions of KRS 16.510 to 16.652 and 61.515 to 61.705 and 78.520 to 78.852 in the~~
5 ~~retirement systems administered by the Kentucky Retirement Systems by making installment~~
6 ~~payments in lieu of a lump sum payment by establishing an irrevocable employer pick up of~~
7 ~~member contributions as described by 26 U.S.C. 414(h)(2).~~

8 ~~(2) The cost of the service shall be computed in the same manner as for a lump sum~~
9 ~~payment which shall be the principal; and interest compounded annually at the actuarial rate in~~
10 ~~effect when the member elects to make the purchase shall be added for the period that the~~
11 ~~installments are to be made. One (1) year of installment payments shall be made for each \$1,000~~
12 ~~or any part thereof of the total cost, except that the total period allowed for installments shall not~~
13 ~~be less than one (1) year and shall not exceed five (5) years. Multiple service purchases shall be~~
14 ~~combined under a single installment purchase; however, an employee shall not make more than~~
15 ~~one (1) installment purchase at the same time. Once multiple service purchases have been~~
16 ~~combined in an installment purchase, the employee shall not separate the purchases or pay a~~
17 ~~portion of one (1) of the purchases.~~

18 ~~(3) The employer shall pay the installments by payroll reduction. Upon notification by~~
19 ~~the retirement systems, the employer shall report the installment payments either monthly or~~
20 ~~semimonthly continuously over each twelve (12) month period at the same time as, but separate~~
21 ~~from, regular employer contributions as provided in 105 KAR 1:140, Section 1(1). The employer~~
22 ~~shall pay the monthly reductions the employee elects to have applied to purchase service credit~~
23 ~~through pick up contributions. The payroll reductions shall be paid to the Kentucky Retirement~~

1 ~~Systems through the normal State Treasurer Office remittance process, from the same source of~~
2 ~~funds that is used in paying earnings to the employees. The employer shall pick up these~~
3 ~~contributions by a corresponding reduction in the cash salary of the employees. These~~
4 ~~contributions, although designated as employee contributions, shall be paid by the employer in~~
5 ~~lieu of contributions by the employee.~~

6 ~~(4) An employee may elect to pay all or part of any contribution to purchase or reinstate~~
7 ~~service credit. An employee's election to purchase or reinstate service credit through pick up~~
8 ~~contributions shall be pursuant to an irrevocable, binding written authorization on a Form 5709,~~
9 ~~Before Tax Installment Purchase of Service Agreement, which specifies the amount of the~~
10 ~~monthly payroll reductions and the period over which the payroll reductions shall be made. The~~
11 ~~pick up shall not commence earlier than the month after the authorization is signed. The pick up~~
12 ~~shall only be applicable to contributions to the extent the compensation which is reduced for the~~
13 ~~contributions is limited to compensation earned for services after the effective date of the pick-~~
14 ~~up. Once the employee enters into the irrevocable agreement, prepayments shall not be accepted~~
15 ~~for the purchase of the service that is subject to the irrevocable authorization, and the employee~~
16 ~~shall not receive the contributions directly instead of having the contributions contributed to the~~
17 ~~retirement system. However, an employee shall not be prevented from paying any amounts not~~
18 ~~covered by the authorization with after tax dollars, subject to any applicable statutes and rules.~~
19 ~~An employee shall not have at any given time more than one (1) irrevocable reduction~~
20 ~~authorization.~~

21 ~~(5) Contributions picked up as provided by subsection (4) of this section shall be treated~~
22 ~~as tax deferred employer pick up contributions pursuant to 26 U.S.C. 414(h). Based upon the~~
23 ~~Internal Revenue Service ruling that pursuant to 26 U.S.C. 414(h) these picked up contributions~~

~~are not includable in the gross income of the employee until such time as they are distributed or made available, each employer shall not withhold federal income taxes on these picked up contributions.~~

~~(6) Employee contributions picked up as provided by subsection (4) of this section shall be transmitted to the retirement systems and shall be credited to the employee's account and treated, for all other purposes, as if the amount were a part of the employee's annual compensation.~~

~~(7) All payroll reduction authorizations, including the amounts and duration specified, shall be binding and irrevocable upon the employee's execution of a Form 5709, Before Tax Installment Purchase of Service Agreement. These reductions shall cease only after the authorization has expired by its terms or upon any of the following events:~~

~~(a) The employee's death. If the death of an employee occurs, the employee's beneficiary shall have the option of paying the remaining amount owed by lump sum payment, using after-tax dollars, within sixty (60) days of the employee's death. If the balance is not paid, the beneficiary shall be entitled to receive credit for each one (1) month period of service purchased. The beneficiary shall receive any contributions of the employee which had already been made when the employee's death occurred and which were not used to purchase a one (1) month period of service credit only pursuant to the normal disbursement procedures for a member's accumulated contributions under KRS 61.575.~~

~~(b) The termination of the member's employment. If the member's employment is terminated, the member shall have the right to pay the remaining amount owed by lump sum payment on or within sixty (60) days of the member's termination of employment, but prior to the effective retirement date of the member. If the balance is not paid, the member shall be~~

~~entitled to receive credit only for each one (1) month period of service actually purchased. The member shall receive any contributions which were not used to purchase one (1) month period of service credit pursuant to the normal disbursement procedures for a member's accumulated contributions under KRS 61.575.~~

~~(c) For purposes of subsection (7)(a) and (b) of this section, after tax contributions shall only be received to the extent allowed by 26 U.S.C. 415.~~

~~(8) If the employee is on military leave or sick leave without pay, the installment purchase shall cease and shall be suspended during the period of leave and shall resume without recalculation upon the employee's return from leave.~~

~~(9) The employee shall not receive a return of the payroll reductions made under Sections 1 through 10 of this administrative regulation, except pursuant to the normal disbursement procedures for a member's accumulated contributions under KRS 61.575.~~

~~(10) Payroll reductions under this section shall not last longer than five (5) years.~~

~~(11) The retirement systems shall begin accepting before tax payroll reduction agreements from employees in February 2003. The earliest effective date for receipt of before tax contributions from employers shall be those payroll reports due in March 2003. An employee who has a current post tax installment purchase of service agreement in place as of January 31, 2003 may terminate this purchase and make an election under this section to convert the installment purchase of service agreement to an irrevocable pretax employer pick up of contributions before December 31, 2003.~~

~~Section 11. Incorporation by Reference.~~

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

~~(a) "Form 7280, Employer Certification for Installment Purchase of Service, November~~

1 ~~2002," Kentucky Retirement Systems;~~
2 ~~(b) "Form 5708, After Tax Installment Purchase of Service Agreement, June 2003,"~~
3 ~~Kentucky Retirement Systems; and~~
4 ~~(c) "Form 5709, Before Tax Installment Purchase of Service Agreement, January 2003,"~~
5 ~~Kentucky Retirement Systems.~~
6 ~~(2) This material may be inspected, copied, or obtained, subject to applicable copyright~~
7 ~~law, at the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road,~~
8 ~~Frankfort, Kentucky, Monday through Friday, 8 a.m. to 4:30 p.m.]~~

105 KAR 1:150 Installment purchase procedures is approved for filing.

Ryan Barrow,
Executive Director
Kentucky Public Pensions Authority

Date

105 KAR 1:150 Installment purchase procedures.

Certified pursuant to KRS 13A.150(2) and (3):

No signature pursuant to current litigation in Franklin County Circuit Court (Case No. 25-CI-00269).

Andy Beshear
Governor

Date

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Monday, January 26, 2026 at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through January 31, 2026 and shall receive the same consideration as verbal comments. Send written notification of intent to be heard at the public hearing, or written comments on the proposed administrative regulation, to the contact person.

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

Contact person: Carole J. Catalfo
Policy Specialist
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601
Phone (502) 696-8679
Fax (502) 696-8615
Email: Legal.Non-Advocacy@kyret.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

105 KAR 1:150

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the process and forms related to purchasing service credit by payroll deducted installments, and provides for the preservation of installment purchases for military personnel called into service.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the process and forms related to purchasing service credit by payroll deducted installments, and to provide for the preservation of installment purchases for military personnel called into service.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. KRS 16.645, 61.552(9), and 78.545 permit an employee participating in the Kentucky Retirement Systems or the County Employees Retirement System to purchase service credit by payroll deducted installments. This administrative regulation establishes the process and forms related to this option, and provides for the preservation of installment purchases for military personnel called into service.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by establishing the process and forms related to purchasing service credit by payroll deducted installments, and providing for the preservation of installment purchases for military personnel called into service.

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

(a) How the amendment will change this existing administrative regulation: The amendment to this administrative regulation adds definitions for “amortization schedule”, “omitted service”, “recontribution of a refund”, “remit”, and “termination date”, removes two “forms” that are actually agreements specific to the member who requests an installment plan to pay for service credit, replaces two additional forms incorporated by reference with citations to other regulations in which they are incorporated by reference, and reorganizes and updates language for easier use and clarity and to comply with KRS Chapter 13A drafting requirements.

(b) The necessity of the amendment to this administrative regulation: The amendment to this administrative regulation is necessary to add definitions, remove two “forms” that are actually agreements specific to the member who requests an installment plan to pay for service credit, replace two additional forms incorporated by reference with citations to other regulations in which they are incorporated by reference, and reorganize and update language for easier use and clarity, and to comply with KRS Chapter 13A drafting requirements.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. KRS 16.645, 61.552(9), and 78.545 permit an employee participating in the Kentucky Retirement Systems or the County Employees Retirement System to purchase service credit by payroll deducted installments. This administrative regulation establishes the process and forms related to this option, and provides for the preservation of installment purchases for military personnel called into service.

(d) How the amendment will assist in the effective administration of the statutes: The amendment to this administrative regulation will assist in effective administration of the statutes by adding definitions, removing two “forms” that are actually agreements specific to the member who requests an installment plan to pay for service credit, replacing two additional forms incorporated by reference with citations to other regulations in which they are incorporated by reference, and reorganizing and updating language for easier use and clarity and to comply with KRS Chapter 13A drafting requirements.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: There are approximately 433,461 participants in the Kentucky Employees Retirement System, the State Police Retirement System, and the County Employees Retirement System. This regulation only affects those members who wish to purchase service credit through an installment agreement. In FY23 82 members, in FY24 58 members, and FY25 51 members, entered into installment agreements.

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

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The regulated community will be minimally impacted because the administrative regulation is already being substantially implemented as written.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There should be no additional costs because the administrative regulation is already being substantially implemented as written.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The amendment to this administrative regulation will benefit the regulated community by adding definitions, removing two “forms” that are actually agreements specific to the member who requests an installment plan to pay for service credit, updating forms incorporated by reference, replacing two additional forms incorporated by reference with citations to other regulations in which they are incorporated by reference, reorganizing and updating language for easier use and clarity, and to comply with KRS Chapter 13A drafting requirements.

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

(a) Initially: There should be no additional costs because the administrative regulation is already being substantially implemented as written.

(b) On a continuing basis: There should be no additional costs because the administrative regulation is already being substantially implemented as written.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No, an increase in fees or funding will not be necessary to implement the amendment to this administrative regulation.

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

(9) TIERING: Is tiering applied? (Explain why or why not) No, tiering is not applied. All applicants for purchase of service credit through an installment plan are subject to the same requirements, processes, and procedures.

FISCAL IMPACT STATEMENT

105 KAR 1:150

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. KRS 16.645, 61.552(9), and 78.545 permit an employee participating in the Kentucky Retirement Systems or the County Employees Retirement System to purchase service credit by payroll deducted installments.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 61.505(1)(g)

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: The promulgating agency is the Kentucky Public Pensions Authority. This administrative regulation does not affect any other state unit, part, or division.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:
 - For the first year: None.
 - For subsequent years: None.
2. Revenues:
 - For the first year: None.
 - For subsequent years: None.
3. Cost Savings:
 - For the first year: None.
 - For subsequent years: None.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): This administrative regulation does not affect any local entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:
 - For the first year: None.
 - For subsequent years: None.
2. Revenues:
 - For the first year: None.
 - For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): There are no additional regulated entities.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: The amendment to this administrative regulation will have minimal fiscal impact because the regulation is already being substantially implemented as written.

(b) Methodology and resources used to determine the fiscal impact: The agency examined its current operations which do not require any changes to implement the amendment to this administrative regulation.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a “major economic impact”, as defined by KRS 13A.010(13): No, this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13).

(b) The methodology and resources used to reach this conclusion: The agency examined its current operations which do not require any changes to implement the amendment to this administrative regulation.



Brief for Administrative Regulations

Date: September 2025

1. **Number and Title of Regulation(s):** 105 KAR 1:300. Determination of service credit for local school board classified employees

☐ Emergency Regulation ☐ New Administrative Regulation ☒ Amendment
☐ Repealer ☐ Amended After Comments (w/SOC) ☐ Not Amended After Comments

2. **Proposed schedule for regulation process:**

File – by November 15, 2025

Public Comment period – through January 31, 2026

Public Hearing – January 26, 2026

ARRS – February 2026 (if no comments are received), March 2026 (if comments are received)

3. **Statutory Authority:** KRS 61.545(1) and 78.615

4. **a) Major Economic Impact Certification (KRS 13A.010, Section 1(14): "Major economic impact" means the combined implementation and compliance costs of an administrative regulation are at least five hundred thousand dollars (\$500,000) over any two (2) year period;**

b) Cite the exemption under KRS 13A.105(2):

(a) Will not have a major economic impact;

(b) Is an emergency administrative regulation that must be put into effect immediately to meet an imminent threat to public health, safety, or welfare;

(c) Is necessary to prevent the loss of federal or state funds;

(d) Is necessary to meet a deadline that is established by federal law, federal regulation, or state law;

(e) Is necessary to comply with a final order from a court of competent jurisdiction; or

(f) Relates to the licensure and regulation of health facilities and services pursuant to KRS Chapter 216B.

5. **If applicable, list the statute that requires this regulation to be submitted to another official or administrative body for review or approval prior to filing the administrative regulation with the LRC (KRS 13A.220, Section 5(6)(a)):** None.

6. **Summary of the Regulation:** KRS 61.545(1) requires the KPPA to determine by administrative regulation how much service in any year is the equivalent of a year of service credit. KRS 78.615 establishes the calculation for determination of retirement service credit for classified employees of local school boards. KRS 78.615(1)(c) allows classified employees of local school boards who work less than a complete school year to purchase service credit to complete the fiscal year according to administrative regulations promulgated by the KPPA. This administrative regulation establishes the formulas to be used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.

7. **Justification for Amendment(s) or New Regulation(s):** The amendment is primarily technical in nature. The amendment clarifies the title of the regulation and formulas for determining service for actual and contract days worked after July 1, 2000, corrects statutory references, and aligns language to comply with

KRS Chapter 13A drafting requirements.

8. **Affected Entities:** This administrative regulation affects the KPPA, and only those classified employees of local school boards, of approximately 286,688 total members in CERS, who work less than a complete school year and want to purchase service credit to complete the fiscal year.

9. **Is there a cost to or savings for the affected entities or the agency? If so, please explain and include funding source:** The cost for the amendment is minimal because the administrative regulation is already being substantially implemented as written. Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

10. **Is the regulation more stringent than federal regulation? If so, explain how and why:** No.

11. **Internal-External review/stakeholder involvement in promulgation process:** The administrative regulation was reviewed/discussed/and amended internally by staff and the Executive Team.

12. **Is Tiering Applied? (Explain why or why not):** No, tiering is not applied. All participants must meet the same requirements.

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amendment)

4 105 KAR 1:300. Determination of service credit for local school board classified
5 employees.

6 RELATES TO: KRS 61.545, 61.552, 78.615

7 STATUTORY AUTHORITY: KRS 61.545(1),~~[61.645(9)(e),]~~ 78.615(1)(c)

8 CERTIFICATION STATEMENT: This is to certify that this administrative regulation
9 complies with the requirements of KRS 13A.105(2) because it does not have a major economic
10 impact.

11 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.545(1) requires the
12 Kentucky Public Pensions Authority to determine by administrative regulation how much service
13 in any year is the equivalent of a year of service credit. KRS 78.615 establishes the calculation
14 for determination of retirement service credit for classified employees of local school boards.
15 KRS 78.615(1)(c) allows~~[requires the Board of Trustees of the Kentucky Retirement Systems to~~
16 ~~promulgate an administrative regulation to allow]~~ classified employees of local school boards
17 who work less than a complete school year to purchase service credit to complete the fiscal year
18 according to administrative regulations promulgated by the Kentucky Public Pensions Authority.
19 This administrative regulation establishes the formulas to be used to determine the number of
20 months of service credit earned and for the purchase of service credit for local school board

classified employees who work less than a complete school year.

Section 1. For school years beginning July 1, 2000 and after, upon the employee's completion of the school year, termination, or death, whichever occurs first, the retirement system shall determine each employee's fiscal year service credit as established in this section.~~[follows:]~~

(1) (a) The employee's actual days worked, as reported by the school board, shall be divided by twenty (20) to determine the number of months and fractional months worked during the fiscal year.

(b) The employee's total wages shall be divided by the hourly rate reported by the school board to determine the total number of hours worked during the fiscal year.

(c) The employee's total number of hours worked shall be divided by the employee's months and fractional months worked to determine if the employee worked an average of at least eighty (80) hours per month.

(2)(a) If the employee does not work an average of at least eighty (80) hours per month over the number of actual days worked, the employee's contract days, as reported by the school board, shall be divided by twenty (20) to determine the number of months and fractional months worked during the fiscal year.

(b) The employee's total wages shall be divided by the hourly rate reported by the school board to determine the total number of hours worked during the fiscal year.

(c) The employee's total number of hours worked shall be divided by the employee's months and fractional months worked to determine if the employee worked an average of at least eighty (80) hours per month.

(3) If the employee does not work an average at least eighty (80) hours per month over

1 the number of actual days worked or contract days, the service credit shall be disallowed and all
2 employer and employee contributions shall be refunded. Individual months in which the
3 employee worked eighty (80) or more hours during the fiscal year may be purchased as
4 established~~[provided]~~ in KRS 61.552.

5 Section 2. Each school board employee whose employment averages eighty (80) or more
6 hours per month over their actual days worked or contract days as determined in Section 1 of this
7 administrative regulation, shall be credited with total service credit for the school year
8 determined as established in this section.~~[follows:]~~

9 (1) If the employee worked at least 180 actual or contract days, the employee shall be
10 credited with twelve (12) months of service credit.

11 (2) If the employee worked fewer than 180 actual or contract days, the employee shall
12 receive the number of months of service credit determined by dividing the actual number of days
13 worked or contract days by 180 and multiplying the resulting ratio by twelve (12) months. The
14 number of months of service shall be rounded to the nearest whole month, except that the
15 employee shall not receive twelve (12) months of service credit unless the employee worked 180
16 or more actual or contract days during the school year.

17 Section 3. For school years beginning July 1, 1996 through June 30, 2000, each school
18 board employee whose employment averages eighty (80) or more hours per month over their
19 actual days worked as determined in Section 1(1) of this administrative regulation, shall be
20 credited with total service credit for the school year determined as established in this
21 section.~~[follows:]~~

22 (1) If the employee worked an average of at least eighty (80) hours per month over the
23 number of actual days worked, as reported by the school board, the employee shall be credited

1 with service based on the number of months and fractional months rounded to the next whole
2 month.

3 (2) (a) If the employee does not work an average of at least eighty (80) hours per month
4 over the number of actual days worked, the employee's contract days, as reported by the school
5 board, shall be divided by twenty (20) to determine the number of months and fractional months
6 worked during the fiscal year;

7 (b) The employee's total wages shall be divided by the hourly rate reported by the school
8 board to determine the total number of hours worked during the fiscal year;

9 (c) The employee's total number of hours worked shall be divided by the employee's
10 months and fractional months worked to determine if the employee worked an average of at least
11 eighty (80) hours per month; and

12 (d) Each school board employee who worked an average of at least eighty (80) hours per
13 month over the number of contract days, shall be credited with service based on the number of
14 months and fractional months rounded to the next whole month.

15 (3) If the employee does not work an average of at least eighty (80) hours per month over
16 the number of actual days worked or contract days, the employee shall be~~[the member is]~~
17 allowed to retain credit for individual months representing at least eighty (80) hours of
18 employment. Contributions and interest, if any, for months not representing eighty (80) hours of
19 employment shall be refunded to the employee and employer.

20 Section 4. For school years prior to July 1, 1996, the retirement system shall determine
21 each employee's fiscal year service credit as established in this section.~~[follows:]~~

22 (1) (a) The employee's total fiscal year wages shall be divided by the hourly rate, as
23 reported by the school board, to determine the total number of hours worked during the fiscal

1 year;

2 (b) The employee's total number of hours worked during the fiscal year shall be divided
3 by the employee's number of actual months reported by the school board to determine if the
4 employee worked an average of at least eighty (80) hours per month; and

5 (c) If the employee worked an average of at least eighty (80) hours per month over the
6 number of actual months as reported by the school board, the employee shall be credited with
7 service based on the number of actual months reported.

8 (2) (a) If the employee does not work at least an average of eighty (80) hours per month
9 over the number of months reported for each fiscal year, the employee's total calendar wages
10 shall be divided by the hourly rate reported by the school board to determine the number of hours
11 worked during the calendar year;

12 (b) The employee's total number of hours worked during the calendar year shall be
13 divided by the number of calendar months reported by the school board to determine if the
14 employee worked an average of at least eighty (80) hours per month; and

15 (c) If the employee worked an average of at least eighty (80) hours per month over the
16 number of calendar months as reported by the school board, the employee shall be credited with
17 service based on the number of calendar months reported.

18 (3) (a) If the employee does not work at least an average of eighty (80) hours per month
19 over the number of months reported for each fiscal or calendar year, the employee's contract
20 days, as reported by the school board, shall be divided by twenty (20) to determine the number of
21 months and fractional months worked during the fiscal year;

22 (b) The employee's total wages shall be divided by the hourly rate reported by the school
23 board to determine the total number of hours worked during the fiscal year;

1 (c) The employee's total number of hours worked shall be divided by the employee's
2 months and fractional months worked to determine if the employee worked an average of at least
3 eighty (80) hours per month; and

4 (d) If the employee worked an average of at least eighty (80) hours per month over the
5 number of contract days, as reported by the school board, the employee shall be credited with
6 service based on the number of months and fractional months rounded to the next whole month.

7 (4) (a) If the employee does not work at least an average of eighty (80) hours per month
8 over the number of months reported for each fiscal or calendar year, or contract days, the
9 employee's actual days worked, as reported by the school board, shall be divided by twenty (20)
10 to determine the number of months and fractional months worked during the fiscal year;

11 (b) The employee's total wages shall be divided by the hourly rate reported by the school
12 board to determine the total number of hours worked during the fiscal year;

13 (c) The employee's total number of hours worked shall be divided by the employee's
14 months and fractional months worked to determine if the employee worked an average of at least
15 eighty (80) hours per month; and

16 (d) If the employee worked an average of at least eighty (80) hours per month over the
17 number of actual days worked, as reported by the school board, the employee shall be credited
18 with service based on the number of months and fractional months rounded to the nearest whole
19 month.

20 (5) If the employee does not work an average of at least eighty (80) hours per month over
21 the number of reported months for each fiscal or calendar year, contract days, or actual days
22 worked, the member is allowed to retain credit for individual months representing at least eighty
23 (80) hours of employment. Contributions and interest, if any, for months not representing eighty

- 1 (80) hours of employment shall be refunded to the employee and employer.

105 KAR 1:300. Determination of service credit for local school board classified employees is approved for filing.

Ryan Barrow,
Executive Director
Kentucky Public Pensions Authority

Date

105 KAR 1:300. Determination of service credit for local school board classified employees

Certified pursuant to KRS 13A.150(2) and (3):

No signature pursuant to current litigation in Franklin County Circuit Court (Case No. 25-CI-00269).

Andy Beshear
Governor

Date

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Monday, January 26, 2026 at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through January 31, 2026 and shall receive the same consideration as verbal comments. Send written notification of intent to be heard at the public hearing, or written comments on the proposed administrative regulation, to the contact person.

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

Contact person: Carole J. Catalfo
Policy Specialist
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601
Phone (502) 696-8679
Fax (502) 696-8615
Email: Legal.Non-Advocacy@kyret.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

105 KAR 1:300

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the formulas to be used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the formulas to be used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.545(1) requires the Kentucky Public Pensions Authority to determine by administrative regulation how much service in any year is the equivalent of a year of service credit. KRS 78.615 establishes the calculation for determination of retirement service credit for classified employees of local school boards. KRS 78.615(1)(c) allows classified employees of local school boards who work less than a complete school year to purchase service credit to complete the fiscal year according to administrative regulations promulgated by the Kentucky Public Pensions Authority. This administrative regulation establishes the formulas to be used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by establishing the formulas to be used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.

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

(a) How the amendment will change this existing administrative regulation: The amendment clarifies the title of the regulation and formulas for determining service for actual and contract days worked after July 1, 2000, corrects statutory references, and aligns language to comply with KRS Chapter 13A drafting requirements.

(b) The necessity of the amendment to this administrative regulation: The amendment is

necessary to clarify the title of the regulation and formulas for determining service for actual and contract days worked after July 1, 2000, correct statutory references, and align language to comply with KRS Chapter 13A drafting requirements.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.545(1) requires the Kentucky Public Pensions Authority to determine by administrative regulation how much service in any year is the equivalent of a year of service credit. KRS 78.615 establishes the calculation for determination of retirement service credit for classified employees of local school boards. KRS 78.615(1)(c) allows classified employees of local school boards who work less than a complete school year to purchase service credit to complete the fiscal year according to administrative regulations promulgated by the Kentucky Public Pensions Authority. This administrative regulation establishes the formulas to be used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.

(d) How the amendment will assist in the effective administration of the statutes: The amendment will assist in the effective administration of the statute by clarifying the title of the regulation and formulas for determining service for actual and contract days worked after July 1, 2000, correcting statutory references, and aligning language to comply with KRS Chapter 13A drafting requirements.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation affects the Kentucky Public Pensions Authority, and only those classified employees of local school boards, of approximately 286,688 total members in the County Employees Retirement System, who work less than a complete school year and want to purchase service credit to complete the fiscal year.

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

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The regulated entities will be minimally impacted because the administrative regulation is already being implemented as written. The amendment is primarily technical in nature.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There will be no additional costs to comply with the amendment because it is already being implemented as written. The amendment is primarily technical in nature.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The regulated community will benefit from clarification of the title of the regulation and formulas for determining service for actual and contract days worked after July 1, 2000,

correct statutory references, and language aligned to comply with KRS Chapter 13A drafting requirements.

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

(a) Initially: There will be no additional costs because the regulation is already being implemented as written.

(b) On a continuing basis: There will be no additional costs because the regulation is already being implemented as written.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No, an increase in fees or funding will not be necessary.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: No, this administrative regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not) No, tiering is not applied. The processes and procedures are the same for all local school board classified employees who want to purchase service credit.

FISCAL IMPACT STATEMENT

105 KAR 1:300

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.545(1) requires the Kentucky Public Pensions Authority to determine by administrative regulation how much service in any year is the equivalent of a year of service credit. KRS 78.615 establishes the calculation for determination of retirement service credit for classified employees of local school boards. KRS 78.615(1)(c) allows classified employees of local school boards who work less than a complete school year to purchase service credit to complete the fiscal year according to administrative regulations promulgated by the Kentucky Public Pensions Authority.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 61.545(1) and 78.615.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: The promulgating agency is the Kentucky Public Pensions Authority. There are no other affected state units, parts, or divisions.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): There are no affected local entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): There are no additional regulated entities.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: This administrative regulation has little fiscal impact. It is already being administered as written.

(b) Methodology and resources used to determine the fiscal impact: The agency analyzed its processes and procedures related to the formulas used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a “major economic impact”, as defined by KRS 13A.010(13): No, this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13).

(b) The methodology and resources used to reach this conclusion: The agency analyzed its processes and procedures related to the formulas used to determine the number of months of service credit earned and for the purchase of service credit for local school board classified employees who work less than a complete school year.



Brief for Administrative Regulations

Date: September 2025

1. **Number and Title of Regulation(s):** 105 KAR 1:340 Rollovers and transfers of contributions in other plans

☐ Emergency Regulation ☐ New Administrative Regulation ☒ Amendment
☐ Repealer ☐ Amended After Comments (w/SOC) ☐ Not Amended After Comments

2. **Proposed schedule for regulation process:**

File – by November 15, 2025

Public Comment period – through January 31, 2026

Public Hearing – January 26, 2026

ARRS – February 2026 (if no comments are received), March 2026 (if comments are received)

3. **Statutory Authority:** KRS 61.505(1)(g), 61.552(9)(a)3.

4. **a) Major Economic Impact Certification (KRS 13A.010, Section 1(14): “Major economic impact” means the combined implementation and compliance costs of an administrative regulation are at least five hundred thousand dollars (\$500,000) over any two (2) year period;**

b) Cite the exemption under KRS 13A.105(2):

(a) Will not have a major economic impact;

(b) Is an emergency administrative regulation that must be put into effect immediately to meet an imminent threat to public health, safety, or welfare;

(c) Is necessary to prevent the loss of federal or state funds;

(d) Is necessary to meet a deadline that is established by federal law, federal regulation, or state law;

(e) Is necessary to comply with a final order from a court of competent jurisdiction; or

(f) Relates to the licensure and regulation of health facilities and services pursuant to KRS Chapter 216B.

5. **If applicable, list the statute that requires this regulation to be submitted to another official or administrative body for review or approval prior to filing the administrative regulation with the LRC (KRS 13A.220, Section 5(6)(a)):** None.

6. **Summary of the Regulation:** KRS 61.505(1)(g) authorizes the Board of Trustees to promulgate all administrative regulations that are consistent with and are necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3. authorizes an employee to purchase service credit in CERS, KERS, or SPRS by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

7. **Justification for Amendment(s) or New Regulation(s):** The amendment to this administrative regulation is primarily technical in nature. It updates statutory citations, replaces a form previously incorporated by reference with a citation to the regulation that incorporates the form by reference, and aligns language with the drafting requirements of KRS Chapter 13A.

8. **Affected Entities:** This regulation affects those participants, of approximately 433,461, in the retirement

systems who want to purchase service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement.

9. *Is there a cost to or savings for the affected entities or the agency? If so, please explain and include funding source:* The costs for the amendment, which is primarily technical in nature, is minimal because the regulation is already being implemented as written. Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

10. *Is the regulation more stringent than federal regulation? If so, explain how and why:* There is no federal equivalent.

11. *Internal-External review/stakeholder involvement in promulgation process:* The amended regulation was reviewed/discussed/and revised internally by staff and the Executive Team.

12. *Is Tiering Applied? (Explain why or why not):* No, tiering is not applied. All participants who want to purchase service credit by rollover or contribution from another plan must comply with the same requirements.

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amendment)

4 105 KAR 1:340. Rollovers and transfers of contributions in other plans.

5 RELATES TO: KRS 16.505 – 16.652~~[16.510–16.652]~~, 61.505, 61.552~~[61.515–61.705]~~,
6 78.510 – 78.852~~[78.520–78.852]~~, 26 U.S.C. secs. 401(a)(31), 402(c), 408(d)(3)

7 STATUTORY AUTHORITY: KRS 61.505(1)(g)~~[61.645(9)(e)]~~

8 CERTIFICATION STATEMENT: This is to certify that this administrative regulation
9 complies with KRS 13A.150(2) because it does not have a major economic impact.

10 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.505(1)(g) authorizes the
11 Kentucky Public Pensions Authority on behalf of the County Employees Retirement System and
12 Kentucky Retirement System to promulgate all administrative regulations that are consistent
13 with and are necessary or proper in order to carry out the provisions of duties authorized by KRS
14 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3.~~[61.552(16)(h)]~~ authorizes an
15 eligible employee to purchase service credit in the County Employees Retirement System,
16 Kentucky Employees Retirement System, or State Police Retirement System~~[Kentucky~~
17 ~~Retirement Systems]~~ by rollover or transfer of funds from a retirement plan or deferred
18 compensation arrangement, to the extent allowed under the Internal Revenue Code. This
19 administrative regulation establishes the procedures and the form for purchasing service
20 credit~~[forms for making purchases]~~ by rollover or transfer of funds from a retirement plan or

1 deferred compensation arrangement.

2 Section 1. (1) (a) An eligible employee ~~may~~~~[eligible to]~~ purchase service credit under
3 KRS ~~16.505~~~~[16.510]~~ to 16.652, ~~61.510~~~~[61.515]~~ to 61.705, or ~~78.510~~~~[78.520]~~ to 78.852~~[may~~
4 ~~purchase the service]~~ by:

5 1. Transferring~~[transferring]~~ funds through a direct trustee-to-trustee transfer pursuant
6 ~~to~~~~[, as permitted under]~~ applicable sections of the Internal Revenue Code and associated
7 regulations or rulings;~~[-]~~

8 2. Direct~~[(b) Service credit may also be purchased through a direct]~~ rollover pursuant to;
9 ~~as contemplated by and permitted under]~~ 26 USC sec. 401(a)(31) and associated regulations or
10 rulings; ~~or~~~~[-]~~

11 3. Rollover~~[(e) Service credit may also be purchased by a rollover]~~ of funds pursuant
12 ~~to~~~~[and permitted under]~~ 26 USC sec. 402(c) or 408(d)(3).

13 ~~(b)~~~~[(d)]~~ The Kentucky Public Pensions Authority~~[Kentucky Retirement Systems]~~ shall
14 accept the transfer or rollover to the extent permitted by law pursuant to~~[, as specified in the]~~
15 applicable provisions of the Internal Revenue Code and associated regulations and rulings.

16 (2) The agency~~[retirement system]~~ shall not accept a rollover or transfer of funds from a
17 retirement plan or deferred compensation arrangement unless the employee has obtained a
18 calculation of the cost of the service from the agency~~[retirement system]~~.

19 Section 2. (1) An employee who intends to rollover or transfer eligible funds from a
20 retirement plan or deferred compensation arrangement shall complete Section 1 of "Form 4170,
21 Direct Transfer/Rollover Authorization Form", incorporated by reference in 105 KAR 1:330.

22 (2) The financial institution or plan administrator responsible for the employee's account
23 in the retirement plan or deferred compensation arrangement shall complete Section 2 of Form

1 4170["Form 4170, Direct Transfer/Rollover Authorization Form"].

2 (3) The completed Form 4170~~["Form 4170, Direct Transfer/Rollover Authorization~~
 3 ~~Form"]~~,] shall be filed at the agency~~[retirement system]~~ by the payment due date. A completed
 4 form not filed by the payment due date shall be void.

5 (4) The financial institution shall complete the rollover or transfer within sixty (60) days
 6 from the payment due date.

7 Section 3. If the employee is making a lump sum purchase by rollover or transfer from a
 8 retirement plan or deferred compensation arrangement and the total distribution amount at the
 9 time of transfer or rollover by the financial institution or plan administrator responsible for the
 10 employee's account in the retirement plan or deferred compensation arrangement is less than
 11 total cost of the service:

12 (1) Upon notification, the employee shall pay the additional cost by the purchase due
 13 date.

14 (2) If the transfer or rollover amount is not known until after the purchase due date~~[date~~
 15 ~~the purchase was due]~~, the employee shall have ten (10) working days from the date of
 16 notification to submit the additional cost due.

17 (3) If the employee does not timely submit~~[file]~~ the payment pursuant to subsection 1 or
 18 2 of this section for the additional cost due to the agency, the agency~~[in the retirement office by~~
 19 ~~the date the purchase is due, the retirement system]~~ shall credit the employee's account with the
 20 maximum service credit that may be purchased under the applicable statute for the type of
 21 service, whether in months or increments, by an amount equal to or less than the total
 22 distribution. The agency~~[retirement system]~~ shall return any excess amount to the retirement plan
 23 or deferred compensation arrangement.

Section 4. If the total distribution amount at the time of transfer or rollover by the financial institution or plan administrator responsible for the employee's account in the retirement plan or deferred compensation arrangement is less than total cost of the service, and the employee is paying the remaining principal of an installment purchase agreement under KRS 61.552(9)(a)2.~~[61.552(16)]~~:

(1) The employee shall pay the additional cost due within sixty (60) days of termination of the installment purchase agreement.

(2) If the employee does not submit the payment to the agency~~[file the payment in the retirement office]~~ by the purchase due date~~[date the purchase is due]~~ or within sixty (60) days of termination of the installment purchase agreement, the agency~~[retirement system]~~ shall return the total distribution to the retirement plan or deferred compensation arrangement.

Section 5. If the actual total distribution at the time of transfer by the financial institution responsible for the employee's account in the retirement plan or deferred compensation arrangement is greater than the amount certified on Form 4170, Direct Transfer/Rollover Authorization Form, the amount in excess of the cost of the service shall be returned:

(1) First, to the employee from funds~~[, if any,]~~ paid by the employee toward the service purchase; and~~[or]~~

(2) Second, to the financial institution responsible for the employee's account in the retirement plan or deferred compensation arrangement.~~[Section 6. Incorporation by Reference.~~

~~(1) "Form 4170, Direct Transfer/Rollover Authorization Form, April 2002", Kentucky Retirement Systems, is incorporated by reference.~~

~~(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road,~~

- 1 ~~Frankfort, Kentucky, Monday through Friday, 8 a.m. to 4:30 p.m.]~~

105 KAR 1:340 Rollovers and transfers of contributions in other plans is approved for filing.

Ryan Barrow,
Executive Director
Kentucky Public Pensions Authority

Date

105 KAR 1:340 Rollovers and transfers of contributions in other plans.

Certified pursuant to KRS 13A.150(2) and (3):

No signature pursuant to current litigation in Franklin County Circuit Court (Case No. 25-CI-00269).

Andy Beshear
Governor

Date

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Monday, January 26, 2026 at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through January 31, 2026 and shall receive the same consideration as verbal comments. Send written notification of intent to be heard at the public hearing, or written comments on the proposed administrative regulation, to the contact person.

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

Contact person: Carole J. Catalfo
Policy Specialist
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601
Phone (502) 696-8679
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Email: Legal.Non-Advocacy@kyret.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

105 KAR 1:340

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the procedures and the form for purchasing service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement to the extent allowed under the Internal Revenue Code.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the procedures and the form for purchasing service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement to the extent allowed under the Internal Revenue Code.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations that are consistent with and are necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3. authorizes an employee to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by establishing the procedures and the form for purchasing service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement to the extent allowed under the Internal Revenue Code.

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

(a) How the amendment will change this existing administrative regulation: The amendment to this administrative regulation updates statutory citations, replaces a form previously incorporated by reference with a citation to the regulation that incorporates the form by reference, and aligns language with the drafting requirements of KRS Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The amendment to this administrative regulation is necessary to update statutory citations, replace a form previously incorporated by reference with a citation to the regulation that incorporates the form by

reference, and to align language with the drafting requirements of KRS Chapter 13A.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations that are consistent with and are necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3. authorizes an employee to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(d) How the amendment will assist in the effective administration of the statutes: The amendment to this administrative regulation will assist in the effective administration of the statutes by updating statutory citations, replacing a form previously incorporated by reference with a citation to the regulation that incorporates the form by reference, and aligning language to the drafting requirements of KRS Chapter 13A.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation affects the Kentucky Public Pensions Authority. There are approximately 433,461 participants in the retirement systems; this administrative regulation affects those participants who want to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

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

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The regulated community will be minimally impacted because the administrative regulation is already being implemented as written. The amendments are primarily technical in nature.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): The cost of compliance with the amendment is minimal because the administrative regulation is already being implemented as written. The amendments are primarily technical in nature.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The regulated community will benefit from updates to statutory citations and language that aligns with the drafting requirements of KRS Chapter 13A.

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

(a) Initially: The cost of implementing the amendment is minimal because the administrative regulation is already being implemented as written.

(b) On a continuing basis: The cost of implementing the amendment is minimal because the administrative regulation is already being implemented as written.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No, an increase in funding will not be necessary to implement this amendment.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: No, this administrative regulation does not establish any fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not) No, tiering is not applied. All participants who wish to purchase service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement must follow the same process and procedures.

FISCAL IMPACT STATEMENT

105 KAR 1:340

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.505(1)(g) authorizes the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations that are consistent with and are necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3. authorizes an employee to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 61.505(1)(g)

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: The Kentucky Public Pensions Authority is the promulgating agency. There are no other affected state units, parts, or divisions.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): There are no other affected entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): There are no additional regulated entities.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year: None.

For subsequent years: None.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: This administrative will have minimal fiscal impact. It is already being administered as written.

(b) Methodology and resources used to determine the fiscal impact: The agency reviewed its processes and procedures related to purchasing service credit in the County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a “major economic impact”, as defined by KRS 13A.010(13): No, this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13). It is already being administered as written.

(b) The methodology and resources used to reach this conclusion: The agency reviewed its processes and procedures related to purchasing service credit in the County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.



Brief for Administrative Regulations

Date: September 2025

1. **Number and Title of Regulation(s):** 105 KAR 1:350 Collection of account under \$1000 by next of kin

☐ Emergency Regulation ☐ New Administrative Regulation ☒ Amendment
☐ Repealer ☐ Amended After Comments (w/SOC) ☐ Not Amended After Comments

2. **Proposed schedule for regulation process:**

File – by November 15, 2025

Public Comment period – through January 31, 2026

Public Hearing – January 26, 2026

ARRS – February 2026 (if no comments are received), March 2026 (if comments are received)

3. **Statutory Authority:** KRS 61.505(1)(g), 61.645(4)(j), 78.782(4)(j)

4. **a) Major Economic Impact Certification (KRS 13A.010, Section 1(13):** Will the combined implementation and compliance costs of this administrative regulation be at least five hundred thousand dollars (\$500,000) over any two-year period? No. The regulations are already being administered as written.

b) Cite the exemption under KRS 13A.105(2):

(a) Will not have a major economic impact:

(b) Is an emergency administrative regulation that must be put into effect immediately to meet an imminent threat to public health, safety, or welfare;

(c) Is necessary to prevent the loss of federal or state funds;

(d) Is necessary to meet a deadline that is established by federal law, federal regulation, or state law;

(e) Is necessary to comply with a final order from a court of competent jurisdiction; or

(f) Relates to the licensure and regulation of health facilities and services pursuant to KRS Chapter 216B..

5. **If applicable, list the statute that requires this regulation to be submitted to another official or administrative body for review or approval prior to filing the administrative regulation with the LRC (KRS 13A.220, Section 5(6)(a)):** None.

6. **Summary of the Regulation:** KRS 61.703 provides upon the death of a member who has an existing account that totals no more than \$1,000, a survivor may without formal administration of the estate collect the account by filing an appropriate affidavit that conforms to the requirements of the administrative regulation promulgated by the board. KRS 61.505(1)(g) and 61.645(9)(e) authorize the KPPA on behalf of the boards to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. This administrative regulation establishes the process to file for collection of the account.

7. **Justification for Amendment(s) or New Regulation(s):** The amendment to this administrative regulation is primarily technical in nature. It removes the previous numerical limit of \$7500 in favor of citing the statute that establishes the exemption amount, updates statutory citations, updates the affidavit

incorporated by reference, and aligns language with the drafting requirements of KRS Chapter 13A.

8. **Affected Entities:** This administrative regulation affects only next of kin who file for collection of a deceased member's account without formal administration of the estate when the assets total no more than \$1000, or approximately 200 people per year.

9. **Is there a cost to or savings for the affected entities or the agency? If so, please explain and include funding source:** The costs for the amendment, which is primarily technical in nature, is minimal because the regulation is already being implemented as written. Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

10. **Is the regulation more stringent than federal regulation? If so, explain how and why:** No.

11. **Internal-External review/stakeholder involvement in promulgation process:** The amended regulation was reviewed/discussed/and revised internally by staff and the Executive Team.

12. **Is Tiering Applied? (Explain why or why not):** No, tiering is not applied. All survivors who want to collect assets totaling less than \$1000 must comply with the same requirements.

1 FINANCE AND ADMINISTRATION CABINET

2 Kentucky Public Pensions Authority

3 (Amendment)

4 105 KAR 1:350. Collection of account under \$1000 by next of kin~~[without formal~~
5 ~~administration of estate]~~.

6 RELATES TO: KRS 61.703, 78.545

7 STATUTORY AUTHORITY: KRS 61.505(1)(g), 61.645(9)(e), 61.703(2)

8 CERTIFICATION STATEMENT: This is to certify that this administrative regulation
9 complies with KRS 13A.150(2) because it does not have a major economic impact.

10 NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.703 provides upon the death
11 of a member, retiree, or recipient who has an existing account or other benefit that totals no more
12 than \$1,000, a surviving spouse, child, parent, or brother or sister may without formal
13 administration of the estate collect the account by filing an appropriate affidavit, that conforms to
14 the requirements of the administrative regulation promulgated by the board, with the Kentucky
15 Public Pensions Authority~~[Retirement Systems]~~. KRS 61.505(1)(g) and 61.645(9)(e) authorize
16 the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County
17 Employees Retirement System to promulgate administrative regulations that are consistent with
18 and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705,
19 and 78.510 to 78.852. This administrative regulation establishes the process to file~~[for filing]~~ for
20 collection of the account.

Section 1. Section 1. The survivor who makes demand for the deceased member, retiree, or recipient account shall file with the agency~~[retirement office]~~ a Form 6826, Affidavit for Collection of Account Without Formal Administration of Estate or other notarized affidavit, and shall confirm or state:

(1) The affidavit is for the collection of deceased member, retiree, or recipient account and is made in accordance with the provisions of KRS 61.703 allowing for the collection of the account without formal administration of the estate;

(2) The date of death of the member, retiree, or recipient, and confirm that ninety (90) days have elapsed since the date of death;

(3) No application or petition for the appointment of a personal representative of the estate of the member, retiree, or recipient is pending or has been granted in any jurisdiction;

(4) The value of the gross estate, wherever located and less liens and encumbrances, of the deceased member, retiree, or recipient does not exceed the exemption amount established in KRS 391.030 or the amount exempt from formal distribution in the state in which the member was domiciled at the time of their death~~[\$7,500]~~;

(5) That the affiant~~[he or she]~~ is the surviving spouse; or if none, a surviving child; or if none, a surviving parent; or if none, a surviving brother or sister;

(6) That the affiant~~[he or she]~~ is entitled to payment of the account; and

(7) That the Kentucky Public Pensions Authority~~[Retirement Systems]~~ shall be discharged and held harmless to the same extent as if conducting business with a personal representative; and in the event any person or entity establishes a superior right to the account, the affiant~~[survivor]~~ shall acknowledge that they~~[he or she]~~, and not the Kentucky Public Pensions Authority~~[Retirement Systems]~~, shall be answerable and accountable for the member,

1 retiree, or recipient account to any creditor or appointed personal representative of the estate.

2 Section 2. The affidavit shall be accompanied by the death certificate, or if no death
3 certificate is available, other acceptable evidence of death of the member, retiree, or recipient.

4 Section 3. The Kentucky Public Pensions Authority~~[Retirement Systems]~~, upon receipt of
5 a properly executed~~[properly executed]~~ affidavit for collection of account without formal
6 administration of estate accompanied by death certificate, shall make payable to the surviving
7 spouse, child, parent, or brother or sister the assets~~[account]~~ of the deceased member, retiree, or
8 recipient if the assets due to the estate are less than \$1000.

9 Section 4. Incorporation by Reference.

10 (1) "Form 6826, Affidavit for Collection of Account Without Formal Administration of
11 Estate, 11/2025~~[August 2002]~~", Kentucky Public Pensions Authority~~[Retirement Systems]~~, is
12 incorporated by reference.

13 (2) This material may be inspected, copied, or obtained, subject to applicable copyright
14 law, at the Kentucky Public Pensions Authority~~[Retirement Systems, Perimeter Park West]~~, 1260
15 Louisville Road, Frankfort, Kentucky 40601-6124, Monday through Friday, 8 a.m. to 4:30 p.m.
16 and on the agency's website at kyret.ky.gov.

105 KAR 1:350. Collection of account without formal administration of estate is approved for filing.

Ryan Barrow,
Executive Director
Kentucky Public Pensions Authority

Date

105 KAR 1:350. Collection of account without formal administration of estate.

Certified pursuant to KRS 13A.150(2) and (3):

No signature pursuant to current litigation in Franklin County Circuit Court (Case No. 25-CI-00269).

Andy Beshear
Governor

Date

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Monday, January 26, 2026 at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through January 31, 2026 and shall receive the same consideration as verbal comments. Send written notification of intent to be heard at the public hearing, or written comments on the proposed administrative regulation, to the contact person.

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

Contact person: Carole J. Catalfo
Policy Specialist
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601
Phone (502) 696-8679
Fax (502) 696-8615
Email: Legal.Non-Advocacy@kyret.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

105 KAR 1:350

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the process for next of kin to file for collection of a deceased member's account without formal administration of the estate when the assets total no more than \$1000.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the process to file for collection of a deceased member's account by their next of kin when the assets total no more than \$1000.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.703 provides upon the death of a member, retiree, or recipient who has an existing account or other benefit that totals no more than \$1,000, a surviving spouse, child, parent, or brother or sister may without formal administration of the estate collect the account by filing an appropriate affidavit, that conforms to the requirements of the administrative regulation promulgated by the board, with the Kentucky Public Pensions Authority. KRS 61.505(1)(g) and 61.645(9)(e) authorize the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by establishing the process for next of kin to file for collection of a deceased member's account without formal administration of the estate when the assets total no more than \$1000.

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

(a) How the amendment will change this existing administrative regulation: The amendment to this administrative regulation revises its title, corrects statutory references, replaces the \$7500 exemption with a citation to the statute that establishes the exemption, updates the affidavit incorporated by reference and language to align with KRS Chapter 13A drafting requirements.

(b) The necessity of the amendment to this administrative regulation: The amendment to this administrative regulation is necessary to revise its title, correct statutory references, update

the affidavit incorporated by reference and language to align with KRS Chapter 13A drafting requirements.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.703 provides upon the death of a member, retiree, or recipient who has an existing account or other benefit that totals no more than \$1,000, a surviving spouse, child, parent, or brother or sister may without formal administration of the estate collect the account by filing an appropriate affidavit, that conforms to the requirements of the administrative regulation promulgated by the board, with the Kentucky Public Pensions Authority. KRS 61.505(1)(g) and 61.645(9)(e) authorize the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852.

(d) How the amendment will assist in the effective administration of the statutes: The amendment to this administrative regulation is necessary to revise its title, correct statutory references, update the affidavit incorporated by reference and language to align with KRS Chapter 13A drafting requirements.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation affects only next of kin who file for collection of a deceased member's account without formal administration of the estate when the assets total no more than \$1000, or approximately 200 people per year.

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

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: No additional steps to comply with this amendment will be necessary. This administrative regulation is already administered as written.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There are no costs associated with this administrative regulation.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The regulated individuals will have the benefit of a more accurate title for the regulation, corrected statutory references, an updated affidavit incorporated by reference and updated language that aligns with KRS Chapter 13A drafting requirements.

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

(a) Initially: There is no additional cost to the agency. This administrative regulation is already administered as written.

(b) On a continuing basis: There is no additional cost to the agency. This administrative regulation is already administered as written.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

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

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

(9) TIERING: Is tiering applied? (Explain why or why not) No, tiering is not applied. The process is the same for any next of kin who applies to collect a deceased member's account under \$1000.

FISCAL IMPACT STATEMENT

105 KAR 1:350

Contact Person: Carole J. Catalfo

Phone: (502) 696-8679

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

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 61.703 provides upon the death of a member, retiree, or recipient who has an existing account or other benefit that totals no more than \$1,000, a surviving spouse, child, parent, or brother or sister may without formal administration of the estate collect the account by filing an appropriate affidavit, that conforms to the requirements of the administrative regulation promulgated by the board, with the Kentucky Public Pensions Authority. KRS 61.505(1)(g) and 61.645(9)(e) authorize the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 61.703, 61.505(1)(g), and 61.645(9)(e).

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: The promulgating agency is the Kentucky Public Pensions Authority. There are no other affected state units, parts, or divisions.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:
 - For the first year: None.
 - For subsequent years: None.
2. Revenues:
 - For the first year: None.
 - For subsequent years: None.
3. Cost Savings:
 - For the first year: None.
 - For subsequent years: None.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): There are no affected local entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:
 - For the first year: N/A
 - For subsequent years: N/A

2. Revenues:

For the first year: N/A

For subsequent years: N/A

3. Cost Savings:

For the first year: N/A

For subsequent years: N/A

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): There are no additional regulated entities.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year: N/A

For subsequent years: N/A

2. Revenues:

For the first year: N/A

For subsequent years: N/A

3. Cost Savings:

For the first year: N/A

For subsequent years: N/A

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: This administrative regulation has little fiscal impact. It is being administered as written.

(b) Methodology and resources used to determine the fiscal impact: The agency analyzed its costs and procedures related to collection of a deceased member's account by their next of kin when the assets total no more than \$1000.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(13): No, this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13).

(b) The methodology and resources used to reach this conclusion: The agency analyzed its costs and procedures related to collection of a deceased member's account by their next of kin when the assets total no more than \$1000.

SUMMARY OF CHANGES TO MATERIALS INCORPORATED BY REFERENCE

The “Form 6826, Affidavit for Collection of Account Under \$1000 by Next of Kin”, Rev 11/2025, KPPA, is the one-page document used by next of kin to apply for collection of a deceased member’s account when the amount is less than \$1000.

Changes to the previous form include:

Name, address, and logo change from Kentucky Retirement Systems to Kentucky Public Pensions Authority.

Title change from “Affidavit for Collection of Account Without Formal Administration of Estate” to “Affidavit for Collection of Account Under \$1000 by Next of Kin”.

Aligns member information fields.

Aligns decedent information fields in statement 3.

Removes the \$7500 exemption amount which no longer applies, and replaces it with a citation to KRS 391.030 which establishes the exemption amount for a domiciliary of Kentucky, and with a reference to the exemption amount for an out-of-state domiciliary.

**Kentucky Public Pensions Authority [Kentucky Retirement Systems]**

[Perimeter Park West] • 1260 Louisville Rd. • Frankfort KY 40601-6124
 Phone: (502) 696-8800 • Fax: (502) 696-8822 • kyret.ky.gov

**Form 6826**
 Revised
 11/2025[03/2009]

Print Form

Affidavit for Collection of Account Under \$1000 by Next of Kin [Without Formal Administration of Estate]**Member Information**

Member Name:

Member ID:

 Comes the affiant, _____ with Social Security No. _____ (your-name)] of
 _____ (Your Name)

 _____ [(street-address)] _____ [(city)] _____ [(state)]
 (Street address, city, and state)

[with Social Security No. _____ (your-social-security-number)] and hereby swears and affirms that:

1. I am over the age of eighteen (18) years and am otherwise competent to be a witness. I have personal knowledge of the facts and matters set forth herein.
2. This affidavit is being made pursuant to KRS 61.703 and 105 KAR 1:350 for the collection of a deceased member, retiree, or recipient account.
3. _____ [(name-of-decedent)], with Social Security No. _____ [(decendent's social security number)]
 (Name of Decedent)
 died on _____, 20__ [(date)] and was a resident of _____ County, State of _____,
 at the time of death, and that ninety (90) days have elapsed since the date of death. I have attached a death certificate.
4. No application or petition for the appointment of a personal representative is pending or has been granted in any jurisdiction.
5. The value of the decedent's gross estate, wherever located and less liens and encumbrances, does not exceed the exemption amount established in KRS 391.030 or the amount exempt from formal distribution in the state in which the member was domiciled at the time of their death [\$7,500].
6. I affirm that (check only one):
 - ☐ I am the surviving spouse of the decedent.
 - ☐ I am the surviving child, and no spouse survives the decedent.
 - ☐ I am the surviving parent, and no spouse or child survives the decedent.
 - ☐ I am the surviving brother or sister, and no spouse, child, or parent survives the decedent.
7. The deceased member, retiree, or recipient account totals no more than \$1,000 and I am entitled to payment of the account.
8. I acknowledge that the Kentucky Retirement Systems shall be discharged and held harmless to the same extent as if conducting business with a personal representative; and in the event any person or entity establishes a superior right to the account, I acknowledge that I shall be answerable and accountable for the member, retiree, or recipient account to any creditor or appointed personal representative for the estate.

Signature: _____

Date: _____

Notary Certificate

State of: _____

County of: _____

 The foregoing affidavit was acknowledged, by _____ (affiant's name) before me this ____ day of
 _____, 20____.

Notary Seal

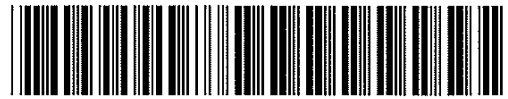
My Commission Expires: _____

Notary Public: _____



Kentucky Public Pensions Authority

• 1260 Louisville Rd. • Frankfort KY 40601-6124 Phone: (502) 696-8800
 • Fax: (502) 696-8822 • kyret.ky.gov



Form 6826

Revised 11/2025

Print Form

Affidavit for Collection of Account Under \$1000 by Next of Kin

Member Information

Member Name:	Member ID:
--------------	------------

Comes the affiant, _____, with Social Security No. _____, of
 (Your Name)
 _____ and hereby swears and affirms that:
 (Street address, city, and state)

1. I am over the age of eighteen (18) years and am otherwise competent to be a witness. I have personal knowledge of the facts and matters set forth herein.
2. This affidavit is being made pursuant to KRS 61.703 and 105 KAR 1:350 for the collection of a deceased member, retiree, or recipient account.
3. _____ with Social Security No. _____ died on _____, 20____ and was a
 (Name of Decedent)
 resident of _____ County, State of _____, at the time of
 death, and that ninety (90) days have elapsed since the date of death. I have attached a death certificate.
4. No application or petition for the appointment of a personal representative is pending or has been granted in any jurisdiction.
5. The value of the decedent's gross estate, wherever located and less liens and encumbrances, does not exceed the exemption amount established in KRS 391.030 or the amount exempt from formal distribution in the state in which the member was domiciled at the time of their death.
6. I affirm that (check only one):
 - ☐ I am the surviving spouse of the decedent.
 - ☐ I am the surviving child, and no spouse survives the decedent.
 - ☐ I am the surviving parent, and no spouse or child survives the decedent.
 - ☐ I am the surviving brother or sister, and no spouse, child, or parent survives the decedent.
7. The deceased member, retiree, or recipient account totals no more than \$1,000 and I am entitled to payment of the account.
8. I acknowledge that the Kentucky Retirement Systems shall be discharged and held harmless to the same extent as if conducting business with a personal representative; and in the event any person or entity establishes a superior right to the account, I acknowledge that I shall be answerable and accountable for the member, retiree, or recipient account to any creditor or appointed personal representative for the estate.

Signature: _____

Date: _____

Notary Certificate

State of: _____

County of: _____

The foregoing affidavit was acknowledged, by _____ (affiant's name) before me this ____ day of
 _____, 20____.

My Commission Expires: _____

Notary Seal

Notary Public: _____



Brief for Administrative Regulations

Date: September 2025

1. Number and Title of Regulation(s): 105 KAR 1:320 Proration of service credit

☐ *Emergency Regulation* ☐ *New Administrative Regulation* ☐ *Amendment*
☐ *Repealer* ☐ *Amended After Comments (w/SOC)* ☐ *Not Amended After Comments*
☒ *Certification* ☐ *Technical Amendment*

2. Proposed schedule for regulation process:

File – by November 15, 2025
Public Comment period – none
Public Hearing – none
ARRS – none

3. Statutory Authority: KRS 13A.3102 and 3104; KRS 61.545 and 61.680

4. Summary of the Regulation: KRS 61.545 provides for division of service credit based on the total compensation between systems and between hazardous and nonhazardous positions where the employee earns creditable compensation in more than one (1) position. KRS 61.680 provides for an employee to earn service credit, if the employee works in more than one (1) position with agencies participating in the same retirement system, including part-time positions. This administrative regulation establishes the formula for dividing the service between the positions.

5. Justification for certification: KRS 13A.3102 mandates that an administrative regulation expires 7 years after its effective date, unless the promulgating agency, pursuant to KRS 13A.3104, certifies to the LRC that it has reviewed the regulation, and that the regulation may remain in effect without amendment because it complies with current governing law.

KPPA has reviewed 105 KAR 1:320 and determined that the regulation complies with current governing law and can remain in effect without amendment.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



October 1, 2025

Ms. Emily Caudill, Regulations Compiler
Legislative Research Commission
083, Capitol Annex
702 Capitol Avenue
Frankfort, KY 4601

RE: 105 KAR 1:320 Proration of service credit

Dear Ms. Caudill,

Kentucky Public Pensions Authority has reviewed 105 KAR 1:320 Proration of service credit in its entirety for compliance with the requirements of KRS Chapter 13A and relevant agency-related statutes.

This administrative regulation shall remain in effect without amendment because it remains in compliance with KRS 61.545, 61.680, and Chapter 13A.

Sincerely,

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

RB/cjc



Brief for Administrative Regulations

Date: September 2025

1. Number and Title of Regulation(s): 105 KAR 1:345 Rollover and transfers of contributions to other plans

☐ Emergency Regulation ☐ New Administrative Regulation ☐ Amendment
☐ Repealer ☐ Amended After Comments (w/SOC) ☐ Not Amended After Comments
☒ Certification ☒ Technical Amendment

2. Proposed schedule for regulation process:

File – by November 15, 2025
Public Comment period – none
Public Hearing – none
ARRS – none

3. Statutory Authority: KRS 13A.3102 and 3104; KRS 61.645(g)

4. Summary of the Regulation: KRS 61.645(9)(g) requires the KPPA to promulgate administrative regulations necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. This administrative regulation establishes what constitutes eligible rollover distributions, eligible retirement plans, distributions, distributees, and direct rollovers for purposes of compliance with 26 U.S.C. 401(a).

5. Justification for certification: KRS 13A.3102 mandates that an administrative regulation expires 7 years after its effective date, unless the promulgating agency, pursuant to KRS 13A.3104, certifies to the Legislative Research Commission (LRC) that it has reviewed the regulation, and that the regulation may remain in effect without amendment because it complies with current governing law. KPPA has reviewed 105 KAR 1:345 and determined that the regulation complies with current governing law and can remain in effect without amendment.

6. Justification for technical amendment: KRS 13A.040(10) and 13A.312(2) allow the LRC to correct errors that do not affect the scope or substance of an administrative regulation. After review, the KPPA and LRC agreed that two errors contained in 105 KAR 1:345 can be corrected by a request for a technical amendment.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



October 1, 2025

Ms. Emily Caudill, Regulations Compiler
Legislative Research Commission
083, Capitol Annex
702 Capitol Avenue
Frankfort, KY 4601

RE: 401 KAR 1:345 - Rollover and transfers of contributions to other plans

Dear Ms. Caudill,

Kentucky Public Pensions Authority has reviewed 401 KAR 1:345 - Rollover and transfers of contributions to other plans in its entirety for compliance with the requirements of KRS Chapter 13A and relevant agency-related statutes.

This administrative regulation shall remain in effect without amendment because it remains in compliance with 26 U.S.C. 401(a), and KRS 61.645(9)(e) and Chapter 13A.

Sincerely,

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

RB/cjc



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



October 1, 2025

Ms. Emily Caudill, Regulations Compiler
Legislative Research Commission
083, Capitol Annex
702 Capitol Avenue
Frankfort, KY 4601

RE: 401 KAR 1:345 - Rollover and transfers of contributions to other plans
Technical amendment

Dear Ms. Caudill,

Our recent review revealed two errors in the engrossed version of 105 KAR 1:345. Pursuant to KRS 13A.040(10) and 13A.312(2), the KPPA requests that the Regulations Compiler make the following technical changes to 105 KAR 1:345:

Section 2(1)(b).
After "Section", insert "2(1)(a)2-4"
Delete "2(1)2-4"

Section 2(4)(b).
After "Effective January 1 2007, a", insert "Distributee"
Delete "distribute"

Sincerely,

Ryan Barrow
Executive Director
Kentucky Public Pensions Authority

RB/cjc

2026 Board and Committee Meeting Calendar

January 2026						
◀ Dec 2025						Feb 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1 New Year's Day	2	3
4	5	6	7	8	9	10
11	12	13 CERS Personnel Committee	14	15	16	17
18	19 Martin Luther King Jr.	20	21	22	23	24
25	26	27	28	29	30	31

February 2026						
◀ Jan 2026						Mar 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11 CERS Actuarial Committee	12 Joint Retiree Health Plan Committee	13	14
15	16 CERS Finance Committee	17	18 KRS Investment Committee	19	20	21
22	23	24 KPPA Audit Committee	25 CERS Investment Committee	26	27	28

March 2026						
◀ Feb 2026						Apr 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9 CERS Board Meeting	10	11 KRS Board Meeting	12	13	14
15	16	17	18	19 KPPA Board Meeting	20	21
22	23	24	25	26	27	28
29	30	31				

KPPA Board Meeting - KPPA Meeting Calendar 2026*

April 2026						
◀ Mar 2026						May 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3 Good Friday -1/2 day	4
5	6	7	8 CERS Actuarial Committee	9	10	11
12	13 CERS Board Meeting	14	15 CERS Annual Meeting	16 KRS Annual Meeting	17	18
19	20	21	22 KPPA Annual Meeting	23	24	25
26	27	28	29	30		

May 2026						
◀ Apr 2026						Jun 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13 Joint Retiree Health Plan Committee	14	15	16
17	18 CERS Finance Committee	19	20	21 KRS Investment Committee	22	23
24	25 Memorial Day	26	27 CERS Investment Committee	28 KPPA Audit Committee	29	30
31						

KPPA Board Meeting - KPPA Meeting Calendar 2026*

June 2026						
◀ May 2026						Jul 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8 CERS Board Meeting	9 CERS Personnel Committee	10	11	12	13
14	15	16 KRS Board Meeting	17	18	19 Juneteenth	20
21	22	23	24	25 KPPA Board Meeting	26	27
28	29	30				

July 2026						
◀ Jun 2026						Aug 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3 Independence Day - Observation	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August 2026						
◀ Jul 2026						Sep 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17 CERS Finance Committee	18	19 KRS Investment Committee	20	21	22
23	24	25 KPPA Audit Committee	26 CERS Investment Committee	27	28	29
30	31					

September 2026						
◀ Aug 2026						Oct 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3 Joint Retiree Health Plan Committee	4	5
6	7 Labor Day	8	9	10 KRS Board Meeting	11	12
13	14 CERS Board Meeting	15	16	17	18	19
20	21	22	23	24 KPPA Board Meeting	25	26
27	28	29	30			

October 2026						
◀ Sep 2026						Nov 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28 CERS Actuarial Committee	29	30	31

KPPA Board Meeting - KPPA Meeting Calendar 2026*

November 2026						
◀ Oct 2026						Dec 2026 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 CERS Board Meeting	3 Election Day	4	5	6	7
8	9	10 KRS Board Meeting	11 Veterans Day	12	13	14
15	16 Joint Retiree Health Plan Committee	17 KPPA Audit Committee	18	19 KRS Investment Committee	20	21
22	23 CERS Finance Committee	24 CERS Investment Committee	25	26 Thanksgiving Day	27 Office Closed	28
29	30					

December 2026						
◀ Nov 2026						Jan 2027 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3 KRS Board Meeting	4	5
6	7 CERS Board Meeting	8 KPPA Board Meeting	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24 Christmas Eve	25 Christmas Day	26
27	28	29	30	31 New Year's Eve		



KPPA
Kentucky Public Pensions Authority

STRATEGIC PLAN

SUMMARY



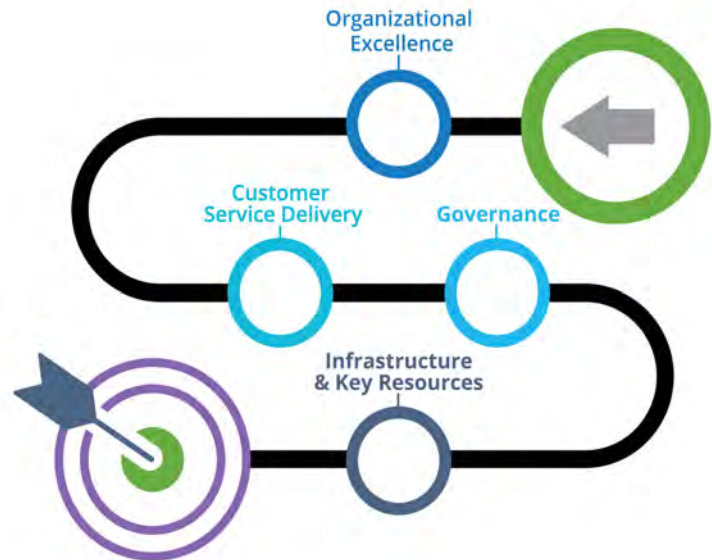
2024-2028

Presented by KPPA Leadership
September 2025

PURPOSE

The Kentucky Public Pensions Authority (KPPA) continues to prepare for a future of organizational excellence, responsive customer service, modernized information systems, and effective governance practices. Using KPPA's Core Values as a foundation, staff has developed a multi-year strategic plan that emphasizes executive leadership's commitment to meet and exceed evolving administrative and operational demands. Ultimately, KPPA is committed to ensuring that the retirement journey for our members is secure and supported by exemplary customer service for all stakeholders.

This strategic plan is a roadmap for the future focused on organizational excellence with a member and employer centric culture, modern technology, and leadership continuity. KPPA looks forward to delivering positive results for both those who are being served, and for the organization as a whole.



CORE VALUES

KPPA's Core Values guide staff when serving members, beneficiaries, employers, and other stakeholders and set the standard for excellence in communications, staffing, customer service delivery, and investment operations for the organization. This strategic plan explains:

- How the Core Values serve as the foundation for the strategic planning process,
- How the Core Values are used to measure progress and performance, and
- The steps that KPPA staff will take to ensure operations directly support each Core Value.

The KPPA Board defines the strategic direction of KPPA operations. This strategic plan defines the highest-level goals of the organization. Executive leadership sets the Core Values as guiding principles for staff to use as they work towards implementing the strategic plan. As strategic goals change in response to customer needs, the Core Values may also require modifications.

MEMBER

Enhance member experience through access to information, effective counseling, support, and services.

INVESTMENT

Manage plan assets prudently and effectively to ensure long-term sustainability and to continue seeking full actuarial funding by 2049.

TRANSPARENCY

Foster trust and transparency through clear and consistent communication with all stakeholders to support accountability and informed decision-making.

CULTURE

Champion a workforce that supports organizational continuity and high performance through diversity, safety, wellness, professional development, and succession planning.

IMPROVEMENT

Insist on a culture of continuous improvement to ensure excellence remains the standard.

STRATEGIC PLANNING PROCESS

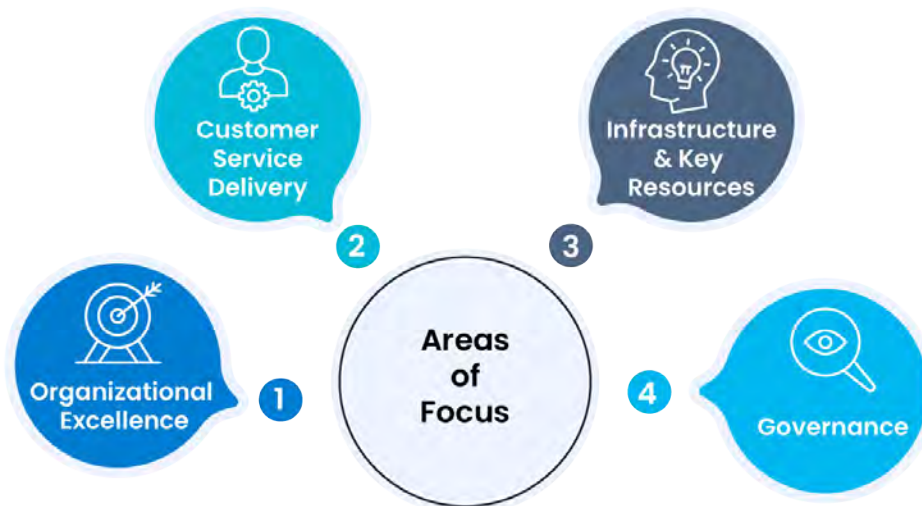
In support of the Core Values, this strategic plan identifies four Areas of Focus: Organizational Excellence, Customer Service Delivery, Infrastructure and Key Resources, and Governance. The activities that support focus areas are called Strategic Initiatives. Planning and performance monitoring of the Strategic Initiatives is an ongoing critical process, based on key performance metrics.



The process is cyclical and begins with strategic long-term vision in the strategic plan, then executive management planning, and proceeds to establishing the annual operating plan and budget. Based on the long-term vision of the strategic plan, the executive management team determines the projects and operating needs for the upcoming years and develops the budget for consideration and approval by the board and the Kentucky General Assembly. KPPA then measures performance to ensure that progress is being made towards its goals and conducts an annual assessment of performance that feeds back into strategic planning. This recurring planning-to-performance process keeps KPPA centered on the strategic areas of focus and empowers staff to execute activities to achieve the performance goals using the high standards set forth by the Core Values.

AREAS OF FOCUS

KPPA has conducted a comprehensive review of our organizational structure and current procedures to develop a plan with four components, called **Areas of Focus**:



Together, the Areas of Focus support continually enhancing service and execution of the **Strategic Initiatives** as KPPA adapts to customer needs and changing internal and external environments. The Strategic Initiatives provide details about KPPA's approach to success in these areas.



ORGANIZATIONAL EXCELLENCE

Create KPPA Organizational Excellence Model

Organizational excellence is the cornerstone for customer service and business operations. Given the dynamic nature of the retirement landscape, KPPA fosters a culture of innovation, continuous enhancement, and adaptability. Executive staff is dedicated to developing a skilled and responsive workforce; enabling KPPA to meet challenges, take advantage of opportunities when presented, and have an evolving and responsive customer service model.

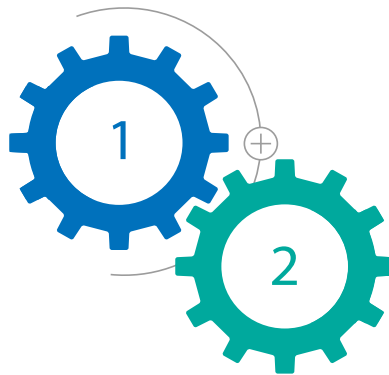
Organizational Excellence best practices are common in most successful organizations. KPPA executives will use proven best practices going forward to enhance the KPPA structure. These best practices will focus on refining customer service delivery and business operations to mirror high performance of other successful retirement systems and business organizations.

An organizational excellence model will create an environment centered on efficient use of resources that are planned and focused. Processes will be executed and evaluated against specific performance goals.

KEY STRATEGIC INITIATIVES

Support the Core Values

Enhance and support the KPPA core values by using organizational excellence best practices and continuous improvement programs for business operations to create and follow an ongoing KPPA organizational excellence model.



Benchmarking & Best Practices

Use benchmarking and best practices programs for customer service delivery and related continuous improvement services to compare KPPA performance to other organizations.

Continuous enhancement of operations will gradually shift KPPA to a more proactive operating stance that supports a carefully planned future. KPPA staff will frequently compare services and operations against other retirement systems and public and private sector organizations to measure performance against these benchmarks.



CUSTOMER SERVICE DELIVERY

Modernize, Enhance, and Sustain High Quality Services

Enhanced customer service delivery is not just a goal for KPPA; it is a pledge to enrich the member experience. By prioritizing transparency, accessibility, and personalized support, staff continually refines what it means to be served by KPPA. Through streamlined processes and enhanced communication channels, KPPA aims to further build trust and maintain positive relationships with our valued members, employers, and other stakeholders.

KPPA strives to deliver high levels of customer service to its members, beneficiaries, and employers. This is best accomplished by engaging with members and employers from the start and building on those relationships. For members, this means providing communication and education throughout their time with KPPA by:

- Connecting with new hires as they begin their careers,
- Communicating with members as they go through career stages, achieve key milestones, and ultimately retire, and
- Providing support with a variety of educational options and services tailored to each stage in their career and age group.

For employers, this means ensuring the appropriate training, tools, and information are available to:

- Support accurate reporting of employee data,
- Ensure contributions are collected efficiently, and
- Support members with appropriate KPPA resources so they can make informed decisions about their retirement account.

Over time, customer service delivery expectations change as societal trends evolve. It is important to continually evaluate service delivery methods in the context of these trends. Doing so ensures KPPA services incorporate the appropriate technology and that relevant performance benchmarks are adjusted accordingly.

User satisfaction surveys are an integral part of ensuring efforts to deliver high levels of customer service are hitting the mark. KPPA intends to expand the use of surveys on all key processes and customer interactions to better understand the effectiveness of the services and determine ways to continually improve over time.

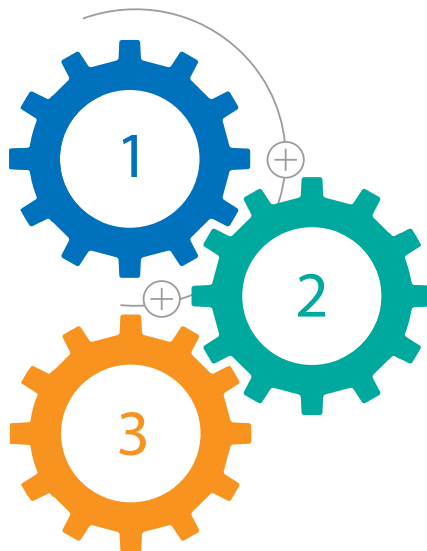
KEY STRATEGIC INITIATIVES

Targeted Communications & Programs

Enhance member experience across career stages and age groups through more targeted communications and programs.

Service Delivery Programs

Evaluate service delivery programs regularly to take advantage of changing societal trends and performance benchmarks.



Satisfaction Surveys

Use timely satisfaction surveys to fine tune and/or redesign future programs.



INFRASTRUCTURE & KEY RESOURCES

Modernize and Sustain High Quality Resources

Modernizing information systems is not merely a technological initiative; it is a strategic imperative to fortify the foundation of operations. By investing in technology, data security, and analytics capabilities, KPPA will continue to enhance efficiency, accuracy, and responsiveness. Designed to meet current demands and position KPPA to leverage the rapidly evolving technology landscape, this modernization effort focuses on infrastructure and key resources. KPPA considers staff as the key resource. Therefore, succession planning is another critical component of our strategic vision. KPPA is committed to developing staff and preparing them to take on leadership roles in the future. Recognizing the importance of ensuring a seamless transition of institutional knowledge is critical to success.

KPPA staff believes a strong and dynamic foundation is critical to achieving strategic and operational goals. The key components of this foundation are the employees, their work environment, and the technology that supports the services they provide. With a significant number of employees eligible to retire in the next few years, it is imperative that KPPA replace these valuable resources with capable, effective staff able to lead the agency into the future. KPPA must also strengthen programs that foster a growth-oriented environment and early-stage leadership, ensuring that the organization prepares staff and continually builds leadership skills through continuous succession planning activities. Creating a supportive work environment that encourages collaboration and efficiency while providing flexibility to staff is a challenge many organizations are dealing with today. KPPA will continue to monitor workplace trends to determine the direction and effectiveness of current models and to better evaluate possible changes to the workplace environment.

Technology continues to change at a rapid pace while also playing an increasingly important role in the services provided. KPPA will conduct a comprehensive technology assessment in 2024 to develop a roadmap based on best practices to address aging technology and to provide the right technology at the right time while continuing to protect our customers and their data.

KEY STRATEGIC INITIATIVES

Succession Plan

Reinforce KPPA's early-stage leadership and ongoing succession plan activities with additional proven best practices.

Technology

Conduct a comprehensive review of current technology against current and future needs and develop an overall roadmap with specific steps for addressing KPPA needs and consistent with societal trends in technology use.



Productivity Monitoring

Continue to monitor and measure the effectiveness of the evolving hybrid working arrangements during 2024 and update plans accordingly for 2025 and beyond.

Investments

Expand in-house investments staff and management capabilities.



GOVERNANCE

Confirm, Improve, and Monitor Operations

The governance structure of KPPA has been modified by legislative action and subsequent operational adjustments in recent years. During the strategic planning period, staff will focus on improving the effectiveness and efficiency of this structure and the agency's operations.

Governance best practices from other organizations will be compared to current operations. A review of organizational bylaws and policies, and daily KPPA administrative policies and operational activities will be conducted to identify continuous improvement opportunities. These continuous improvement opportunities will be recommended to KPPA leaders and the KPPA Board as appropriate.

KEY STRATEGIC INITIATIVES

Board Support

Refine and enhance staff support for Board and Committee function.

Operational Decisions

Develop a Business Plan for each fiscal year of the Strategic Plan that defines specific projects and tasks to be accomplished in whole, or in part, during the fiscal year. Monitor and adjust as necessary to allow for timely and effective implementation of statutory changes and the fulfillment of significant requests from the Boards while ensuring continued progress on the Strategic Plan.



Policy Governance

Apply best practices for management policy governance.

Operational Resources

Ensure that KPPA operational resources are controlled and monitored by the KPPA Executive Director to meet the needs of day-to-day operations, the strategic plan, and the Boards and Committees.

LOOKING AHEAD

KPPA is excited about the future and the role the organization serves in the lives of our members, retirees, beneficiaries, employers, and other stakeholders. The strategic plan serves as a roadmap in our journey to continuously enhance KPPA's administration and services. Executive management recognizes that the strategic planning process is not a one-time event but a continuous cycle of improvement and is committed to fostering an environment of organizational excellence and sustainability.

The KPPA Board and the entire KPPA team remain committed to the Core Values that serve as the standard of excellence to continue to ensure appropriate funding, communicate effectively with all stakeholders, and invest in staff and technologies to ensure KPPA is prepared for the future.



**2026 Business Plan
of the
2024 – 2028 Strategic Plan Summary**

09/25/2025

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SECTION 1

REVISION HISTORY

REVISION HISTORY

Version	Updated By	Date	Description Of Changes
0.1	Provaliant	04/15/25	Initial draft
0.2	Rebecca Adkins	06/26/25	Updated based on KPPA leadership feedback
0.3	Rebecca Adkins	09/25/25	Change name to Business Plan. Updates due to Six Mandates shifting to Core Values. Various updates to individual projects and projected timelines.

SECTION 2

PURPOSE OF DOCUMENT

The purpose of this document is to outline the strategic initiatives to be implemented in part or in whole during fiscal year 2026 (FY2026) which runs from July 1, 2025, through June 30, 2026. It is intended to provide detail and direction specific to FY2026 while staying in alignment with the overall plans defined by the 2024-2028 KPPA Strategic Plan Summary that was approved by the KPPA Board June 27, 2024, and updated to reflect Core Values September 25, 2025. It is important to schedule strategic planning and project execution in concert with the fiscal year and biennial budget process so that staff, KPPA management, and the KPPA Board are apprised in advance of resources that may be required in upcoming budget cycles. See Appendix B for an overview of the strategic plan against the budget cycles.

SECTION 3

STRATEGIC AREAS OF FOCUS

The following are KPPA's strategic areas of focus which help continually improve service and execution as the agency adapts to evolving customer needs and changing internal and external environments. These were adopted as part of the 2024-2028 Strategic Plan Summary.

ORGANIZATIONAL EXCELLENCE

CREATE KPPA ORGANIZATIONAL EXCELLENCE MODEL

- ◆ **Support the Core Values** - Enhance and support the KPPA core values by using organizational excellence best practices and continuous improvement programs for business operations to create and follow an ongoing KPPA organizational excellence model.
- ◆ **Benchmarking & Best Practices** - Use benchmarking and best practices programs for customer service delivery and related continuous improvement services to compare KPPA performance to other organizations.

CUSTOMER SERVICE DELIVERY

MODERNIZE, ENHANCE, AND SUSTAIN HIGH QUALITY SERVICES

- ◆ **Targeted Communication & Programs** - Enhance member experience across career stages and age groups through more targeted communications and programs.
- ◆ **Service Delivery Programs** - Evaluate service delivery programs regularly to take advantage of changing societal trends and performance benchmarks.
- ◆ **Satisfaction Surveys** - Use timely satisfaction surveys to fine tune and/or redesign future programs.

INFRASTRUCTURE & KEY RESOURCES

MODERNIZE AND SUSTAIN HIGH QUALITY RESOURCES

- ◆ **Succession Plan** - Reinforce KPPA's early-stage leadership and ongoing succession plan activities with additional proven best practices.
- ◆ **Productivity Monitoring** - Continue to monitor and measure the effectiveness of the evolving hybrid working arrangements during 2024 and update plans accordingly for 2025 and beyond.
- ◆ **Technology** - Conduct a comprehensive review of current technology against current and future needs and develop an overall roadmap with specific steps for addressing KPPA needs and consistent with societal trends in technology use.
- ◆ **Investments** - Expand in-house investments staff and management capabilities.

GOVERNANCE

CONFIRM, IMPROVE, AND MONITOR OPERATIONS

- ◆ **Board Support** - Refine and enhance staff support for Board and Committee function.
- ◆ **Policy Governance** - Apply best practices for management policy governance.
- ◆ **Operational Decisions** - Develop a Business Plan for each fiscal year of the Strategic Plan that defines specific projects/tasks to be accomplished in whole or in part during the fiscal year. Monitor and adjust as necessary to allow for timely and effective implementation of statutory changes and the fulfillment of significant requests from the Board(s) while ensuring continued progress on the Strategic Plan.

-
- ◆ **Operational Resources** - Ensure that KPPA operational resources are controlled and monitored by the KPPA executive director to meet the needs of day-to-day operations, the strategic plan, and the boards and committees.
-

SECTION 4

FY2026 STRATEGIC INITIATIVES AND APPROACH

The following provides an overview of activities for all initiatives defined for FY2026 grouped by the strategic areas of focus. The purpose of this overview is to further define high-level activities required to execute strategic initiatives. Detailed project plan tasks in the FY 2026 Project Plan will support each of the high-level tasks below, include start and finish dates, and be specifically assigned to individuals responsible for executing tasks. Frequent updates on the activities should be reported so that team participants and leaders are proactively monitoring the execution of the strategic initiatives. Planning and monitoring progress in detail is the responsibility of the Strategic Planning Committee.

Organizational Excellence

◆ Support the Core Values

Define KPPA's Standard for Excellence

Review organizational mandates, policies and operational guidelines to identify refinement opportunities for alignment with KPPA's current strategic direction.

Task	Timeframe
KPPA management assign specific resource(s) responsible for the review of organizational mandates, policies, and operational guidelines	Feb 2025 – Mar 2025
Conduct assessment and identify potential updates for executive consideration. (Leadership Academy participants are tasked with this)	Jun 2025 – Aug 2025
Based on executive feedback, prepare an updated 2024-2028 Strategic Plan and an updated FY 2026 Business Plan	Sep 2025

Establish Strategic Planning Committee

Formally establish a strategic planning committee to provide oversight to strategic planning activities and foster engagement across KPPA.

Task	Timeframe
Using current strategic planning oversight as a foundation, KPPA leaders identify participants for the committee	May 2025 – Oct 2025
Educate participants on the strategic planning process and their involvement	Nov 2025 – Jun 2026
Include the committee in quarterly strategic planning meetings, annual strategic planning activities, and other activities as needed	Ongoing

◆ Benchmarking and Best Practices

Director Training on Continuous Improvement and KPIs

Set up and maintain training for KPPA directors which focuses on operational efficiency, continuous improvement, and how to drive long-term success.

Task	Timeframe
Develop a director training program and agendas for 2025	Jan 2025
Director Training on Risk Management	Feb 2025
Director Training on Valuations	June 2025
Schedule and manage training sessions	Ongoing

Develop Ongoing/Periodic Review of all In-House Policies

Set up and maintain regular review and modification process for internal management policies.

Task	Timeframe
Identify "ownership" of Management Policies not consistently being reviewed annually and ensure all follow a regular schedule for review and approval by the appropriate leadership	Sep 2025 – Mar 2026
Update the Record Retention Policy with KDLA	Jan 2025 – Sep 2025
Update the HIPAA Policy	Nov 2024 – Dec 2025

Reduce the Utilization of Paper Checks

Evaluate the business need for paper checks versus the utilization of EFT/ACH.

Task	Timeframe
Evaluate potential options to paper checks	Jan 2025 – Dec 2025
Require EFT for all new vendors selected via RFP	Oct 2025 – Jun 2026
Identify the source/reason and number of all paper checks being utilized.	Jul 2025 – Jun 2026

Continue Refining Business Process Improvement Methodology

Using current business process improvement methodology as a foundation, refine business process across the agency using small and focused business process improvement teams in key areas as defined by KPPA leadership. These teams are designed to be agile and fast-paced and are made up of three or four members who work up to 50% of their time for three to six months on a specific process or service.

Task	Timeframe
	Ongoing
TEAM 1 – Form an implementation team for Quality Assurance (QA) recommendations and define implementation activities and schedule	May 2024 – Dec 2025
TEAM 4 - AI for Call Center and board/committee minutes	Feb 2025 – Feb 2026
TEAM 5 - Conduct CEM Benchmarking Survey. Evaluate benchmarking survey results	Sep 2025 – Jun 2026
TEAM 6 - Review DAC/AAC process for process improvement	
Provide Six Sigma Training to select KPPA staff	Jul 2025 – Dec 2025

Customer Service Delivery

◆ Service Delivery Programs

Deliver Service and Process Enhancements to Stakeholders (Members, Retirees, Employers)

Delivery of business process analysis recommendations and other service-related enhancements identified by the Strategic Planning Committee or KPPA leadership utilizing small and focused teams (3 – 4 member teams for 3 – 6 months).

Task	Timeframe
TEAM 2 – Form an implementation team to evaluate the current survey process and initiate phone and self-service surveys at a minimum. Establish a survey team for survey management	Jul 2024 – Dec 2025
TEAM 3 – Form an implementation team for Member Presentations Recommendations and define implementation activities and schedule	Oct 2024 – Jun 2026
TEAM 4 – Form an implementation team for AI Use in the Call Center Recommendations and define implementation activities and schedule	Feb 2025 – Feb 2026

Self-Service Enhancements

Add or improve existing web functionality for KPPA members and retirees utilizing small and focused teams (3 – 4 member teams for 3 – 6 months).

Task	Timeframe
Deliver self-service enhancements based on the following order of priority subject to change with the Technology Assessment: <ol style="list-style-type: none"> 1. Self-service mirroring 2. Online Chat, Text Functionality (real time with actual person) 3. Add/Delete/Update Beneficiary 4. Online appointment scheduling 5. Online refund application 6. State Tax Withholding 7. Mobile App 	One project at a time. Tech assessment to help define timeline
TEAM 7 – Self Service Mirroring	

◆ Targeted Communication & Programs

Re-evaluate Current Service Model

KPPA Benefits leadership will evaluate the effectiveness of the current service model for membership against communication best practices of other state-wide retirement systems.

Task	Timeframe
Evaluate current services being provided (in-person, virtual, phone counseling, webinars, newsletters). Evaluate career-stage specific communications. Develop roadmap to update services over time	Jul 2025 – Jun 2026
Evaluate KPPA website	Jul 2025 – Jun 2026

◆ Satisfaction Surveys

Proactively use Customer Feedback from Surveys to Enhance Member Engagement

Continue to build the use of surveys across all KPPA's service channels to better understand the customer's experience and then fine-tune and/or redesign future service channels.

Task	Timeframe
Survey team evaluates survey results <ul style="list-style-type: none"> - Interaction/process feedback for enhancement opportunity - Effectiveness of survey mechanism, process 	Jul 2025 – Jun 2026
Add surveying to more customer interactions as decided by KPPA	As needed
Continue evaluation of results on an ongoing basis	Ongoing

Infrastructure and Key Resources

◆ Succession Plan

Continue Leadership Academy and Mentoring

Continued development of KPPA Leadership Academy to help keep an inclusive work environment that promotes employee effectiveness, morale and retention.

Task	Timeframe
KPPA starts the Leadership Academy (leadership and mentorship) program	Jan 2024 – Jun 2024
Further develop Leadership Academy by providing valuable training to participants. Pair employees with appropriate mentors who will meet with the participants and offer honest feedback and coaching	Jan 2025 – Oct 2025
Progress reports are included in quarterly strategic planning reviews and activities are adjusted as needed	Ongoing

Develop ongoing staff training on M365 collaborative tools

Establish training videos series on M365 for staff reference.

Task	Timeframe
Define best storage and retrieval methodology	Jul – Sep 2025
Establish training videos on M365	Jul 2025 – Jun 2026

◆ Key Performance Indicators (KPI)/Hybrid Work

Expand KPIs to include all functional areas.

Expand existing KPIs to include adequate reporting to monitor productivity and to identify any backlogs.

Task	Timeframe
Review and update (if needed) Work from Home KPIs to better evaluate effectiveness and identify opportunities for improvement and refine policies	Jul 2025 – Jun 2026
Develop reporting mechanisms to capture and report visually using Tableau	Jul 2025 – Jun 2026
Review KPIs quarterly with KPPA management	Ongoing

◆ Technology

Conduct Technology Assessment and Roadmap

The Technology Assessment activities assume completing the assessment in time to include any technology-related budget requests (may or may not be needed) in the upcoming biennial budget or capital project requests.

Task	Timeframe
Conduct technology assessment	Jul 2025 – Dec 2025
Determine approach to implementation, strategic plan, and budget implications based on assessment	Jan 2026 – May 2026

Technology Assessment Identified Project 1

Based on the results of the technology assessment above, KPPA will prioritize and begin modernizing its technology systems as appropriate. It's expected that there will be some easier changes ("quick wins") along with other items that may be multiple-year projects. This is a place holder for the first project selected from the prioritized list.

Task	Timeframe
TBD	
TBD	

Consolidate/Update Accounting Software

In FY 2026 beginning with the technology assessment, KPPA will evaluate potential solutions to replace Microsoft Great Plains and integrate with eMars and/or START.

Task	Timeframe
Replace Gravity software with Workiva to provide a more complete reporting solution for the Annual Comprehensive Financial Report (ACFR) and for Board reporting	Mar 2025 – Dec 2025
Evaluate solutions to replace Microsoft Great Plains	See Tech Assessment timeline

Integrate Software Development Life Cycle (SDLC) into strategic plan and budget process.
Process of consolidating the current SDLC process and prioritization into strategic planning.

Task	Timeframe
Formalize the strategic planning process to include the SDLC prioritization process	Jul 2025 – Jun 2026
Communicate the new process and prioritization to the organization	Dec 2025 - Jun 2026
Reinforce and support the new process within the organization	Ongoing

Develop AI Policy

Development of an overarching AI policy to govern the use of AI at KPPA including approved uses for staff and vendors, approach for evaluating AI initiatives, and identifying approved AI tools.

Task	Timeframe
Assess the current landscape of organizational AI policies and current best practices	Jan 2026 – Feb 2026
Develop and implement a policy based on assessment and KPPA needs	Feb 2026 – Apr 2026
Incorporate review of AI policy into KPPA's in-house policy review process	Jun 2026

Eliminate the use of Microfiche

There are millions of images on microfiche. The images are at risk to be lost if they are not converted to another electronic format.

Task	Timeframe
Develop a method of effectively converting and storing microfiche	Jan 2023 – Jun 2023
Utilize a temporary employee on a dedicated scanner to convert microfiche images	Aug 2023 – Jun 2026

Governance

◆ KPPA Board

Evaluate Board and Committee Document Process

Evaluate all aspects of board and committee documentation to ensure availability, efficient archiving, periodic policy review.

Task	Timeframe
Ensure centralized location and periodic review procedures for Management Policies	Jul 2025 – Dec 2025
Ensure appropriate policies and procedures in place for annual submission of required trustee forms - conflict of interest, ethics, etc.	Jan 2026 – Sep 2026
Confirm process for redaction of public facing board materials	Jan 2026 – Feb 2026
Convert historical documents to electronic	Jan 2026 – Dec 2026
Link videos from YouTube instead of Facebook due to retention changes	Apr 2025 – Aug 2025

◆ Operational Decisions

Employer Invoice Process Review

Evaluate the process of tracking and seeking remittance of employer invoice payments for potential process improvement and reporting enhancements to better serve employers and to track invoices under dispute or litigation.

Task	Timeframe
Provide information and follow up to all employers with overdue invoices	Nov 2024 – Mar 2025
Evaluate the current process of tracking and seeking remittance of employer invoice payments	Jan – May 2025
Design improvements to the process	June – Jul 2025
Develop and implement the design changes	Aug 2025 – Mar 2026
Change the timing of assessing monthly reporting late penalties	Apr 2025 – Feb 2026
Enhance reporting of outstanding employer invoices	Mar – Sep 2025
Evaluate the need for administrative regulation changes	Jan – Dec 2025

◆ Operational Resources

Evaluate By-Law(s) Compliance

Develop a process to ensure KPPA staff implements all necessary items from By-Laws.

Task	Timeframe
Develop process to ensure implementation items from By-Laws	Jul 2025 – Dec 2025
Confirm process for consistent periodic review of By-Laws and necessary changes due to state or federal changes	Jul 2025 – Oct 2025

Compliance Officer: Move from Investments to CFO

Expand Compliance Officer duties to include traditional Investment Compliance as well as overall agency compliance.

Task	Timeframe
Move the Compliance Officer (CO) position direct reporting from Investments to CFO	Jul 2025
Expand CO duties to include not only all investment compliance monitoring but also assist with agency governance	Jan 2025 – Dec 2025

SECTION 5**STRATEGIC PLANNING CONTROLS AND GOVERNANCE**

The chart below illustrates key participants currently providing governance to the strategic plan activities. Other leaders from the organization may also be involved at various times and milestones throughout the project. The strategic planning and continuous improvement activities included in KPPA's 2024-2028 strategic plan will require proactive project management and widely communicated information to fully accomplish the goals of the strategic plan. To accomplish these goals, it will likely require fully dedicated individuals beyond the governance model below to keep strategic initiatives moving on a daily basis.

KPPA Strategic Planning Governance

*Additional staff will be added in the future.

SECTION 6

BUDGET IMPACT

Most tasks related to strategic planning initiatives will be accomplished with current staff and within the administrative budgets for the period covered by the 2024-2028 Strategic Plan Summary. Strategic plans are intended to provide consistent direction and focused purpose to ongoing work within the agency to optimally utilize the available resources for the best benefit to stakeholders.

KPPA leadership has taken action in the last biennium to align available resources with the goals of the 2024 – 2028 Strategic Plan Summary. These actions include requesting and receiving an increase in our staffing CAP from 270 to 284. The KPPA Board approved this request in June 2024. It is important to note that staff reallocations are anticipated as process improvements are identified. This will allow for the delivery of additional services to members and employers without the addition of staff beyond 284.

The upcoming technology modernization initiative is anticipated to require funding outside of the normal administrative budget. The Commonwealth has provided budgetary guidelines known as Capital Project Planning for technology projects whose total cost will exceed a \$1,000,000 threshold. Capital Project Planning is defined in KRS 7A. The Commonwealth’s Capital Project Plan is a six-year plan that must be adopted in the budget bill. The current plan is for 2026 – 2032. As a requirement of KRS 7A, all technology capital projects are reviewed first by the Commonwealth Office of Technology (COT) and then by the legislative statutory committee, Capital Planning Advisory Board (CPAB). Because the details of the KPPA Modernization Project are still unknown, staff worked with a budget analyst at the Finance Cabinet to submit an estimated capital project request. Details will be expanded based on data provided through the Technology Assessment initiative.

Phase	Budget Requested
Planning Phase (FY 2027 and FY 2028)	\$15,000,000
Implementation Phase (FY 2029 and FY 2030)	\$50,000,000
Closure Phase (FY 2031 and FY 2032)	\$10,000,000

If approved, these funds come from the trusts and not from a general fund appropriation. Special reporting to Finance and to the legislature is required once an agency has an approved capital project. Actual expenditures are based on need as identified through the project. Spending is capped at the approved amount but having an approved capital project does not commit an agency to spend the entirety of the approved funds. The Capital Project approval process simply provides the KPPA Board with permission to spend trust funds for the technology modernization project.

APPENDIX A**COMPLETED INITIATIVES FROM 2024-2028 STRATEGIC PLAN****Organizational Excellence**

Task	Accomplished By	Date Complete
2023 - 2024 Leadership Academy (Imaging)	HR conducted this for Imaging and Mail Room staff	2024

Customer Service Delivery

Task	Accomplished By	Date Complete
Created Permanent Survey Team	Benefits/Operations	Jan 2025
Eliminate Workaround to Update Membership Status through Pre-Retirement Audit when a Death Date Exists – Fixed Issue in the Eligibility Screen	DISB, DETS, QA	Feb 2025
Remove Manual Creation of Non-Member Memberships through Pre-Retirement Audit- Created Automated Omitted billings from the Averaging batch	QA, ERCE, DETS	April 2025

Infrastructure and Key Resources

Task	Accomplished By	Date Complete
Track HR KPIs	HR and KPI team	2024
Conduct an RFP for a Technology Assessment	DETS, Procurement	Jun 2025

Governance

Task	Accomplished By	Date Complete
Document all processes (Board and Committee)	Exec Staff Assistant	Jul 2024
KDLA archive of Board minutes and agendas	Exec Staff Assistant	Dec 2024
Evaluate statutory reporting compliance	Operations	Jan 2024 – Dec 2024
Split ACFR into two – CERS ACFR and KRS ACFR	CFO, Accounting	Feb 2024 – Dec 2024
Legislative Tracking - Implement and utilize enhanced legislative tracking to better monitor relevant legislation to KPPA.	Communications	Jan 2025 – Apr 2025
Pull Board/committee videos from Facebook to archive on premises	Exec Staff Assistant	Apr 2025 – Jun 2025



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: KPPA, CERS & KRS Board
From: Ryan Barrow
Date: September 2025
Subject: KPPA Update

I. ADMINISTRATIVE & STAFFING UPDATE:

- The Personnel Cabinet completed the statewide IT job series review, impacting nearly all KPPA related positions (e.g., some received only title changes).
- In collaboration with the Personnel Cabinet, KPPA updated the job class specifications for the Retirement System Counselor Series. As a result, the Retirement Programs Manager position was elevated one pay grade to better distinguish managerial roles from non-managerial ones, enhancing recruitment and retention for this series.
- All employees received a 3.0% salary increase effective July 1st, per the state budget. The updated salary schedule, reflecting the adjustment, is effective September 16th.
- Mid-year performance reviews were conducted in July for all statewide merit employees with status.

II. LEADERSHIP TRAINING & SUMMER INTERNS:

- The Personnel Cabinet has launched two new leadership initiatives: The Governor's Leadership Program for Emerging Leaders and The Governor's Leadership Program for Executive Leaders. KPPA has two employees enrolled in each program.
- The KPPA Leadership Academy continues monthly group meetings and individual mentoring sessions.
- Three KPPA interns successfully completed the Team KY Internship Program (TKIP) this summer. The program concluded with a reception at the Capitol Rotunda, attended by the Governor. All participants provided positive feedback to HR.

III. STRATEGIC PLAN & IMPLEMENTATION UPDATE:

All four Areas of Focus have active initiatives.

- **Organizational Excellence:** We are evaluating the KPPA Mandates and will bring an updated Strategic Plan to KPPA in September.
- **Customer Service Enhancements:** We are working on implementing phone

surveys and analyzing the DAC/AAC hearing process for efficiencies.

- **Infrastructure and Key Resources:** The RFP for a third-party IT Assessment is almost complete, with work scheduled to begin in the fall. The KPPA Leadership Academy will wrap up in November. The accounting team has successfully adopted new reporting software for ACFR and board reporting.
- **KPPA Governance:** The Employer Invoice Process Review has been successful and is expected to conclude in the coming months. The transition of the Compliance Officer from Investments to reporting directly to the CFO is nearing completion, pending final approval from the Personnel Cabinet.

IV. KPPA BUDGET UPDATE:

The KPPA Ad Hoc Budget Workgroup convened on August 29th to discuss the upcoming biennial budget. The next meeting is scheduled for September 16th, during which our CFO will seek approval to forward the biennium budget to the KPPA Board for review before its submission to the Commonwealth on or before October 1st. Additionally, the biennium submission will include plans for a capital project, estimated at approximately \$75 million, to modernize the Pension Administration System over the next six years.

V. TRUSTEE IMPACT FORUM:

IMPACT Forum (Investments, Management, Pensions, Advisory, Compliance, and Training) is scheduled for October 22nd and 23rd. KPPA has distributed a survey for the final count and billing.

VI. PPOB PRESENTATION:

Erin Surratt and I had the opportunity to present to the Public Pension Oversight Board (PPOB) on August 26th. The two topics covered were Investment Returns and Cash Flows as of June 30th as well as Projected Employer Costs.

VII. KPPA MAJOR SPEAKING/CONFERENCE REPRESENTATION:

In August, Rebecca Adkins sat on a panel at the National Conference on Public Employee Retirement Systems (NCPERS) Public Pension Funding Forum. Panel Discussion: "How Are Pension Plans Improving Their Funding Status and Receiving Contributions Above What's Required?" In addition, Erin Surratt and I had the opportunity to represent KPPA at the (National Association of State Retirement Administrators) NASRA Annual Conference. This year's program focus was Sound Promises, Secure Future.

VIII. KPPA KUDOS:

- The work put in by the Accounting, ERCE and LEGAL teams, as well as the on-going work of the employer invoice task force, and many other individuals have made major impact on outstanding invoices.
- For the first time, both CERS and the KRS Board of Trustees were issued separate

GFOA Certificate of Achievement for Excellence in Financial Reporting for their most recent FY24 ACFRs.

- One of our ERCE managers, Crystal Hughes, was complimented for her excellent performance reviews. HR attended a meeting with Personnel recently concerning an audit that they completed on our 2024 Performance Reviews. They used Ms. Hughes' review of one of her employees in 2024, to show how an excellent review is to be written. It was specific, measurable, and detailed.
- Positive feedback in email but also received a handwritten letter kudos from a member during a very difficult time.

Many thanks to everyone involved in maintaining and improving KPPA operations!



September 22, 2025

Ms. Allison Ball
Auditor of Public Accounts
209 St. Clair Street
Frankfort, KY 40601-1817

RE: Referral of APA Audits

Dear Auditor Ball,

Thank you for the referral of two (2) APA audits to my attention. The Barren County FC-SA 2024 (May 14, 2025), and the Clay County FC-SA 2024 (July 22, 2025). My understanding is this represents the third straight year a referral has been made to KPPA regarding the Clay County Fiscal Court. The prior referral notices were not addressed to me nor was I made aware of them by KPPA staff.

The referral letters noted above, signed by the General Counsel for the APA, indicated I should make your office aware of steps we were taking to address the deficiencies noted in your audits related to pension payments matching the payrolls of the respective organizations. Please allow this letter to serve as the CERS Board response to the legitimate questions raised by your referrals.

The first step we took was to ask the KPPA Chief Auditor to look at every APA audit performed of county governments since 20RS HB 484 established a new governance board for CERS. The APA audits 360 CERS employers which represents one-third of the approximately 1200 CERS employers.

Looking at the APA audits, as there currently is not a formalized mechanism to deal with the other CERS employers, we concluded there were a few dozen employers that needed additional attention from Employer Reporting, Compliance and Education (ERCE), the KPPA entity currently charged with completing employer audits. However, ERCE has just hired three (3) of four (4) persons to form an employer audit team since the first referral letter was sent to me and I inquired about how we intended to address the issue.

County Employees Retirement System
1270 Louisville Road
Frankfort, KY 40601

Lisle Cheatham, Chair
Mike Foster, Vice-Chair
Ed Owens, CEO

The CERS Board understands the critical importance of ensuring that all contributions due the CERS system are collected for the benefit of all our members. Therefore, we are offering an alternative plan to the one ERCE wants to employ. Our Board has taken the further step to create an Ad Hoc Employer Reporting Committee, ratified on September 8, 2025, to oversee the implementation of the strategy we seek to implement for Employer Audits.

Our position, which will need a legislative assist, will be to establish the employer audit team not under ERCE, but under the Chief Auditor. The Chief Auditor has presented a plan where the same number of auditors (4) would touch all 1200 employers of the CERS system on a rotating five-year (5) basis. We believe auditors should perform audits. Our board has further authorized me to seek the needed legislative changes to implement our vision of CERS employer audits.

We are very much a work in progress. It was important that you know we heard the import of your referrals, and we immediately have sought to address the concerns contained therein. If you have questions of me, feel free to contact me anytime. Again, thank you for the referrals.

Sincerely,

Ed Owens, III
CEO, CERS Board of Trustees

Cc: Lisle Cheatham, Chairman, CERS Board of Trustees
Ryan Barrow, Executive Director KPPA
Steve Webb, Chairman, CERS Ad Hoc Employer Reporting Committee



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

May 14, 2025

CEO Ed Owens III
Kentucky Public Pension Authority
1260 Louisville Road
Frankfort, KY 40601

Sent via email: Ed.Owens@kyret.ky.gov

Re: Referral of Finding in the Audit of the Barren County FC 2024

Dear CEO Owens III:

Enclosed is a copy of the above-referenced audit report. The Auditor of Public Accounts publicly released this report on May 7, 2025. We are referring Finding 2024-012 for your review and determination whether further investigation by your office is warranted.

Please keep the Auditor of Public Accounts advised of any action taken by your office as to these matters. Please contact me if you need more information or require further assistance.

Sincerely,

Alexander Magera

Alexander Magera
General Counsel





ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

July 22, 2025

CEO Ed Owens III
Kentucky Public Pension Authority
1260 Louisville Road
Frankfort, KY 40601

Sent via email: Ed.Owens@kyret.ky.gov

Re: Referral of Finding in the Audit of the Clay County FC-SA 2024

Dear CEO Owens III:

Enclosed is a copy of the above-referenced audit report. The Auditor of Public Accounts publicly released this report on July 16, 2025. We are referring Finding 2024-008 for your review and determination whether further investigation by your office is warranted.

Please keep the Auditor of Public Accounts advised of any action taken by your office as to these matters. Please contact me if you need more information or require further assistance.

Sincerely,

Alexander Magera

Alexander Magera
General Counsel





KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: Ed Owens III, CERS CEO
Ryan Barrow, KPPA Executive Director

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

Date: 8/26/2025

Re: CERS Employer Compliance Audits – Status

Pursuant to KRS 78.625 (5) KPPA has the authority to conduct an audit of an employer on behalf of CERS. KPPA identifies issues that may warrant a compliance audit through multiple sources including but not limited to:

- APA referrals
- Notification from the Office of the AG
- KPPA legal
- Information gathered by ERCE reps
- Tips from members
- News sources

Focusing on the two following CERS employers referred to KPPA by the APA and are undergoing full compliance audits.

V026 – Clay County Fiscal Court (CCFC)

Active Nonhazardous Employees	30
Total Monthly Salary	\$105,500
Total Monthly Contributions (EE, ER, HIC)	\$26,700

- **August 2023** – APA referred CCFC to KPPA due to finding 2022-005. This finding found that CCFC did not remit monthly payments to KPPA timely. However, KPPA was already aware of this issue and actively working on compliance. CCFC had been assessed late reporting penalties of \$6,045 that were paid in full 11/06/2024. The finding was not regarding the accuracy of the report but rather the timing of submission.
- **November 2024** – July through September 2024, CCFC was again late filing reports to KPPA. In November, ERCE contacted, via emails and calls, CCFC repeatedly through October 2024. ERCE sent a letter in November to CCFC regarding missing reports from July 2024 through September 2024. In addition, it required they pay all outstanding invoices and submit payroll records for July 2024 through August 2024 as KPPA planned to review the accuracy.

- **December 2024** – APA referred CCFC to KPPA due to finding 2023-008. This time the APA found that CCFC reported inaccurate retirement contributions.
- **July 2025** – APA referred CCFC to KPPA due to finding 2024-008 which is a recurrence of the 2023-008 finding.

In progress: ERCE is performing a full compliance audit on CCFC for FY 2023 through current. Depending on the findings, KPPA may also request records prior to FY 2023. The agency reporting official will be coached appropriately to ensure continued compliance. Similar to the prior issue that has been resolved, the ERCE audit will determine the amount of funds due to KPPA along with interest and that amount will be billed and collected or turned over to KPPA legal.

V005 – Barren County Fiscal Court (BCFC)

	Nonhaz	Haz
Active Employees	52	26
Total Monthly Salary	\$199,100	\$123,000
Total Monthly Contributions (EE, ER, HIC)	\$50,100	\$58,200

- **May 2025** – APA referred BCFC to KPPA due to finding 2024-012. The APA found that BCFC did not properly reconcile retirement reports with payroll. They did note that some of these issues were already corrected.

In progress: ERCE is performing a full compliance audit on CCFC for FY 2024 through current. Depending on the findings, KPPA may also request records prior to FY 2024. The ERCE audit will determine the amount of funds due to KPPA along with interest and that amount will be billed and collected or turned over to KPPA legal.

Summary

For both employers, the ERCE compliance audit will identify any necessary corrections to the member accounts. If required, adjustments or omitted service billings will be created to make both the members and the CERS plan whole. The agency reporting official will be coached appropriately to ensure continued compliance. Both agencies are relatively small having less than 100 employees so the financial impact to the system is anticipated to be minimal but will be pursued in the same manner and audit process as all employers with reporting issues.

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Across the board there were repeated findings about a lack of internal controls at the county governments.

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Adair County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Allen County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Anderson County	Fiscal Court	None	Not Available	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Ballard County	Fiscal Court	None	None	None	None				
	County Clerk	None	Potential	None	Not Available	2022-006 Leave Balances			
	Sheriff	None	None	None	Not Available				
Barren County	Fiscal Court	None	None	Yes	Yes	2023-001 Lack of Controls Over Acct Functions	2024-012 Retirement Reports		
	County Clerk	None	None	None	None				
	Sheriff	None	None	None	None				
Bath County	Fiscal Court	Not Available	Not Available	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Bell County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	None				
	Sheriff	None	None	None	Not Available				
Boone County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Bourbon County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Boyd County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Boyle County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Bracken County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Breathitt County	Fiscal Court	None	Potential	Potential	Not Available	2022-004 Payroll Disbursements	2023-004 Payroll Processing		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	Not Available	Not Available				

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Breckinridge County	Fiscal Court	Not Available	None	None	None				
	County Clerk	Potential	Potential	Potential	Not Available	2021-002 Payroll Processing	2022-001 Payroll Processing	2023-002 Payroll Processing	
	Sheriff	None	None	Potential	Not Available	2023-001 Did Not Account for Payroll Property			
Bullitt County	Fiscal Court	Potential	Potential	Not Available	Not Available	2021-001 Timesheets Do Not Reflect Actual Hours Worked	2022-005 Timesheets Do Not Reflect Actual Hours Worked		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Butler County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Caldwell County	Fiscal Court	None	Potential	Potential	Not Available	2022-001 Lack of Oversight of Acct and Financial Mgt. Practices	2023-001 Lack of Oversight of Acct and Financial Mgt. Practices		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Calloway County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Campbell County	Fiscal Court	None	None	None	Not Available				
	County Clerk	Potential	Potential	None	Not Available	2021-003 Inadequate Internal Controls Over Payroll	2022-003 Inadequate Internal Controls Over Payroll		
	Sheriff	None	None	None	Not Available				
Carlisle County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	Potential	None	None	Not Available	2021-001 Payroll Expenses Not Supported			
	Sheriff	None	None	None	Not Available				
Carroll County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	Not Available	None	None	Not Available				
Carter County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Casey County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Christian County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Clark County	Fiscal Court	Not Available	Not Available	Potential	Not Available	2023-003 Improper Internal Controls Over Payroll			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Clay County	Fiscal Court	None	Yes	Yes	Yes	2022-005 Retirement Reports and 2022-008 Payroll	2023-004 Retirement Surplus and 2023-008 Retirement Reports	2024-008 Retirement Reports	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding						Notes			
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024				
Clinton County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Crittenden County	Fiscal Court	None	Not Available	Not Available	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Cumberland County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Daviness County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Edmonson County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Elliott County	Fiscal Court	None	None	None	None				
	County Clerk	Potential	Potential	Potential	Not Available	2023-001 County Clerk Not Fulfilling Duties of the Clerk	2022-001 County Clerk Not Fulfilling Duties of the Clerk and 2022-004 Annual Settlement Not Presented	2021-001 County Clerk Not Fulfilling Duties of the Clerk and 2021-004 Annual Settlement Not Presented	
	Sheriff	None	None	None	Not Available				
Estill County	Fiscal Court	Potential	None	Not Available	Not Available	2021-003 Inadequate Internal Controls Over Payroll			
	County Clerk	Potential	Potential	Potential	Not Available	2021-001 Former Clerk Not Fulfilling Duties of the Clerk and 2021-012 Miscalculated Payroll Withholdings	2022-001 Former Clerk Not Fulfilling Duties of the Clerk and 2022-004 Inadequate Controls Over Payroll	2023-001 Former Clerk Not Fulfilling Duties of the Clerk and 2023-005 Inadequate Controls Over Payroll	
	Sheriff	None	None	None	Not Available				
Fayette County	Fiscal Court	Not Available	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Fleming County	Fiscal Court	None	Not Available	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Floyd County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Franklin County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Fulton County	Fiscal Court	Potential	Potential	None	Not Available	2022-001 Inadequate Controls Over Acct and Financial Reporting and 2022-003 Lack of Oversight of Payroll	2021-001 Inadequate Controls Over Acct and Financial Reporting and 2021-006 Lack of Oversight of Payroll		
	County Clerk	None	None	None	Not Available				
	Sheriff	Potential	None	None	Not Available	2021-006 Payroll Withholdings Not Remitted			

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding								
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes		
Gallatin County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Garrard County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	Potential	Potential	None	Not Available	2022-002 Inadequate Controls Over Payroll	2021-003 Inadequate Controls Over Payroll	
Grant County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Graves County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Grayson County	Fiscal Court	None	None	Not Available	Not Available			
	County Clerk	Potential	Potential	None	Not Available	2022-001 Not Compensating Employees for Hours Worked	2021-001 Not Compensating Employees for Hours Worked	
	Sheriff	Potential	None	None	Not Available	2021-003 Did Not Compensate Employees for Overtime		
Green County	Fiscal Court	Not Available	None	None	None			
	County Clerk	Potential	None	None	Not Available	2021-007 Inadequate Controls Over Payroll		
	Sheriff	Potential	Potential	None	Not Available	2022-003 Payroll did not Operate Effectively	2021-004 Payroll did not Operate Effectively	
Greenup County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hancock County	Fiscal Court	Not Available	Not Available	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hardin County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hartan County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Harrison County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Hart County	Fiscal Court	None	None	Not Available	Not Available			
	County Clerk	None	None	None	None			
	Sheriff	None	None	None	Not Available			
Henderson County	Fiscal Court	Not Available	Potential	Potential	None	2023-001 Inadequate Controls Over Payroll	2022-003 Inadequate Controls Over Payroll	
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding						Notes			
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024				
Henry County	Fiscal Court	Potential	Potential	Not Available	Not Available	2022-001 Inadequate Controls Over Acct and Financial Management	2022-001 Inadequate Controls Over Acct and Financial Management		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Hickman County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Hopkins County	Fiscal Court	None	None	Potential	Not Available	2023-003 Inadequate Controls Over Payroll			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Jackson County	Fiscal Court	Yes	Potential	Yes	Not Available	2023-001 Lack of Internal Control System (including payroll) and 2023-011 Inadequate Controls Over Payroll	2022-001 Lack of Internal Control System (including payroll) and 2022-011 Inadequate Controls Over Payroll	2021-005 Inadequate Controls Over Payroll	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	Potential	Not Available	2023-005 Lack of Controls over Payroll Process			
Jefferson County	Fiscal Court	Not Available	Not Available	Not Available	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Jessamine County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Johnson County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Kenton County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Knott County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Knox County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
LaRue County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Laurel County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Lawrence County	Fiscal Court	Not Available	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding								
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes		
Lee County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Leslie County	Fiscal Court	Potential	Not Available	Not Available	Not Available	2021-013 Payroll Revolving Account Did Not Reconcile to Zero		
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Letcher County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Lewis County	Fiscal Court	None	Not Available	Not Available	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Lincoln County	Fiscal Court	Not Available	None	Not Available	Not Available			
	County Clerk	None	None	Potential	Not Available	2023-002 Inadequate Controls Over Payroll		
	Sheriff	None	None	None	Not Available			
Livingston County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	Potential	None	None	Not Available	2021-002 Internal Control Deficiencies Over Payroll		
Logan County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Lyon County	Fiscal Court	None	None	None	None			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Madison County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Magoffin County	Fiscal Court	None	Not Available	Not Available	Not Available			
	County Clerk	None	Potential	None	Not Available	2022-004 Late Remitting State Payroll Withholdings		
	Sheriff	None	None	None	Not Available			
Marion County	Fiscal Court	Not Available	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Marshall County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	None	None	Not Available			
	Sheriff	None	None	None	Not Available			
Martin County	Fiscal Court	None	None	None	Not Available			
	County Clerk	None	Potential	Not Available	Not Available	2021-002 Deficit in Official Bank Account		
	Sheriff	None	None	None	Not Available			

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Mason County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
McCracken County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
McCreary County	Fiscal Court	Potential	Potential	Potential	Not Available	2023-001 Payroll Revolving Account, Not Reconciled and 2023-004 Internal Controls Over Payroll Not Effective	2022-001 Payroll Revolving Account, Not Reconciled	2021-001 Payroll Revolving Account, Not Reconciled	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
McLean County	Fiscal Court	Potential	Potential	None	Potential	2024-002 Payroll Revolving Account, not Reconciled	2022-003 Payroll Revolving Account, not Reconciled	2021-002 Payroll Revolving Account, not Reconciled	
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Meade County	Fiscal Court	None	None	None	Not Available				
	County Clerk	Potential	Potential	None	Not Available	2022-001 Lack of Segregation of Duties over Payroll	2021-001 Lack of Segregation of Duties over Payroll		
	Sheriff	None	None	None	Not Available				
Menifee County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	Not Available	Not Available				
Mercer County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Metcalfe County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Monroe County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Montgomery County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Morgan County	Fiscal Court	Yes	Yes	None	Not Available	2022-010 Inadequate Payroll Procedures	2021-008 Inadequate Payroll Procedures		
	County Clerk	None	None	None	Not Available				
	Sheriff	None	Potential	None	Not Available	Procedure #13 Compliance Procedure			
Muhlenberg County	Fiscal Court	Not Available	Potential	None	Not Available	2022-5 Payroll Revolving Account Not Reconciled			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Nelson County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	Potential	None	None	Not Available	Procedure #13 Compliance Procedure			

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Nicholas County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Ohio County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Oldham County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Owen County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Owsley County	Fiscal Court	None	Potential	Potential	Potential	2024-004 Inadequate Controls Over Payroll	2023-006 Inadequate Controls Over Payroll	2022-005 Inadequate Controls Over Payroll	
	County Clerk	None	Potential	Potential	Not Available	2023-001 Internal Control System Severely Deficient	2022-001 Internal Control System Severely Deficient		
	Sheriff	None	None	None	Not Available				
Pendleton County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	None				
	Sheriff	None	None	None	Not Available				
Perry County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Pike County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Powell County	Fiscal Court	None	None	Potential	Not Available	2023-004 Lack of Oversight of Timesheets			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Pulaski County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	None				
Robertson County	Fiscal Court	Not Available	Potential	None	Not Available	2022-004 Payroll Revolving Account Not Reconciled			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Rockcastle County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Rowan County	Fiscal Court	Not Available	Potential	None	None	2022-001 Inadequate Controls Over Revolving Accounts			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Russell County	Fiscal Court	Not Available	Not Available	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	None				
Scott County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Shetby County	Fiscal Court	None	Not Available	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Simpson County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Spencer County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	none	None	Not Available				
	Sheriff	None	None	None	Not Available				
Taylor County	Fiscal Court	None	None	None	Potential	2024-003 Payroll Revolving Account Not Reconciled			
	County Clerk	Potential	Potential	No	Not Available	2022-003 Inadequate Controls Over Payroll	2021-003 Inadequate Controls Over Payroll		
	Sheriff	None	None	None	Not Available				
Todd County	Fiscal Court	None	None	Potential	Not Available	2023-002 Inadequate Controls Over Payroll			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Trigg County	Fiscal Court	Potential	Potential	Potential	Potential	2024-007 Inadequate Controls Over Payroll and 2024-008 Payroll Revolving Account Not Reconciled	2023-007 Inadequate Controls Over Payroll and 2023-008 Payroll Revolving Account Not Reconciled	2022-007 Inadequate Controls Over Payroll and 2022-008 Payroll Revolving Account Not Reconciled	2021-005 Inadequate Controls Over Payroll and 2021-007 Payroll Revolving Account Not Reconciled
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Trimble County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Union County	Fiscal Court	Not Available	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Warren County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Washington County	Fiscal Court	Potential	None	None	None	2021-001 Payroll Revolving Account Not Reconciled			
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Wayne County	Fiscal Court	None	None	None	None				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	None				

KPPA Board Meeting - Office of Chief Auditor Proposed Legislation

Retirement Related Finding									
County	Entity	FY 2021	FY 2022	FY 2023	FY 2024	Notes			
Webster County	Fiscal Court	Not Available	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Whitley County	Fiscal Court	None	Not Available	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Wolfe County	Fiscal Court	None	None	Not Available	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				
Woodford County	Fiscal Court	None	None	None	Not Available				
	County Clerk	None	None	None	Not Available				
	Sheriff	None	None	None	Not Available				

	FY 2021	FY2022	FY2023	FY2024	Total
Yes	2	2	3	2	9
Potential	24	28	17	4	73
None	313	311	311	51	986
Not Available	21	19	28	303	371
Total	360	360	359	360	



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Kristen Coffey, Chief Auditor

FROM: Jillian Hall, Staff Attorney, Office of Legal Services
Beth Camic, Staff Assistant, Office of Legal Services

DATE: August 8, 2025

SUBJECT: Potential Information Disclosures/Breaches Affecting the Kentucky Public Pensions Authority ("KPPA"), Fiscal Year 2025 Quarter 4

DATA ON POTENTIAL DISCLOSURES/BREACHES FY 2025 4TH QUARTER

Total Disclosures/Breaches Reports Investigated: 11

<u>Total Number Investigated</u>	<u>Type</u>
1	Implicated HIPAA/HITECH
0	Implicated state law
7	Implicated KPPA Data Disclosure Notification Policy
3	Found not to be a disclosure/breach

Total Members Affected by Potential Disclosures/Breaches: 1498

Total Potential Disclosures/Breaches by Source of Disclosure/Breach

<u>Total Number of Disclosures/Breaches</u>	<u>Source</u>
7	KPPA, KRS, or CERS
1491	External (e.g., vendor, business associate)

Total Potential Disclosures/Breaches by Method of Disclosure/Breach

<u>Total Number of Disclosures/Breaches</u>	<u>Method</u>
2	Email
2	Mail
3	Self-Service
0	Phone
0	Fax
1	Other

SYNOPSIS ON POTENTIAL DISCLOSURES/BREACHES FY 2025 2nd Quarter

KPPA, KRS, and CERS Disclosures/Breaches

- **Federal law (HIPAA/HITECH):** There were **no** potential breaches of protected health information by the KPPA.
- **State law (KRS 61.931, et seq.):** There was **no** potential “security breach” of “personal information” as defined by state law by the KPPA.
- **KPPA Internal Data Disclosure Notification Policy:** The following disclosures occurred under the KPPA’s Data Disclosure Notification Policy.

Background: Non-KPPA member called to report receiving mail for a KPPA member for a while. Caller stated the KPPA member has not lived at that address for 20+ years.

Root Cause: Lack of Change of Contact Information

Follow Up: Deactivated member’s address and attempted to find current address. KPPA sought an affidavit from the member who received the disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

Background: Two instances of a KPPA staff member inadvertently including an outside party on an internal email outlining a member’s health insurance premiums.

Root Cause: Human Error. Email auto populated an outside email address.

Follow Up: KPPA immediately contacted the recipient and instructed them on proper destruction of the email. A disclosure notification letter was sent to the affected member. KPPA is seeking an affidavit from the member who received the disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

Background: KPPA staff flagged an account for suspicious activity regarding a direct deposit change request. Staff contacted member and confirmed changes were not authorized. The account was reverted to previous banking information and no benefit payment was missed. The unauthorized party was also able to view documents in the member’s self-service which included personal information regarding a beneficiary.

Root Cause: An unknown bad actor changed the member’s banking information by using information obtained outside of KPPA including the member’s banking information.

Follow Up: KPPA sent out required notices under internal policy and sent documentation to the member and beneficiary regarding the incident along with identity theft guidance. The member’s self-service account was locked down. Future

account changes are restricted to management only and must be notarized or dropped off in person with a valid ID.

Background: One instance of a Member calling to report receiving within their own mail from KPPA documents for another member.

Root Cause: Mailing issue – likely automatic mailer issue.

Follow Up: KPPA sent out required notices to the affected member and recipient. Disclosure notification letters were sent to the affected members. KPPA obtained an affidavit from the member who received disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

Background: A KPPA member called to report unauthorized contact information changes to their account. Due to security measures in place by KPPA, the member promptly received an email notification stating their information had been updated.

Root Cause: An unknown bad actor changed the member's contact information by using information obtained outside of KPPA. The member also noted they recently experienced identity theft outside of KPPA.

Follow Up: KPPA sent out required notices under internal policy and sent documentation to the member. The member's self-service account was locked down. Future account changes are restricted to management only and must be notarized or dropped off in person with a valid ID.

Background: When submitting a Notice of Filing for an administrative hearing, KPPA inadvertently included two pages of another member's exhibit list.

Root Cause: Human error.

Follow Up: The disclosed documents were stricken from the Administrative Record. A disclosure notification letter was sent to the affected member. KPPA is seeking an affidavit from the member's counsel who received the disclosed information attesting they did not copy or otherwise retain the information of the compromised member.

External Disclosures/Breaches

The KPPA received one notification from a KPPA vendor or business associate this quarter that a security breach or disclosure had occurred.

Background: On May 27, 2025, KPPA was notified by a vendor that a cybersecurity event involving a subcontractor's services had impacted 1,491 KPPA members.

Root Cause: Cybersecurity event.

Follow Up: The subcontractor immediately implemented emergency response protocols, contacted the FBI, and notified affected members and other required agencies. The contracted entity and its subcontractor are evaluating additional security enhancements to reduce the likelihood of a similar cybersecurity event in the future. The contractor notified affected members and offered 2-year free credit and identity theft monitoring service.

RECOMMENDATION

This memorandum is provided for informational purposes only.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

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MEMORANDUM

TO: Kristen Coffey, Chief Auditor

FROM: Stephanie Hold, Investigator, Office of Legal Services

DATE: August 26, 2025

SUBJECT: Tips Received Regarding Fraud, Waste, and Abuse

The information contained in this memo concerns tips regarding potential fraud, waste and abuse received by the Kentucky Public Pensions Authority (KPPA), including updates on all open cases and cases closed since the last meeting of the Kentucky Public Pensions Authority Audit Committee (Audit Committee).

OPEN FRAUD TIP CASES

Since the Audit Committee met on May 29, 2025, the KPPA received one (1) new fraud tip, which is currently being investigated by the Office of Legal Services.

As of the date of this memo, the KPPA has six (6) cases in open status. The following chart provides current information for all open cases as of the date of this Memorandum:

Date Reported	Allegation(s)	Current Action
12/13/2022	Failure of an employer to report all employees in regular fulltime positions	The Office of Legal Services is investigating.
01/22/2024	Disability retirement fraud.	The Office of Legal Services is investigating.
06/12/2024	Employer not making the required retirement contributions for employees.	The Office of Legal Services is working with ERCE and obtaining additional information.
06/16/2024	Prearranged agreement to return to work for the same employer and failure to have the required break in service.	The allegation related to the member was substantiated and the Office of Benefits has taken action; however, the Office of Legal Services is investigating employer reporting issues uncovered as a result of the investigation.

KPPA Audit Committee Meeting - Legal Updates

Date Reported	Allegation(s)	Current Action
02/18/2025	Prearranged agreement to return to work for the same employer.	The Office of Legal Services is investigating.
07/25/2025	Prearranged agreement to return to work for another participating agency.	The Office of Legal Services is investigating.

FRAUD TIPS CLOSED SINCE LAST MEETING

As of the date of this memo, two (2) cases have been closed since the last meeting of the KPPA Audit Committee. The following case(s) were closed since the last meeting:

Date Reported	Allegation(s)	Disposition
11/02/2023	Employer not making the required retirement contributions for employees since January 2021.	The Office of Legal Services initially assisted ERCE in obtaining documents. Currently, there is no need for additional investigative work, so closing the tip and ERCE is taking the lead to resolve any outstanding employer contribution issues.
05/02/2025	Member failed to adhere to the required break in service.	After reviewing employer payroll data, there was no evidence to indicate the member worked past his retirement date.

RECOMMENDATION

This memorandum is provided for informational purposes only.



Kentucky Public Pensions Authority

Division of Internal Audit



To: County Employees Retirement System Board of Trustees

From: Kristen N. Coffey, CICA
KPPA Chief Auditor

Date: September 8, 2025

Subject: History of Anonymous Tips

When I was first hired as Division Director of Internal Audit, one of my responsibilities was to provide an update at the quarterly Audit Committee meetings regarding the status of the anonymous tips received.

At no time since I have been employed with KPPA has Internal Audit been given the authority or responsibility to investigate the KPPA related tips received from the tipline. When I was first hired, I would review the received tips and determine the next action to be taken:

1. If the tip was not related to KPPA, for example it was related to social security fraud, I would record the tip, then mark it as closed with an explanation.
2. If the tip was related to KPPA, I forwarded it to Office of Legal Services for review by the Legal Investigator.

To prepare for the quarterly update, I would reach out to Legal Services and request a detailed update regarding the status of each tip received – specific action taken, detailed results of the investigation, and final resolution. If the resolution was that the tip had been turned over to the Employer Reporting, Compliance, and Education (ERCE) team, I followed up with those individuals to get an update on the specific action they had taken and what, if any, resolution had been reached. Eventually, a shared spreadsheet was created so that Legal Services staff could add detailed notes related to each tip so that I would not have to reach out for an update before each quarterly meeting. I then drafted a status update memorandum to the Audit Committee members based on the information in the shared file. At the Audit Committee meetings, there were often questions related to specifics of the investigation or the status of open items. I was unable to answer these questions during the meetings because I was not the one completing the investigations.

After working in this manner for a couple of years, I requested a meeting with KPPA management to discuss the investigation and reporting of anonymous tips. I indicated that to respond adequately to the needs of the Audit Committee one of two things should happen:

1. Internal Audit be granted the authority and responsibility to complete the investigations so that I (or my team) could fully respond to question from the Audit Committee, or

2. Legal Services take over reporting the status update to the Audit Committee so they would be available to address questions from Committee members.

It was determined at that time that Legal Services would take on all responsibility for investigating and reporting the status of the anonymous tips.

When I was responsible for reporting the status, Legal Services would send the updates to me via a memorandum. Once Legal Services took over the reporting, the memorandum they created was still addressed to me, rather than the Audit Committee members. However, this memo is no longer sent to me for review or feedback. Instead, it is sent directly for inclusion in BoardBooks. Likewise, when it was determined that Legal Services would provide an update on disclosures, they utilized the same memorandum template which is addressed to the Chief Auditor. However, this memo is also not sent to me for review or feedback.