



Our Focus is Your Future

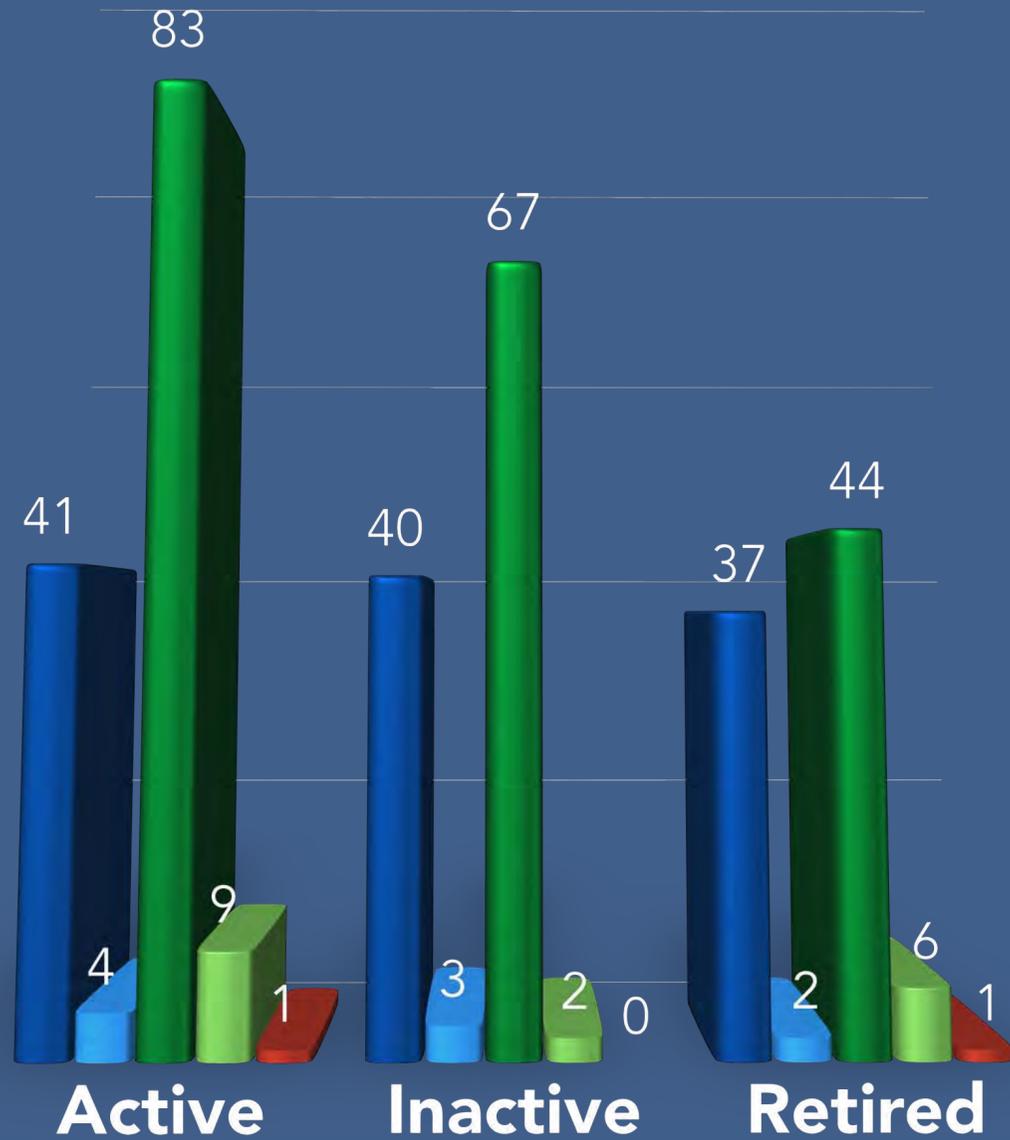
2013-14

Annual Progress Report

Our Members: Membership Breakdown

As of June 30, 2013

(000's)



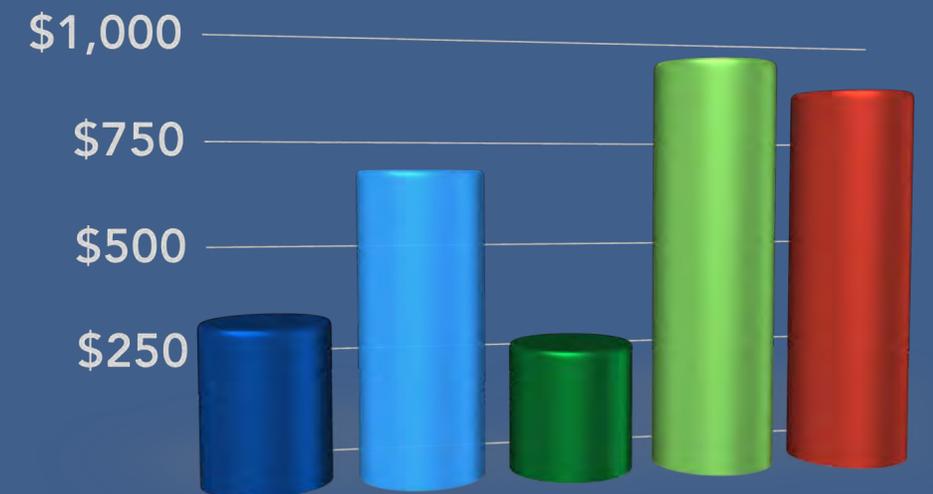
340,626

- KERS Non-Haz
- KERS Haz
- CERS Non-Haz
- CERS Haz
- SPRS

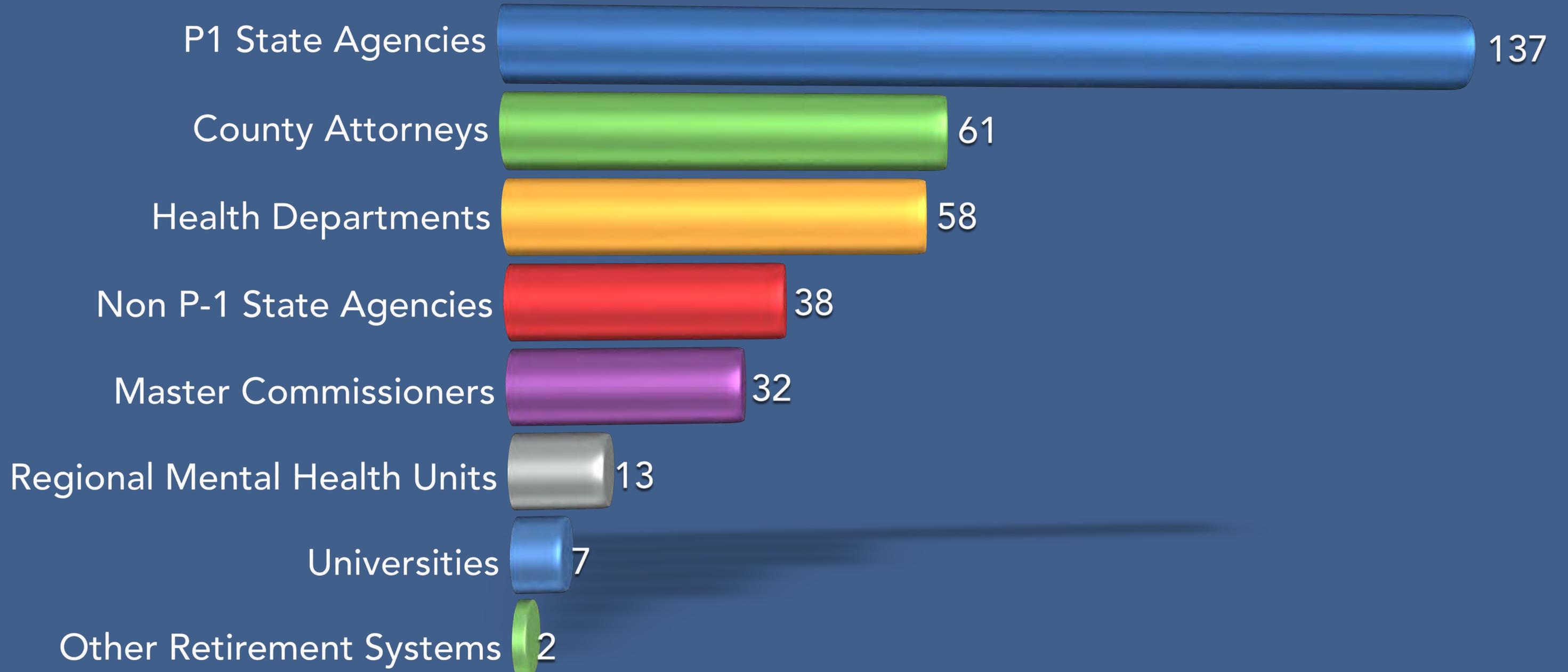
Average Annual Pension



Average Monthly Insurance Contribution

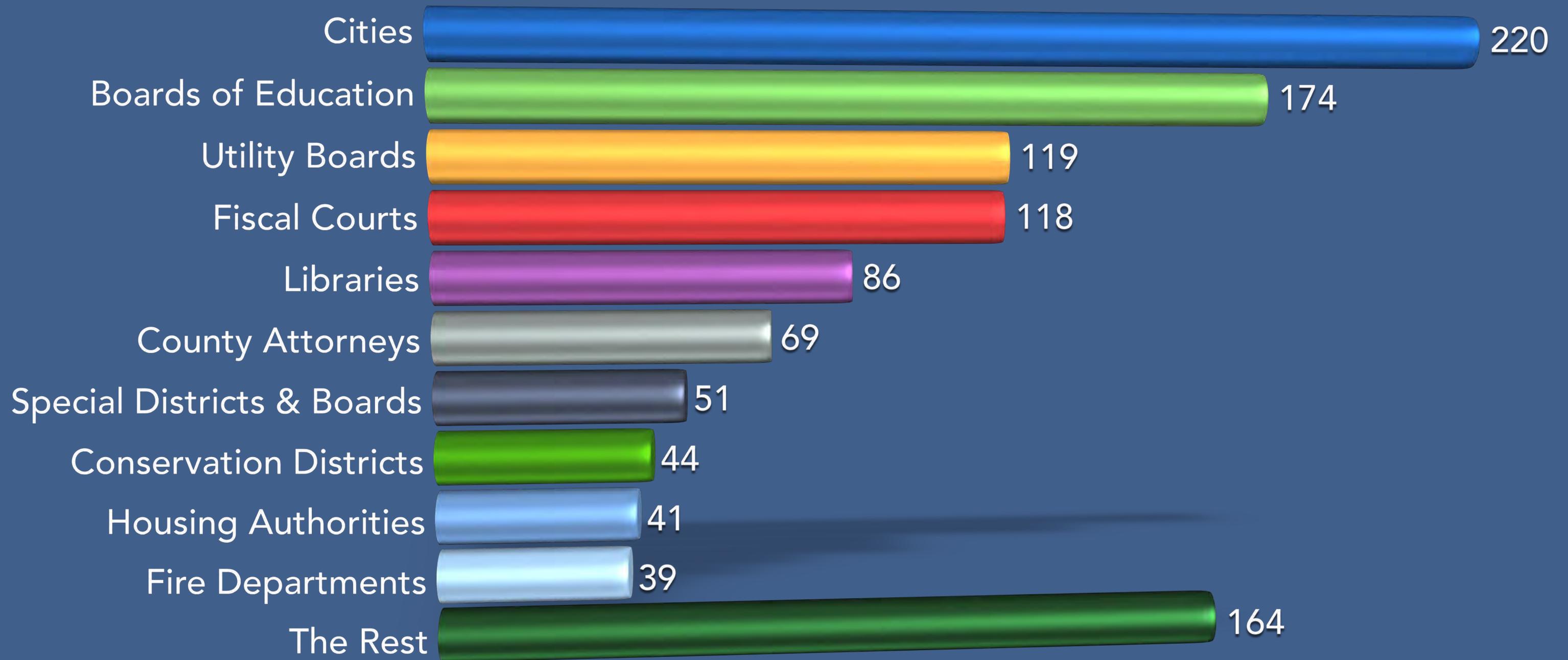


Our Employers: KERS



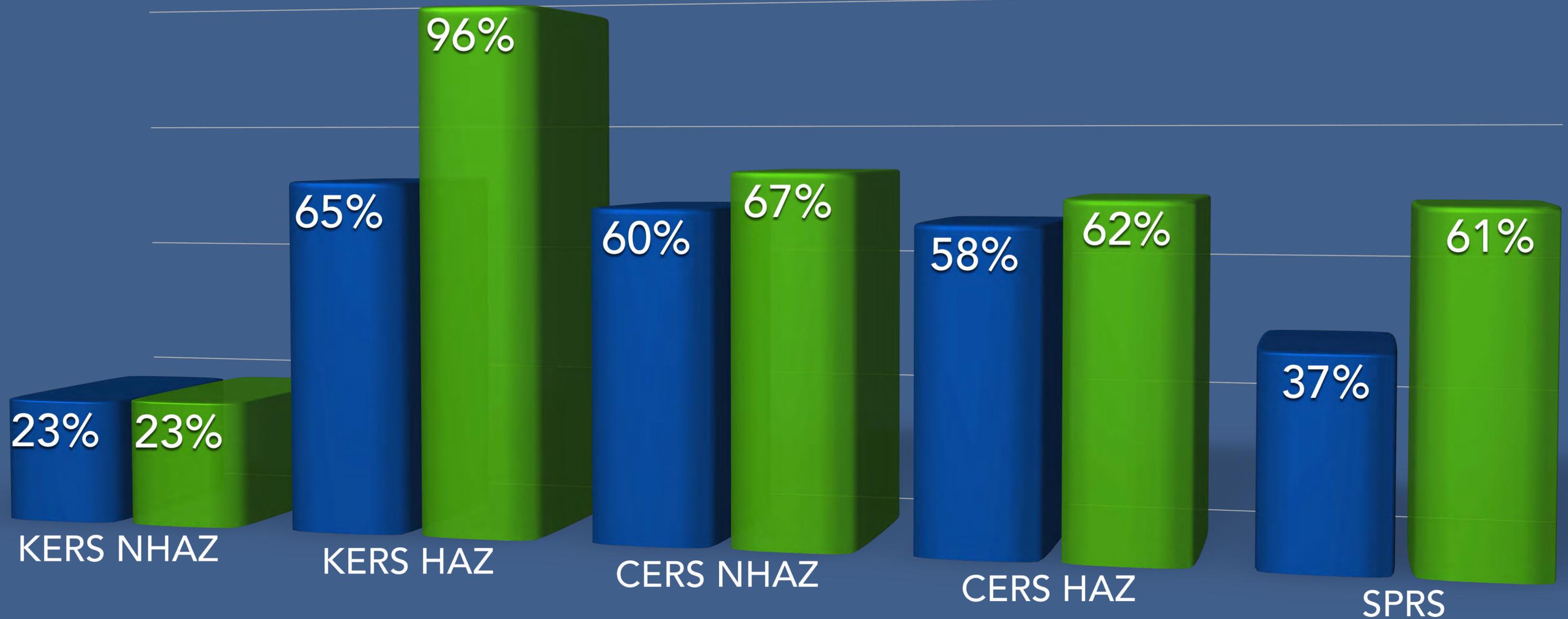
As of June 30, 2013

Our Employers: CERS



As of June 30, 2013

Actuarial Funding Level

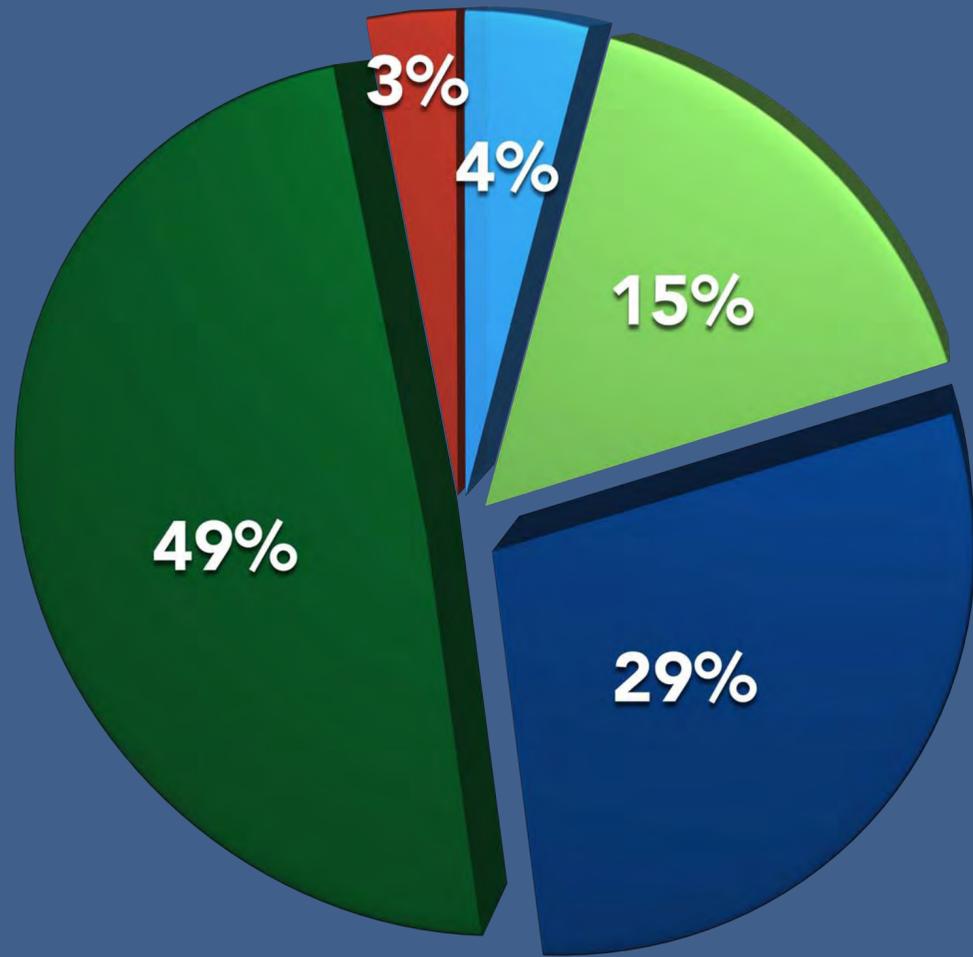


■ Pension ■ Insurance

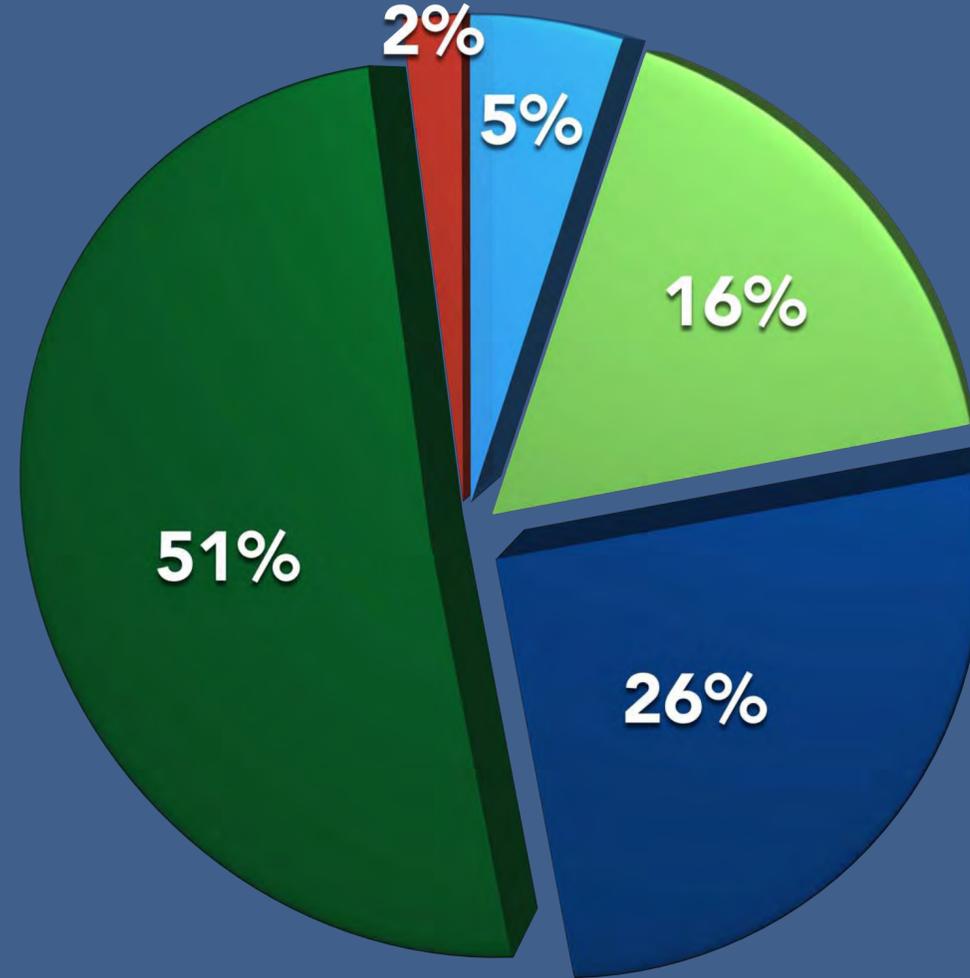
As of June 30, 2013

Pension Fund Assets by Plan

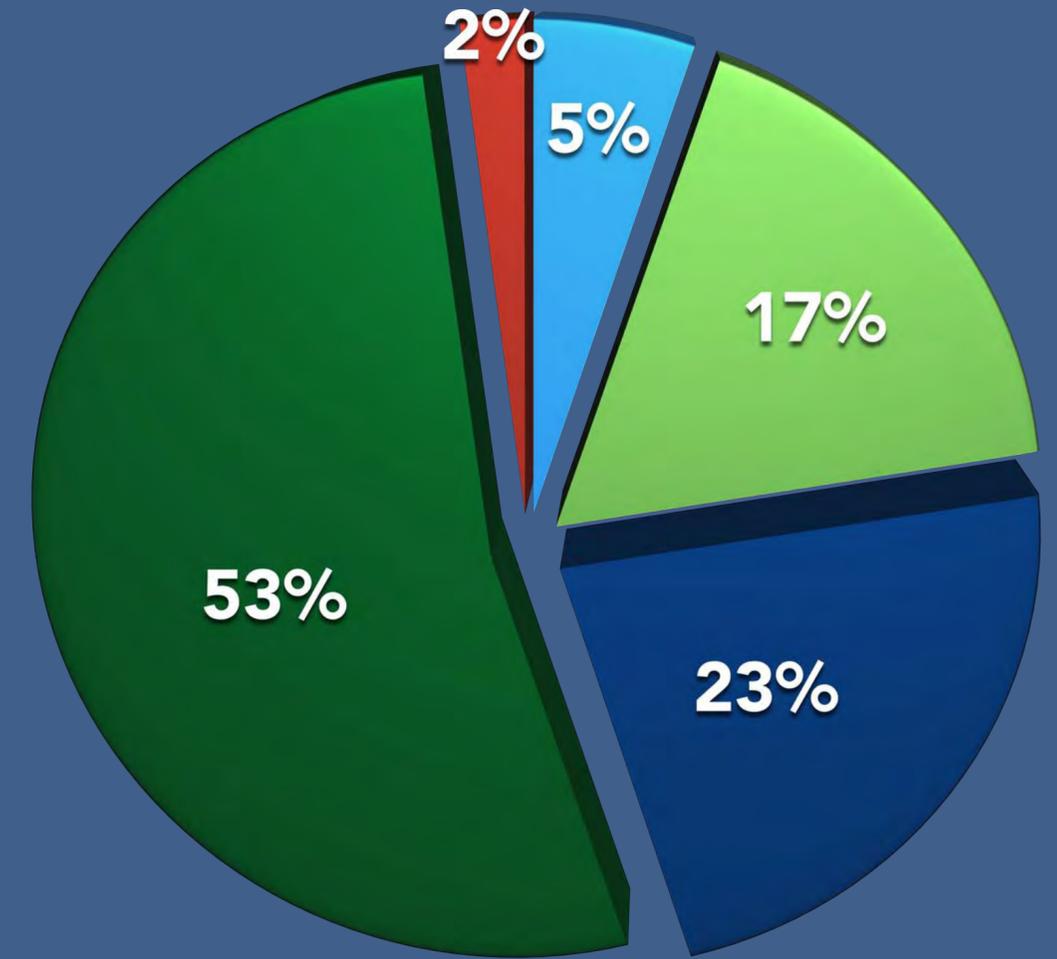
DEC. 2011



DEC. 2012



DEC. 2013



 KHAZ

 CHAZ

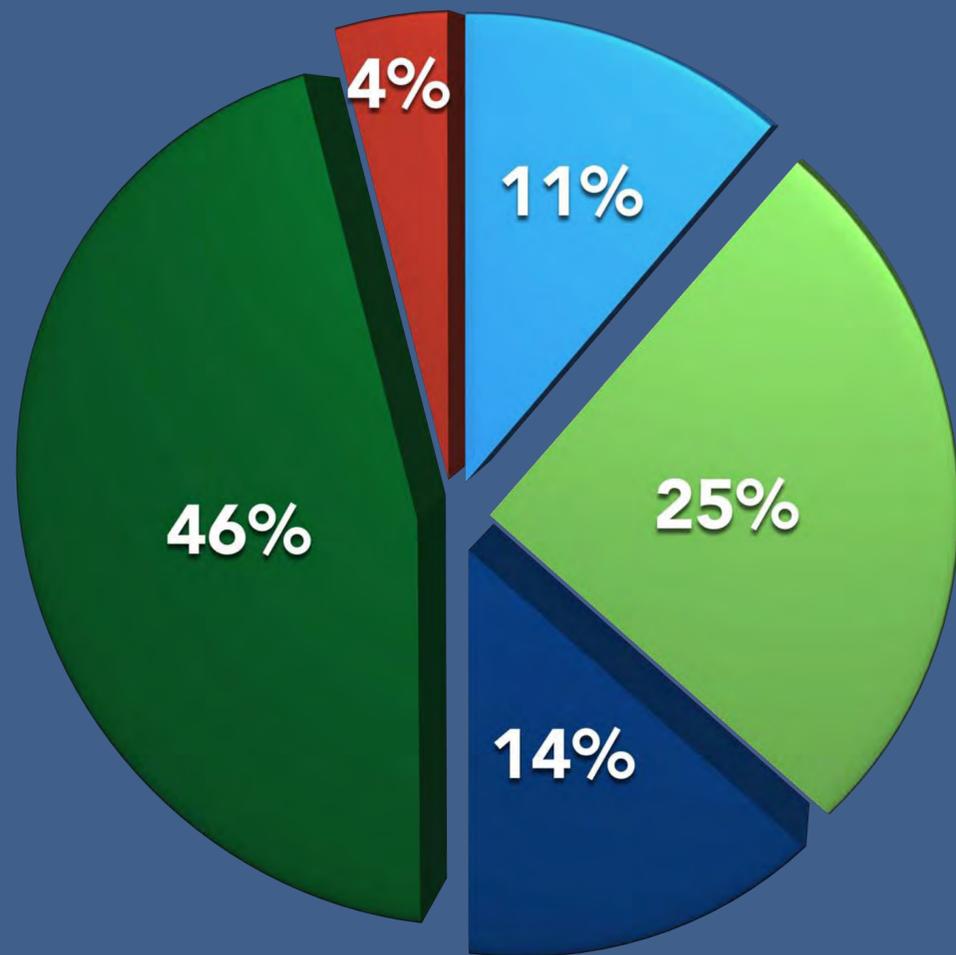
 KNONHAZ

 CNONHAZ

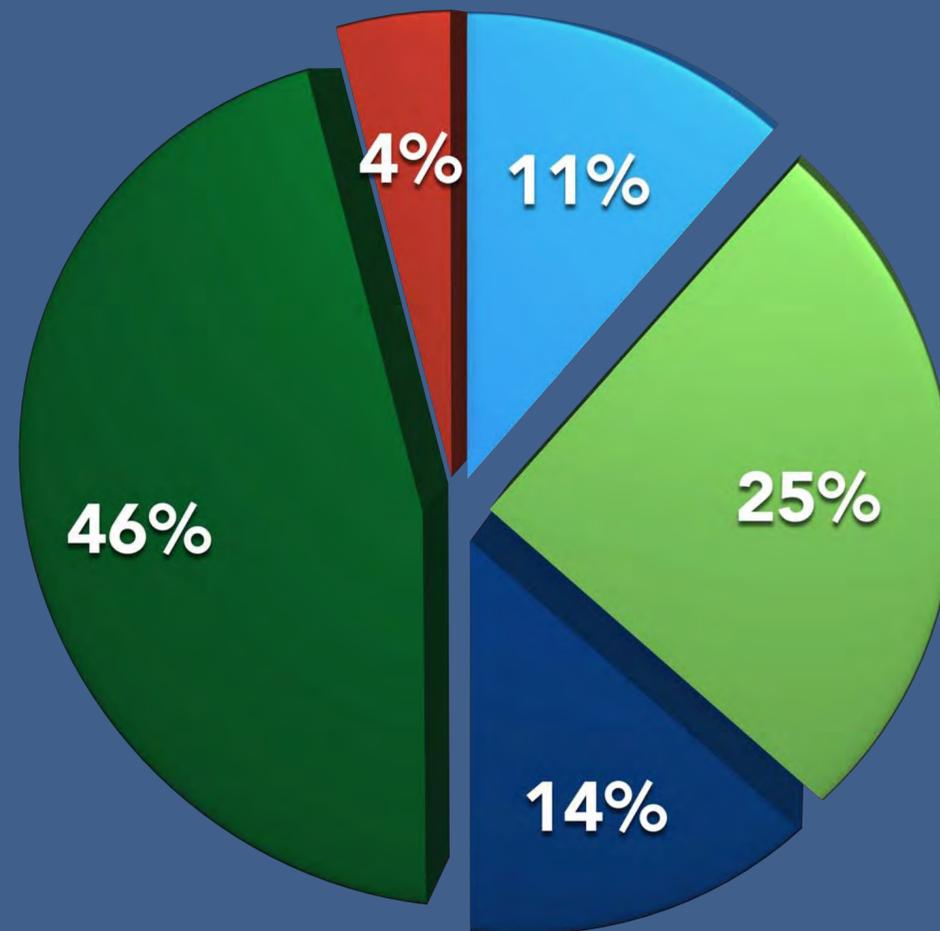
 SPRS

Insurance Fund Assets by Plan

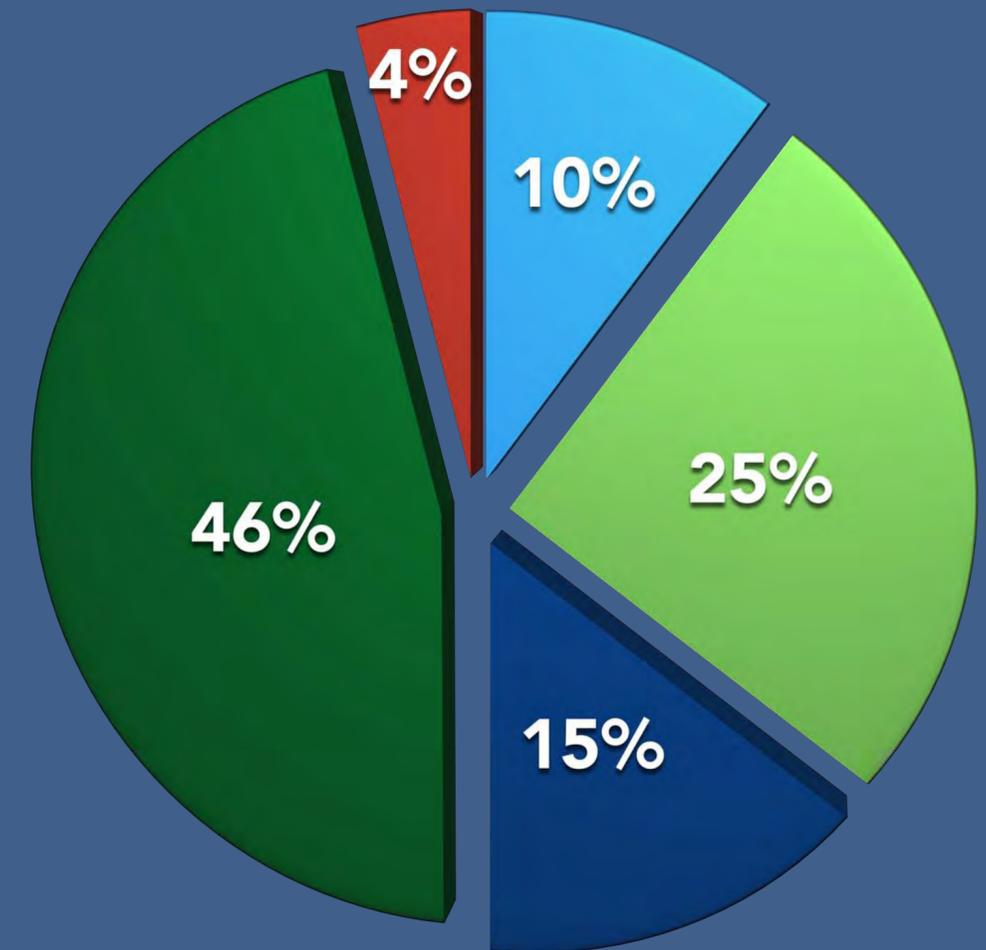
DEC. 2011



DEC. 2012



DEC. 2013



 KHAZ

 CHAZ

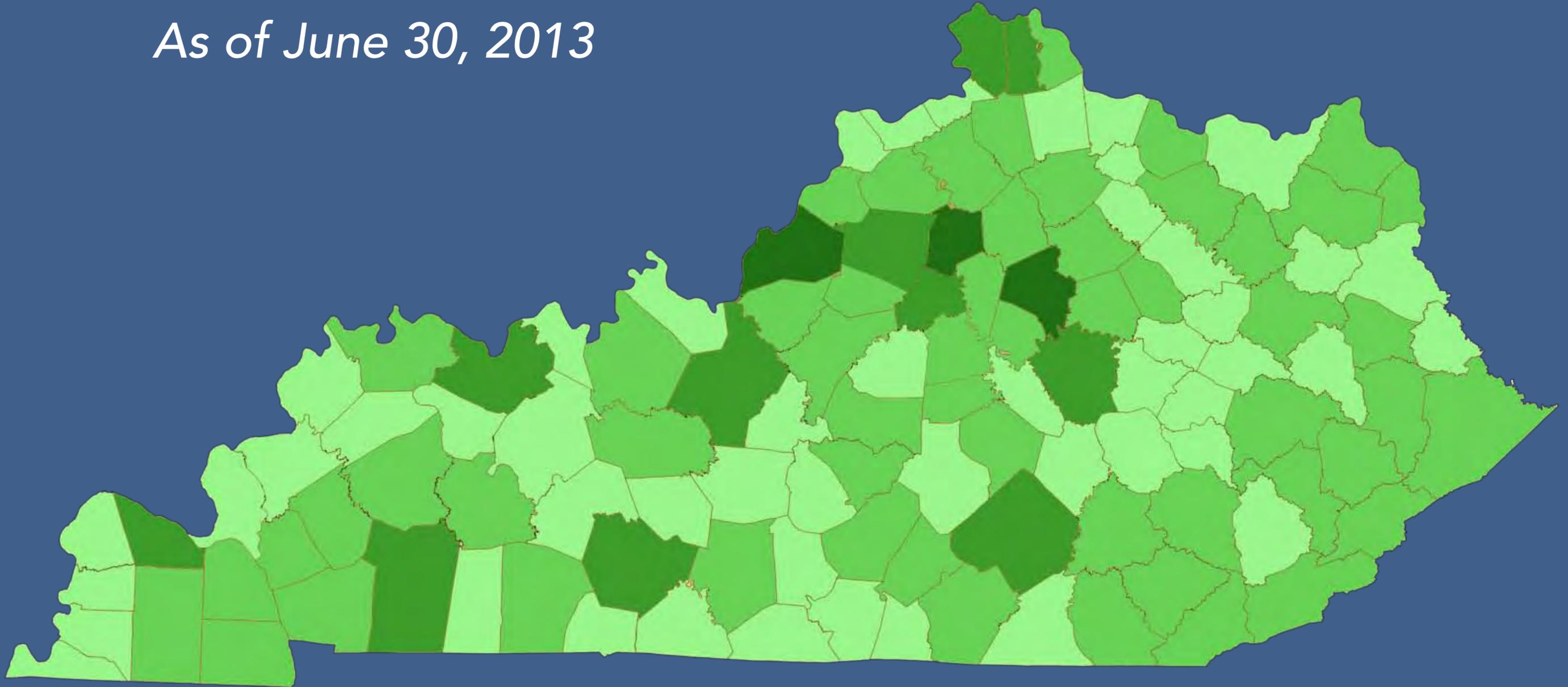
 KNONHAZ

 CNONHAZ

 SPRS

Our Economic Impact

As of June 30, 2013



1

Jefferson

\$278,677,737

2

Franklin

\$181,096,841

3

Fayette

\$93,674,837

2013 Key Agency Events

Q1

APA Audit Begins
Chief Operations Officer Appointed

Q2

Senate Bill 2 Implementation
Seven Counties Bankruptcy & Other Cases

Q3

Senate Bill 2 Effective
KRS Board Expansion
Pension Oversight Board
New Benefits Tier 1/1/14

SEC Closes Investigation

Digital Newsletter

Q4

Mandatory KEHP
Open Enrollment

Facebook Launch

2014-16 Budget Request
Filed

Legal Reorganization

General Counsel Appointed

APA Audit Ends

Investments Division
Reorganization

Interim Chief Investment
Officer Appointed

Board of Trustees

Investment Committee

Audit Committee

Chief Investment Officer
David Peden, Interim

Division of Internal Audit
Connie Davis, Director

Executive Director, Bill Thielen



Chief Operations Officer
Karen Roggenkamp

Chief Benefits Officer
Charlene Haydon

General Counsel
Brian Thomas

Human Resources
Marlane Robinson, Director

Our Employees: 2013 Staffing Levels



Investments: 2013 Highlights

266

**Manager Meetings
at a Total Cost of
\$30,249
(\$114 per
meeting)**

**Custodial
Manager
Request For
Proposals**

2

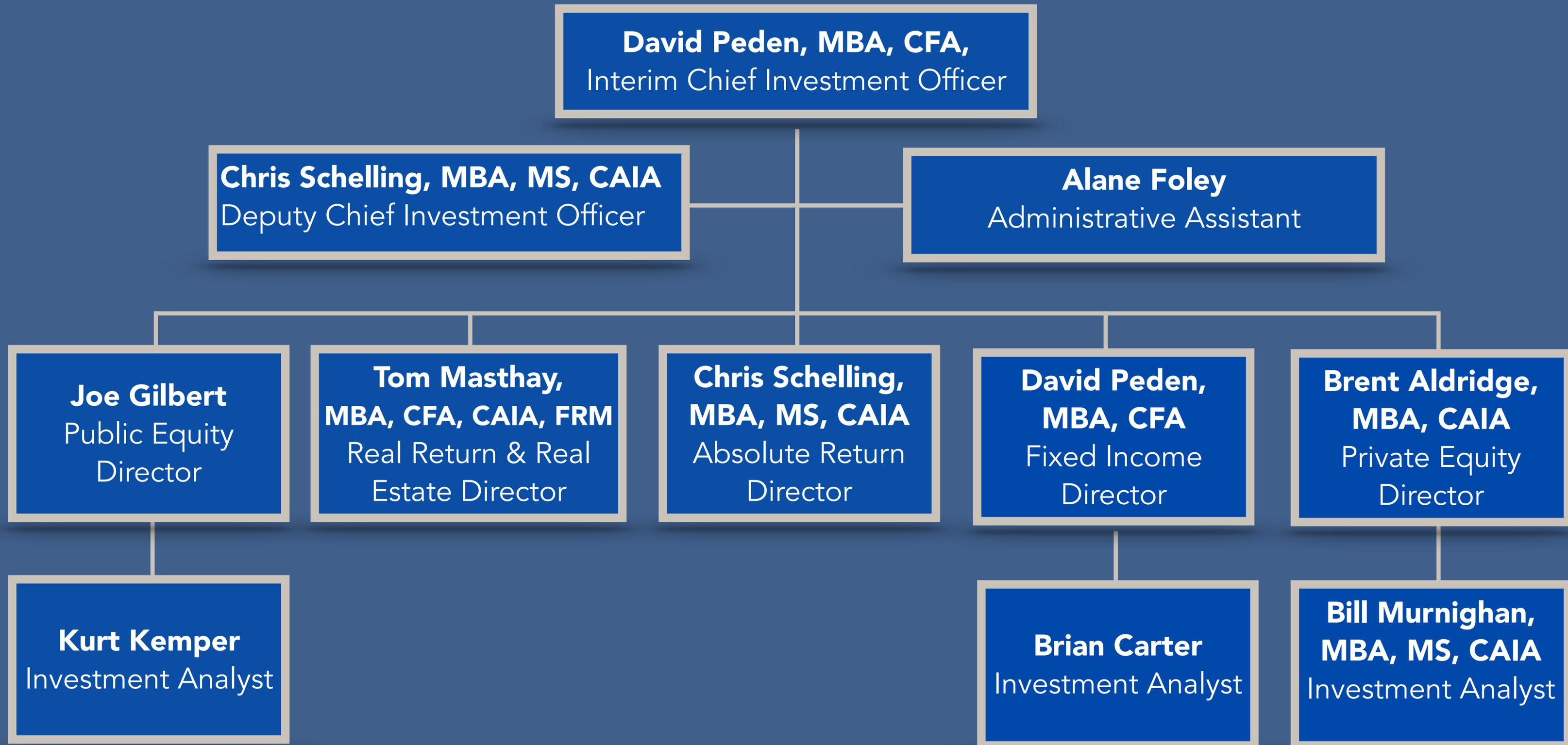
**Chartered
Alternative
Investment Analyst
Designations**

**Custodial
Transfer of
All Assets**

**Annual Due
Diligence Reviews
for All Public
Managers**

**Implemented
Revised Asset
Allocation
Targets**

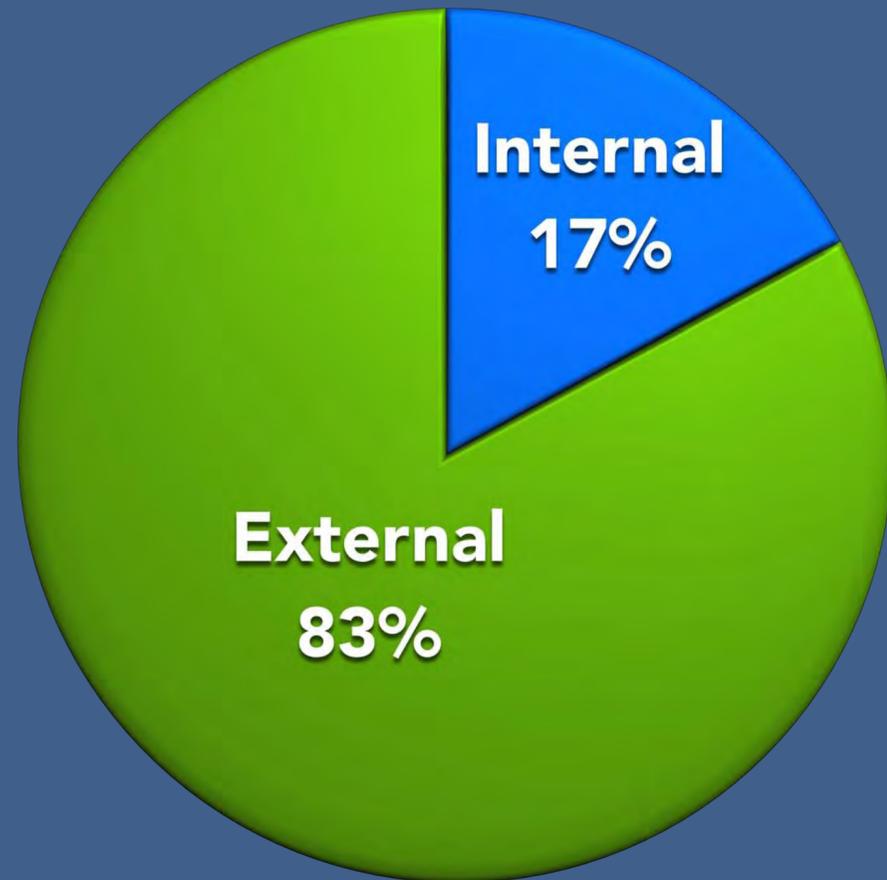
Investments: Organizational Structure



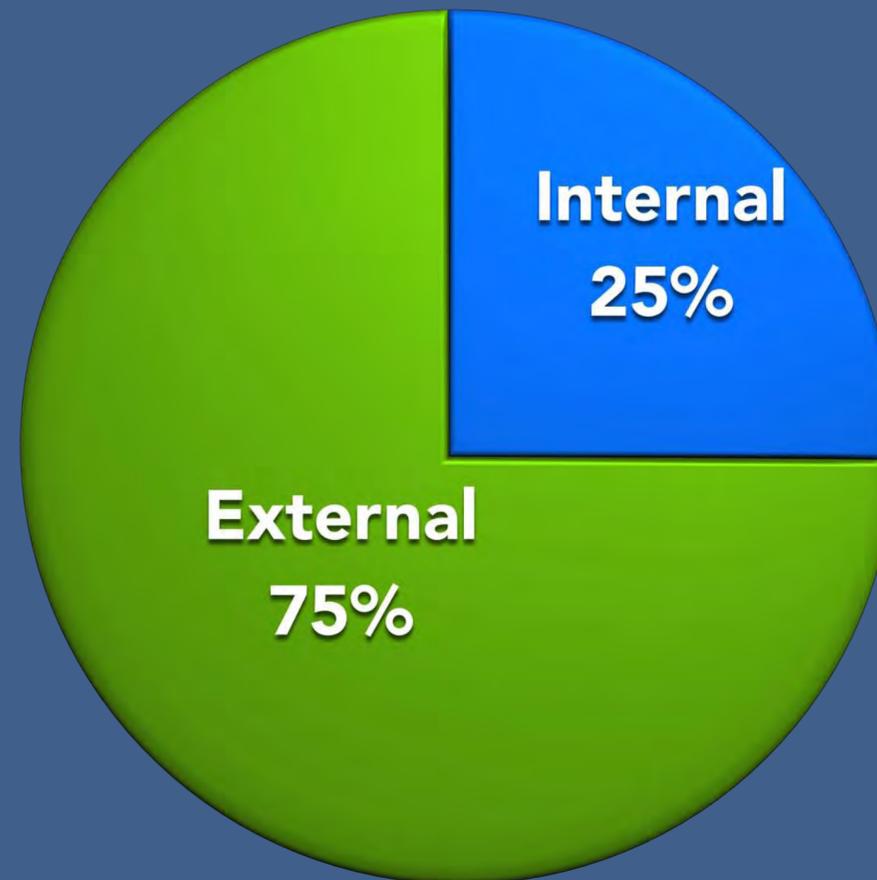
Investments: Assets Under Management

As of 12/31/13

Pension



Insurance



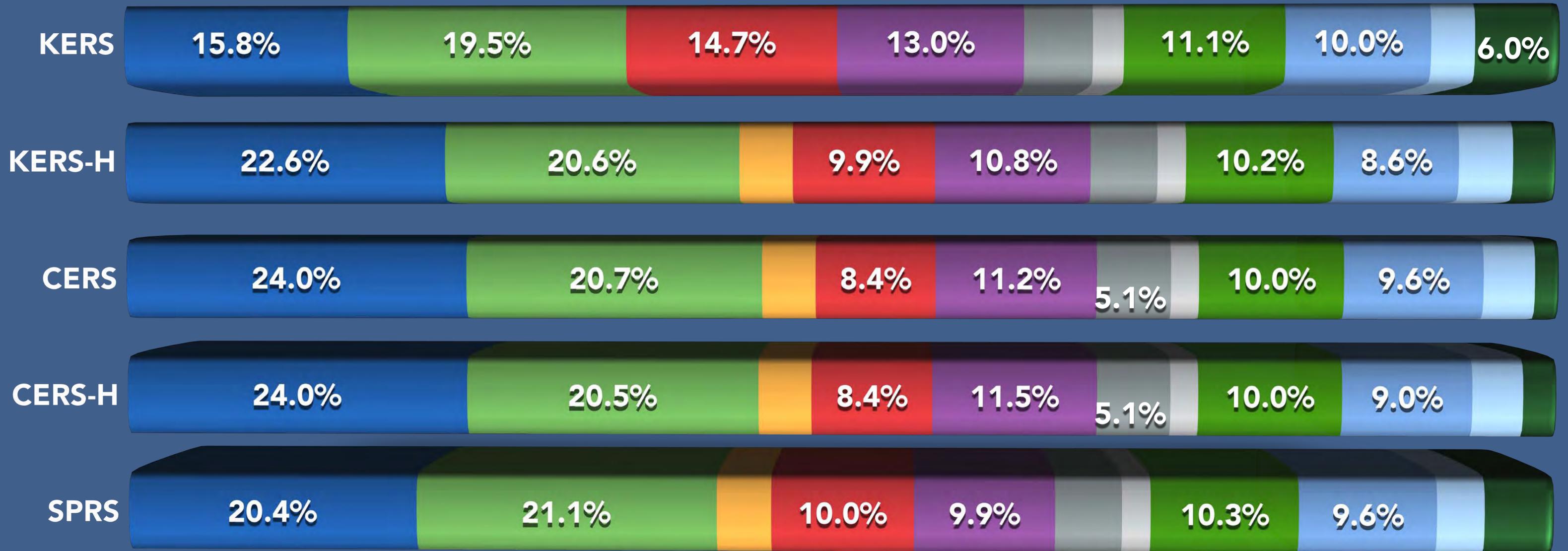
Totals

\$3.0 Billion

\$12.5 Billion

Investments: Pension Fund

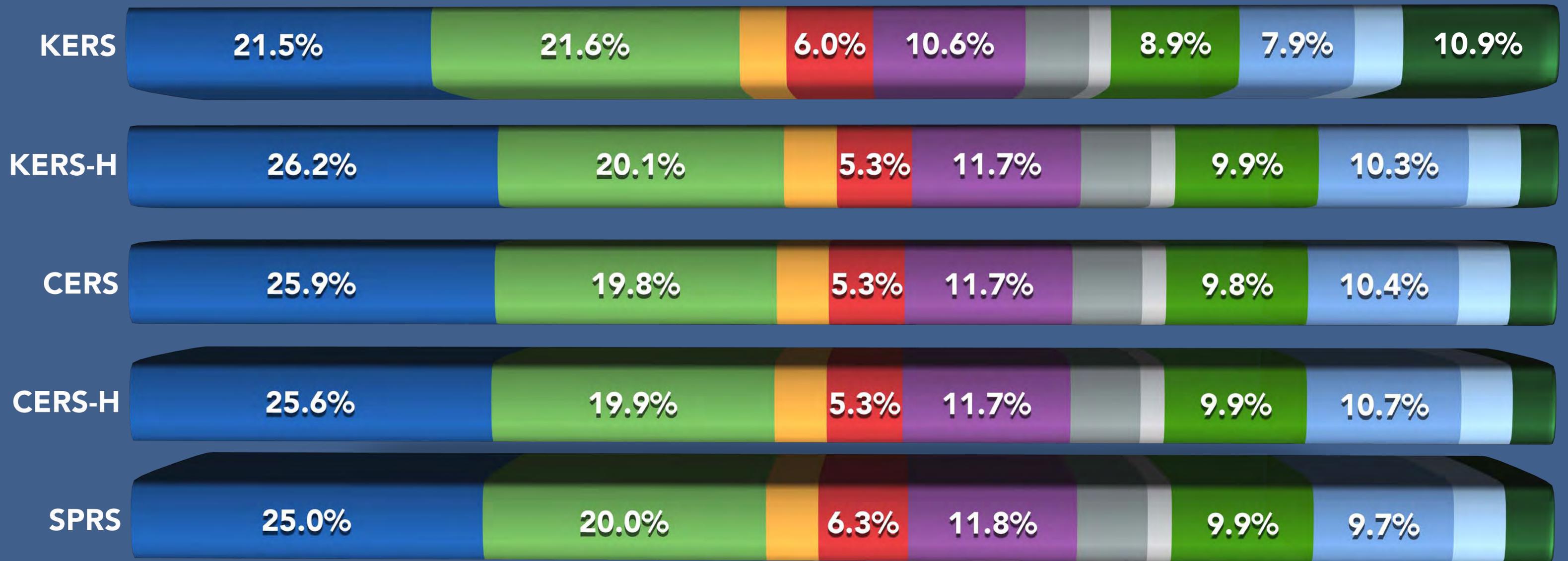
Allocation
as of
12/31/13



Allocations less than 5% are not labeled

Investments: Insurance Fund

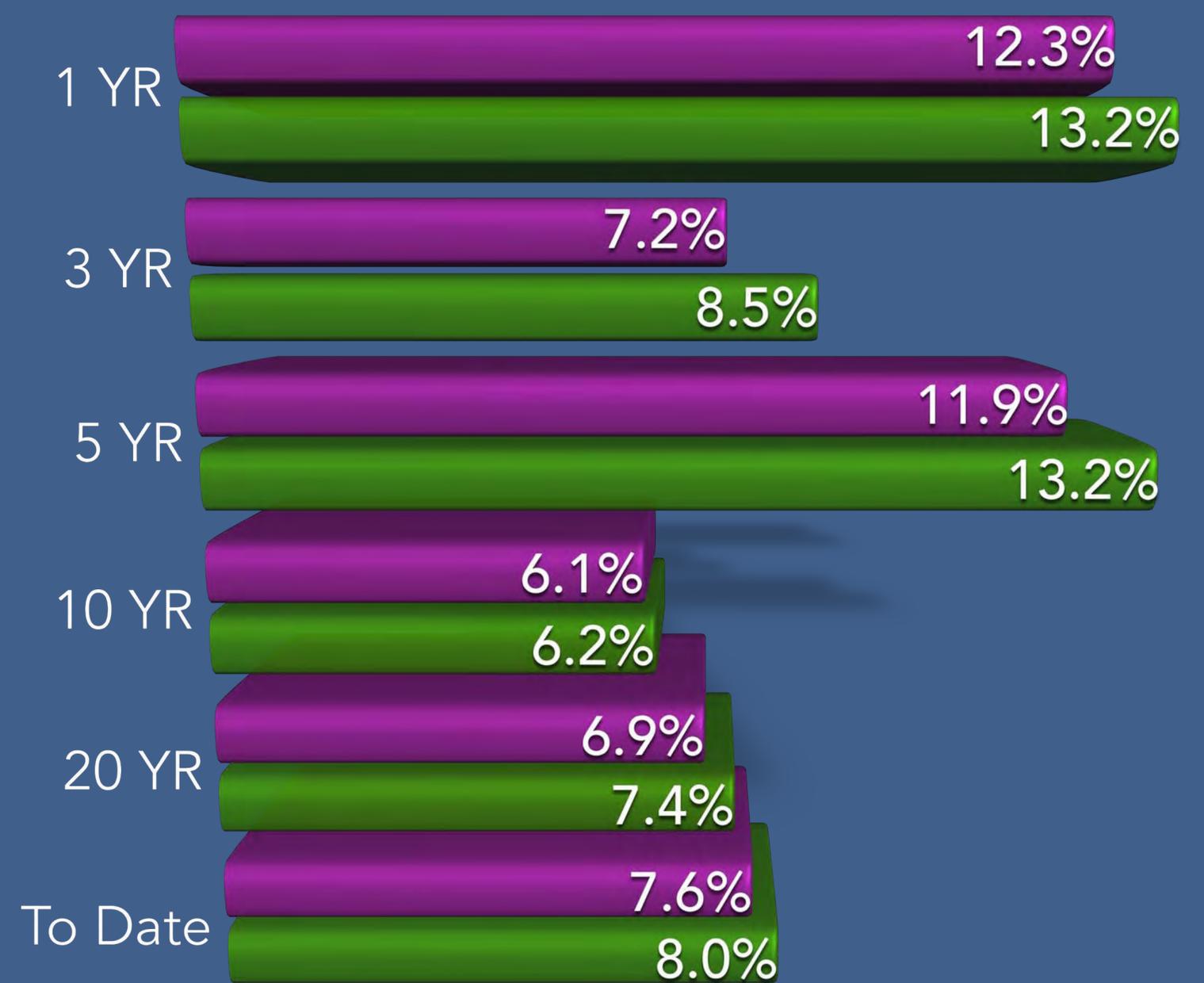
Allocation
as of
12/31/13



Allocations less than 5% are not labeled

Investments: Fund Performance

As of 12/31/13



■ Pension Plan Total ■ Pension Plan Index

■ Insurance Plan Total ■ Insurance Plan Index

Investments: 2014 Challenges

**Geopolitical
Externalities**

**Increasing
Cost of Travel**

**Equity Market
Valuations**

**Rising
Interest
Rates**

**Credit
Market
Valuations**

**Gaining
Confidence of
Constituents**

**Human
Resources
Constraints**

Legal: 2013 Highlights

Brian Thomas
General Counsel

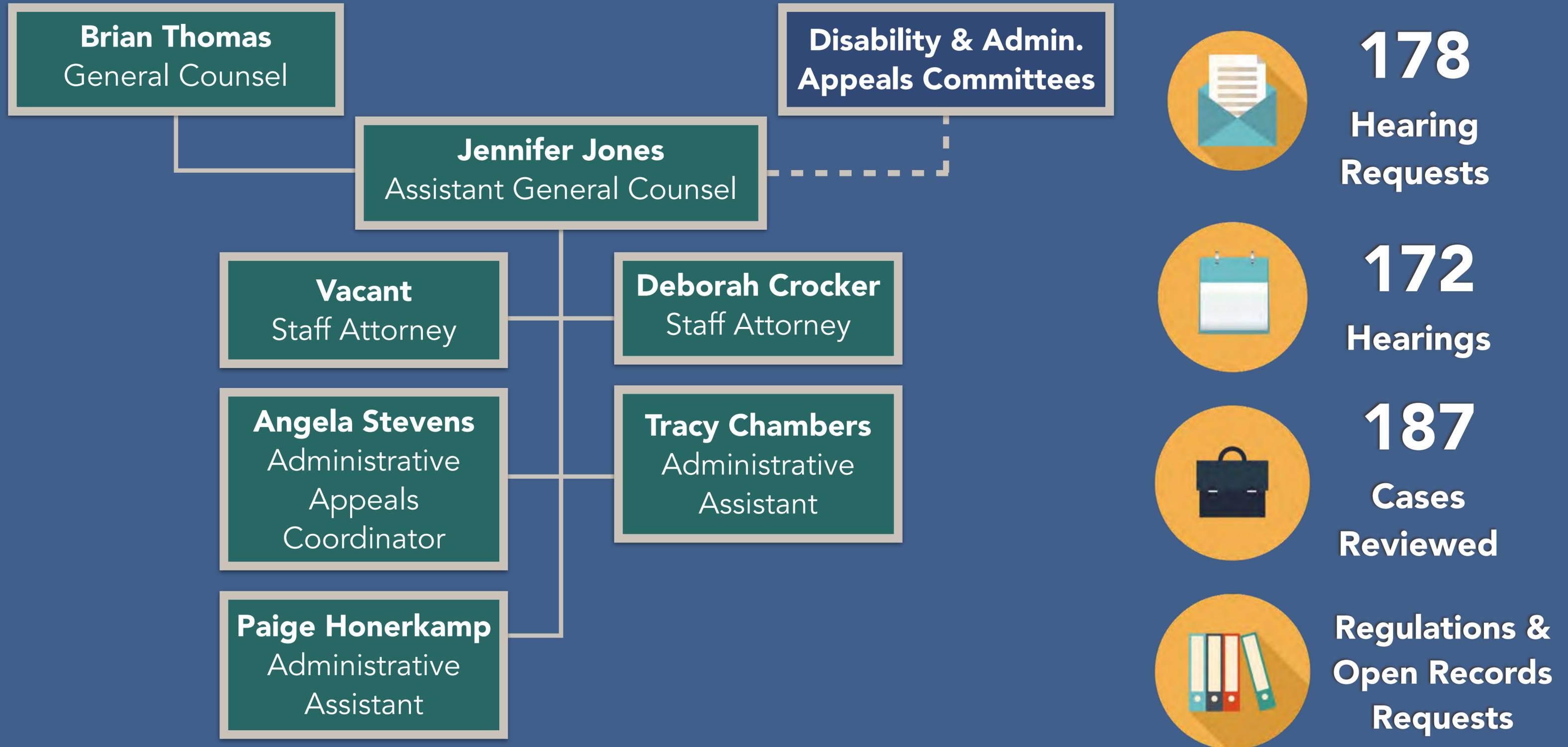
**Senate Bill 2
Implementation**

**Auditor
of Public
Accounts
Audit**

**Division
Reorganization**

**Agency
Participation**

Legal: Non-Advocacy Staff



Legal: Advocacy Staff

Brian Thomas
General Counsel

Kathy Rupinen
Assistant General Counsel

Carrie Bass
Staff Attorney

Mathew Galante
Staff Attorney

Joe Bowman
Staff Attorney

Patrick Hall
Staff Attorney

Leigh Ann Jordan
Staff Attorney

Soumya Kademakki
Paralegal

Kristi Wackowski
Paralegal



493

**Pre-Hearing & Status
Conferences**



16

Depositions

172

Hearings



1,137

Reemployment Requests



5,556

Legal Documents Reviewed

Legal: Litigation & Court Cases



Franklin Circuit Court

27

Cases

37

Appearances

Court of Appeals

12

Cases

Kentucky Supreme Court

6

**Motions for
Discretionary Review**



4
**Federal Bankruptcy
Court Cases**



Seven Counties Bankruptcy

14 **17** **3**
Hearings **Days** **Depositions**

1,000+
Pages of Discovery Reviewed

Legal: 2014 Challenges

Pension Spiking

Housekeeping Bill & Proposed Legislation

CERS

Disability

Statutory Changes

Non-Advocacy

Agency Participation

Advocacy

Administrative

Administrative Regulations

KERS

Benefits: 2013 Highlights

Charlene Haydon
Chief Benefits Officer

**Auditor
of Public
Accounts
Audit**

**Mandatory KEHP
Open Enrollment**

**Senate Bill 2
Implementation**

**START
Support**

**1,113
Problem
Incident
Reports**

**49%
of PIRs**

**Phone
System
Maintenance &
Upgrade**

Benefits: Pension & Health Insurance

**TIER
1**

Participation
prior to 09.01.2008

**TIER
2**

Participation
09.01.2008 - 12.31.2013

**TIER
3**

Participation
01.01.2014 and after

**Non Medicare &
Medicare Plans**

Participation
prior to 07.01.2003

Participation
07.01.2003 - 08.31.2008

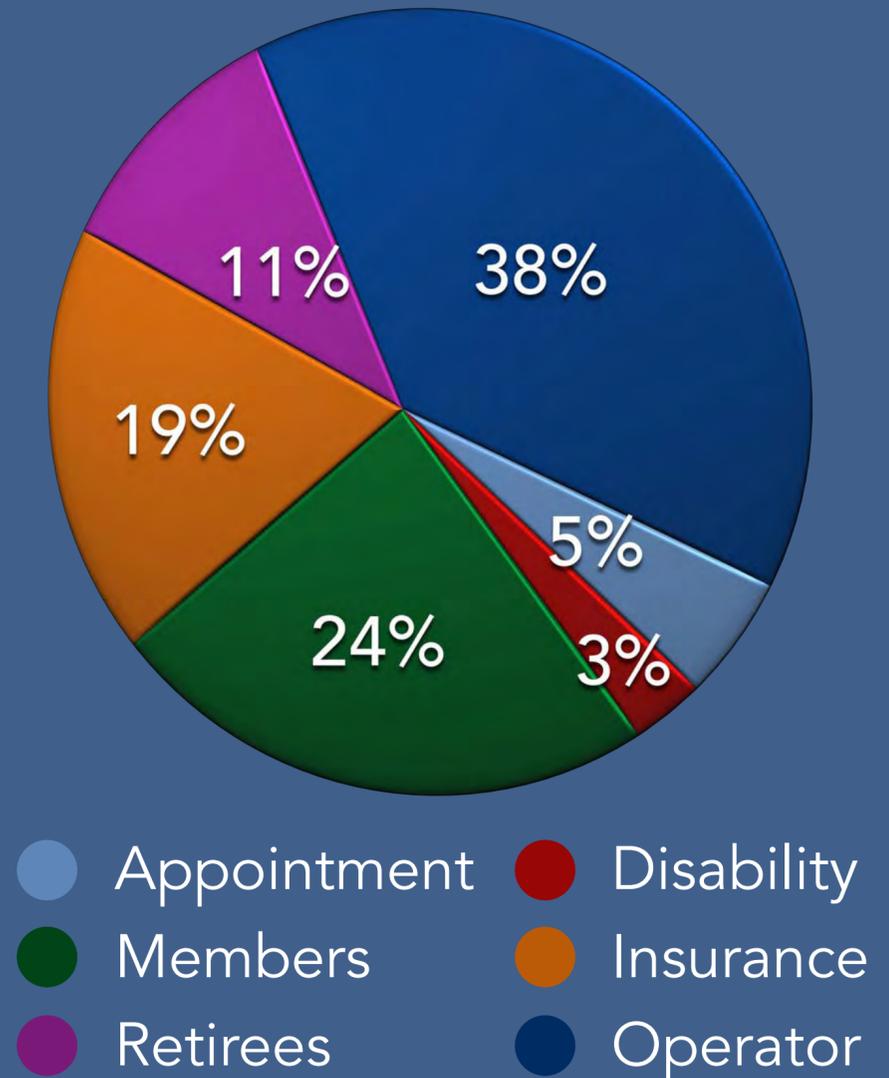
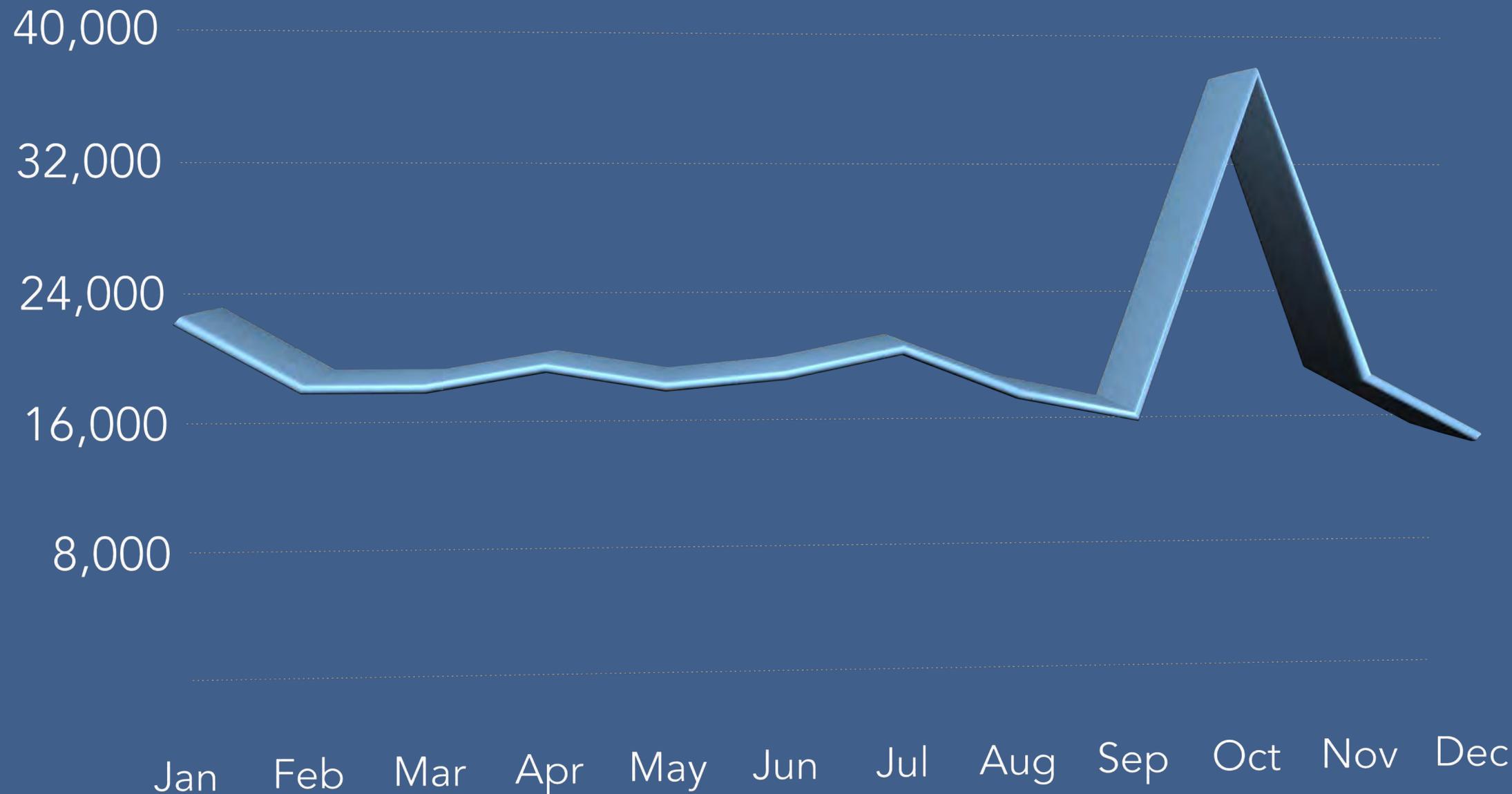
Participation
09.01.2008 and after

Benefits: 2013 Call Volume



9,713 per
Membership Support Agent

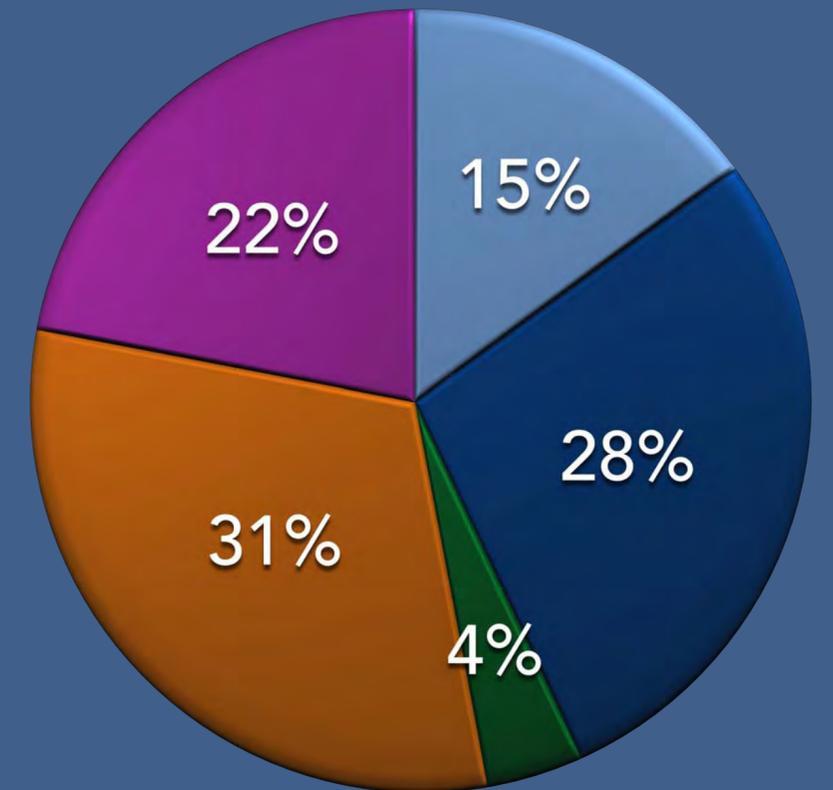
253,459
Incoming Calls



Benefits: 2013 Visitors



Visit Type



- Open Enrollment
- Retiree Health Care
- Disability & Death
- Member Services
- Retiree

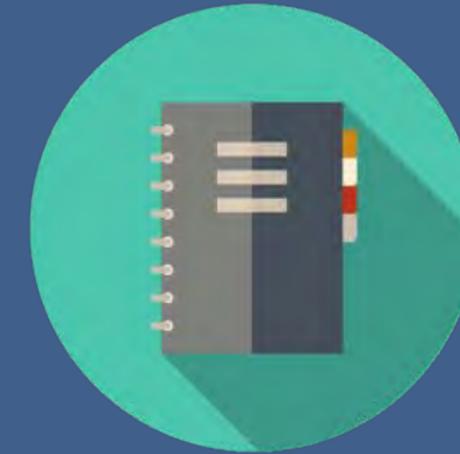
Benefits: By the Numbers



13,309
Visitors

10,578
Pre-Retirement Audits

6,970
Retirements



5,538
Refunds Processed

2,415
Retirement Recalculations & Audits

4,720
Email Replies



17,236
Service Purchase
Calcs & Benefit
Estimates

868
Disability
Applications

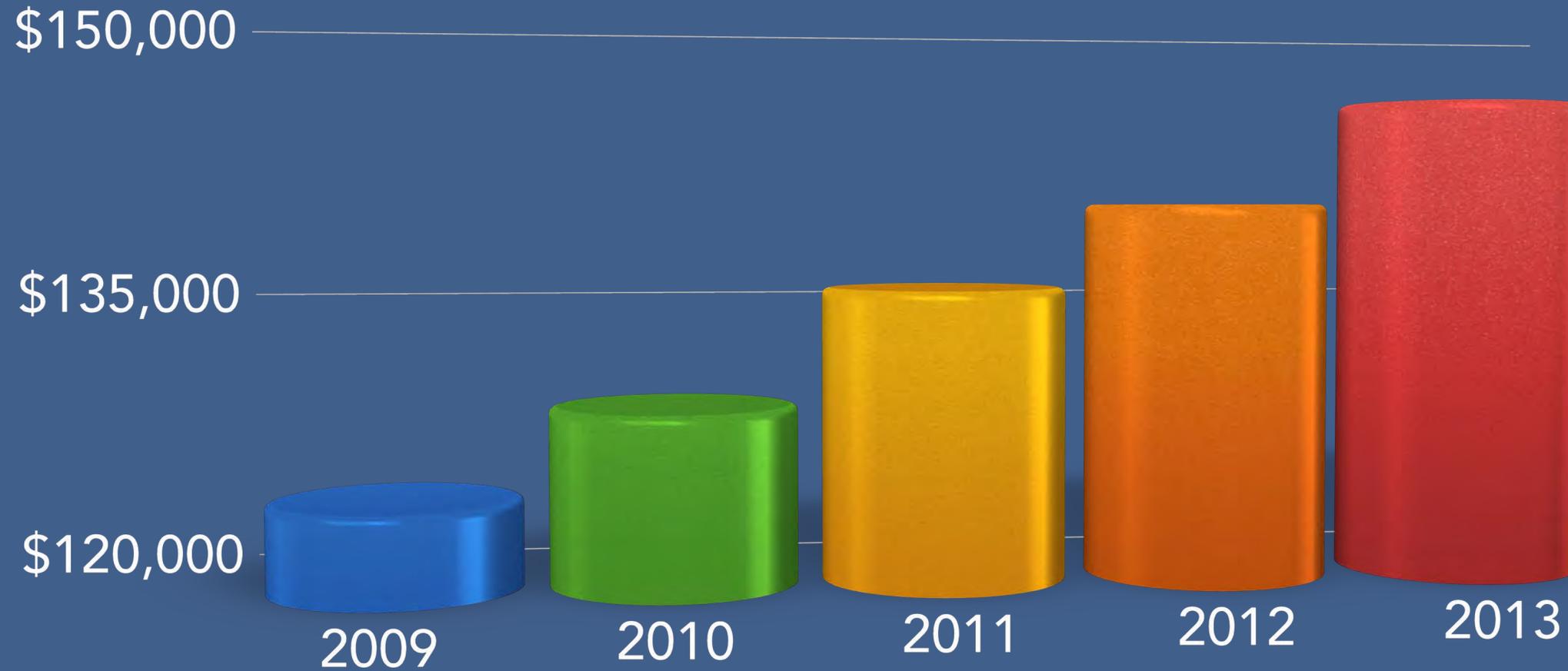


44%
First Review
Approval Rate

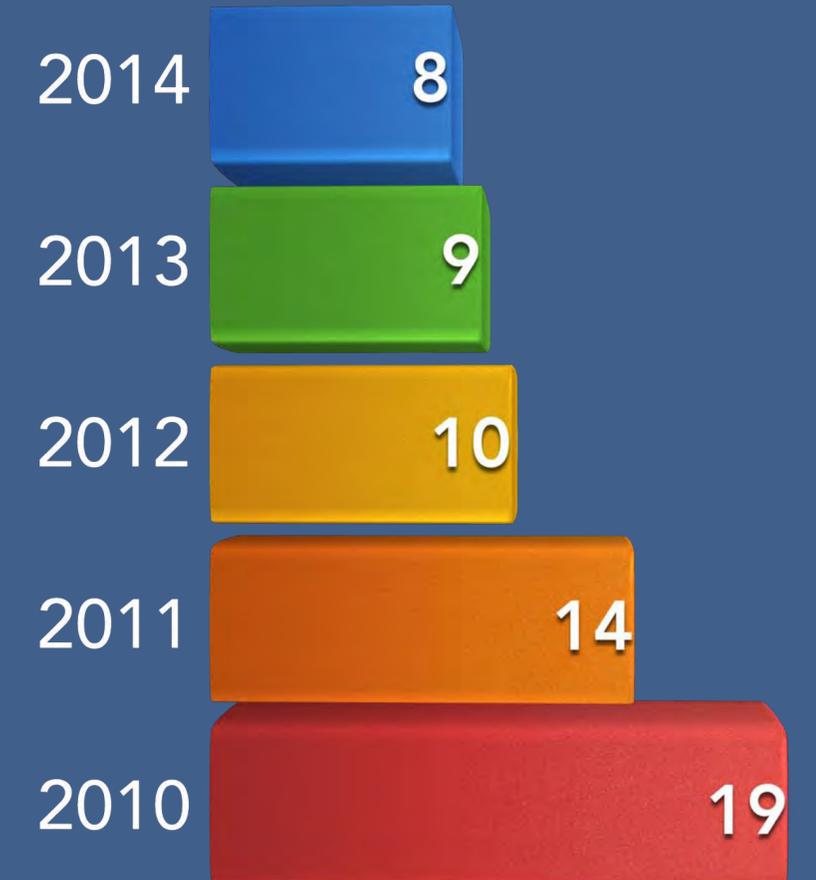
5,647
Member &
Beneficiary Deaths

Benefits: Retirement Payments

December Payroll
(000s)



Retiree Payroll Staffing



103,237

Monthly
Recipients

\$145,683,428

Monthly Gross Payroll
Total of Benefit Payments

10,343

Supplemental
Payroll Payments

*In 2010, Retiree Services
included Payroll & Retiree Death*

Benefits: Retiree Health Care



Program Attendees

734

KEHP Open Enrollment Webinars

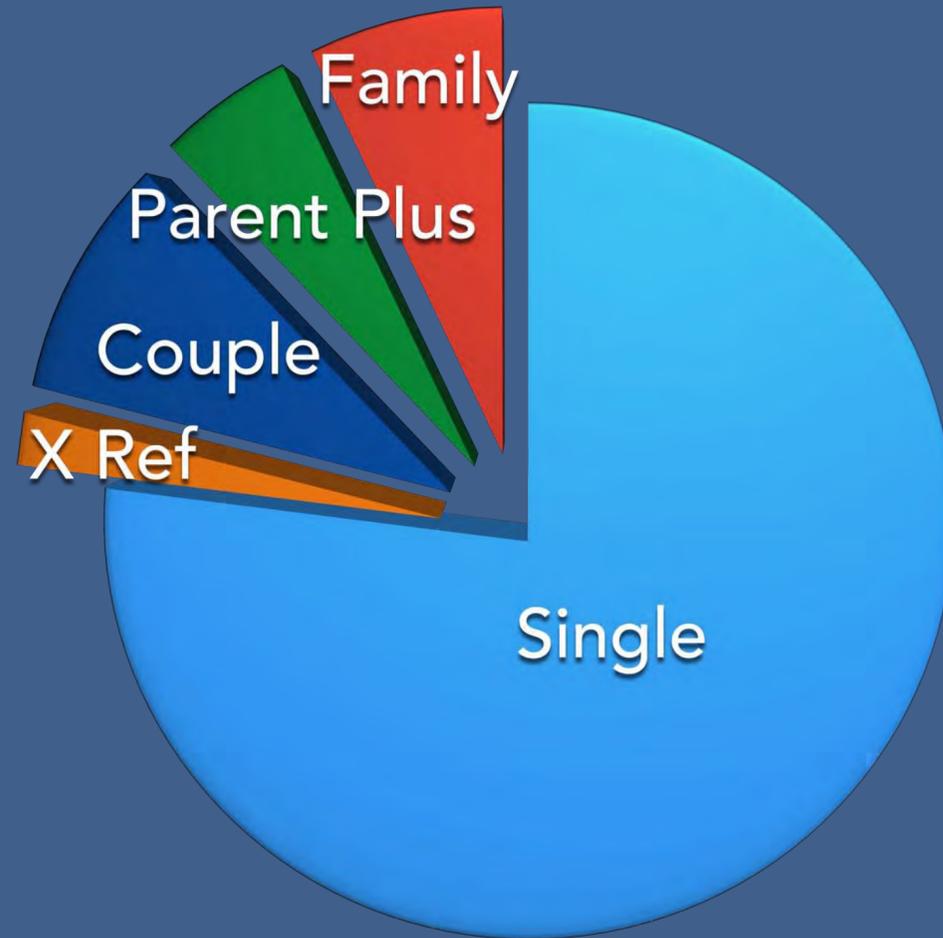
4,169

Benefit Fairs

1,400

Pre-Retirement Education Program

KEHP Enrollments



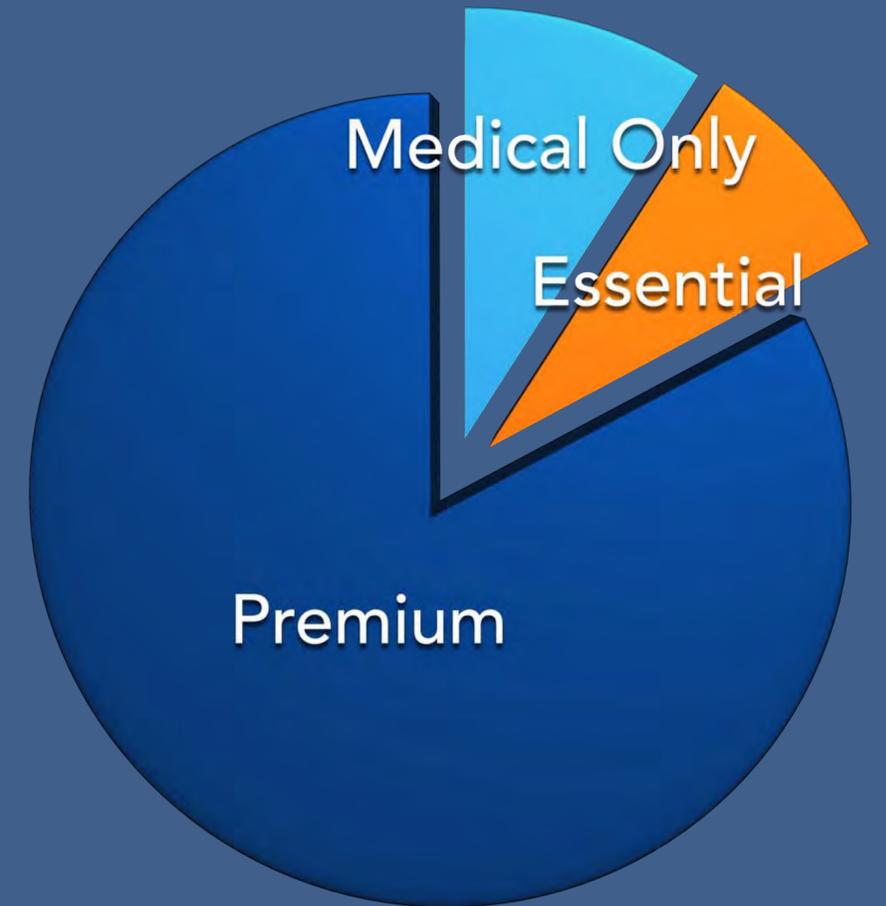
25,927

Plan Holders

33,637

Covered

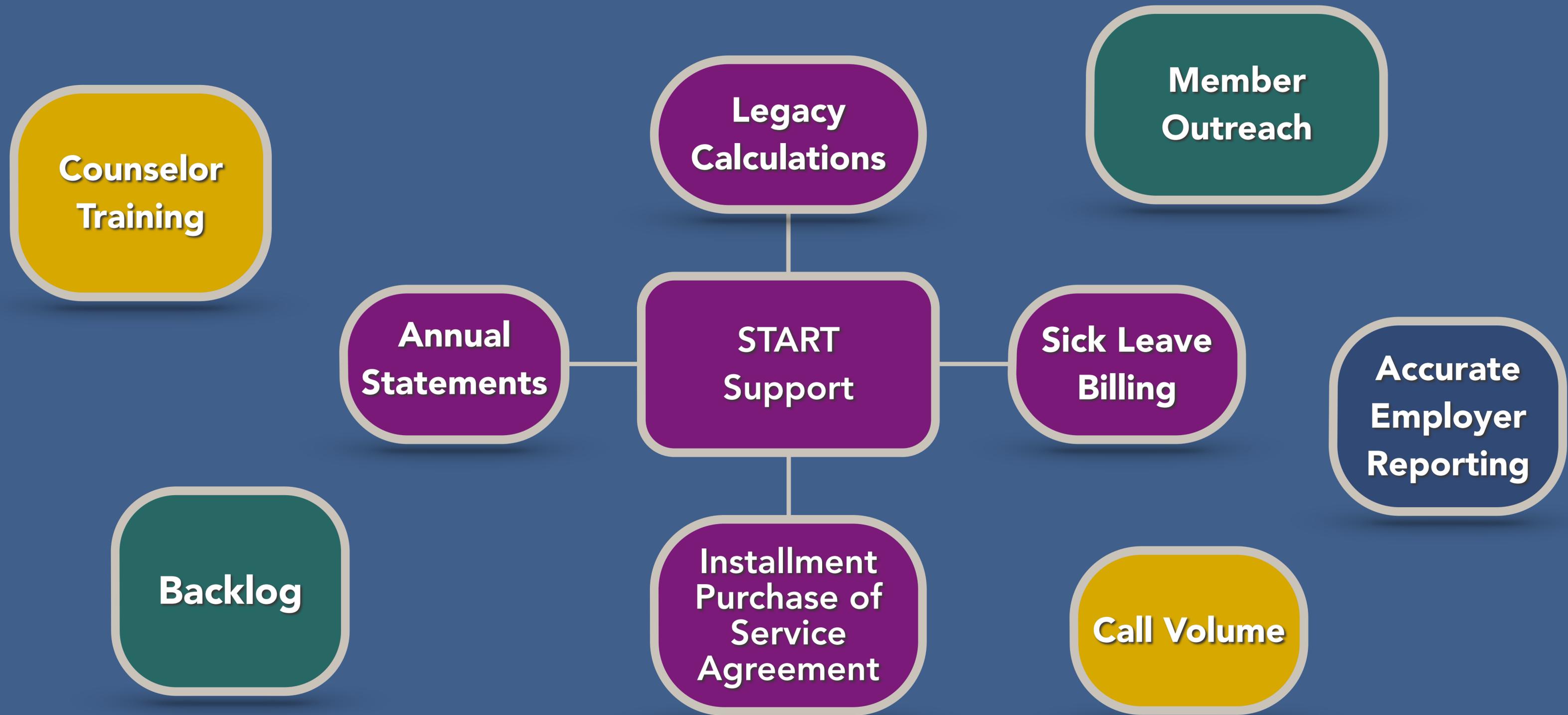
Medicare Eligible Enrollments



46,348

Retirees/Dependents/Spouses

Benefits: 2014 Challenges



Operations: 2013 Highlights

Karen Roggenkamp

Chief Operations Officer

**Facilities
Management
Projects**

**Auditor
of Public
Accounts
Audit**

**Accounting
Division
Reorg**

**Digital
Newsletter**

**Website
Redesign**

**Biennial
Budget
Submission
FY 15 & 16**

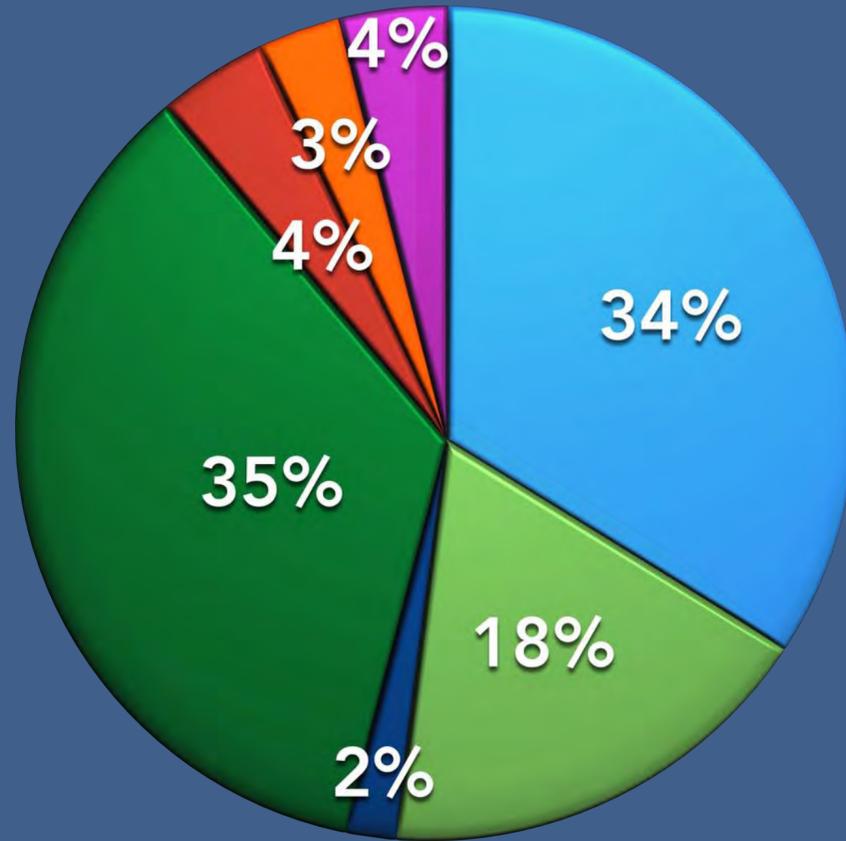
**Senate Bill 2
Implementation**

**Reduced
Employer
Reporting
Errors**

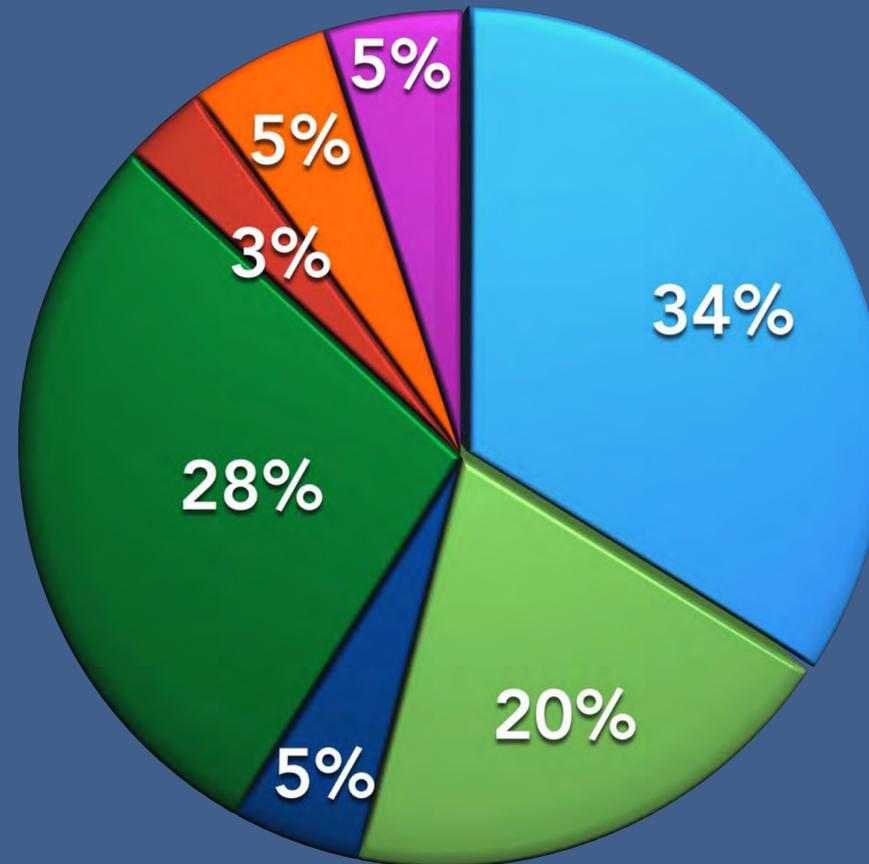
**Phone
System
Maintenance
& Upgrade**

Operations: Administrative Budget

Current Fiscal Year



Next Fiscal Year



- Salaries
- Legal & Audit Services
- Rent & Utilities
- Other

- Fringe Benefits
- Contract Services
- Computer & Telephone

Expenses
in millions*

2011-12 \$38.1

2012-13 \$38.2

2013-14 \$38.6

2014-15 \$40.9

2015-16 \$41.3

**Expense increases due to Insurance and Pension costs.*

Operations: APA Audit

19 Findings = 40 Actions

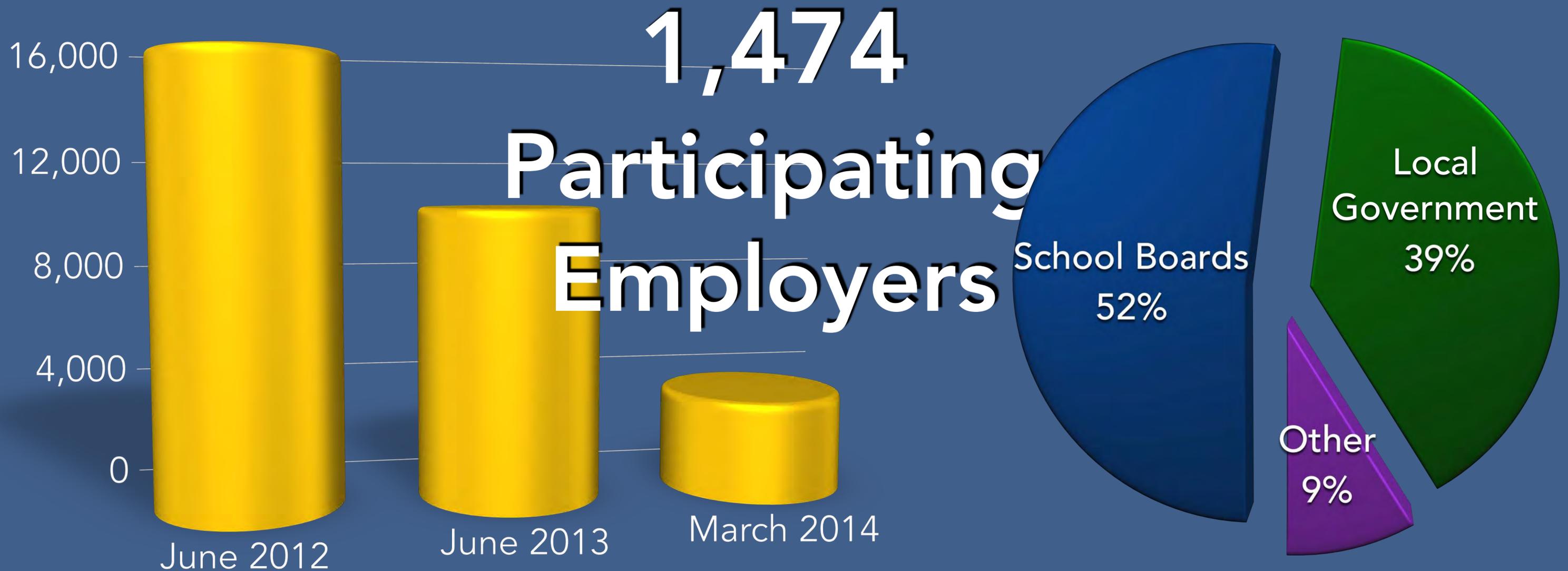


Implementation Status



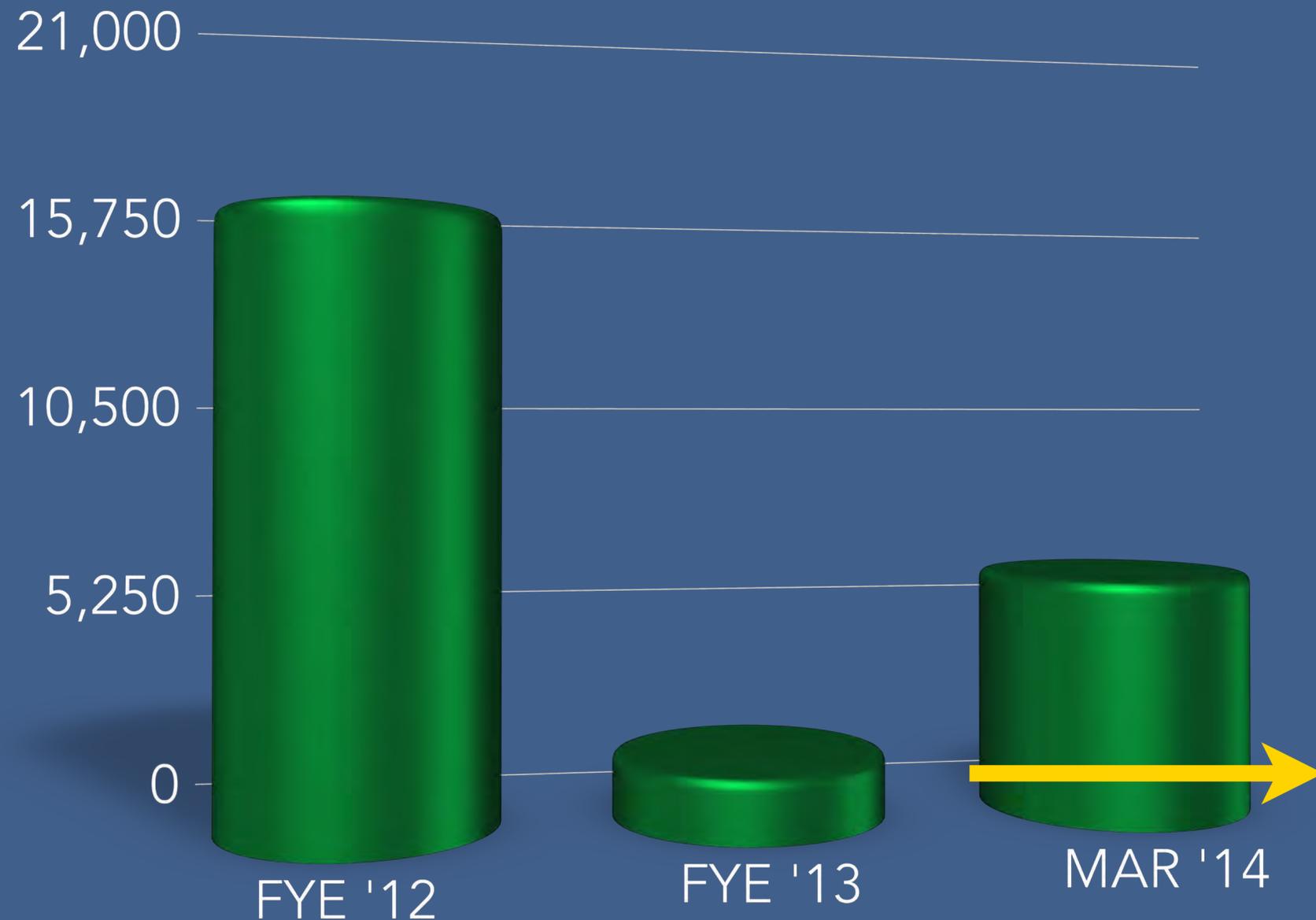
Operations: Employer Reporting

Incoming Reporting Errors



Operations: Employer Reporting

Outstanding Reporting Errors



Reducing Reporting Errors

Increased Monetary Receipts = More Investment Opportunities

Accurate Service Credit = Accurate Retirement Payments

Fiscal Year End Target
1,500 Errors

Operations: Information Technology

SB2 Implementation



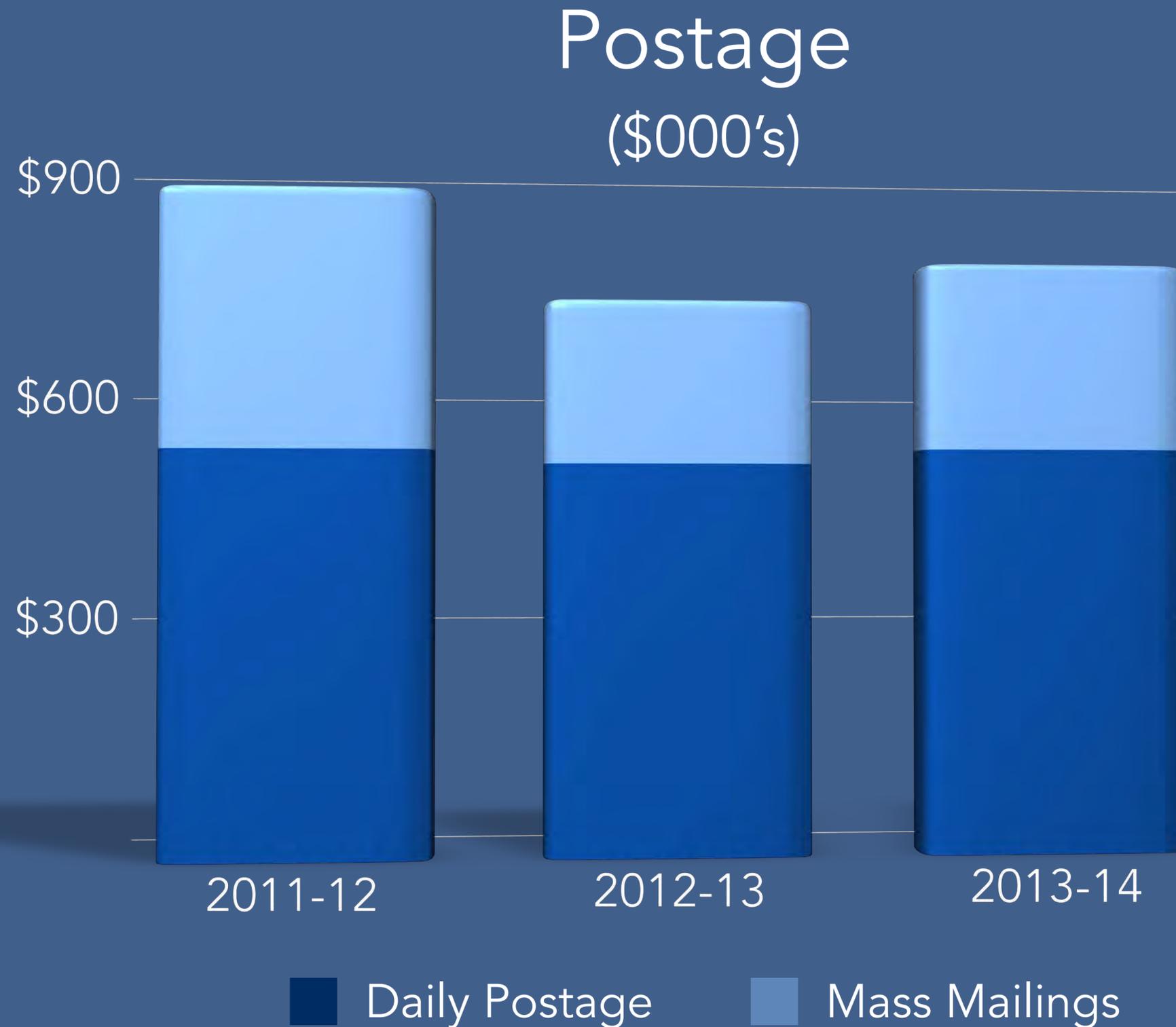
Hours Worked
as of April 1, 2014



START
Modifications

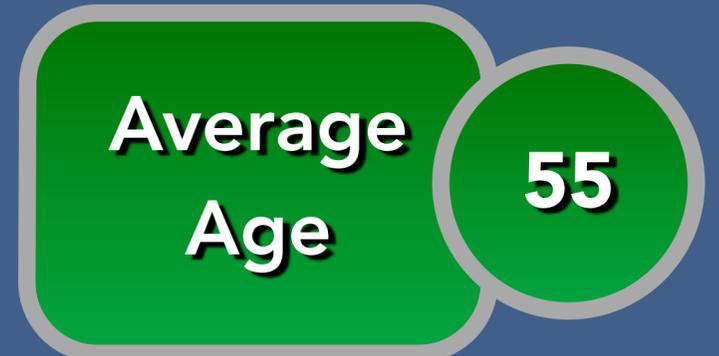
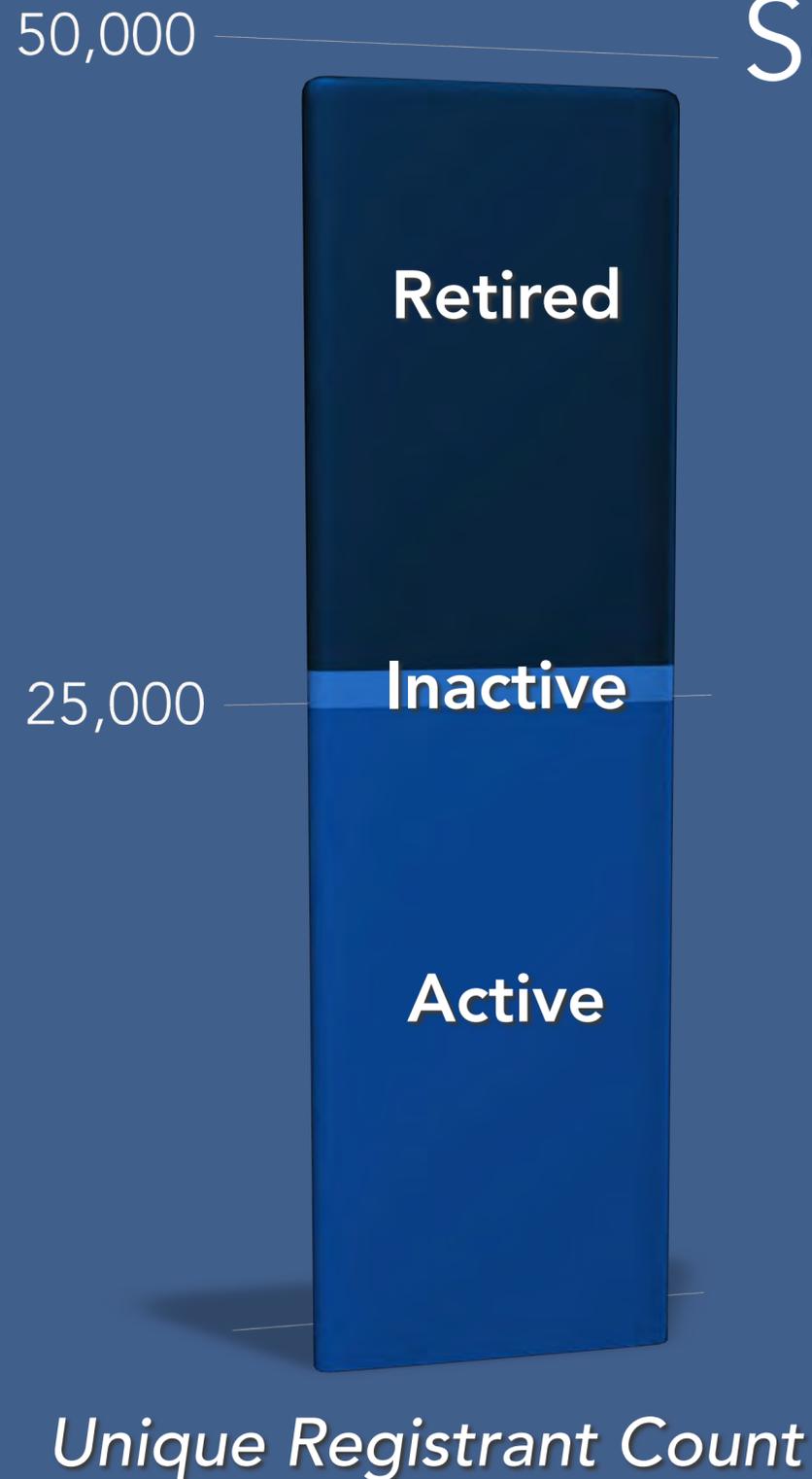


Operations: Mailing Costs



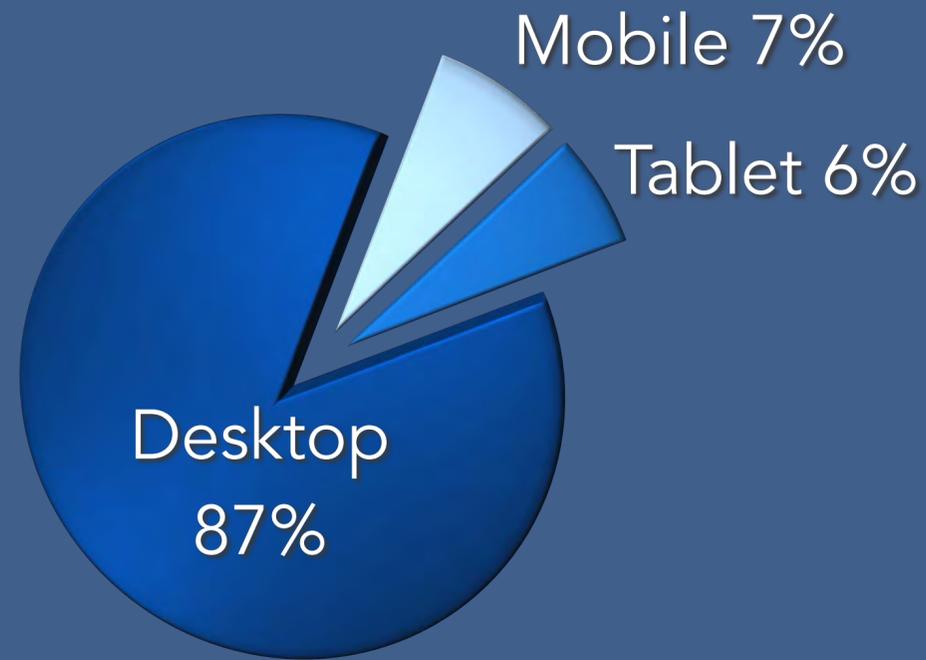
Operations: Technology Transition

Self-Service Registered Users

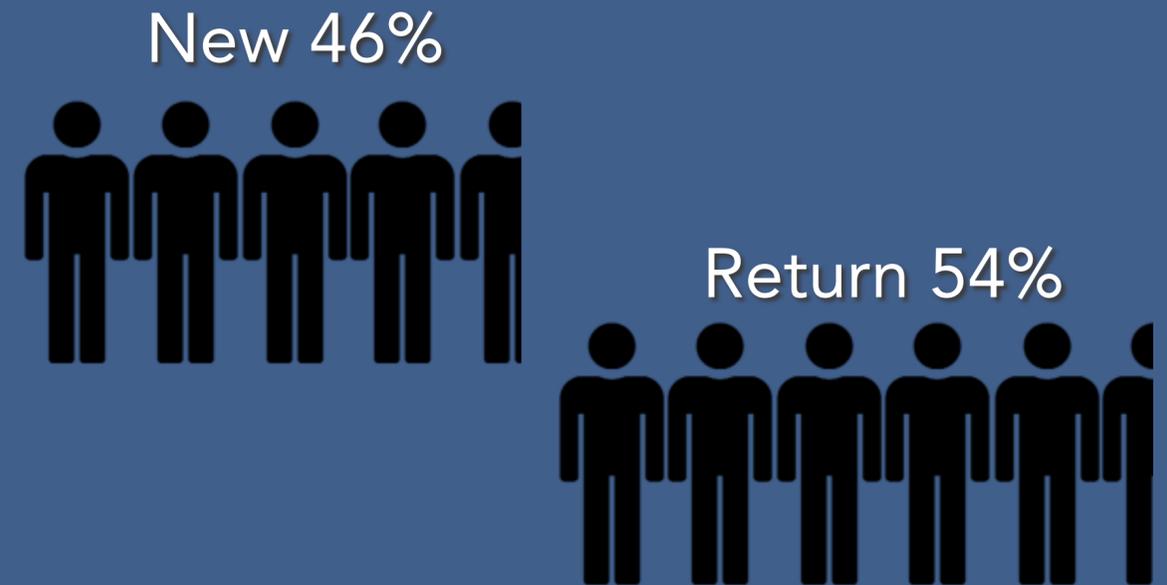


Operations: Technology Transition

Website Views



Visitors

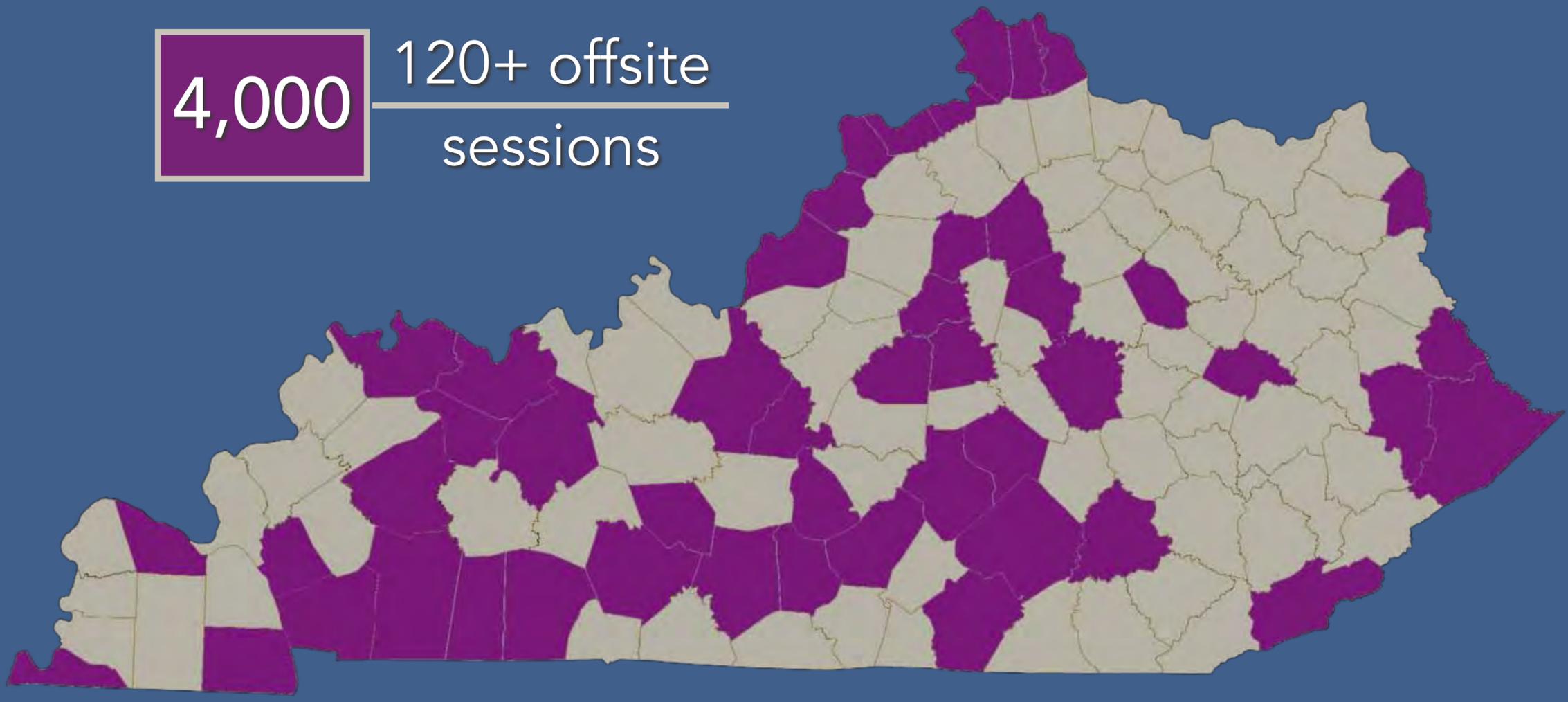


Communications

Outreach

46 counties visited

4,000 120+ offsite sessions



Education



12 onsite workshops

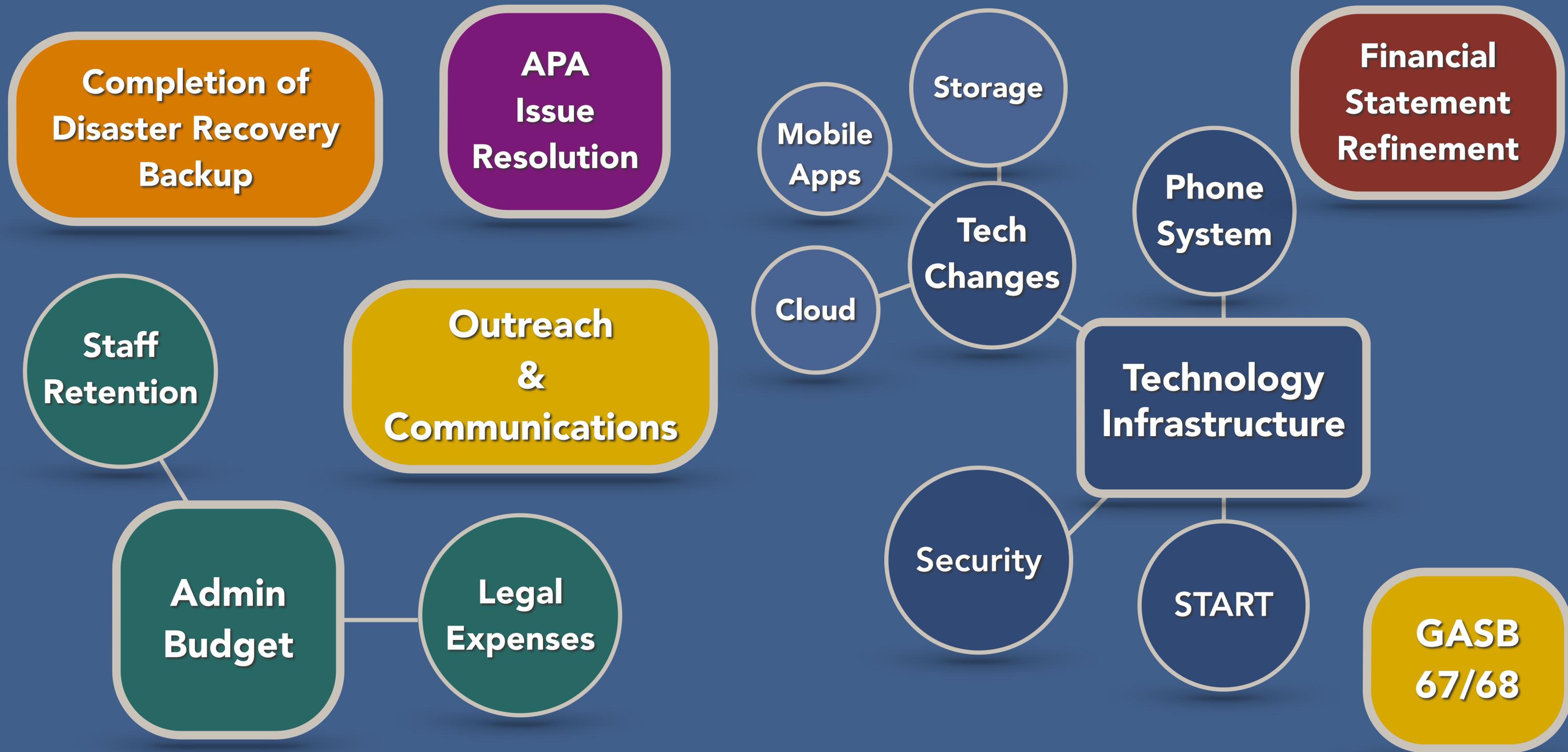
150 Attendees

56 webinars

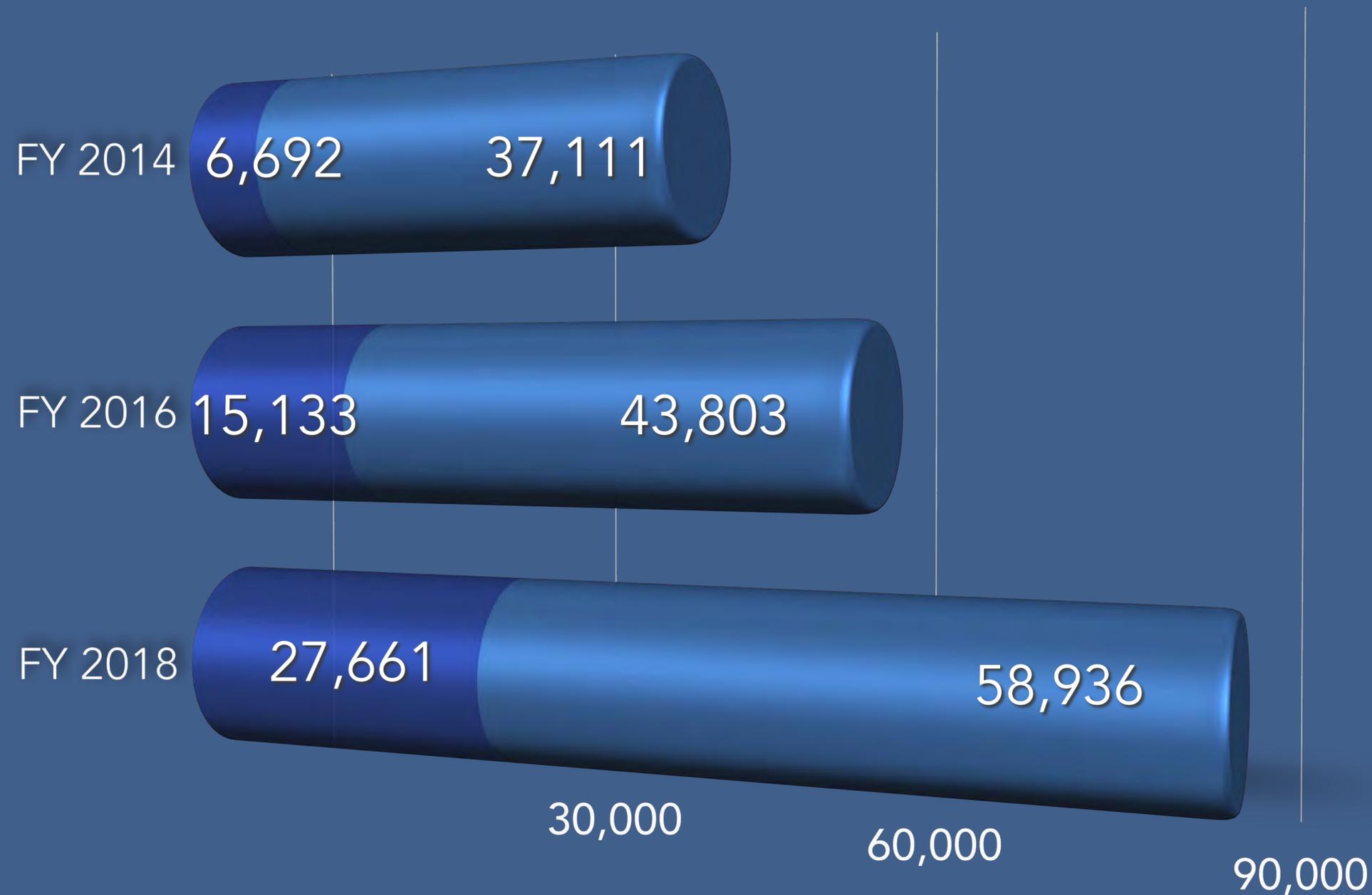


2,250 Attendees

Operations: 2014 Challenges



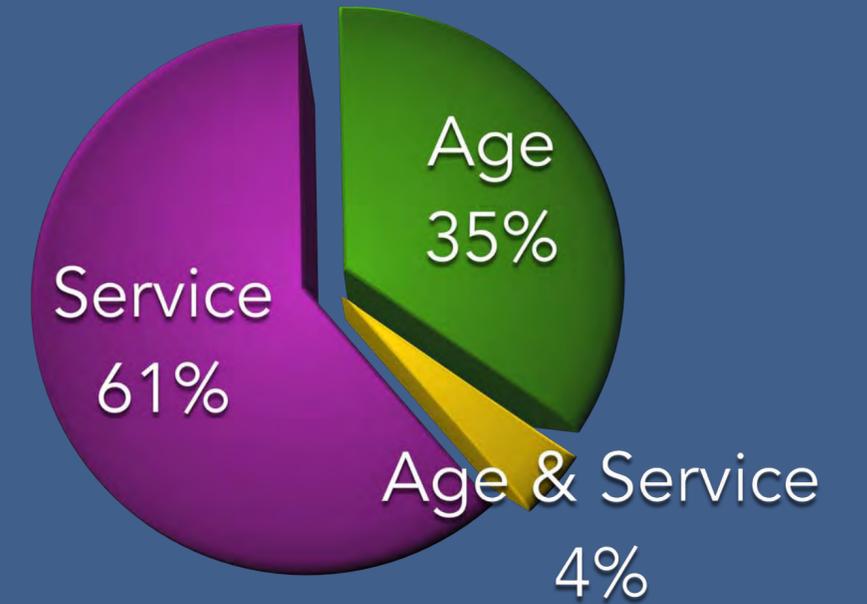
Our Members: Retirement Eligibility



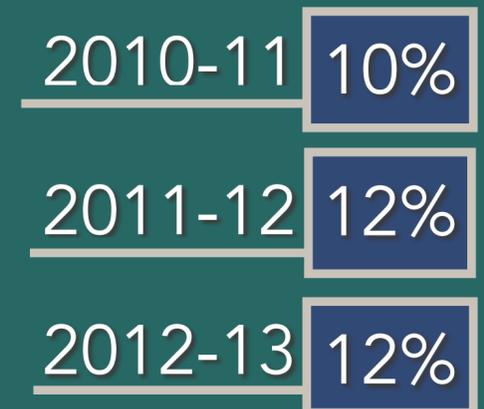
■ Becomes Eligible
■ Carryover

*Projections do not reflect sick leave service credit.

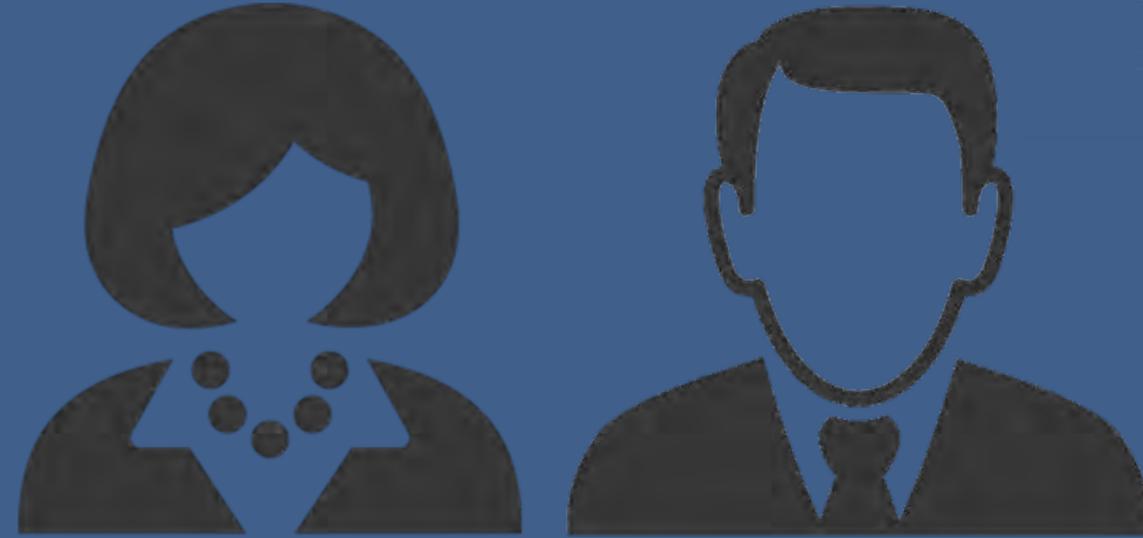
Retirement Type



Retired When Eligible



Our Employees: Retirements



2013

11 RETIREMENTS

154 YRS KRS SERVICE

2014

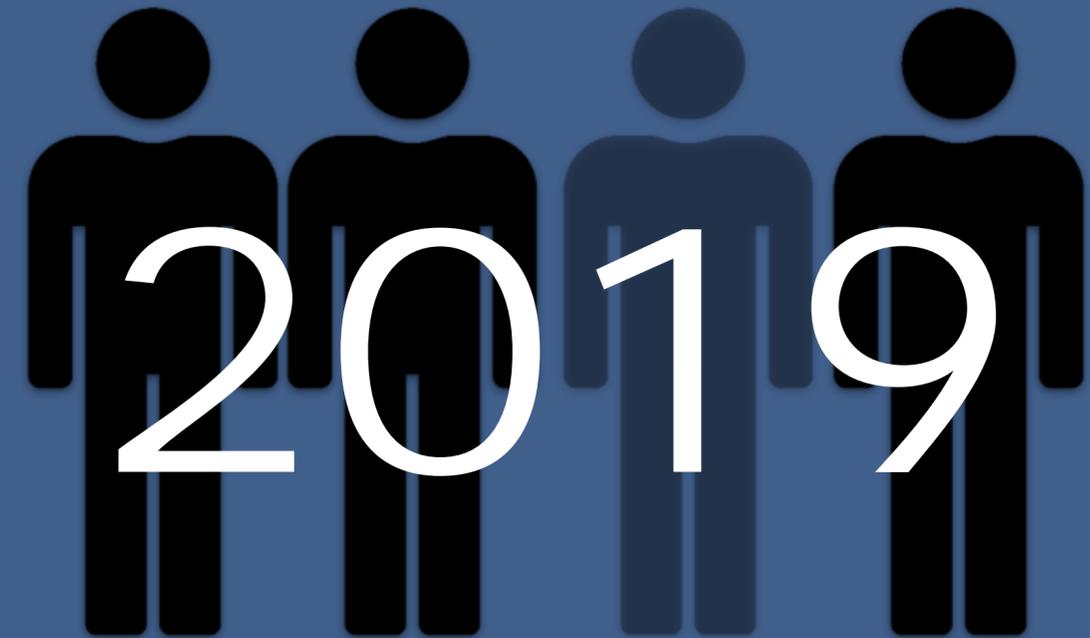
6 RETIREMENTS

104 YRS KRS SERVICE

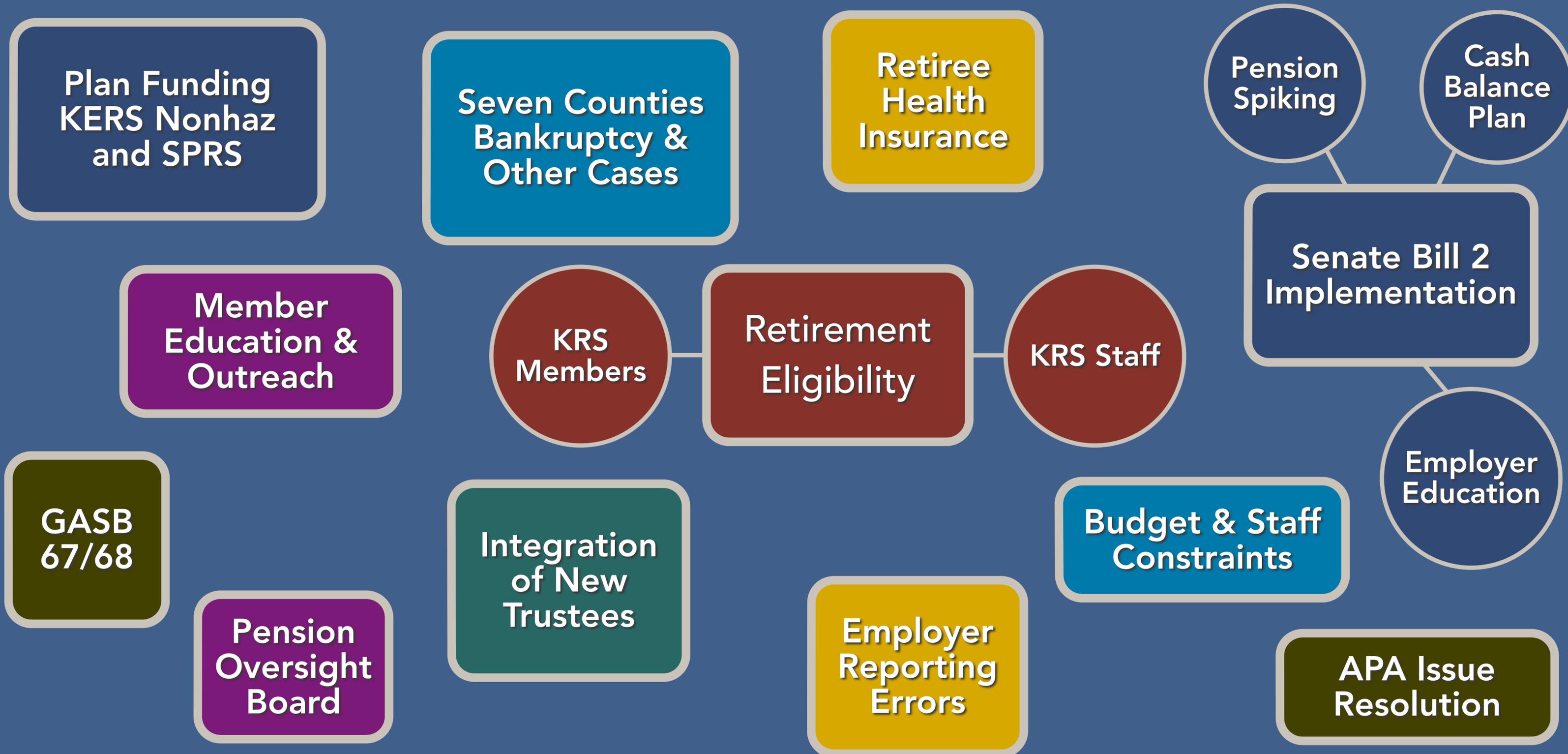
Our Employees: Retirement Eligibility

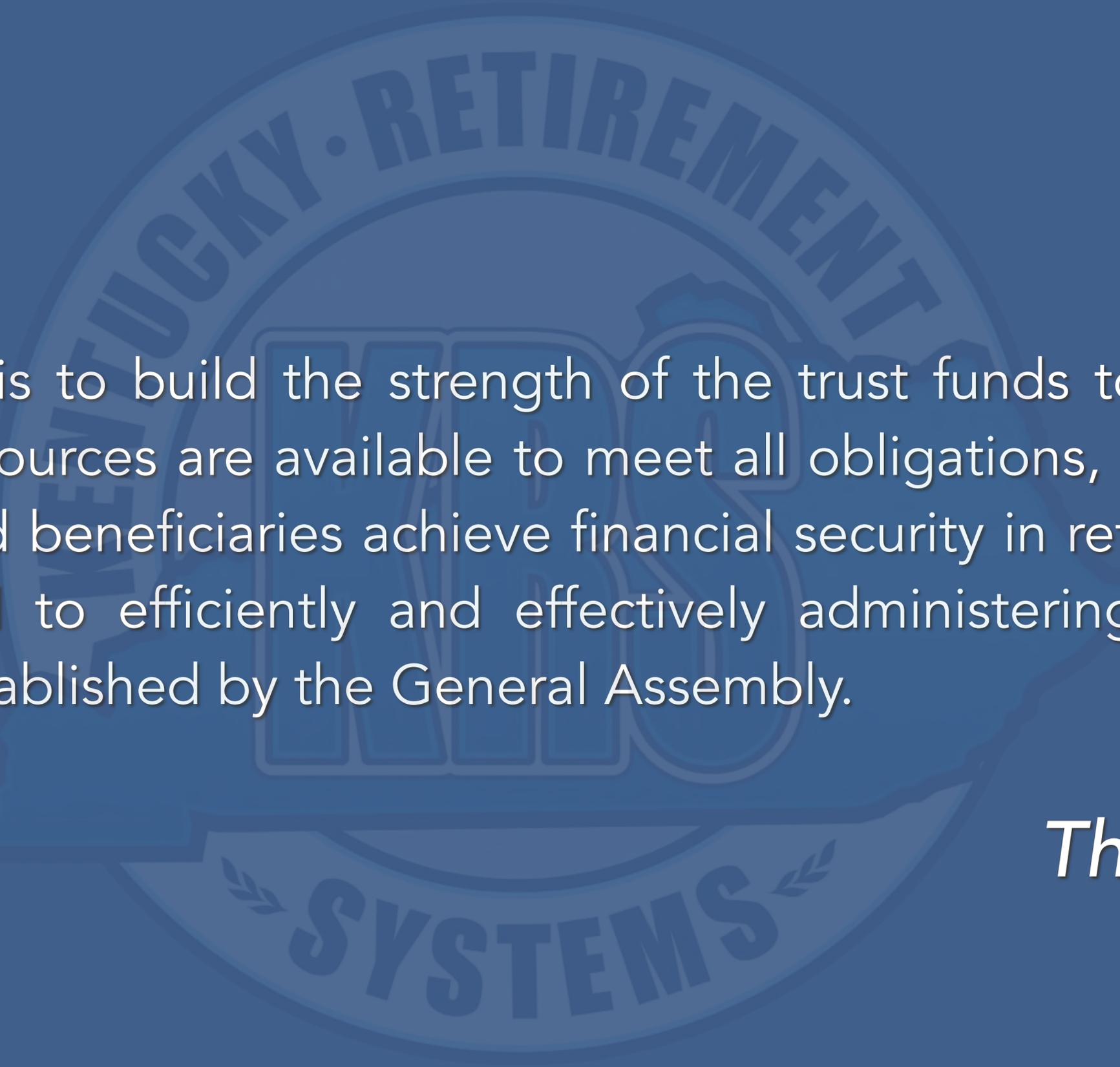


1 in 4 can retire by



Agency Challenges



The background features a large, semi-transparent watermark of the Kentucky Retirement Systems logo. The logo is circular with the text "KENTUCKY RETIREMENT" at the top and "SYSTEMS" at the bottom. In the center, there is a shield with a scale of justice and a dollar sign, with a banner below it.

Our mission is to build the strength of the trust funds to ensure that adequate resources are available to meet all obligations, while helping members and beneficiaries achieve financial security in retirement. KRS is committed to efficiently and effectively administering the benefit programs established by the General Assembly.

Thank You!