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**Government Officials Newsletter**

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Welcome to the February 2023 edition of the **KPPA NEWSLETTER FOR KENTUCKY GOVERNMENT OFFICIALS**: the only Kentucky pension system newsletter designed specifically for government officials and their staff members.

Since its inception in 2018, this newsletter's goal has been to keep Kentucky's policymakers up to date on news and developments at KPPA and promote a better understanding of the CERS, KERS, and SPRS benefits administered by the Kentucky Public Pensions Authority.

In this issue, you'll find articles about:

- The General Assembly's role in granting retiree Cost of Living Adjustments (COLAs) and the statutory authority to do so;
- Links to the [FYE 2022 Annual Comprehensive Financial Report \(ACFR\)](#) and the [FYE 2022 Summary Annual Financial Report \(SAFR\)](#);
- Information about KPPA's proposed housekeeping bill; an update from the 2023 Kentucky General Assembly Regular Session; and much more!

We invite you to connect with us to stay informed: toll free at 1-800-928-4646 or by using a link below:

**TOP STORIES**

THE GENERAL ASSEMBLY'S ROLE IN GRANTING RETIREE COST-OF-LIVING ADJUSTMENTS (COLAs)

You have probably heard from several of your constituents asking about Cost-of-Living Adjustments (COLAs).

With inflation reaching a 40-year high in 2022, and retirees of the plans operated by KPPA not receiving a COLA since July 2011, this issue has moved to the forefront for many retirees.

There has been some confusion about how COLAs are granted, and who pays for them. In a nutshell, only the Kentucky General Assembly (GA) has the authority to grant retiree COLAs under [Kentucky Revised Statute 61.691](#) and [Kentucky Revised Statute 78.5518](#). COLAs cannot be granted by the KPPA board or the Trustees of the Systems.

HISTORY: Previously, the GA would authorize a COLA, but the money to pay for it came from the trust funds, not the state's General Fund.

COLAs were authorized on a pay-as-you-go basis, meaning that the expense was recognized as it occurred and was not pre-funded because the Systems did not have the statutory authority to do so. The costs for each annual COLA were recognized in the employer contribution rate after the COLA was granted.

This method of granting COLAs became a financial burden on the Plans: for example, from 2008 through 2012 unfunded COLAs added \$1.45 billion in

As a Kentucky government official, your constituents are the people we serve

Here are some of the online resources we use to connect with our members and retirees:

Members:

[Benefit Tiers](#)
[Outreach and Programs](#)
[Survivor Benefits](#)
[Ready to Retire](#)
and more!

Retirees:

[Insurance](#)
[Beneficiary Changes](#)
[Taxes](#)
[Reemployment after Retirement](#)
[Health Insurance](#)
[Reimbursement Plan](#)
and more!

Publications and Forms:

[Forms](#)
[Retiree Handbook](#)
[Member Newsletters](#)
[Summary Annual Reports](#)
and other publications.

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

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

Self Service**Fast. Secure.****Reliable**

KPPA's sixth mandate charges the agency to "insist on a culture of continuous enhancement in everything

unfunded liability to the Systems.

CURRENT PROCESS FOR GRANTING A COLA: In 2013 the General Assembly changed the method for granting COLAs.

Language included in [Senate Bill 2 during the 2013 Regular Session](#) says COLAs will only be granted in the future if:

1. The respective Boards of Trustees determine that assets of the System are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or
2. The General Assembly fully prefunds the COLA or directs the payment of funds in the year the COLA is provided.

Please note that it is possible that retired members of one system may receive a COLA while retired members of another system would not, depending on the action of the General Assembly.

For more information about COLAs, and a history of previous COLAs, please refer to the [Cost-of-Living Adjustments \(COLAs\) page in the Retirees section on our website.](#)

FISCAL YEAR 2022 FINANCIAL REPORTS NOW AVAILABLE ONLINE

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

A printed copy of the SAFR has been delivered to each member of the Kentucky General Assembly. Please contact KPPA at 1-800-928-4646 to request additional copies of the SAFR.

SPRS TRUSTEE ELECTION

In January, all eligible State Police Retirement System (SPRS) members with a valid email address received an email from [YesElections](#) with instructions on how to cast their vote.

Members who requested to vote by mail by the November 30, 2022 deadline, or who do not have an email address for their retirement account, will receive their ballot in the mail.

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

SUMMARY PLAN DESCRIPTION UPDATED

[The Summary Plan Description](#) provides comprehensive information about retirement and insurance benefits.

The Summary Plan Description (SPD) is a comprehensive overview of the benefits administered by KPPA, however it should not be used to make retirement decisions. Specific questions should be discussed with a KPPA professional as retirement is unique to each of our members.

FUNDING RATIOS OF EACH SYSTEM

Pension Funded Status

**In the 2022 Regular Session, the General Assembly included \$695 million in additional appropriations through Fiscal year 2024 to pay down the unfunded liability for the KERS NH and SPRS plans.*

The SPRS portion of the allocation, \$215 million, was applied in FY 2022. The impact of this additional allocation was dramatic: the SPRS employer contribution rate lowered from an expected 140.51% in FY 2023 to 99.43% and the System's funded status rose from 31% to 52.5%.

we do." The Authority's Self Service site is a reflection of the staff's ongoing effort to meet and exceed this mandate with enhancements and the addition of new features to improve its useability!

[Registering for Self Service](#)

After registering, just log into your [Self Service](#) account anytime to access benefit estimates instantly, apply for retirement online or complete your open enrollment application.

Watch Board and Committee Meetings on Facebook Live

KPPA livestreams board and committee meetings on our Facebook page. We invite you to join us for future meetings by [going to the KPPA Facebook page](#) on the date and time of the meeting. You can also watch videos of prior meetings. [Click here](#) to view the meeting schedules.

KPPA Hires First Chief Financial Officer

[KPPA has hired Michael Lamb, CPA, as its Chief Financial Officer](#)

Mr. Lamb most recently served as General Manager, Enterprise Risk Management and Audit at Toyota Tsusho America (TAI), Inc., in Georgetown, KY.

The CFO oversees the Division of Accounting and is responsible for financial reporting and compliance, budget preparation and monitoring, cash management, and external coordination with service providers, including KPPA's outside accountants, banks, and actuary.

Retirement Trends

Total retirements are down 10.4% during the first six months of the current Fiscal

Pension Funded Status

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

Insurance Funded Status*

Insurance Funded Status

	FY 2022	FY 2021	FY 2020	FY 2019
CERS NH	132.1%	85.4%	78.5%	70.7%
CERS HAZ	101.0%	84.3%	78.2%	75.8%
KERS NH	79.1%	50.2%	42.7%	36.3%
KERS HAZ	172.2%	135.5%	126.0%	123.1%
SPRS	100.6%	82.0%	75.0%	71.3%

**The improved Insurance funded ratios are largely due to favorable premium experiences – the actual premiums have been lower than assumptions – a significant decrease in the Medicare plan premium for 2023, and strong investment performance in Fiscal Year 2021.*

LEGISLATIVE NEWS

KPPA provides daily tracking and commentary on retirement-related legislation during the Session. [Please visit the Legislative Updates section of our website for the latest information.](#)

KPPA HOUSEKEEPING BILL INTRODUCED: [House Bill 49](#), sponsored by Representative James Tipton, is the KPPA’s housekeeping bill. Some of the changes proposed by House Bill 49 include amending current statutes to permit members and retirees to vote by telephone in trustee elections; changing the name of KPPA’s Comprehensive Annual Financial Report (CAFR) to Annual Comprehensive Financial Report (ACFR) to conform to the national standard naming convention; and amending [Kentucky Revised Statute 61.665](#) to streamline the disability retirement application review process.

Currently, KPPA sends an identical copy of a member’s disability application to three different doctors for their independent review. Two of the three doctors must approve the application for it to proceed.

HB 49 proposes to permit only one medical examiner to review initial applications. If a member is approved for disability, no additional reviews are required; if they are not approved, a process using up to two more examiners will begin. This change should help most disability determinations be made quicker while still preserving a member’s additional review opportunities. See KPPA’s [actuarial analysis of HB 49](#) for details of how the amended disability review process could lower the Authority’s administrative expenses.

INVESTMENT UPDATE

Combined pension and insurance assets for the County Employees Retirement System (CERS), Kentucky Employees Retirement System (KERS), and the State Police Retirement System (SPRS) were \$22.5 billion as of November 30, 2022. That amount was up from \$21.6 billion as of June 30, 2022. The asset growth was driven by employer contributions and investment performance and represents an increase of \$900 million in the intervening five months.

Year (July – December 2022) when compared to the same timeframe last year (July – December 2021). A total of 3,747 KPPA participants retired from July 2022 through December 2022, while KPPA saw 4,179 retirements during this same period in 2021.

Please visit our website for monthly retirement totals from Fiscal Year 2014 to the present month:

[KPPA RETIREMENT TRENDS](#)

KPPA Receives Multiple Industry Awards

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

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

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

To be eligible for the PAFR Award, a government must also submit its annual comprehensive financial report to GFOA’s Certificate of Achievement for Excellence in Financial Reporting Program and receive the Certificate for the current fiscal year.

Each eligible report is reviewed by judges who evaluate the report based on reader appeal, understandability, distribution methods, creativity and other elements.

Pension Fund Performance

	FYTD (November 2022)	3-Year	5-Year	10-Year	30-Year
CERS	4.11%	6.24%	6.16%	7.18%	7.70%
CERS HAZ	4.14%	6.13%	6.13%	7.15%	7.69%
KERS	5.63%	5.63%	5.65%	6.70%	7.54%
KERS HAZ	6.02%	6.02%	5.99%	7.09%	7.67%
SPRS	5.69%	5.69%	5.67%	6.65%	7.52%

Insurance Fund Performance

	FYTD (November 2022)	3-Year	5-Year	10-Year	30-Year
CERS	4.17%	6.03%	6.09%	7.09%	6.87%
CERS HAZ	4.02%	6.16%	6.20%	7.16%	6.90%
KERS	4.12%	6.10%	5.75%	6.74%	6.76%
KERS HAZ	3.83%	6.26%	6.14%	7.09%	6.87%
SPRS	3.80%	6.50%	6.39%	7.25%	6.93%

	November 2022	June 2022	June 2021	June 2020
Pension assets	\$15.66	\$15.00	\$15.79	\$12.72
Insurance assets	\$6.86	\$6.61	\$6.94	\$5.49
Total assets	\$22.52	\$21.61	\$22.73	\$18.21

For more information about investments, visit our [Investments page](#) where you can find links to [monthly performance reports](#), [investment policies](#), lists of [investments holdings](#), and more.

Economic Impact on Kentucky

Pension and benefits paid to retirees and beneficiaries have a wide-ranging impact on the state's economic health. In addition to ongoing monthly pension payments, KPPA issues refunds, death benefit payments, and pays toward monthly insurance coverage for eligible retirees, beneficiaries, and their dependents.

Please visit our [KPPA F.Y.I. page](#) and click on the "Economic Impact" tab to see how the more than \$2 billion in annual payments have a positive effect on Kentucky's communities.

PPCC awarded KPPA its "2022 Public Pension Standards Award for Funding and Administration."

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

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

Questions? [Contact us](#)



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