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KRS Newsletter for Kentucky Government Officials - August 2019

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A KENTUCKY RETIREMENT SYSTEMS E-PUBLICATION

Kentucky Retirement Systems is responsible for the investment of funds and administration of pension and health insurance benefits for over 379,000 active and retired state and local government employees, state police officers, and nonteaching staff of local school boards and regional universities.

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GOVERNANCE AND TRANSPARENCY

KRS strives to be a highly transparent organization. Please click on the highlighted links below to learn more about the governance of the Systems.

1. New SERVICE PURCHASE and RETIREMENT BENEFIT PAYMENT OPTION FACTORS to Take Effect January 1, 2020

State Law requires KRS to conduct an experience study at least every five (5) years. An Experience Study is a comparison of a retirement plan's experience (what actually happened) to what had been actuarially assumed (expected) to occur.

The [most recent experience study, covering the five-year period ending June 30, 2018](#), was adopted by the Board in April, 2019. As a result, the actuarial factors used in determining service purchase costs and retirement benefit payment options must be adjusted to accurately reflect the true actuarial cost of these purchases and retirement options. The effect of the revised actuarial factors depends on each member's individual circumstances.

[Explanation of what these factors are, why they are changing, and what it might mean to our members](#)

[Link to Member Self Service page](#) where members who are considering retiring in the near future, or are interested in purchasing eligible service credit, can calculate their own retirement estimates and service purchase costs to see how these changes might affect their personal account.

2. UPDATED "REEMPLOYMENT AFTER RETIREMENT" Brochure Now Available

As reported in last Quarter's Government Officials Newsletter, several bills that passed during the 2019 Regular Session of the Kentucky General Assembly impacted reemployment of a member after retirement. The KRS Legal team has carefully reviewed the new bills' requirements and provided updated reemployment information that is now available on our website.

[UPDATED Reemployment After Retirement booklet](#)

[General Information about Reemployment After Retirement](#)

3. Board of Trustees Update:

The Board of Trustees has met twice since the last Government Officials Newsletter was issued on April 3, 2019. **Board materials for each meeting** can be viewed by clicking on the links below:

HIGHLIGHTS OF THE [APRIL 18, 2019 ANNUAL MEETING:](#)

1. [Board Re-Elects Chair and Vice Chair](#). David Harris and Keith Percy were unanimously re-elected Board Chair and Vice Chair, respectively, by their fellow Trustees. Mr. Harris is the Chief Executive Officer of MCF Advisors, LLC, a Kentucky based comprehensive financial services firm; and Mr. Percy is the Board's elected representative from the State Police Retirement System (SPRS).
2. [GRS, the Systems' Independent Actuary, presented the 2018 Experience Study Summary to the Board](#). The Board ratified the recommendation of the Actuarial Subcommittee in adopting the assumptions presented by GRS.
3. [CERS Separation Alternatives](#). Executive Director David Eager provided a brief presentation to the Board on CERS separation alternatives. The presentation contained highlights of the [full presentation Mr. Eager gave to the Public Pension Oversight Board Administrative Subcommittee on March 25, 2019](#).

HIGHLIGHTS OF THE [MAY 16, 2019 BOARD OF TRUSTEES MEETING:](#)

1. [The Board received an Investment Committee and Portfolio Report](#) that explained recent investment activities. The report is found on pages 6-11 in the link above. Additional information about KRS investments appears in this Newsletter below.
2. The Board also received an [Audit Committee Report](#) that included several separate reports about the Systems' Financial Statements as of March 31, the Systems' Cash Flow and Net Position, and our internal Budget-to-Actual Expense Quarterly Report. The various Reports can be viewed beginning on page 12.

OTHER BOARD NEWS:

1. [New Trustee Appointed to the Board](#). Governor Matt Bevin appointed Mr. C. Prewitt Lane, CFA, of Louisville, to the Board of Trustees on July 23. Mr. Lane replaced William Cook, whose term has expired. Mr. Lane will represent members-at-large and will serve for a term expiring June 17, 2023.
2. Due to the passage of House Bill 80, the Systems' housekeeping bill, during the 2019 Regular Session, [online voting will be offered for future Board of Trustees elections](#). Paper ballots will still be available upon request, but this new option should increase voter participation and save the Systems money by greatly reducing ballot printing and mailing costs.

To review Board Materials from previous meetings please [click here](#).

4. Board Committee Meetings:

The Board Chair appoints Trustees to various [standing and ad hoc committees](#) that are tasked with overseeing different aspects of the Systems. [Click here](#) to review Committee Agendas.

[2019 Board Committee Membership list](#)**5. KRS Staff News:**

Employee Service Recognition Awards. During their Annual Meeting on April 18 the Board of Trustees formally recognized 43 employees who had reached significant milestones in their careers with KRS. Thirteen employees received their **five-year** service award; 9 employees received their **ten-year** service award; 9 employees received their **fifteen-year** service award; and 12 employees received their **twenty-year** service award. [A full list of the employees is available on pages 2 and 3 of the April 18 Board Materials.](#)

6. Facebook Livestream:

KRS continues to [Livestream Board and Committee meetings](#) and archive the videos on our Facebook page. Ten Board meetings have been livestreamed since December 2017 and have currently been viewed more than 30,500 times.

This feature has proven so popular that we are in the process of upgrading the projection system to be better able to focus on presentations and project exhibits being shown at the meeting.

We invite you to join us for future meetings by going to the [KRS Facebook](#) page on the date and time of the meeting and clicking on the live feed.

Here is a [list of upcoming meetings](#) that are scheduled to be livestreamed in the next few weeks (all times Eastern):

INVESTMENT COMMITTEE:	Aug 27, 2019 at 9 a.m.
RETIREE HEALTH PLAN COMMITTEE:	Sept 5, 2019 at 10 a.m.
BOARD OF TRUSTEES MEETING:	Sept 12, 2019 at 10 a.m.

Please check our website for any schedule changes.

INVESTMENTS AND FUNDING**1. Pension and Insurance Funds Post Gains in FY 2019:**

As of the close of Fiscal Year 2019 the KRS Pension funds posted a 5.8% annualized return and the KRS Insurance funds posted a 5.7% annualized return. Total System Assets as of June 30, 2019 were \$18.19 billion.

The chart below shows how the Pension and Insurance Fund Assets have grown over the past four years:

PENSION AND INSURANCE FUND ASSETS				
<i>(Expressed in Billions)</i>				
	June 2016	June 2017	June 2018	June 2019
Pension Fund Assets	\$10.87	\$11.92	\$12.29	\$12.75
Insurance Fund Assets	4.23	4.78	5.13	5.44
Total Assets	\$15.10	\$16.70	\$17.42	\$18.19

PENSION AND INSURANCE FUND PERFORMANCE				
	1 Year (June 2019)	3 Year	5 Year	10 Year
Pension Fund	5.8%	9.2%	5.8%	8.8%
Insurance Fund	5.7%	9.4%	5.9%	9.0%

For more information about KRS investments, please visit the [Investments](#) section of our website where you can find details about our diverse holdings, review manager contracts and fees, and read monthly and quarterly investment reports.

2. [KERS Nonhazardous to Receive \\$60.1 million in General Fund FY 2019 surplus money:](#)

In July, 2019 Governor Bevin announced a budget surplus after Kentucky closed Fiscal Year 2019. Part VII of the State Executive Branch Budget bill (House Bill 200, 2018 Regular Session) provided guidance on how to distribute any General Fund surpluses from FY 2019. That language is found on pages 174-175 of the bill.

KRS is certainly appreciative of this additional funding over and above the FY 2019 Actuarially Determined Contribution (ADC).

LEGISLATIVE NEWS

1. July 2019 Special Session Results in Passage of House Bill 1

On July 18, 2019 [Governor Bevin called a Special Session of the Kentucky General Assembly](#) in order to address "... the extraordinary need for immediate legislative relief for crucial quasi-governmental employers, allowing them the option of ceasing participation in the Kentucky Retirement Systems under certain conditions." Without legislative action, the employer contribution requirement for these employers would have increased from 49.47% to pay to 83.43% of pay beginning July 1 (due to reporting timelines, the agencies' first payment under the new rate would have been due on August 10, 2019).

The Special Session convened July 19 and adjourned July 24, 2019 with the passage of House Bill 1. Because the bill had an emergency clause, it took effect immediately upon the Governor's signature.

[House Bill 1](#) has two key provisions:

1. Sets the employer contribution rate at 49.47%, retroactive to July 1, 2019 for fiscal year 2020, for KERS quasi-governmental agencies. [Read More](#)
2. Establishes a one-time voluntary cessation window for KERS quasi-governmental agencies.

We have published a [General Information Guide that answers some of the most Frequently Asked Questions](#) posed by both our Quasi-Governmental Employers and by their employees. Our staff continues to review the final bill and we will publish additional information on our website when available.

2. Public Pension Oversight Board Meetings

The Public Pension Oversight Board (PPOB) was established by the Kentucky General Assembly in 2013 to assist with their "... review, analysis, and oversight of the administration, benefits, investments, funding, laws and administrative regulations, and legislation pertaining to the Kentucky Retirement Systems."

KRS staff routinely attend and make presentations at the monthly PPOB meetings to provide information about the Systems. The PPOB has met three times (April 22, May 20, and June 24) since the last Government Officials Newsletter was issued.

To view agendas and presentations from these, and previous, PPOB Meetings [Click here](#).

SERVICE INITIATIVES

KRS is committed to providing the highest level of customer service to our members and retirees in a cost-effective and efficient manner. Here are some of our latest initiatives:

1. 2019 PREP (Pre-Retirement Education Program) Sessions Conclude

KRS hosted eleven (11) PREP Sessions from May through August in locations throughout the state again this year. PREP Sessions are designed for Tier 1 and Tier 2 members within five (5) years of retirement to help them understand their KRS pension and medical insurance benefits. The final Session for CY 2019 was held on August 8 at Gateway Community and Technical College in Florence, KY.

Employer representatives from our participating agencies were also invited to attend PREP to receive specialized training. This year more than 540 participating employer Reporting Officials attended the Sessions.

[View the PREP booklet here.](#)

2. Have You Registered for Self-Service on our Website?

If you are a KRS member, you can now access your Online Retirement Account from your smartphone or tablet. Simply log in using your current User ID and Password, or register today to access your account online. [Click here](#) to learn more about how to register.

Once you log in, **please review your contact information and make sure we have your correct email address on file** so you can receive newsletters and announcements electronically and stay up-to-date with the latest happenings at KRS.

Did You Know? Fast Facts About KRS

In FY 2019, KRS Counselors saw **10,651 Visitors In-Office** and handled **286,681 inbound calls**;

Calculated **13,000 Benefit Estimates**;

Processed **588 Disability Applications**; and

Conducted **18,719 Account Audits**

OTHER KRS NEWS

1. NEW Requirements for Scheduling a Counselor Appointment

Due to the recent announcement regarding factor changes, KRS has experienced a significant increase in requests for service purchase calculations and benefit estimates. **In order to direct our efforts to providing the requested information as expediently as possible we are now limiting appointments with benefits counselor to only those members who have filed a valid Form 6000, Notification of Retirement.**

Until further notice, requests for retirement estimates will only be taken for members who are within one (1) year of retirement eligibility or for those who wish to make a service purchase. All other members are encouraged to register for [Member Self Service](#) where they can calculate their own retirement estimates.

2. Retirement Trends

Monthly retirement trends, from FY 2014 through present-day, are available here: [KRS Retirement Trends](#). This chart is updated every month.

A total of 7,289 people retired in Fiscal Year 2019.

Questions? [Contact us](#)



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