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A KENTUCKY RETIREMENT SYSTEMS E-PUBLICATION

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Kentucky Retirement Systems is responsible for the investment of funds and administration of pension and health insurance benefits for over 394,000 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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Office Closed to the Public

We are not currently offering in-person services. Members can access their retirement account online, join a live webinar, schedule a virtual appointment, or call 1-800-928-4646. Documents can be submitted using the upload feature in Member Self Service, by mail, or by fax at 502-696-8822.

GOVERNANCE AND TRANSPARENCY

The Board and staff at KRS are committed to managing all aspects of KRS effectively and with complete transparency. We continuously examine every aspect of our procedures and policies striving for enhancements.

1. Adopt the fixed allocation funding method for the KERS Nonhazardous Pension Plan (House Bill 8)

There is a critical need for legislation to allow KRS to adopt a fixed allocation funding method for the Kentucky Employees Retirement System Nonhazardous Pension Plan and to shift away from collecting contributions as a percentage of payroll to having each employer pay off their own unfunded liability over time as provided for in [House Bill 8 \(HB 8\)](#). HB 8 has the support of both Co-Chairs of the Public Pension Oversight Board.

If passed by the 2021 General Assembly, employers would not be able to reduce their contributions and avoid their obligations by outsourcing or otherwise reducing their payroll, forcing contribution rates even higher. Since Fiscal Year 2010, the decrease in employees and payroll has caused contribution rates to increase substantially:

	FY 2010	FY 2020	
Employees	47,090	31,703	-32.7%
Payroll	\$1,815M	\$1,388M	-23.5%
Contribution Rate	31.3%	83.4%	+166.5%

- Contribution rates should remain relatively stable throughout the period
- The cost impact to the employees will be the normal cost to Tier 3, currently less than 4% of pay. It will be reflected in a gradual reduction in the total normal cost for all employers (currently 10.10% of pay) over time as departing Tier 1 and Tier 2 employees are replaced with new Tier 3 employees
- Some employer contributions will be higher and some will be lower as explained below
- Subsidies will need to continue

While there will be no change in the total dollar amount that the Systems need to collect, each employer will likely experience an increase or decrease in their annual contribution requirement. Generally, employers with younger workforces and relatively fewer retirees will experience a decrease in their annual required contributions. Other employers with a high employee population eligible to retire will likely have an increase in their annual required contributions. Also, employers who have materially decreased their covered payroll during the last several years likely will experience an increase in their annual contribution requirement.

This change will help, but by itself it will not completely solve the funding problem. KRS still needs the same amount of funding to address the existing unfunded liability. What fixed allocation funding will do is protect the Systems from skyrocketing contribution rates for the agencies that remain in the system, which absorb the unfunded liability cost for agencies that leave KRS and/or reduce their covered payroll.

2. KRS has released its Comprehensive Annual Financial Report (CAFR) and Summary Annual Financial Report (SAFR) for the Fiscal Year Ended June 30, 2020

The [CAFR](#) serves as a detailed resource for understanding the structure, financial status, and governance of the plans that are administered by KRS. As such it is a critical component of KRS' effort to maintain transparency for all stakeholders.

The Fiscal Year 2020 CAFR shows that nine of the ten pension and insurance plans managed by KRS saw their funded ratios increase during the Fiscal Year.

The [SAFR](#) highlights key points from the CAFR. What can you learn from this report? It includes a detailed analysis of employer contribution rates, funding, and plan specific information. KRS paid out more than \$2 billion in monthly pension payments in Fiscal Year 2020, 93% of which went to Kentucky residents. Those payments ranged from \$1.1 million in Robertson County to \$358.2 million in Jefferson County.

3. Kentucky Public Pensions Authority

During the 2020 Legislative Session, [House Bill \(HB\) 484](#) was passed establishing a new governance structure for KRS. Effective April 1, 2021, KRS as an Agency of the Commonwealth will be known as the Kentucky Public Pensions Authority (KPPA). Current KRS employees will become KPPA employees and continue to provide administrative support, investment management, and conduct daily activities for the new CERS, KRS, and KPPA boards. KPPA will be led by an Executive Director who will work with the Chief Executive Officers of the CERS and KRS boards to carry out the statutory provisions of the systems.

4. Board of Trustees News

Our Board serves as the KRS governing body. Currently, six trustees are elected by members, ten are appointed by the Governor, and the Secretary of the Personnel Cabinet serves as an ex officio member. Three of the ten appointees are selected from lists of candidates provided by the Kentucky Association of Counties (KACo), the Kentucky League of Cities (KLC), and the Kentucky School Boards Association (KSBA).

[David L. Harris, Board Chair and Trustee Matthew Monteiro](#) have announced their resignations from KRS Board effective April 1, 2021.

Both trustees were appointed to the board by then-Governor Matt Bevin – Mr. Harris in June 2016 and Mr. Monteiro in August 2017. Mr. Harris' term was to expire in June 2022 and Mr. Monteiro's in June 2023.

5. 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](#).

Board Committee Membership list

6. Transparency Efforts Continue with Facebook Livestreaming of Board and Committee Meetings

Following Governor Beshear's [Healthy at Work](#) guidelines, the KRS Board of Trustees will continue to hold its Board and Committee meetings via live video teleconference. Videos of KRS Board and Committee meetings are available on the [KRS Facebook page](#).

This feature has proven so popular that we are in the process of upgrading technology 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):

BOARD OF TRUSTEES MEETING: February 18, 2021 at 10 a.m.

BOARD OF TRUSTEES - ANNUAL MEETING: April 15, 2021 at 10 a.m.

Schedule subject to change after the KPPA transition on April 1

INVESTMENTS AND FUNDING

Total KRS Assets grew to \$20.02 billion as of December 2020

The first chart shows how the Pension and Insurance Fund Assets have grown over the past two years, and assets as of December 2020:

PENSION AND INSURANCE FUND ASSETS
(Expressed in Billions)

	June 2018	June 2019	June 2020	December 2020
Pension Fund Assets	\$12.29	\$12.75	\$12.72	\$14.36
Insurance Fund Assets	\$5.13	\$5.44	\$5.49	\$6.31
Total Assets	\$17.42	\$18.19	\$18.21	\$20.67

The second chart shows the Pension and Insurance Fund Performance for the fiscal year and trailing 1-, 3-, and 5-Year periods ended December 30, 2020:

PENSION AND INSURANCE FUND PERFORMANCE				
	FYTD (Dec 2020)	3 Years	5 Years	10 Years
Pension Fund	14.11%	6.89%	5.87%	7.39%
Insurance Fund	14.29%	6.90%	5.97%	7.24%

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.

LEGISLATIVE NEWS

From a budget standpoint, the economic uncertainty surrounding COVID-19 prompted by the 2020 General Assembly to approve a one-year Executive Branch budget bill rather than the usual two-year budget. The employer contribution rates for Fiscal Year 2022, effective July 1, 2021, will be set in the 2021 Regular Session.

KRS continues to work on implementing previous legislative changes. During the 2017 Regular Session of the General Assembly, SB 104 was enacted which allows Tier 2 members to opt into Tier 3. This provision required a favorable Private Letter Ruling from the IRS, which was received this year. Staff is currently working on system changes to support this law change.

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:

CERS Election Online

We have prepared for the first Trustee election with an online ballot option for the 2021 CERS election.

[2021 CERS Board of Trustees Election](#) All eligible CERS 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 30th deadline received their ballot in the mail. Voting began January 20. Votes must be cast online by March 1. Mail in votes must be postmarked by March 1. All members will have the option to vote online in the election.

Virtual Counseling

Beginning in October 2020, KRS began offering secure virtual counseling to members through Zoom, in addition to our phone appointments. As of January 15, 2021, we have conducted a combined 75 virtual and phone counseling sessions with our members.

Member Webinars

Since May 2020, benefits staff has offered 41 webinars with just less than 4,000 members participating covering topics such as reemployment after retirement, strategies for retirement and retirement payment options. Members can access the schedule and webinar recordings on our [website](#).

Improved Employer Reporting Manual

KRS staff works with 1,468 employers entrusted with the responsibility of reporting all employees on a monthly basis. In October 2020, we revamped our [Employer Reporting Manual](#), a comprehensive publication explaining the reporting process.

Self Service

KRS encourages all members to access their account online at [MYRETIREMENT.KY.GOV](https://myretirement.ky.gov)

Active and Inactive Members can:

- Apply for Retirement
- Upload Documents
- Vote in Board Elections
- Update Contact Information
- Calculate Retirement Estimates
- Estimate Costs to Purchase Service
- View Annual Statements

Retired Members can:

- Change Tax Withholdings
- Upload Documents
- Vote in Board Elections
- Update Contact Information
- Maintain Direct Deposit
- View 1099-Rs
- Submit Insurance Application during Open Enrollment

OTHER KRS NEWS

Kentucky Retirement Systems has hired [Steven M. Herbert as its Executive Director](#), Office of Investments. The role is equivalent to Chief Investment Officer.

Mr. Herbert began his career in institutional investment management in 1997 at Watson Wyatt Investment Consulting, where he consulted with institutional clients in the Southeastern United States and in South America. Following that, he spent seven years with Mercer, where he was the lead consultant for a number of the firm's larger retirement fund clients in the U.S. and in Europe. Mr. Herbert later led Mercer's development of its proprietary investment manager research product, the Global Investment Manager Database (GIMD).

Kentucky Retirement Systems has promoted [Kathy Rupinen to Executive Director](#), Office of Legal Services. She joined KRS in January 2002 as a Staff Attorney. She progressed through the series, and was promoted to Assistant General Counsel in December 2013 and then to General Counsel, Division of Advocacy in 2016. In her roles, Ms. Rupinen has successfully argued in front of the Kentucky Supreme Court and the Kentucky Court of Appeals on multiple occasions.

Did You Know?

Our most financially troubled plan, KERS Non-Hazardous, had positive cash flow during Fiscal Year 2020. We received more in contributions than we paid in benefits and expenses.

KRS paid out more than \$2 billion in monthly pension payments in Fiscal Year 2020, 93% of which went to recipients living in Kentucky. Those payments ranged from \$1.1 million in Robertson County to \$358.2 million in Jefferson County, providing a stabilizing element for all local economies.

In February 2020, members were provided the ability to securely apply for their retirements and upload documents online through Self Service. This allows members the ease of initiating the retirement process and submitting forms from their mobile devices or personal computer.

Since early April, 2020 KRS has had more than 85% of its staff working from home. We made the swift transition to work from home almost seamlessly with members experiencing minimal disruption to services, and our various productivity metrics have remained strong throughout the period.

We publish various newsletters targeted to our members, participating employers and governmental officials including all legislators, employees of the Legislative Research Commission and most members of the Executive Branch senior staff.

Questions? [Contact us](#)



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