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## KRS Newsletter for Kentucky Government Officials - October 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 386,000 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. KRS Responds to Kentucky Auditor of Public Accounts' Special Examination

On August 27, 2019, the Kentucky Auditor of Public Accounts released a special examination evaluating the transparency, administration, and compliance with Senate Bill 2 (2017 Regular Session) of Kentucky Retirement Systems (KRS), the Teachers' Retirement System of Kentucky (TRS), and the Judicial Form Retirement System (JFRS).

The examination contained a number of recommendations that KRS was already implementing or will implement. However, KRS took great exception to the Auditor's two main critical findings:

1. KRS should control the redactions to investment contracts, and
2. All current and future contracts should be posted to the KRS website.

In summary, our responses are:

1. We cannot be put in the potentially liable position of being responsible for the redactions. Further, all unredacted contracts are available to the Auditor's Office, the Government Contract Review Committee, the Public Pension Oversight Board, and any legislator willing to sign a non-disclosure agreement.
2. All contracts entered into since the implementation of Senate Bill 2 are on our website, as well as several contracts that predate SB 2. The other pre-SB 2 contracts are protected by confidentiality agreements and *ex post facto* statutes.

KRS has taken several steps to reassure legislators and our members and retirees that their benefits are well managed and KRS is in full compliance with both the spirit, and the letter of, the law. Those steps include:

- A. [KRS issued a News Release on August 27.](#)
- B. [KRS Board Chair David Harris and KRS Executive Director David Eager wrote an Op-Ed piece on August 29 to further explain the Systems' efforts over the past few years to become one of the most transparent state retirement systems in the country.](#) Both the August 27 News Release and the August 29 Op-Ed piece were printed in several news publications throughout the state.
- C. [KRS was given a 60 day period, beginning on the date of the Special Examination's release, to officially respond to the Auditor's findings.](#) The Systems' response was sent to the Auditor's Office on October 25, 2019.

## **2. KRS Wins Major Legal Victory in Appeal of Seven Counties Bankruptcy Case**

[The Supreme Court of Kentucky issued a Ruling on August 29, 2019 providing KRS with a significant legal victory in its ongoing litigation with Seven Counties Services, Inc.](#) Seven Counties filed for Chapter 11 bankruptcy protection in April 2013 for the purpose of ending their participation in the Kentucky Employees Retirement System (KERS) and avoiding payment of their ongoing statutory employer contributions.

Although the ruling is good news for KRS, the litigation is not final. The case now returns to the Sixth Circuit Court of Appeals for resolution of the remaining issues on appeal, which had been put on hold pending the Supreme Court of Kentucky's decision.

## **3. Board of Trustees Update**

The Board of Trustees has met one time since the last Government Officials Newsletter was issued on August 14, 2019. **Board materials for this meeting** can be viewed by clicking on the link below:

### **HIGHLIGHTS OF THE [SEPTEMBER 12, 2019 REGULAR QUARTERLY MEETING:](#)**

- A. **Retiree Health Plan Committee Recommendations.** The Board received a Report (found on pages 6 - 10 in the hyperlink above) and voted on recommendations from the Retiree Health Plan Committee regarding the Plan Year 2020 non-Medicare and Medicare Eligible health plans for KRS retirees. [CLICK HERE for PY 2020 Insurance Information.](#)
- B. **Investment Committee Report.** The Board received a Report (found on pages 11 - 15 in the hyperlink above) highlighting recent investment activities, including the names and allocation amounts for several new investments, asset allocations by percentage and dollar amounts by system for both the Pension and Insurance Funds, and comments on the plan's performance.
- C. **Audit Committee Report.** The Board voted on the Audit Committee's recommendations to approve recent requests for Hazardous Duty participation and to approve updates to the Audit Committee Charter, Internal Audit Charter, and the Internal Audit Process and Procedures Manual. The Audit Committee Report and supporting documents begin on page 16 of the hyperlink above.
- D. **Overview of House Bill 1 (2019 Special Session).** KRS Executive Director David Eager updated the Board concerning the Systems' planned administration of House Bill 1, which allows KERS Quasi-Governmental agencies and universities to voluntarily cease their participation in KRS.

Specifically, Mr. Eager discussed the key decisions a Quasi-Governmental Agency will need to make if they are considering voluntary cessation from the Systems. He also provided the Board with information from GRS, the Systems' independent actuary, regarding some of the expected impact of the installments on the Systems; a Timeline of Important Dates to Remember; and some of the challenges faced by GRS and the Systems in implementing the legislation. [Mr. Eager's presentation can be found on pages 120 - 130 of the Board Materials.](#)

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

**OTHER BOARD NEWS:**

E. **New Trustee Appointed to the Board.** Governor Matt Bevin appointed [Mr. Joseph L. Grossman, CPA, FHFMA](#), to the Board of Trustees on September 27. Mr. Grossman is President and Chief Executive Officer of Appalachian Regional Healthcare, Inc., a not-for-profit health system serving 350,000 residents across Eastern Kentucky and Southern West Virginia. Mr. Grossman replaced Neil Ramsey, whose term has expired. Mr. Grossman will represent members-at-large and will serve for a term expiring June 17, 2022.

F. **The next regularly-scheduled Board Meeting will be held at the KRS Office in Frankfort on Thursday, November 14, at 10 a.m. Eastern time.** The meeting will be livestreamed on Facebook Live, and a video of the meeting will be immediately available afterward on the [Systems' Facebook page under the "Video" tab](#).

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

*This is a Reminder about some changes that will take effect on January 1, 2020... please feel free to share this information with your constituents.*

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.

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

KRS continues to [Livestream Board and Committee meetings](#) and archive the videos on our Facebook page. Eleven Board meetings have been livestreamed since December 2017 and have currently been viewed more than 31,500 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):

RETIREE HEALTH PLAN COMMITTEE:	November 12, 2019 at 10 a.m.
INVESTMENT COMMITTEE:	November 12, 2019 at 1 p.m.
BOARD OF TRUSTEES MEETING:	November 14, 2019 at 10 a.m.
BOARD OF TRUSTEES MEETING:	December 5, 2019 at 10 a.m.

*Please check our website for any schedule changes.*

**INVESTMENTS AND FUNDING**

## **1. Total KRS Assets remain at \$18.19 billion as of August 2019:**

The first chart shows how the Pension and Insurance Fund Assets have grown over the past three years, and Assets as of August 2019:

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

The second chart shows the Pension and Insurance Fund Performance for 1, 3, 5, and 10-Year periods:

<b>PENSION AND INSURANCE FUND PERFORMANCE</b>				
	<b>1 Year (August 2019)</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
Pension Fund	4.0%	8.14%	5.64%	7.96%
Insurance Fund	3.7%	8.26%	5.77%	7.89%

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**

### **1. Work Continues on Procedures for House Bill 1 (2019 Special Session) Implementation**

Kentucky Retirement Systems (KRS) has received a number of inquiries about the cessation liability calculations that can be requested by agencies considering voluntary withdrawal from KRS under the provisions of House Bill 1 from the 2019 Kentucky General Assembly Special Session.

KRS is working with our actuary, GRS Retirement Consulting (GRS), to develop procedures and timelines for performing these calculations. This is a very complex issue that will still require significant work before we are able to release the official guidelines. Until then, 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.

We will publish additional information on our website as soon as it is 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 (August 26, September 23, and October 28) 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 Medicare Plans Survey Results: Plan Participants give High Ratings to Humana**

KRS recently surveyed our Medicare Advantage Plan Holders to rate their experiences with Humana, the Plan Administrator. Once again, Humana received high marks from Plan participants: for example, a total of 82.65% survey respondents rated their Overall Satisfaction with Humana as either the highest rating of "Very Satisfied" (45.02%) or the second-highest rating of "Satisfied" (37.63%).

[View the Survey Results here.](#)

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

If you are a KRS member, remember that you can 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.

## **3. Speaking of email...**

Email is a timely, cost effective way of communicating important information to our members and retirees... but, obviously, it only works when we have a valid email address on hand.

As we continually look for ways to serve our members more efficiently, KRS will soon begin a campaign asking our members and retirees to give us their updated email address. This will allow us to quickly distribute important information while simultaneously saving the Systems money in printing and postage costs.

**If you or your constituents are a member or retiree of KRS and have not yet provided your email address to us, would you please take a moment to do so?** [It only takes a minute on our Self Service page to update your contact information.](#)

Thanks in advance for helping us stay in touch!

## **Did You Know? Fast Facts About the KRS Website**

The KRS website contains **more than 215 individual pages**, making it **one of the largest and most comprehensive websites in Kentucky state government**;

An average of **36,189 users have visited the KRS website each month** so far this calendar year;

The average website visitor in CY 2019 views **8.59 pages per session**; and

The **most popular search term in CY 2019** is "form 6000" (*the [Form 6000](#) is the official notification of retirement*).

The most popular search term in **CY 2018**? **You guessed it... "form 6000."**

## **OTHER KRS NEWS**

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### **1. REMINDER: Current Requirements for Scheduling a Counselor Appointment**

*This is a Reminder about the current requirements for scheduling an in-office appointment with a counselor... please feel free to share this information with your constituents.*

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. Interest Earned and Credited to "Tier 3 Hybrid Cash Balance" Member Accounts Announced**

[Interest earned and credited to members in the Tier 3 Plan for the fiscal year ended June 30, 2019 was announced on August 20, 2019.](#) The Hybrid Cash Balance Plan is for members who began participation on or after January 1, 2014 per guidelines established under Kentucky Revised Statutes 61.597 and 16.583.

As of June 30, 2019, KRS had 75,729 members in the Tier 3 Hybrid Cash Balance Plan. This represents 19.6% of the total KRS membership.

### **3. 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 2,993 people have retired thus far in Fiscal Year 2020 (July - October 2019).



Questions? [Contact us](#)

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