



Kentucky  
Retirement Systems

# Pension & Insurance **TRUSTS**

12016

# Summary Annual Financial Report

A component unit of the Commonwealth of Kentucky  
For the Fiscal Year Ended June 30, 2016

Kentucky Employees Retirement System (KERS)  
County Employees Retirement System (CERS)  
State Police Retirement System (SPRS)

# 2016

## Board of Directors

as of December 1, 2016

### **John R. Farris, Chair**

Governor Appointee

Term ends 6/17/19

### **Vince Lang**

Elected by KERS

Term ends 3/31/18

### **David J. Adams**

Governor Appointee

Term ends 6/17/19

### **Mark Lattis**

Governor Appointee

Term ends 6/17/19

### **John E. Chilton**

Governor Appointee

Term ends 6/17/18

### **Keith Peercy**

Elected by SPRS

Term ends 3/31/19

### **William S. Cook**

Governor Appointee

Term ends 6/17/19

### **Neil P. Ramsey**

Governor Appointee

Term ends 6/17/18

### **Thomas K. Elliott**

Governor Appointee

Term ends 3/31/19

Non-voting

### **David Rich**

Elected by CERS

Term ends 10/31/17

### **Mary Helen Peter**

Elected by KERS

Term ends 3/31/18

### **Thomas B. Stephens**

Personnel Secretary

*Ex-Officio*

### **Randy Stevens**

Governor Appointee

Term ends 7/1/17

### **J.T. Fulkerson**

Governor Appointee

Term ends 7/1/17

### **David L. Harris**

Governor Appointee

Term ends 6/17/18

### **Joseph Hardesty**

Governor Appointee

Term ends 7/1/17

## BOARD MEETING SCHEDULE

February 16

April 20

May 18

September 14

November 13

December 7

*\*Dates subject to change. Please visit our website for updates.*

*Meetings begin at 10 am Eastern*



## 2016 ANNUAL HIGHLIGHTS

This Summary Annual Financial Report covers the 10 plans and more than 364 thousand members that form the Kentucky Retirement Systems (KRS). Those plans include the Kentucky Employees Retirement Systems (KERS Hazardous and Non-Hazardous), the County Employees Retirement Systems (CERS Hazardous and Non-Hazardous), and the State Police Retirement System (SPRS) for both pensions and retiree insurance. Participants are your family members and neighbors. They include firefighters, police, bus drivers, janitorial staff at local schools, and those who work for Kentucky state government. In other words, they are us!

At the end of 2016 Fiscal Year we found ourselves in a unique position – one of transition to new management, improved communications, and a heightened focus on investing.

### **Management**

A number of management changes took place during the fiscal year and subsequently. William Thielen retired on August 31, 2016. We wish to thank him for his years of service as the Executive Director (six years) and as Chief Operations Officer (four years).

In April, John Farris and David Eager joined to the Board of Trustees replacing two members whose terms expired. Governor Matt Bevin, by a June Executive Order, disbanded the 13 person KRS Board of Trustees and replaced it with a 17 person Board of Directors which included those 13 people and four new Board Members: David Harris, Neil Ramsey, William Cook, and Mark Lattis. They were also appointed to the Investment Committee.

The Attorney General filed suit to block the Executive Order in July. As of this date, the issue remains in the Franklin County Court awaiting a ruling.

At the August Board Meeting, the Directors elected Mr. Eager to be Interim Executive Director effective September 1. Mr. Eager resigned from the Board and his place was subsequently taken by David Adams.

In September 2016, the Executive Branch retained Public Finance Management (PFM) to conduct an extensive review of all of the Commonwealth's retirement systems with the purpose of providing recommendations to help each system achieve their goals of providing retirement benefits to their members in the most secure and effective manner. PFM's initial report is due by December 31.

### **Communications and Transparency**

Several initiatives have been completed or are underway. The KRS website is being revamped to make it easier to navigate. Our telephone system has been enhanced to better service both the members and the public.

We continue to have regular monthly meetings with the Public Pension Oversight Board and the (Legislative) Committee on Appropriations and Revenue when requested. We are meeting regularly with legislators and expanding our media outreach.

Organizations that use KRS as their retirement fund are encouraged to make use of our open door policy. We want to understand their needs and also for them to learn what we are doing to improve KRS.

## FINDING OUR COMPREHENSIVE ANNUAL REPORT

To view the Comprehensive Annual Financial Report (CAFR) in its entirety, please visit us online.

1. Go to [KYRET.KY.GOV](#)
2. Click on [ABOUT](#) tab
3. Select [PUBLICATIONS](#)
4. Select [COMPREHENSIVE ANNUAL FINANCIAL REPORTS](#)
5. Click on [2016 CAFR](#)



## COMMITTEE MEETING SCHEDULE

AUDIT	INVESTMENT
February 2	February 7
May 4	May 2
August 24	August 22
November 2	November 1
Special Meetings	
RETIREE	January 20
HEALTH PLAN	March 7
February 14	April 4
May 9	June 20
September 7	
November 14	
DISABILITY & APPEALS	
HUMAN RESOURCES	Check website for dates and times.
February 16	
May 18	
September 14	
December 7	
BUDGET & LEGISLATION	
Scheduled as needed.	

\*Dates subject to change. Please visit our website for updates. Annual Meeting, Quarterly Meetings, and Audit Committee begin at 10 am Eastern; all other Committee Meetings begin at 9 am Eastern unless otherwise noted.

## Investments

Fiscal year 2016 was a difficult year for us and most of our peers. The pension fund performance was -0.52% (net of fees) trailing its benchmark return of -0.19%. The insurance fund returned -0.09% versus its benchmark return of 0.03% (net of fees). Many global factors contributed to unfavorable investment conditions as the negative investment performance caused a decline in net assets across all plans.

With a renewed focus on Investment performance, the Investment Committee was re-constituted with several stated objectives: align each plan's assets to its cash flow needs and risk tolerance, simplify the funds' overall structures, reduce management and other fees, and improve transparency.

In October 2016, the Investment Committee took steps to re-allocate dollars that have been invested in hedge funds in order to reduce managerial fees, improve liquidity, simplify our investment portfolios and more effectively manage risks

## Funding

The past year brought renewed attention to KRS and its funding. It has, and rightly so, caused a great deal of concern for our members and to many others in the Commonwealth. For fiscal years 2017 and 2018, Gov. Bevin and the General Assembly approved fully funding the Actuarially Required Contribution (ARC) for KERS and SPRS and added an additional \$185.8 million of pension funding for these plans. The Kentucky Permanent Pension Fund was established from General Surplus funds that may be available at the end of a fiscal year.

## Looking Forward

We greatly appreciate the additional funding by the Governor and the Legislature in light of Kentucky's many needs.

The potential solutions to the KERS, CERS, and SPRS funding issues are easily identified: increase funding, reduce benefits, improve investment returns, and reduce expenses. To enact these solutions is problematic and a significant challenge – KRS, the Executive Branch, the General Assembly, our members, our employers, and everyone across our great Commonwealth.

As we move forward and you examine this report, we believe you will gain confidence that meeting these challenges is within our power, albeit the road to recovery is a long and difficult one. All of us at KRS, along with Gov. Bevin and the legislative leadership have begun the trip down the road and are confident that we will once again see a KRS that is financially healthy.

A handwritten signature in black ink, appearing to read "David Eugar".

Interim Executive Director

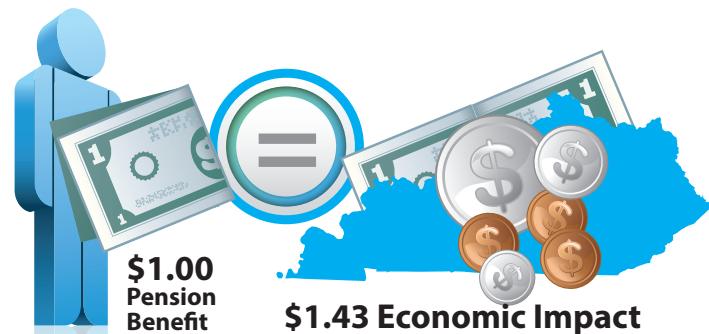
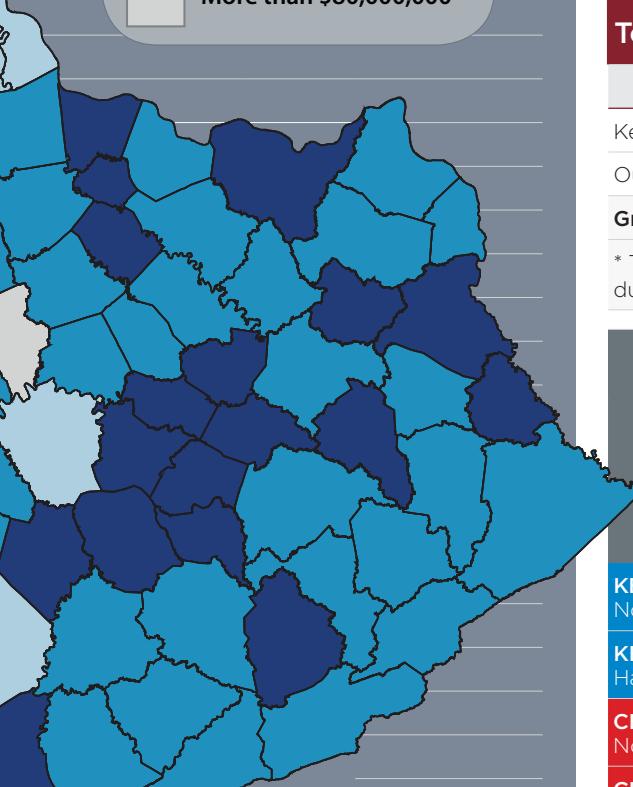
## 2016 Total Fiscal Year KRS Pension Benefits Paid by County

County	Payees	Total	County	Payees	Total	County	Payees	Total	County	Payees	Total
Adair	420	\$7,055,963	Fulton	154	\$1,738,530.30	Lewis	273	\$3,273,484	Oldham	1,165	\$23,860,842
Allen	350	\$4,445,423	Gallatin	105	\$1,881,476.51	Lincoln	591	\$7,380,374	Owen	491	\$11,146,780
Anderson	1,217	\$30,314,980	Garrard	402	\$5,866,393.23	Livingston	239	\$3,834,676	Owsley	189	\$2,846,895
Ballard	207	\$2,956,117	Grant	519	\$9,577,318	Logan	549	\$7,588,801	Pendleton	317	\$5,066,086
Barren	924	\$14,522,393	Graves	771	\$11,518,101	Lyon	316	\$5,863,767	Perry	678	\$9,904,742
Bath	336	\$5,089,048	Grayson	621	\$9,140,769	Madison	2,046	\$33,977,792	Pike	1,096	\$16,425,204
Bell	601	\$9,424,564	Green	256	\$3,559,711	Magoffin	310	\$4,363,296	Powell	324	\$4,152,574
Boone	1,480	\$29,203,783	Greenup	575	\$7,465,289	Marion	498	\$6,721,894	Pulaski	1,988	\$33,401,772
Bourbon	492	\$7,902,644	Hancock	207	\$2,616,884	Marshall	751	\$11,160,826	Robertson	71	\$967,698
Boyd	941	\$15,265,568	Hardin	1,845	\$30,554,660	Martin	243	\$2,544,456	Rockcastle	366	\$4,492,577
Boyle	802	\$13,845,871	Harlan	553	\$8,512,763	Mason	359	\$5,908,768	Rowan	889	\$13,049,379
Bracken	197	\$2,466,888	Harrison	394	\$5,932,086	Mccracken	1,425	\$25,169,074	Russell	549	\$6,680,470
Breathitt	426	\$6,473,674	Hart	292	\$3,998,524	Mccreary	362	\$3,692,839	Scott	1,122	\$20,117,069
Breckinridge	386	\$5,568,379	Henderson	948	\$15,332,045	Mclean	278	\$3,849,002	Shelby	1,619	\$34,358,575
Bullitt	1,249	\$21,615,494	Henry	845	\$18,399,529	Meade	368	\$5,085,796	Simpson	297	\$2,662,275
Butler	297	\$3,940,525	Hickman	96	\$1,765,050	Menifee	203	\$2,784,937	Spencer	445	\$7,991,484
Caldwell	483	\$7,162,489	Hopkins	1,106	\$16,491,519	Mercer	681	\$11,908,979	Taylor	600	\$7,692,621
Calloway	975	\$13,096,501	Jackson	282	\$3,746,044	Metcalfe	291	\$3,478,861			
Campbell	1,308	\$24,267,396	Jefferson	14,927	\$313,961,221	Monroe	219	\$2,459,093			
Carlisle	113	\$1,466,426	Jessamine	890	\$15,264,374	Montgomery	558	\$8,610,821			
Carroll	291	\$4,716,924	Johnson	571	\$8,764,518	Morgan	534	\$8,925,700			
Carter	714	\$8,968,225	Kenton	2,023	\$41,381,876	Muhlenberg	649	\$7,720,209			
Casey	317	\$4,107,400	Knott	382	\$5,869,302	Nelson	856	\$14,573,745			
Christian	1,432	\$24,450,399	Knox	535	\$8,368,406	Nicholas	195	\$2,523,747			
Clark	722	\$12,088,809	Larue	310	\$4,739,477	Ohio	567	\$6,113,482			
Clay	518	\$7,303,866	Laurel	1,098	\$18,017,275						
Clinton	220	\$2,791,544	Lawrence	296	\$3,495,374						
Crittenden	195	\$2,554,136	Lee	213	\$3,041,176						
Cumberland	168	\$2,721,814	Leslie	212	\$3,087,979						
Daviess	2,302	\$39,779,283	Letcher	528	\$6,845,361						
Edmonson	197	\$2,814,776									
Elliott	156	\$2,136,239									
Estill	330	\$4,788,178									
Fayette	4,886	\$105,248,797									
Fleming	421	\$7,131,212.02									
Floyd	803	\$12,376,914.86									
Franklin	6,030	\$186,771,091.67									

NOTE: Beginning in 2016, members receiving payments from multiple accounts will be represented in the Payments by County table as one payee. In previous years each account was represented separately.

County	Payees	Total
Todd	261	\$3,082,913
Trigg	508	\$7,140,935
Trimble	269	\$3,404,528
Union	332	\$3,416,218
Warren	2,635	\$40,914,197
Washington	365	\$4,498,264
Wayne	503	\$6,342,507
Webster	330	\$3,737,181
Whitley	965	\$12,825,801
Wolfe	340	\$4,493,958
Woodford	947	\$20,631,450


  
**Less than \$5,000,000**  
**\$5,000,000 - \$19,999,999**  
**\$20,000,000 - \$79,999,999**  
**More than \$80,000,000**



## ECONOMIC IMPACT FOR KENTUCKY

Pension benefits paid to retirees and beneficiaries of Kentucky Retirement Systems have a wide ranging impact on the state's economic health. In fiscal year 2016, KRS paid **almost \$1.9 billion** to its recipients. More than 94 percent of these recipients live in Kentucky. Not only do these dollars impact those receiving a benefit, but according to the National Institute of Retirement Security (NIRS), **each \$1.00 paid out in pension benefits supported \$1.43 in total economic activity in Kentucky**. As you can see in the chart, each county in the Commonwealth is impacted by pension benefits, and in an unsteady economy, the consistent addition of pension funds into the economy is a stabilizing element.

## Total Fiscal Year Retirement Benefit Payments

	Payees	%	Payments
Kentucky Total	96,880	94.00%	\$1,772,970,907
Out of State	6,897	6.00%	\$113,201,272
<b>Grand Total</b>	<b>103,777</b>	<b>100.00%</b>	<b>\$1,886,172,179</b>

\* This table represents all payees receiving a monthly payment during the fiscal year.

## MEMBERSHIP - Active and Retired

	ACTIVE MEMBERSHIP		RETIRED MEMBERSHIP	
	Average Age	Average Salary	Average Age	Average Annual Benefit Payment
<b>KERS</b> Non-Hazardous	45.1	\$40,479	68.6	\$20,633
<b>KERS</b> Hazardous	40.4	\$37,273	63.9	\$14,869
<b>CERS</b> Non-Hazardous	47.9	\$29,167	69.4	\$11,264
<b>CERS</b> Hazardous	39.1	\$54,255	60.2	\$25,143
<b>SPRS</b>	37	\$50,167	62.4	\$37,393

  
**\$1.8 Billion of Pension Payments stays in Kentucky.**



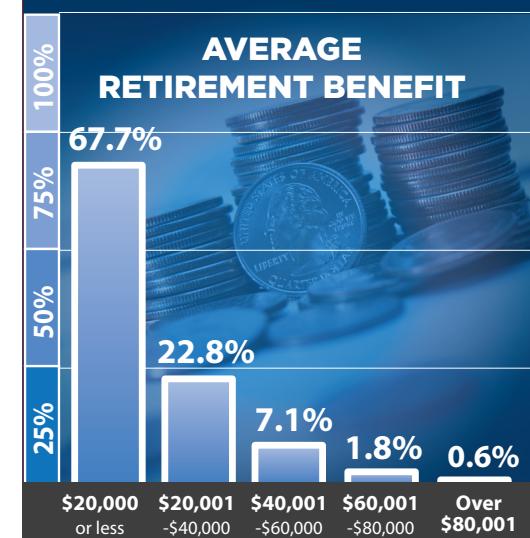
KRS provides medical insurance and other managed care coverage to over 77,000 eligible retired members and beneficiaries.



A member contributes an average of 20 service years to the Commonwealth before retirement.  
*(See each plan for full retirement eligibility)*



2/3 of our members receive \$20,000 or less in annual benefit payments. Average annual benefit is \$16,161.



## BENEFIT TIERS

KRS currently administers three different pension benefit tiers within our defined benefit plans. The Hybrid Cash Balance plan was established as a part of Senate Bill 2, which enacted by the Kentucky General Assembly during 2013 Regular Session.



Members participating before September 1, 2008



Members participating on, or after, September 1, 2008 through December 31, 2013



Members participating on or after January 1, 2014

Membership Statistics - by Tiers				
	Active	Inactive	Retired	Total
<b>KERS Non-Hazardous</b>				
Tier 1	23,409	33,538	40,075	97,022
Tier 2	8,441	8,279	24	16,744
Tier 3	6,271	2,109	0	8,380
<b>Total</b>	38,121	43,926	40,099	122,146
<b>KERS Hazardous</b>				
Tier 1	1,864	1,936	2,736	6,536
Tier 2	1,046	1,300	3	2,349
Tier 3	1,077	831	0	1,908
<b>Total</b>	3,987	4,067	2,739	10,793
<b>CERS Non-Hazardous</b>				
Tier 1	45,134	54,334	51,628	151,096
Tier 2	20,017	16,327	45	36,389
Tier 3	18,195	5,243	0	23,438
<b>Total</b>	83,346	75,904	51,673	210,923
<b>CERS Hazardous</b>				
Tier 1	5,814	1,601	6,831	14,246
Tier 2	2,076	534	3	2,613
Tier 3	1,249	174	0	1,423
<b>Total</b>	9,139	2,309	6,834	18,282
<b>SPRS</b>				
Tier 1	606	177	1,378	2,161
Tier 2	183	59	1	243
Tier 3	135	26	0	161
<b>Total</b>	924	262	1,379	2,565
<b>KRS TOTALS</b>				
Tier 1	76,827	91,586	102,649	271,062
Tier 2	31,763	26,499	76	58,338
Tier 3	26,927	8,383	0	35,310
<b>Total</b>	<b>135,517</b>	<b>126,468</b>	<b>102,725</b>	<b>364,710</b>

## SYSTEMS

**KERS - (Kentucky Employees Retirement Systems)** This system consists of two plans - **Non-Hazardous and Hazardous**. Each plan is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed by any state department, board, or agency directed by Executive Order of the Governor to participate in KERS.

### CERS - (County Employees Retirement Systems)

This system consists of two plans - **Non-Hazardous and Hazardous**. Each plan is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed by each participating county, city, and school board, and any additional eligible local agencies participating in CERS.

### SPRS - (State Police Retirement System)

This system is a single-employer defined benefit pension plan that covers all full-time state troopers employed by the Kentucky State Police.

## HOW WE DIFFER FROM OTHER PUBLIC RETIREMENT SYSTEMS

Many other retirement systems have only one pension plan and do not provide insurance plans. KRS administers both pension and insurance plans for our members. We manage three Systems, two are further split into Hazardous and Non-Hazardous plans.

We maintain three different pension benefit tiers within our defined benefit plans. Each tier resulted from legislation enacted by the Kentucky General Assembly.

Medical insurance coverage is provided based on the member's initial participation date and length of service. Members receive either a percentage of costs or dollar amount for insurance coverage.

## Medical Insurance Coverage - Non-Medicare and Medicare plans

Participation prior to 7/01/2003

House Bill 290 -  
Participation  
7/01/2003 - 8/31/2008

House Bill 1 -  
Participation  
on or after 9/01/2008



## HOW MEMBERS' BENEFITS ARE FUNDED

**Benefits are funded by three sources.**

01

### EMPLOYEE CONTRIBUTION

The contribution rate is set by State statute. Members' contributions of their annual creditable compensation:

**Tier 1** members 5% Non-Hazardous and 8% Hazardous

**Tier 2** members 6% Non-Hazardous and 9% for Hazardous.

**Tier 3** Members 6% Non-Hazardous and 9% Hazardous.

Specific to the Insurance plans, employee contributions include premium payments from retired recipients.

02

### EMPLOYER CONTRIBUTION

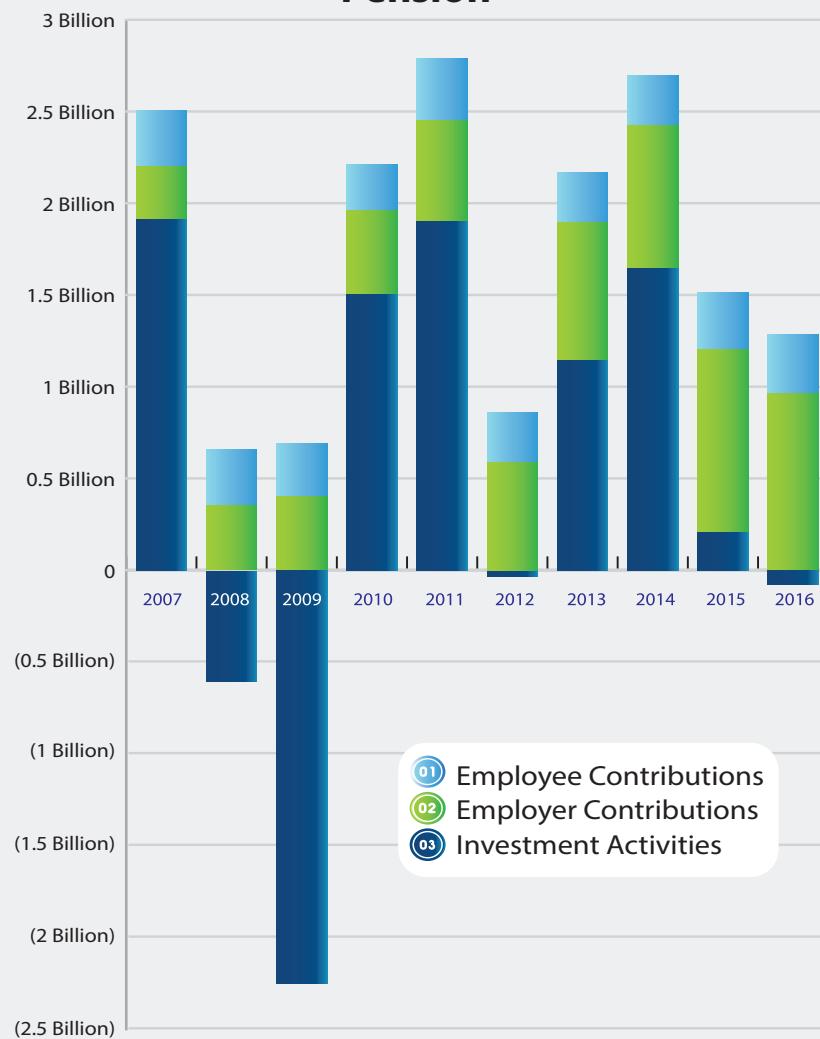
An amount is paid by the employer participating in KRS (state and local government agencies). All employer rates are set each year by the KRS Board of Trustees based on actuarial valuations and recommendations; however, the KERS and SPRS employer rates are subject to final adoption by the Kentucky General Assembly in the biennial state budget legislation.

03

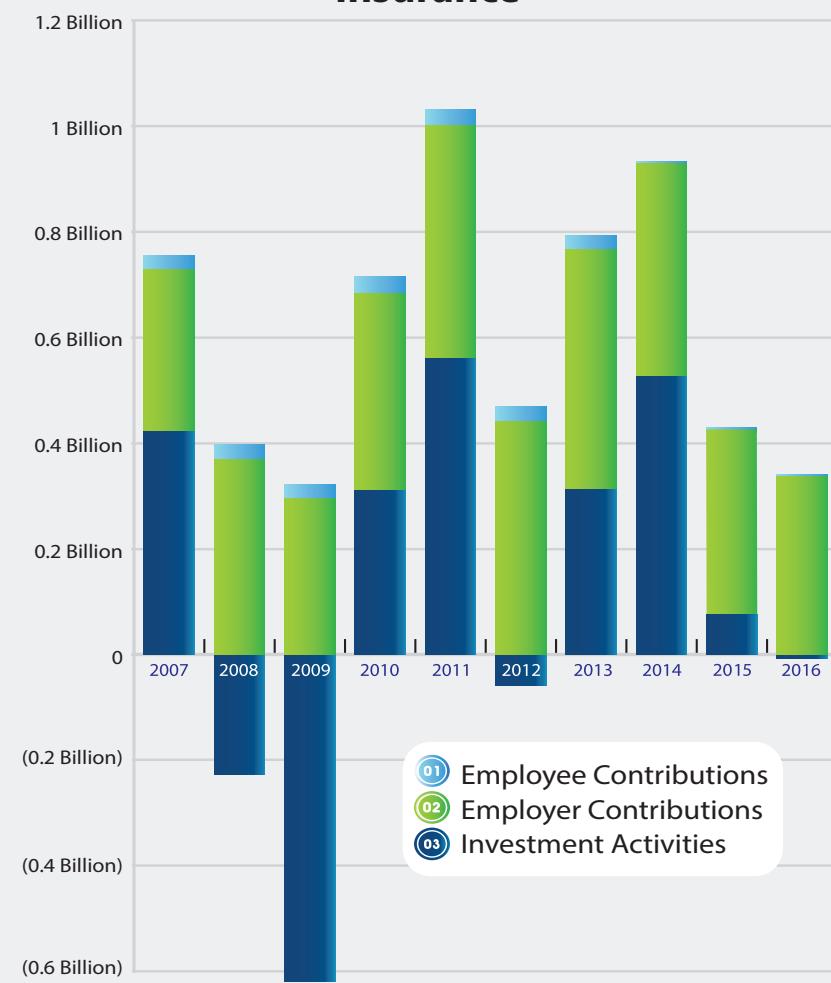
### INVESTMENT ACTIVITY

This represents a portion of every benefit dollar paid. Investments support employee and employer contributions and represent an asset base from which benefits are paid. KRS investment policies are developed based on each plan's specific needs with a long-term view. Short-term investment performance can be impacted by market conditions.

### Pension



### Insurance



# 2016 Financial REPORT

This is an overview of the pension and insurance fund financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the combining financial statements, which begin on page 20 in the CAFR. Find a full version of the CAFR at <https://kyret.ky.gov/about/Publications/Pages/default.aspx> under Comprehensive Annual Financial Report.

Fiscal year 2016 financial performance for the pension and insurance trusts was impacted by negative investment returns, lower employer contributions, and increased benefit payment outflows. Overall, assets declined 4.9% to \$15.1 billion. Additional details are provided below and in the detailed 2016 CAFR.

## Pension

The total pension net position across the five plans was \$11.6 billion at the beginning of the fiscal year and decreased by 6.6% to \$10.9 billion at June 30, 2016. The \$768.7 million decline is primarily attributable to negative cash flow experienced by all plans as benefit payments continued to rise and contributions declined. KERS Non-Hazardous experienced the largest net position change at \$347.5 million (14.9% decline).

## Insurance

The combined net position of the five insurance plans administered by KRS decreased by \$15.6 million during fiscal 2016. Total combined net position for the fiscal year was \$4.2 billion. All but one system ended with a net decrease in net position. KERS Non-Hazardous ended the fiscal year with a net increase of \$2.7 million.

## Investments

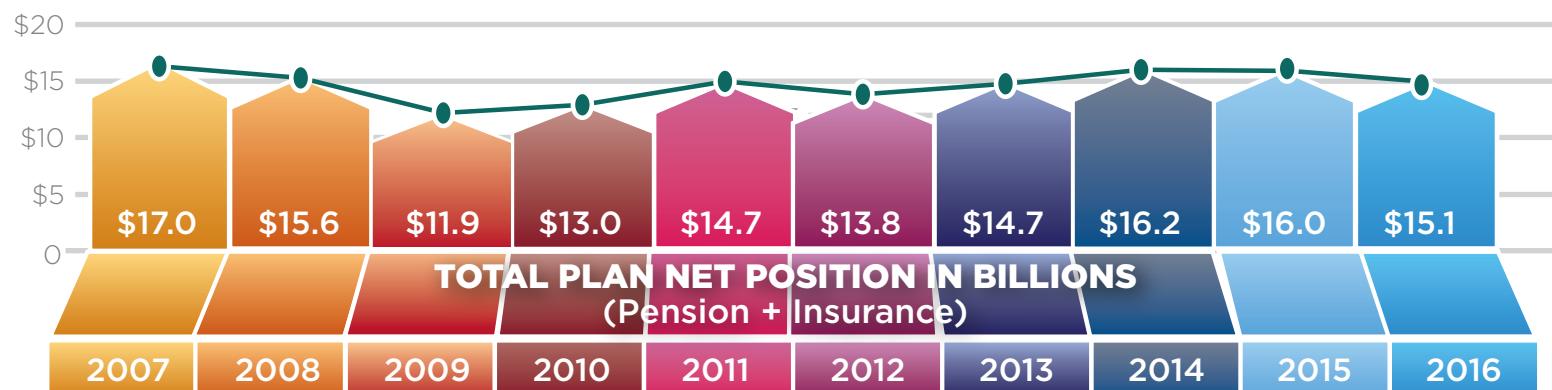
Fiscal year 2016 was frustrating for us and most of our peers. The KRS Pension fund performance was -0.52% (net of fees) trailing its benchmark return of -0.19%. The KRS Insurance fund returned -0.09% versus its benchmark return of 0.03% (net of fees). Many factors contributed to these unfavorable conditions, including: weak overseas

economies putting pressure on our own economy; our GDP slowed to 1.2% in 2016; interest rates remained low despite the U.S. Federal Reserve raising short-term rates; the labor force participation rate was near historic lows at 62.7% as of June 2016; inflation remained low with the Core Consumer Price Index at 1.0% year-over-year; lastly, the United Kingdom voted to leave the Eurozone, commonly referred to "Brexit," causing a downturn in the markets at the end of the fiscal year before recovering in the beginning of FY 2017. The negative investment performance caused a decline in net assets across 9 of the 10 plans.

## Cash Flows

**Pension:** The KERS and SPRS plans are more severely challenged by negative cash flows. In recognition of this liability, these plans will receive \$185.8 million in special funding for fiscal years 2017 and 2018 in addition to the full payment of the actuarial required contributions. Because of the relatively small asset size and benefit needs of the SPRS pension plan, these added funds are expected to return this plan to a positive cash flow situation 2017. The Investment Committee and Board are actively reviewing short term cash needs with investment strategies. Investments for these plans are likely to change in the upcoming fiscal year.

**Insurance:** Cash flows for the five plans have stabilized since 2012. Increased employer contribution rates have improved cash inflows. The plans have also benefited from a benefit formula change starting in 2008 and lower expenses by using a third party provider for our Medicare advantage retiree plans.



## Table 1 - Assets and Liabilities

This statement shows the assets and liabilities for the years ended June 30, 2016, 2015, 2014. The net position represents the funds KRS has accumulated thus far to pay pension benefits for retirees, active, and inactive members as well as health care premiums for current and future retirees.

## Table 2 - Income and Expenses

This statement shows the annual additions (income) and deductions (expenses) for the Trusts. Investment earnings and contributions typically make up the majority of the income. Investment returns were negative in 2016, but positive in 2015 and 2014 for both pension and insurance plans. The deductions largely represent pension benefits, health insurance expenses, administrative costs, and refunds of contributions to inactive members.

### Table 1. Plan Net Position (in Millions)

Assets	Pension Funds			Insurance Funds			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Cash & Investments	\$11,410.5	\$12,217.5	\$12,758.2		\$4,451.2	\$4,392.4	\$15,811.7	\$16,668.7	\$17,150.6
Receivables	442.5	459.2	750.2	171.0	148.1	289.3	613.5	607.3	1,039.5
Equip/Int Assets, net of dep/amort.	8.2	9.9	10.5	-	-	-	8.2	9.9	10.5
<b>Total Assets</b>	<b>11,861.2</b>	<b>12,686.6</b>	<b>13,518.9</b>	<b>4,572.2</b>	<b>4,599.3</b>	<b>4,681.7</b>	<b>16,433.4</b>	<b>17,285.9</b>	<b>18,200.6</b>
<b>Total Liabilities</b>	<b>(983.4)</b>	<b>(1,040.1)</b>	<b>(1,503.0)</b>	<b>(340.9)</b>	<b>(352.4)</b>	<b>(527.3)</b>	<b>(1,324.3)</b>	<b>(1,392.5)</b>	<b>(2,030.3)</b>
<b>Plan Net Position</b>	<b>\$10,877.8</b>	<b>\$11,646.5</b>	<b>\$12,015.9</b>	<b>\$4,231.3</b>	<b>\$4,246.9</b>	<b>\$4,154.4</b>	<b>\$15,109.1</b>	<b>\$15,893.4</b>	<b>\$16,170.3</b>

### Table 2. Changes in Plan Net Position (in Millions)

Additions	Pension Funds			Insurance Funds			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Member Cont.	\$307.4	\$298.5	\$275.0	\$-	\$-	\$-	\$307.4	\$298.5	\$275.0
Employer Cont.	949.8	985.9	768.3	333.1	\$343.6	\$397.4	1,282.9	1,329.5	1,165.7
Health Ins. Cont.	14.7	12.6	12.4	-	-	-	14.7	12.6	12.4
Pension Spiking Cont.	2.7	2.9	-	-	-	-	2.7	2.9	-
BOA Settlement	-	23.0	-	-	-	-	-	23.0	-
Premiums Rec'd	-	-	-	0.7	0.9	2.4	0.7	0.9	2.4
Retired Remp Ins.	-	-	-	9.2	8.8	5.6	9.2	8.8	5.6
Invest. Inc. (net)	(75.9)	204.4	1,643.0	(5.2)	76.4	527.1	(81.1)	280.8	2,170.1
<b>Total Additions</b>	<b>1,198.7</b>	<b>1,527.3</b>	<b>2,698.7</b>	<b>337.8</b>	<b>429.7</b>	<b>932.5</b>	<b>1,536.5</b>	<b>1,957.0</b>	<b>3,631.2</b>
Deductions									
Benefit Payments	1,903.6	1,832.8	1,769.7	-	-	-	1,903.6	1,832.8	1,769.7
Refunds	31.5	32.9	33.6	-	-	-	31.5	32.9	33.6
Administrative Ex.	32.3	31.0	32.6	2.0	2.2	1.6	34.3	33.2	34.2
Healthcare Costs	-	-	-	351.4	335.0	298.4	351.4	335.0	298.4
<b>Total Deductions</b>	<b>1,967.4</b>	<b>1,896.7</b>	<b>1,835.9</b>	<b>353.4</b>	<b>337.2</b>	<b>300.0</b>	<b>2,320.8</b>	<b>2,233.9</b>	<b>2,135.9</b>
<b>Increase (Decrease) in Plan Net Position</b>	<b>(\$768.7)</b>	<b>(\$369.4)</b>	<b>\$862.8</b>	<b>(\$15.6)</b>	<b>\$92.5</b>	<b>\$632.5</b>	<b>(\$784.3)</b>	<b>(\$276.9)</b>	<b>\$1,495.3</b>

### Investment Income (Loss) for Pension Funds (in Millions)

Asset	2016	2015	2014
Increase (Decrease) in fair value of investments	\$(276)	\$(557)	\$489
Investment income net of investment expense	125	219	281
Gain on sale of investments	75	542	873
<b>Net Investment Income (Loss)</b>	<b>\$(76)</b>	<b>\$204</b>	<b>\$1,643</b>

### Investment Income (Loss) for Insurance Funds (in Millions)

Asset	2016	2015	2014
Increase (Decrease) in fair value of investments	\$(46)	\$(126)	\$288
Investment income net of investment expense	47	72	81
Gain on sale of investments (Loss)	(6)	130	158
<b>Net Investment Income (Loss)</b>	<b>\$(5)</b>	<b>\$76</b>	<b>\$527</b>

### KRS Administrative Expenses (in Millions)

KRS has 259 employees	
Salaries	\$14.7
Pension & Benefits	9.0
Contractual Services	1.8
Communications	0.8
Rent/Utilities/Misc	1.5
Technology	2.7
Healthcare Retiree Fees	2.0
Depreciation	1.9
<b>Total</b>	<b>\$34.3</b>

# 2016 Investment REPORT

*This is an overview of the pension and insurance fund investment activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the combining financial statements, which begin on page 88 in the CAFR. Find a full version of the CAFR at <https://kyret.ky.gov/about/Publications/Pages/default.aspx> under Comprehensive Annual Financial Report.*

## 2016 Pension Results

For the fiscal year ended June 30, 2016, the KRS pension fund produced a net return of -0.52%, underperforming its market benchmark return of -0.19%. The performance was also lower than the actuarial assumed rate of return (6.75% KERS Non-Hazardous and SPRS and 7.50% for CERS). FY2016 underperformance can primarily be attributed to relative weak performance in the Non-U.S. Equities and Absolute Return / Hedge Fund spaces, combined with relative underperformance within several asset classes.

At the same time, Real Estate, Fixed Income, and Private Equity investments were all positive contributors to portfolio returns during the fiscal year. From a historical perspective, the pension funds have achieved returns of 5.74% over 5 years, 5.41% over 10 years and 9.03% since inception. Both the 10 year results and inception to-date include a 21.4% decline in returns during the 2008-2009 recessionary periods.

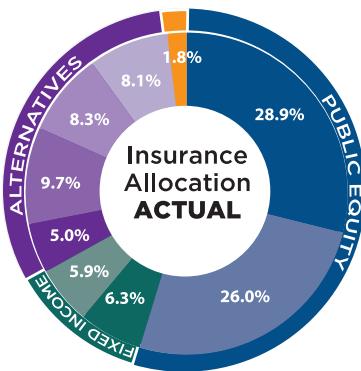
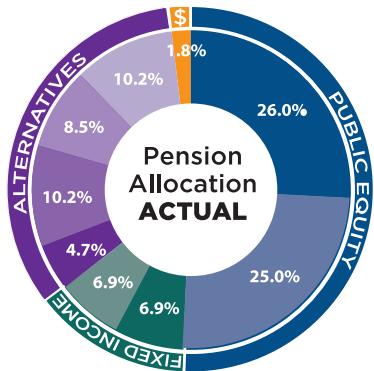
### Net Returns By System - Pension Fund (in Millions)

Plan	Market Value	% of Total	1 Year		3 Years		5 Years		10 Years		Inception	
			(Millions)	KRS	Index	KRS	Index	KRS	Index	KRS	Index	KRS
KERS Non-Hazardous	\$1,921.52	17.9%	-0.68	0.71	5.51	5.75	5.41	5.82	5.04	5.45	9.03	9.18
KERS Hazardous	525.79	4.9%	-0.24	-0.61	5.53	5.35	5.43	5.58	5.05	5.33	9.03	9.14
CERS Non-Hazardous	6,099.38	56.7%	-0.53	-0.66	5.42	5.32	5.36	5.56	5.01	5.32	9.02	9.14
CERS Hazardous	1,996.67	18.6%	-0.38	-0.66	5.47	5.33	5.39	5.57	5.03	5.32	9.03	9.14
SPRS	207.73	1.9%	-1.49	-0.31	5.09	5.43	5.16	5.63	4.91	5.35	8.99	9.15
Total	\$10,751.09	100.0%	-0.52	-0.19	5.45	5.61	5.38	5.74	5.02	5.41	9.03	9.17

### Pension Funds - Net Returns By Allocation

*Note: Market values are adjusted for accruals and expenses*

Structure	Inception	Market Value	% of	1 Year		3 Years		5 Years		10 Years		Inception To Date	External FEES
				(Millions)	Total	KRS	Index	KRS	Index	KRS	Index		
Total Fund	4/1/84	10,751.07	100%	-0.52	-0.19	5.45	5.61	5.38	5.74	5.02	5.41	9.03	9.17
Total Public Equity	4/1/84	5,480.83	51%	-4.28	-5.03	-	-	-	-	-	-	-	\$9.81
US Equity	4/1/84	2,794.04	26%	1.44	2.14	10.34	11.13	10.73	11.6	7.13	7.42	11.07	11.07
International	7/1/00	2,686.79	25%	-8.47	-9.72	2.09	1.65	0.45	0.58	1.99	1.92	1.83	2.28
Fixed Income	4/1/84	1,468.56	14%	4.76	7.53	4.39	4.76	4.74	4.35	5.49	5.5	7.72	7.54
Real Return	7/1/11	908.25	8%	1.13	2.10	1.91	1.42	3.31	2.65	-	-	3.31	2.65
Absolute Return	4/1/10	1,094.64	10%	-6.26	-5.52	2.36	1.73	3.93	1.66	-	-	3.73	2.38
Real Estate	7/1/84	516.01	5%	9.20	12.62	8.37	12.59	8.91	12.2	6.35	5.38	5.83	6.41
Private Equity	7/1/02	1,096.34	10%	5.46	5.46	12.36	12.36	12.2	14.8	7.59	10.23	10.83	10.26
Cash Account	1/1/88	189.44	2%	0.47	0.01	0.41	0.07	0.36	0.06	1.54	0.96	3.75	3.3
												Consulting/Other	\$2.86
												Total Fees	\$88.78
												Trade Commissions	\$2.49



## 2016 Insurance Results

KRS insurance fund performance was -0.09% net of expenses for the fiscal year ending June 30, 2016, compared to the benchmark's 0.03% return and lower than the 7.50% actuarial assumed rate of return. These funds achieved returns of 4.79% over 5 years and 4.28% over 10 years. In 2016, insurance funds suffered from the same root causes of underperformance as the pension fund: primarily the underperformance of its investments in the Absolute Return and Non-U.S. Equity sectors.

### Net Returns By System - Insurance Fund (in Millions)

Plan	Market Value	% of Total	1 Year		3 Years		5 Years		10 Years		Inception	
			(Millions)	KRS	Index	KRS	Index	KRS	Index	KRS	Index	KRS
KERS Non-Hazardous	\$655.96	15.6%	-0.50	-0.56	4.90	5.40	4.52	5.51	4.15	4.69	7.16	7.56
KERS Hazardous	435.81	10.4%	-0.25	-0.38	5.36	5.51	4.80	5.58	4.29	4.72	7.21	7.57
CERS Non-Hazardous	1,897.66	45.2%	-0.04	-0.25	5.44	5.59	4.85	5.62	4.31	4.75	7.22	7.58
CERS Hazardous	1,050.42	25.0%	0.09	-0.24	5.48	5.59	4.87	5.63	4.32	4.75	7.22	7.58
SPRS	160.10	3.8%	0.01	-0.22	5.44	5.61	4.85	5.64	4.31	4.75	7.22	7.58
Total	<b>\$4,199.95</b>	<b>100.0%</b>	<b>-0.09</b>	<b>0.03</b>	<b>5.35</b>	<b>5.88</b>	<b>4.79</b>	<b>5.80</b>	<b>4.28</b>	<b>4.83</b>	<b>7.21</b>	<b>7.61</b>

### Insurance Fund - Net Returns By Allocation

Note: Market values are adjusted for accruals and expenses

Structure	Inception	Market Value	% of	1 Year		3 Years		5 Years		10 Years		Inception To Date	External FEES
				(Millions)	Total	KRS	Index	KRS	Index	KRS	Index	(Millions)	
Total Fund	4/1/84	<b>4,199.95</b>	<b>100%</b>	<b>-0.09</b>	<b>0.03</b>	<b>5.35</b>	<b>5.88</b>	<b>4.79</b>	<b>5.80</b>	<b>4.28</b>	<b>4.83</b>	<b>7.21</b>	<b>7.61</b>
Total Public Equity	4/1/84	2,303.84	55%	-3.77	-4.92	5.89	5.62	5.18	5.16	4.25	4.02	8.21	7.98
US Equity	4/1/84	1,212.55	29%	2.31	2.14	10.61	11.13	10.85	11.60	7.09	7.38	9.22	9.05
International	7/1/00	1,091.29	26%	-8.63	-9.72	1.95	1.65	0.27	0.58	1.95	1.57	1.84	1.35
Fixed Income	4/1/84	510.57	12%	5.11	7.53	3.90	4.76	4.41	4.35	5.60	5.58	6.55	6.50
Real Return	7/1/11	349.72	8%	1.52	2.57	1.93	1.62	3.11	2.78	-	-	3.11	2.78
Absolute Return	4/1/10	409.00	10%	-6.17	-5.52	2.38	1.73	3.91	1.66	-	-	3.66	2.38
Real Estate	7/1/84	209.91	5%	9.75	12.62	8.20	12.59	8.51	12.20	-	-	8.79	5.63
Private Equity	7/1/02	341.66	8%	10.59	10.59	15.65	15.65	13.78	14.80	9.32	9.58	9.53	9.61
Cash Account	1/1/88	76.42	2%	0.31	0.14	0.25	0.07	0.28	0.06	1.28	0.96	2.77	2.64
												Consulting/Other	\$1.33
												Total Fees	\$34.37
												Trade Commissions	\$0.69

### Note:

Returns reported by KRS are "net." For the purposes of this report, total fund return information is net of fees and expenses, with audited data beginning in July 2011.

At the manager or individual account level, returns are net of fees beginning with July 2011, and gross of fees for prior historical data.

### Investment Policies

Visit <https://kyret.ky.gov/investments>

to read our Statement of Investment Policies.

Other policies include Brokerage, Securities Trading, Placement Agents, Proxy Voting and more.

# 2016 Actuarial REPORT

This is an overview of the pension and insurance fund actuarial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the combining financial statements, which begin on page 142 in the CAFR. Find a full version of the CAFR at <https://kyret.ky.gov/about/Publications/Pages/default.aspx> under Comprehensive Annual Financial Report.

## 2016 Actuarial Valuation Results

Each year the funding levels of the KRS pension and insurance plans are determined by the annual actuarial valuation. Ideally, pension and insurance plans will have 100% of assets on hand needed to pay its future benefits.

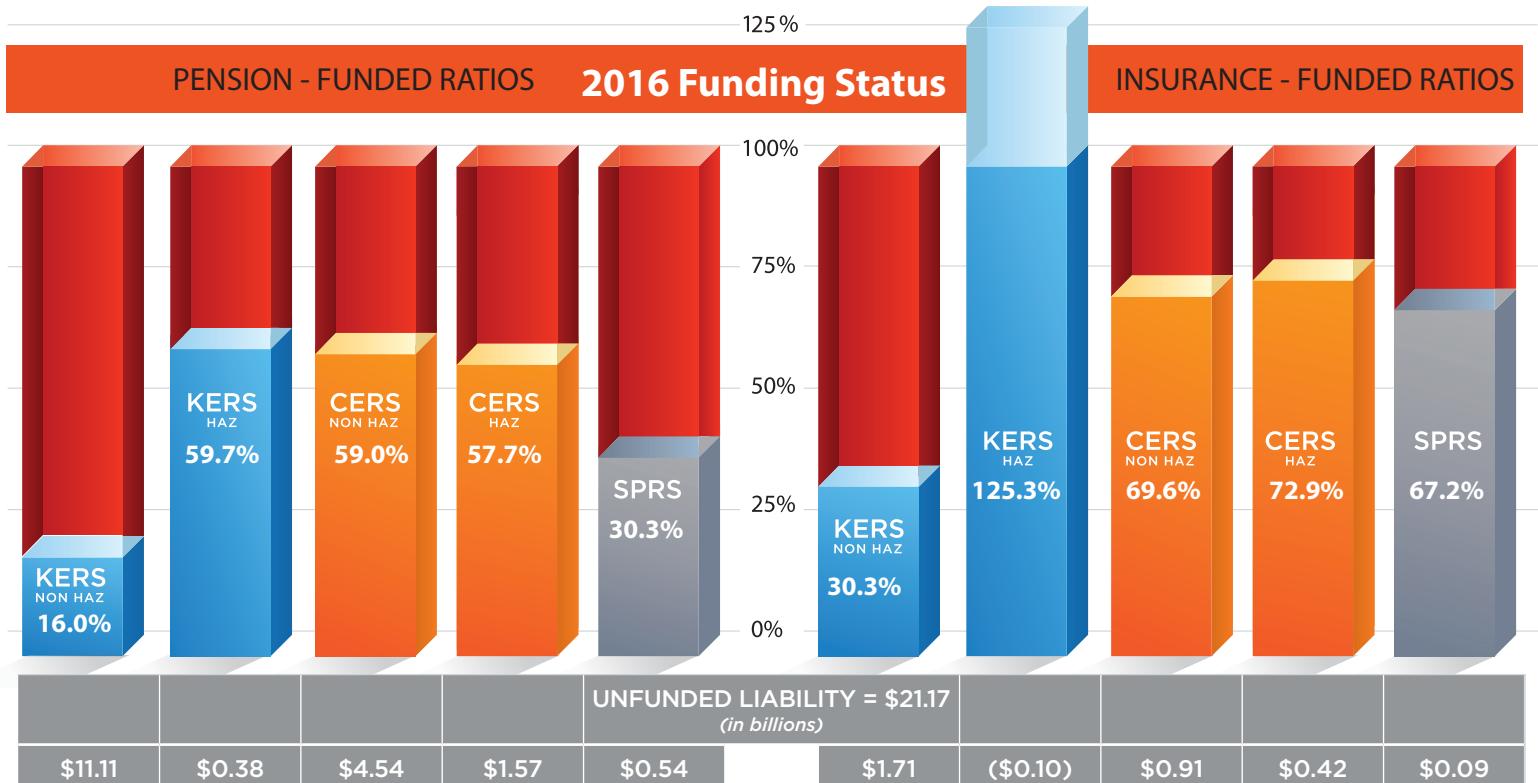
The actuarial liability (unfunded) for the pension plans were \$18.14 billion, an increase of \$1.50 billion compared to fiscal year 2015. Approximately \$1.0 billion was driven by a decrease in the assumed investment return for the KERS Non-Hazardous and SPRS pension plans (from 7.50% to 6.75%). Other impacts were negative investment performance and other demographic factors.

In contrast to the pension funds, funded ratios for the insurance plans continued to improve. The unfunded actuarial liability as of June 30, 2016 was \$3.03 billion, a \$0.3 billion decrease.

## Funding Trends

**Pension plans:** Since 2004, funding levels for the pension plans have declined due to a number of factors including: unfunded Cost of Living Adjustments (last COLA granted in FY 2011), shortfall in employer contributions to the KERS and SPRS plans in 15 out of 22 years prior to FY 2015, adverse market declines (2002, 2008, 2009, 2016), and retirement incentives that increased the number of retirees during the years of 2000 through 2009.

**Insurance plans:** Funding levels for the insurance plans began to improve in 2007 as required employer contributions increased. Also in 2013, KRS began offering fully insured Medicare Advantage plans through a third party provider. This change from self-funding reduced expenses and stabilized premiums.



## Summary of Actuarial Valuation Results for 2016

	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS	TOTAL KRS
<b>Recommended Rates - Fiscal 2015-2016</b>						
Pension Fund Contribution	41.98%	20.48%	14.48%	22.20%	71.57%	
Insurance Fund Contribution	8.41%	1.34%	4.70%	9.35%	18.10%	
Recommended Employer Contribution	50.39%	21.82%	19.18%	31.55%	89.67%	
<b>Funded Status as of Valuation Date</b>						
<b>PENSION FUND</b>						
↳ Actuarial Liability	\$13,224,698,427	\$936,706,126	\$11,076,456,794	\$3,704,456,223	\$775,160,294	\$29,717,477,864
↳ Actuarial Value of Assets	\$2,112,286,498	\$559,487,184	\$6,535,372,347	\$2,139,119,173	\$234,567,536	\$11,580,832,738
↳ Unfunded Liability on Actuarial Value of Assets	\$11,112,411,929	\$377,218,942	\$4,541,084,447	\$1,565,337,050	\$540,592,758	\$18,136,645,126
↳ Funding Ratio on Actuarial Value of Assets	15.97%	59.73%	59.00%	57.74%	30.26%	
↳ Market Value of Assets	\$1,953,422,354	\$524,678,968	\$6,106,186,908	\$2,003,669,273	\$217,594,068	\$10,805,551,571
↳ Unfunded Liability on Market Value of Assets	\$11,271,276,073	\$412,027,158	\$4,970,269,886	\$1,700,786,950	\$557,566,226	\$18,911,926,293
↳ Funding Ratio on Market Value of Assets	14.77%	56.01%	55.13%	54.09%	28.07%	
<b>INSURANCE FUND</b>						
↳ Actuarial Liability	\$2,456,677,964	\$377,745,230	\$2,988,121,117	\$1,558,818,204	\$257,197,259	\$7,638,559,774
↳ Actuarial Value of Assets	\$743,270,060	\$473,160,173	\$2,079,811,055	\$1,135,784,220	\$172,703,691	\$4,604,729,199
↳ Unfunded Liability on Actuarial Value of Assets	\$1,713,407,904	(95,414,943)	\$908,310,062	\$423,033,984	\$84,493,568	\$3,033,830,575
↳ Funding Ratio on Actuarial Value of Assets	30.26%	125.26%	69.60%	72.86%	67.15%	
↳ Market Value of Assets	\$695,188,649	\$440,596,305	\$1,943,756,727	\$1,062,602,089	\$161,366,312	\$4,303,510,082
↳ Unfunded Liability on Market Value of Assets	\$1,761,489,315	(62,851,075)	\$1,044,364,390	\$496,216,115	\$95,830,947	\$3,335,049,692
↳ Funding Ratio on Market Value of Assets	28.30%	116.64%	65.05%	68.17%	62.74%	
<b>MEMBER DATA</b>						
Number of Active Members	37,779	3,959	80,664	9,084	908	
Total Annual Payroll (Active Members) <sup>1</sup>	\$1,529,248,873	\$147,563,457	\$2,352,761,794	\$492,850,521	\$45,551,469	
Average Annual Pay (Active Members)	\$40,479	\$37,273	\$29,167	\$54,255	\$50,167	
Number of Retired Members & Beneficiaries	44,004	3,966	56,339	8,563	1,515	
Average Annual Retirement Allowance	\$20,633	\$14,877	\$11,264	\$25,143	\$37,393	
Number of Vested Inactive Members	10,399	481	14,357	775	65	
Number of Inactive Members Due a Refund	38,641	4,444	67,935	2,055	390	

<sup>1</sup> Annual payroll included in the Summary of Actuarial Valuation Results is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ending June 30, 2016..

**Actuarial Assumptions:** actuarial cost method - entry age; amortization method – level % of payroll, closed; remaining amortization period – 27 years; asset valuation method – 5 year smoothed market; inflation 3.25%; salary increase 4.0% average, including inflation; investment rate of return – 6.75% KERS Non-Hazardous & SPRS, 7.50% all other plans. All net of plan investment expenses.



Kentucky Employees Retirement System- established July 1, 1956, by the state legislature.

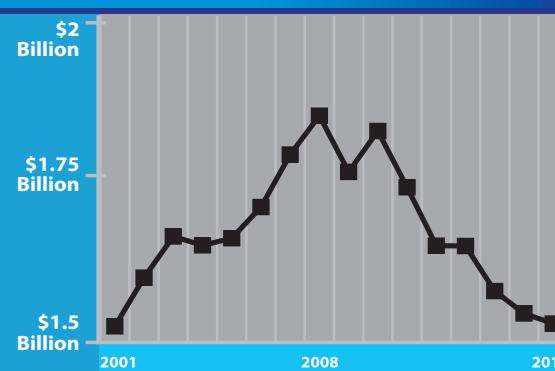
## KEY INFORMATION

- Active employees have decreased by 9,659 members over the past 15 years. There are more retirees drawing benefits than active employees paying into the plan.
- Actual employer contribution rates were lower than the actuarial recommended rates resulting in a funding gap from 2007–2014 and lost investment opportunities.
- Pension cash flows are stressed related to lower contributions, unfunded cost of living adjustments until 2011, lower investment income, benefit incentives from 2001-2008, and higher number of retirees.
- Net plan position declined by 30% between 2008 and 2009 (Great Recession) and asset depletion to fund benefit payments. Pension and insurance assets were \$2.6 billion as of June 30, 2016.
- KERS Non-Hazardous plans have the lowest funded ratios of the 10 plans administered by KRS (16% pension and 30.3% insurance).

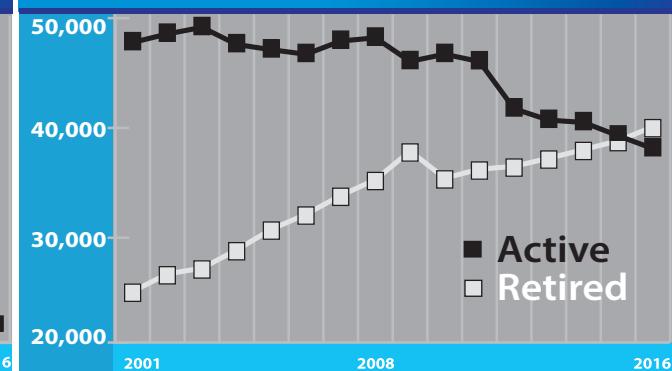
## Employer Contribution Rates

	Pension		Insurance		Total	
	Recommended	Actual	Recommended	Actual	Recommended	Actual
2007	10.68%	4.83%	6.45%	2.92%	<b>17.13%</b>	<b>7.75%</b>
2008	15.55%	5.47%	32.82%	3.03%	<b>48.37%</b>	<b>8.50%</b>
2009	16.54%	5.79%	12.06%	4.22%	<b>28.60%</b>	<b>10.01%</b>
2010	18.96%	6.65%	12.33%	4.96%	<b>31.29%</b>	<b>11.61%</b>
2011	21.77%	9.58%	16.81%	7.40%	<b>38.58%</b>	<b>16.98%</b>
2012	24.30%	11.59%	16.41%	8.23%	<b>40.71%</b>	<b>19.82%</b>
2013	28.03%	14.86%	16.52%	8.75%	<b>44.55%</b>	<b>23.61%</b>
2014	32.57%	17.29%	12.71%	9.50%	<b>45.28%</b>	<b>26.79%</b>
2015	30.84%	30.84%	7.93%	7.93%	<b>38.77%</b>	<b>38.77%</b>
2016	30.84%	30.84%	7.93%	7.93%	<b>38.77%</b>	<b>38.77%</b>

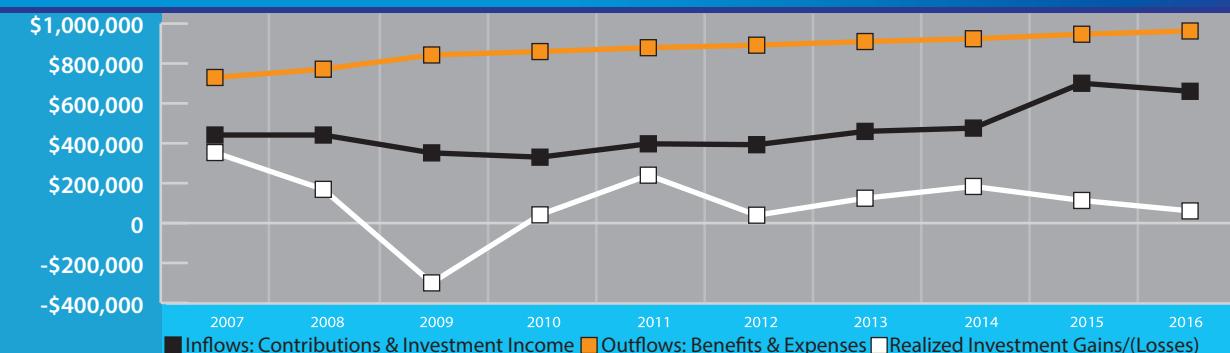
## ACTIVE EMPLOYEE PAYROLL



## ACTIVE EMPLOYEE VS RETIRED



## KERS Non-Hazardous PENSION - CASHFLOW



## KERS Non-Hazardous FUNDING RATIO TRENDS



## Employer Contribution Rates

	Pension		Insurance		Total	
	Recommended	Actual	Recommended	Actual	Recommended	Actual
2007	9.28%	8.75%	14.04%	13.25%	<b>23.32%</b>	<b>22.00%</b>
2008	10.20%	9.79%	36.91%	14.46%	<b>47.11%</b>	<b>24.25%</b>
2009	10.84%	9.79%	23.94%	14.56%	<b>34.78%</b>	<b>24.35%</b>
2010	11.98%	9.89%	23.56%	14.80%	<b>35.54%</b>	<b>24.69%</b>
2011	14.11%	10.72%	20.26%	15.40%	<b>34.37%</b>	<b>26.12%</b>
2012	14.11%	12.33%	19.73%	16.65%	<b>33.84%</b>	<b>28.98%</b>
2013	16.16%	13.41%	19.73%	16.38%	<b>35.89%</b>	<b>29.79%</b>
2014	17.00%	14.89%	11.84%	17.32%	<b>28.84%</b>	<b>32.21%</b>
2015	16.37%	16.37%	9.97%	9.97%	<b>26.34%</b>	<b>26.34%</b>
2016	16.37%	16.37%	9.97%	9.97%	<b>26.34%</b>	<b>26.34%</b>



Kentucky Employees Retirement System- established July 1, 1956, by the state legislature.

## KEY INFORMATION

- KERS Hazardous ended the fiscal year with \$528 million in pension assets; \$437 million for Insurance, a slight total asset decline from 2015.

- Payroll growth increased by 12% in 2016 vs. 2015.

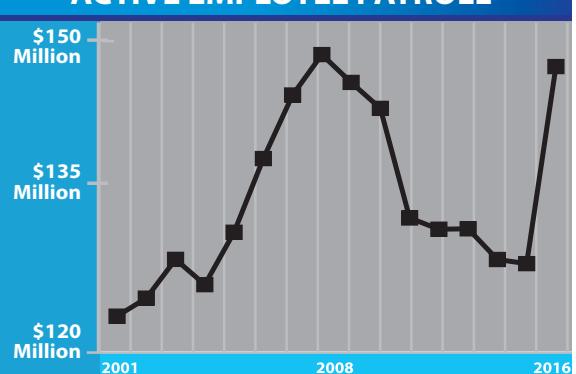
- Actual employer insurance contribution rates began to rapidly increase in 2008. With greater contributions and other demographic factors, the Insurance plan funded ratio is 125.3%. Pension funded ratio is 59.7%.

- The pension plan cash flows have slightly higher outflows than inflows.

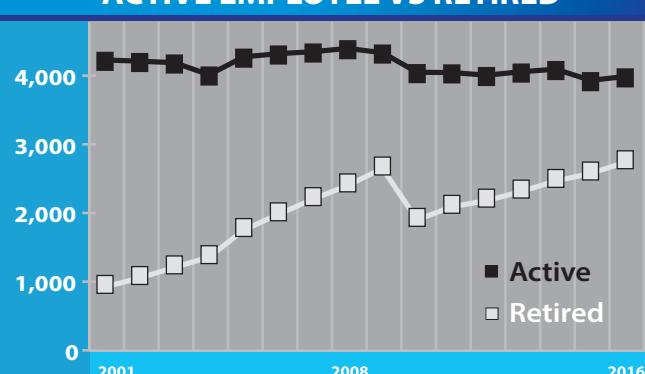
- Statistics show that on average, KERS Hazardous members retire at age 55 and earn an average annual pension payment of \$14,869.

- KERS Hazardous duty employees are positions within state agencies and universities.

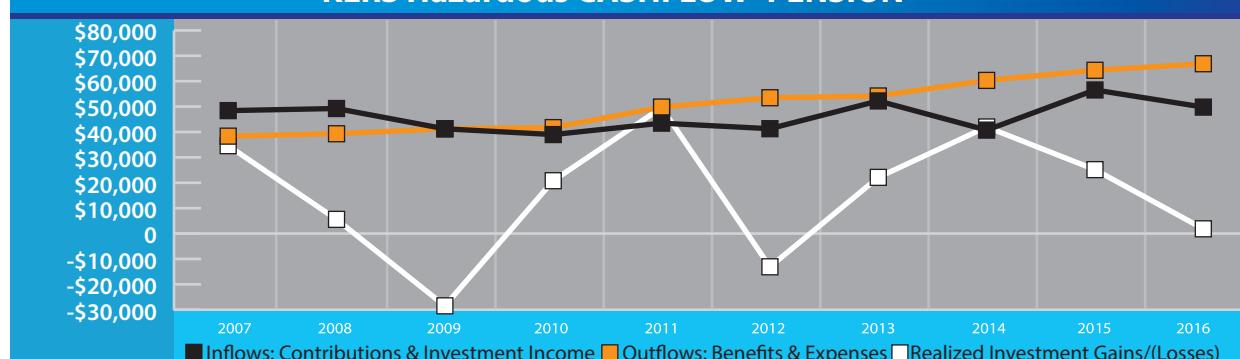
### ACTIVE EMPLOYEE PAYROLL



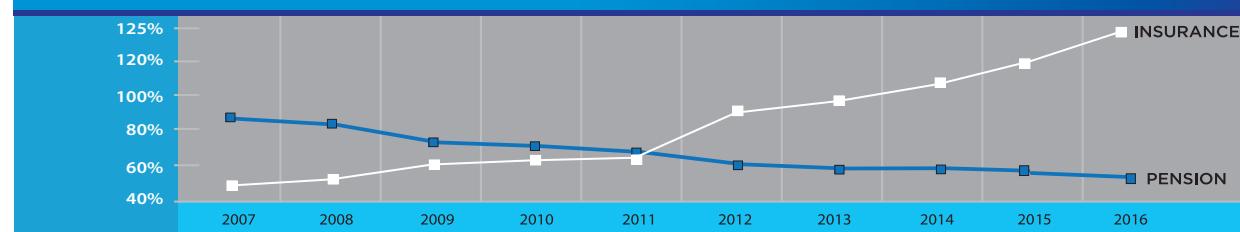
### ACTIVE EMPLOYEE VS RETIRED



### KERS Hazardous CASHFLOW- PENSION



### KERS Hazardous FUNDING RATIO TRENDS





**County Employees Retirement System - established July 1, 1958, by the state legislature.**

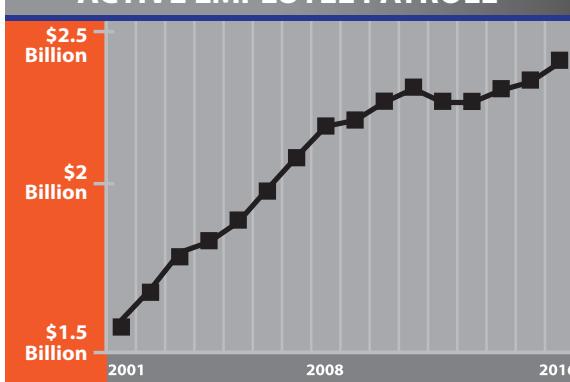
## KEY INFORMATION

- Employers pay the actuarial recommended employer contribution rates annually for both pension and insurance funds.
- Pension cash flows reflect the better matching of inflows to outflows.
- Because of stronger cash flows, CERS was in a better financial condition during the 2008-2009 recession. Net position returned to pre-recession levels by 2011.
- Payroll growth has been in the 2% range since 2014 and active members continue modest growth.
- CERS Non-Hazardous combined pension and insurance funded ratio was 61.3% for fiscal year 2016, a 1% decrease from 2015.

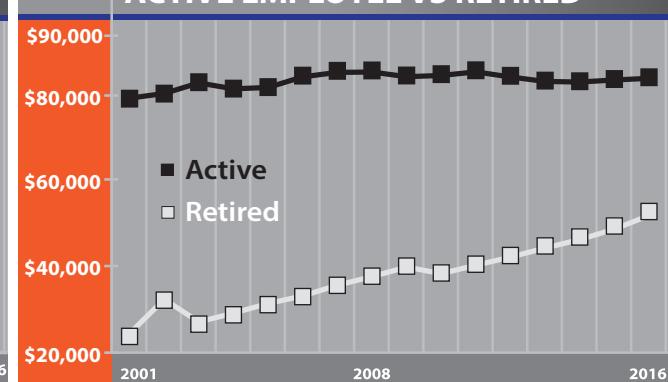
## Employer Contribution Rates

	Pension		Insurance		Total	
	Recommended	Actual	Recommended	Actual	Recommended	Actual
2007	5.97%	5.97%	7.22%	7.22%	<b>13.19%</b>	<b>13.19%</b>
2008	6.98%	6.98%	9.19%	9.19%	<b>16.17%</b>	<b>16.17%</b>
2009	5.68%	5.68%	7.82%	7.82%	<b>13.50%</b>	<b>13.50%</b>
2010	7.41%	7.41%	8.75%	8.75%	<b>16.16%</b>	<b>16.16%</b>
2011	10.03%	10.03%	6.90%	6.90%	<b>16.93%</b>	<b>16.93%</b>
2012	11.70%	11.70%	7.26%	7.26%	<b>18.96%</b>	<b>18.96%</b>
2013	12.62%	12.62%	6.93%	6.93%	<b>19.55%</b>	<b>19.55%</b>
2014	13.74%	13.74%	5.15%	5.15%	<b>18.89%</b>	<b>18.89%</b>
2015	12.75%	12.75%	4.92%	4.92%	<b>17.67%</b>	<b>17.67%</b>
2016	12.42%	12.42%	4.64%	4.64%	<b>17.06%</b>	<b>17.06%</b>

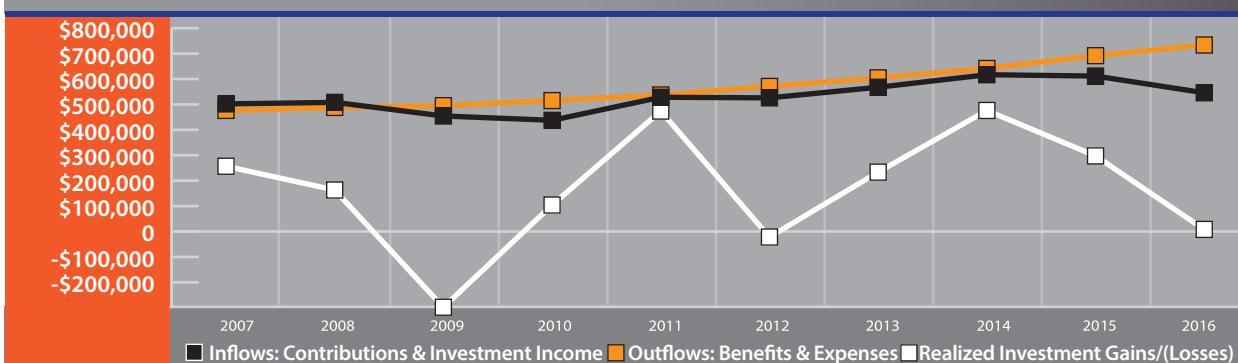
### ACTIVE EMPLOYEE PAYROLL



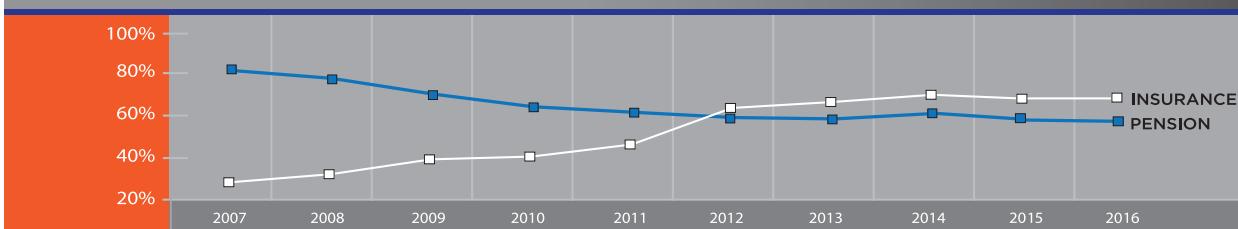
### ACTIVE EMPLOYEE VS RETIRED



### CERS Non-Hazardous PENSION - CASHFLOW



### CERS Non-Hazardous FUNDING RATIO TRENDS



## Employer Contribution Rates

	Pension		Insurance		Total	
	Recommended	Actual	Recommended	Actual	Recommended	Actual
2007	13.11%	13.11%	15.10%	15.10%	<b>28.21%</b>	<b>28.21%</b>
2008	15.01%	15.01%	18.86%	18.86%	<b>33.87%</b>	<b>33.87%</b>
2009	12.55%	12.55%	16.95%	16.95%	<b>29.50%</b>	<b>29.50%</b>
2010	13.47%	13.47%	19.50%	19.50%	<b>32.97%</b>	<b>32.97%</b>
2011	16.79%	16.79%	16.46%	16.46%	<b>33.25%</b>	<b>33.25%</b>
2012	17.91%	17.91%	17.85%	17.85%	<b>35.76%</b>	<b>35.76%</b>
2013	20.10%	20.10%	17.50%	17.50%	<b>37.60%</b>	<b>37.60%</b>
2014	21.77%	21.77%	13.93%	13.93%	<b>35.70%</b>	<b>35.70%</b>
2015	20.73%	20.73%	13.58%	13.58%	<b>34.31%</b>	<b>34.31%</b>
2016	20.26%	20.26%	12.69%	12.69%	<b>32.95%</b>	<b>32.95%</b>



**County Employees Retirement System - established July 1, 1958, by the state legislature.**

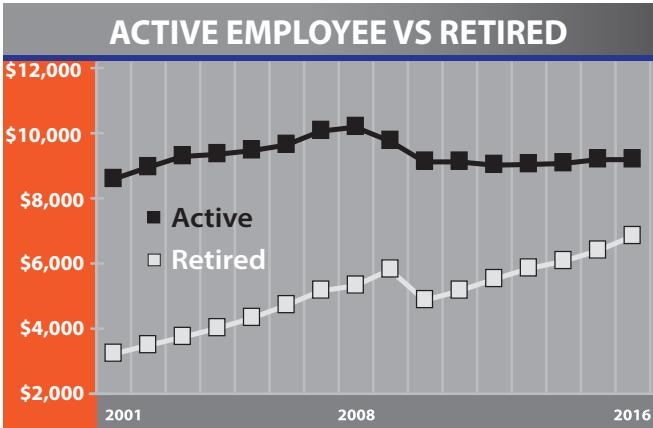
## KEY INFORMATION

- CERS Hazardous has had steady asset growth and ended the fiscal year with \$3.1 billion in pension and insurance assets.
- Hazardous employees contribute 8% for Tier 1 and 9% for Tier 2 of their pay.
- CERS Hazardous membership includes fire fighters, EMT/EMS, local police, and sheriffs' departments.
- The average annual pension benefit is \$25,143.
- Pension plan cash flows are near break-even.
- Funded ratios remained at 62.2% for fiscal year 2016.

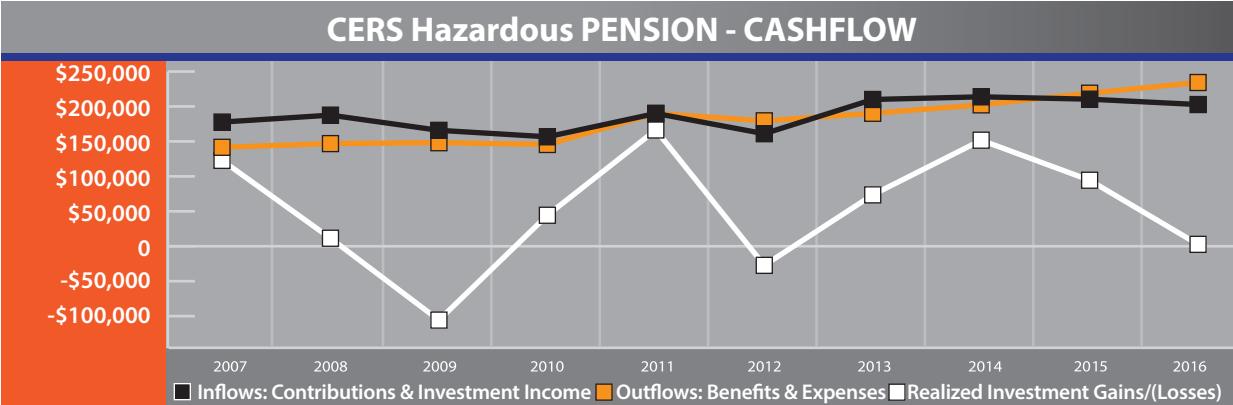
**ACTIVE EMPLOYEE PAYROLL**



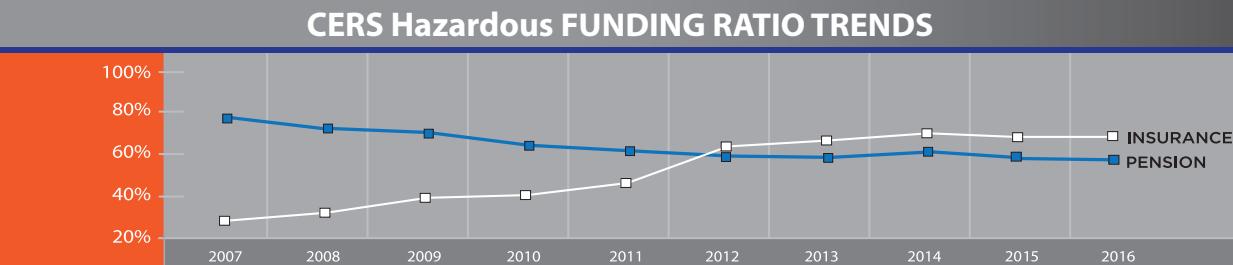
**ACTIVE EMPLOYEE VS RETIRED**



**CERS Hazardous PENSION - CASHFLOW**



**CERS Hazardous FUNDING RATIO TRENDS**





**State Police Retirement System - established July 1, 1958, by the state legislature.**

## KEY INFORMATION

- The SPRS is a relatively small plan with assets of \$379 million and 2,565 members.

- SPRS has the highest employer contribution rates of all the KRS plans. Their average retirement age is 48 with an average of 23 years of service. Approximately 53% of their members are retired. Retirees have an average benefit of \$37,393.

- Underpayment of the actuarial recommended contributions from 2005 – 2014 has contributed to the plan's decline in pension funded ratios and cash flow deficit.

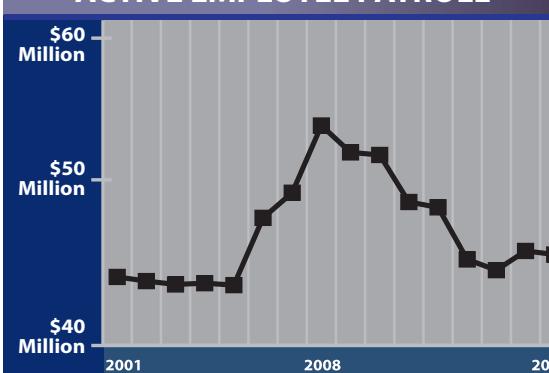
- Because of the small asset size and membership, SPRS' cash flows will benefit from the \$35 million of additional legislative funding plus the ARC in 2017 and 2018.

- The combined pension and insurance ratio was 39.5% for 2016 compared to 42.1% for the prior year. The decrease was primarily attributable to the change in the pension actuarial assumed rate of return from 7.50% to 6.75%.

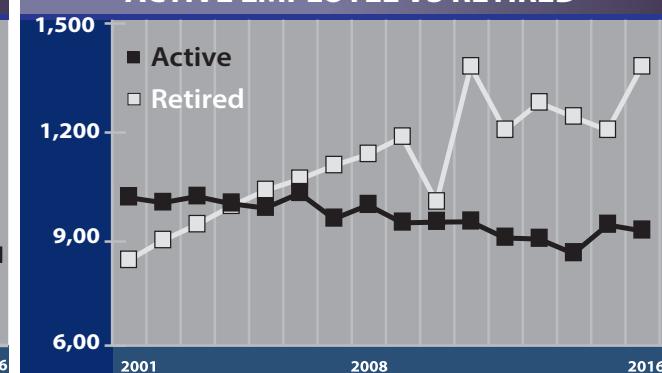
## Employer Contribution Rates

	Pension		Insurance		Total	
	Recommended	Actual	Recommended	Actual	Recommended	Actual
2007	20.64%	12.44%	21.66%	13.06%	<b>42.30%</b>	<b>25.50%</b>
2008	28.95%	14.23%	91.05%	13.77%	<b>120.00%</b>	<b>28.00%</b>
2009	32.39%	15.28%	27.75%	14.79%	<b>60.14%</b>	<b>30.07%</b>
2010	35.23%	16.81%	26.64%	16.27%	<b>61.87%</b>	<b>33.08%</b>
2011	35.74%	21.44%	49.89%	24.10%	<b>85.63%</b>	<b>45.54%</b>
2012	39.80%	26.55%	54.83%	25.58%	<b>94.63%</b>	<b>52.13%</b>
2013	47.48%	33.24%	55.93%	30.43%	<b>103.41%</b>	<b>63.67%</b>
2014	53.35%	39.50%	43.17%	31.65%	<b>96.52%</b>	<b>71.15%</b>
2015	53.90%	53.90%	21.86%	21.86%	<b>75.76%</b>	<b>75.76%</b>
2016	53.90%	53.90%	21.86%	21.86%	<b>75.76%</b>	<b>75.76%</b>

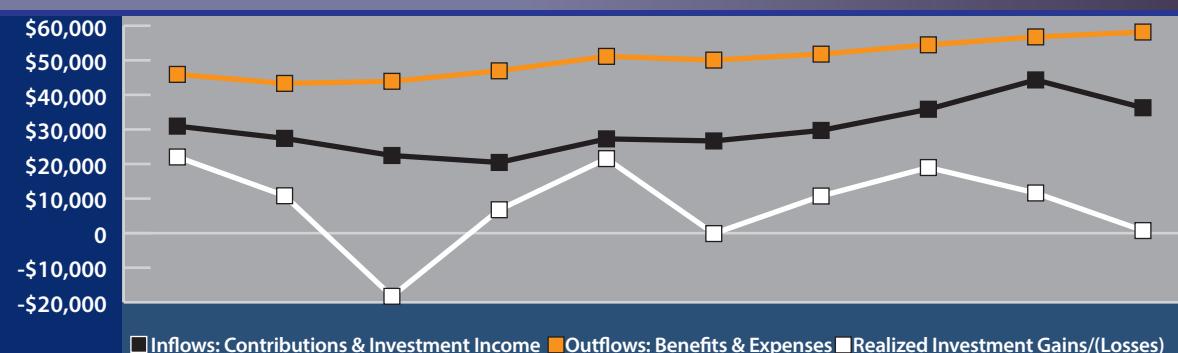
## ACTIVE EMPLOYEE PAYROLL



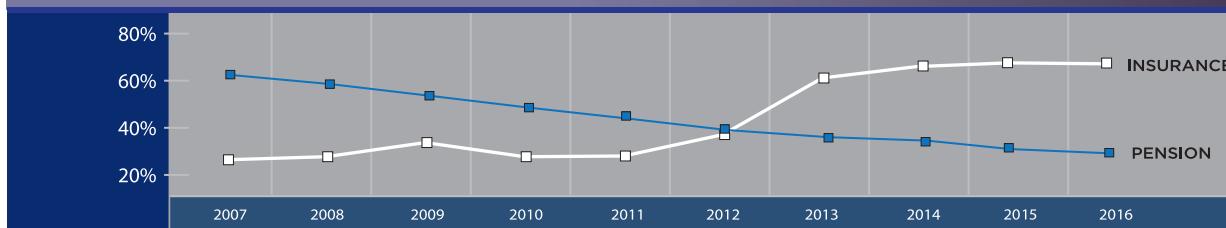
## ACTIVE EMPLOYEE VS RETIRED



## SPRS PENSION - CASHFLOW



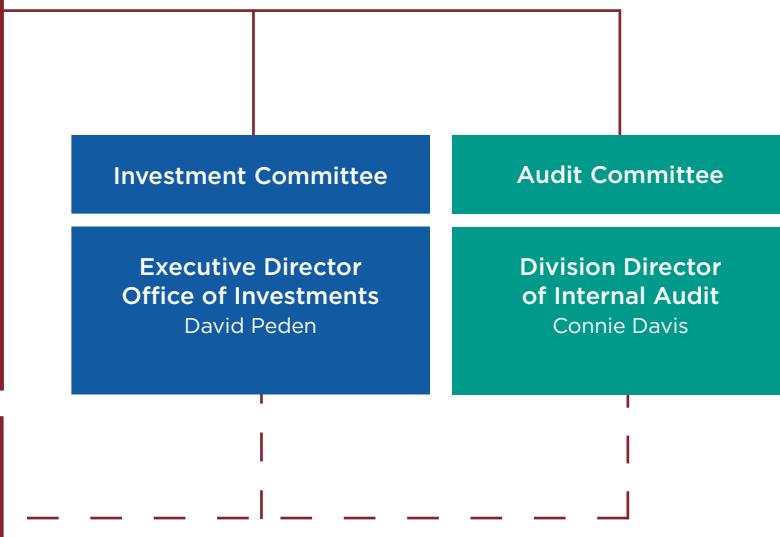
## SPRS FUNDING RATIO TRENDS





# Agency Structure

<b>Board of Directors</b>
3 Members elected from CERS
2 members elected by KERS
1 member elected by SPRS
<b>Personnel Secretary</b> 11 members are Governor appointed (1 non-voting)



Executive Staff
Executive Director Office of Operations Karen Roggenkamp
Executive Director Office of Benefits Rebecca Stephens
Executive Director Office of Legal Services Carmine Iaccarino
Division Director Human Resources Marlane Robinson
Division Director Communications Dick Brown
Special Assistant Shawn Sparks

KRS DEPARTMENTS			
<b>Operations Division Directors</b>	<b>Benefits Division Directors</b>	<b>Legal Division Directors</b>	<b>Investment Division Directors</b>
Accounting Todd Coleman	Disability & Death Liza Welch	General Counsel Advocacy Kathy Rupinen	Public Equity Joe Gilbert
Employer Reporting, Compliance, Education Chris Miller (Interim)	Member Services Shauna Miller	General Counsel Non-Advocacy Jennifer Jones	Real Return & Real Estate Andy Kiehl
Enterprise & Technology Services Rebecca Adkins (Interim)	Membership Support Kevin Gaines		Deputy CIO/Fixed Income Rich Robben
Procurement & Office Services Joe C. Gilbert	Quality Assurance Erin Surratt		Alternative Investments Vacant
	Retiree Health Care Connie Pettyjohn		Private Equity Vacant
	Retiree Payroll David Nix		

(502) 696-8800 or (800) 928-4646 | Fax: (502) 696-8822  
**Website:** <https://kyret.ky.gov> | **MyRetirement Portal** - <https://myretirement.ky.gov>  
 Facebook/ kyretirement | [www.youtube.com/user/KentuckyRetire](http://www.youtube.com/user/KentuckyRetire) | Twitter.com/Kyretire

## FAST FACTS

KRS Fiscal Year 2016

Retiree Healthcare Planholders:  
86,137 (covered lives)

Member Office Visits:  
11,220

New Retirements:  
7,116

Benefit Estimates:  
11,007

Service Purchase Estimates:  
7,650

Disability Applications:  
674

Call Center Inbound Calls:  
250,501

Refunds processed:  
4,641

Account Audits:  
19,555

Facebook Followers:  
12,022

Website Pageviews:  
1,249,710

YouTube Views:  
10,467  
(plus 1,755 on Vimeo)

### KRS Participating Agencies

KERS	358
CERS	1,140
SPRS	1
Total	1,499



(502) 696-8800 or (800) 928-4646

Fax: (502) 696-8822

**Website:** <https://kyret.ky.gov>

**Facebook:** kyretirement

[www.youtube.com/user/KentuckyRetire](https://www.youtube.com/user/KentuckyRetire)

[Twitter.com/Kyretire](https://Twitter.com/Kyretire)

**MyRetirement Portal** - <https://myretirement.ky.gov>

**Kentucky Retirement Systems**  
1260 Louisville Rd, Frankfort, KY 40601

**Hours of Operation:**  
8:00 AM - 4:30PM (EST) Monday-Friday

Document Prepared By KRS Communications Division