

**Kentucky Public Pensions Authority
Annual Meeting
April 25, 2024 at 10:00 a.m. EST
Live Video Conference/Facebook Live
AGENDA**

- | | |
|--|-----------------------|
| 1. Call to Order | Keith Percy |
| 2. Legal Opening Statement | Michael Board |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Approval of Minutes* | Keith Percy |
| a. KPPA Board for March 19, 2024; March 21, 2024;
March 26, 2024 and March 27, 2024 | |
| b. KPPA Ad Hoc Executive Search Committee for March 1, 2024 | |
| 6. Election of Chair* | David Eager |
| 7. Election of Vice Chair and Committee Assignments* | Board Chair |
| 8. ACFR Recommendation* | Mike Lamb |
| 9. Approval of Employment Contract with Ryan Barrow* | Board Chair |
| 10. KPPA Strategic Plan | Rebecca Adkins |
| 11. KPPA Update | David Eager |
| 12. KPPA Service Recognition Awards | Lori Casey |
| 13. New Business* | Board Chair |
| 14. Closed Session** | Board Chair |
| 15. Adjourn* | Board Chair |

**Board Action Required*

***Board Action May Be Required*

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL CALLED MEETING
MEETING VIA LIVE VIDEO TELECONFERENCE
MARCH 19, 2024, AT 11:30 AM ET**

At the Special Called Meeting of the Board of the Kentucky Public Pensions Authority held on March 19, 2024, the following members were present: Keith Peercy (Chair), Dr. Merl Hackbart, Lynn Hampton, Prewitt Lane, William O'Mara, Betty Pendergrass, Jerry Powell and William Summers, V. Staff members present were David Eager, Lori Casey, Victoria Hale, Shaun Case, Katie Park, and Sherry Rankin.

Mr. Peercy called the meeting to order.

Ms. Hale read the Legal Opening Statement.

Ms. Rankin called roll.

There being no *Public Comment*, Mr. Peercy introduced agenda item *Closed Session – KRS 61.810(1)(f) – Report and Recommendations from Executive Director Search Committee and Next Steps (Video 00:06:45 to 00:07:45)* and requested a motion to go into Closed Session under KRS 61.810(1)(f) to receive a report and discuss recommendations from the Executive Director Search Committee and to discuss next steps in the hiring process for the Executive Director position. A motion was made by Mr. O'Mara and seconded by Ms. Hampton. The motion passed unanimously.

Mr. Peercy read the following statement and the meeting moved into closed session: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider the appointment, discipline, dismissal and member account information of an employee pursuant to KRS 61.810(1)(f) and 61.810(1)(k). It is necessary to enter closed session because of the sensitive nature of the material to be considered regarding the employee and the requirement of 61.661(1) that each member's account be administered in a confidential manner.

Closed Session (Video - Part 2 - 00:00:25 to 00:00:35)

Mr. Peercy called the meeting back to open session and stated that no action would be taken as a result of the Closed Session discussion.

There being no further business, Mr. Peercy *adjourned* the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held March 19, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

The remainder of this page left blank intentionally.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on March 19, 2024, were approved on April 25, 2024.

KPPA Chair

Executive Director

I have reviewed the Minutes of the March 19, 2024, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services

MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
VIA LIVE VIDEO TELECONFERENCE
MARCH 21, 2024, AT 10:00 AM ET

At the meeting of the Kentucky Public Pensions Authority held on March 21, 2024, the following Members were present: Jerry Powell (Vice Chair), Prewitt Lane, William O’Mara, Dr. Merl Hackbart, Lynn Hampton, and William Summers, V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Connie Pettyjohn, Michael Board, Leigh Ann Davis, Victoria Hale, Carrie Bass, Jessica Beaubien, Anthony Chiu, Biran Caldwell, Michael Lamb, Connie Davis, Kristen Coffey, Ashley Gabbard, Katie Park, Shaun Case and Sherry Rankin. Others present included Adam Gordon with the Auditor of Public Accounts and Katie Wright with Frost Brown Todd.

Mr. Powell called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no **Public Comment** submitted, Mr. Powell introduced agenda item ***Approval of Meeting Minutes – December 6, 2023, and February 7, 2024*** (Video 00:08:45 to 00:09:24). Mr. Summers made a motion and was seconded by Ms. Hampton to approve all minutes as presented. The motion passed unanimously.

Mr. Powell introduced agenda item ***KPPA Audit Committee Report and Recommendations*** (Video 00:09:45 to 00:14:24).

Ms. Coffey reported that the KPPA Audit Committee met on February 27, 2024, and reviewed several informational items. However, the Committee did review the GASB 68 and GASB 75 Proportionate Share Audits for fiscal year ended June 30, 2023, said Ms. Coffey.

Mr. Adam Gordon with the Auditor of Public Accounts (APA) presented the Draft GASB 68 and GASB 75 Proportionate Share Audits. He stated that the APA audited the schedules as prepared by

GRS. Management will be provided with two reports; one for pension and one for OPEB, said Mr. Gordon. End of field work for the audit is schedule to begin on March 21, 2024. Mr. Gordon advised that the full report will be released once approved by the Authority. He stated that there were no findings or issues; therefore, the APA anticipates issuing a modified/clean opinion.

Mr. O'Mara made a motion to accept the GASB 68 and GASB 75 Proportionate Share Audits as presented. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. Powell introduced agenda item ***KPPA Ad Hoc Regulation Committee Reports and Recommendations*** (Video 00:14:24 to 00:20:47). Ms. Jessica Beaubien stated that the presented amendment to 105 KAR 1:001, Definitions for 105 KAR Chapter 1, adds eight (8) new definitions and updates two (2) previous definitions to ensure consistent use of terminology across all regulations in Title 105 of the Kentucky Administrative Regulations. Ms. Beaubien advised that the KPPA Ad Hoc Regulation Committee approved forwarding the administrative regulation to the Authority for approval.

Ms. Hampton made a motion to approve regulation 105 KAR 1:001 as presented, and to direct staff to file the regulations with the Office of the Regulations Compiler at LRC. The motion was seconded by Mr. Lane and passed unanimously.

Next, Ms. Beaubien presented an amendment to the existing regulation 105 KAR 1:190, Qualified Domestic Relations Orders (“QDROs”). This administrative regulation establishes the requirements, procedures, and forms necessary to administer QDROs, said Ms. Beaubien. She advised that the KPPA Ad Hoc Regulation Committee approved forwarding the administrative regulation to the Authority for approval.

The amendment achieves the following:

- Updates the language throughout the regulation to be consistent with the language used in all Kentucky Public Pensions Authority regulations and the definitions found in 105 KAR 1:001.
- Reorganizes the sections of the regulation for clarity.
- For QDROs received by the KPPA prior to retirement, incorporates the Partial Lump Sum Payment Option (PLSO) that is now available as a payment option.
- Adds details on how multiple retirement accounts affect the administration of a QDRO.

- Adds details throughout to more accurately reflect the way QDROs are currently being administered.
- Updates all forms for clarity and to reflect the agency name change.

Mr. Lane made a motion to approve regulation 105 KAR 1:190 as presented, and to direct staff to file the regulations with the Office of the Regulations Compiler at LRC. The motion was seconded by Mr. Summers and passed unanimously.

Lastly, Ms. Beaubien presented amendments to the existing Administrative Regulation 105 KAR 1:411, Hospital and Medical Insurance for Retired Members and Kentucky Retirement Systems Insurance Fund Trust.

The amendment:

- Removes definitions from Section 1 that can be found in 105 KAR 1:001, the general definitions regulation applicable to all Kentucky Public Pensions Authority, Kentucky Retirement Systems, and County Employees Retirement System regulations.
- Updates the language throughout the regulation to be consistent with the language used in all Kentucky Public Pensions Authority regulations and the definitions found in 105 KAR 1:001.
- Adds details to Section 4 to indicate the difference between the dollar amount contribution rate and the percentage contribution rate that the systems pay toward a retired member's hospital and medical insurance plan premium based on membership date or hire date.
- Adds clarifying language to Section 5 concerning the fee that recipients may be required to pay for tobacco usage or failure to complete a wellness or wellbeing promise.
- Updates Section 13 to detail how the dollar contribution reimbursement is applied for recipients with reciprocity, as well as how the reimbursement will be applied to a recipient who is on their spouses' insurance, including in another state-administered retirement system.

She reported that the Ad Hoc Regulations Committee considered both reimbursement calculation options and recommended an alternate calculation option ("Reimbursement Option 2") going forward. Additionally, the Committee recommended the change in the reimbursement calculation method be applied retroactive to January 1, 2023. Section 13(2) has been amended to reflect these recommendations, said Ms. Beaubien. She advised that the KPPA Ad Hoc Regulation Committee approved forwarding the administrative regulation to the Authority for approval.

Dr. Hackbart made a motion to approve the KPPA Ad Hoc Regulation Committee's recommendation of Reimbursement Option 2 and 105 KAR 1:411 as presented, and to direct staff to file the regulations with the Office of the Regulations Compiler at LRC. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. Powell introduced agenda item **Quarterly Financial Statements** (Video 00:20:48 to 00:31:01). Mr. Lamb reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds and the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds as of December 31, 2023. He went on to present the CERS/KERS/SPRS Pension Fund Contribution Reports for the six-month period ending December 31, 2023. Next, he reviewed the Combining Statement of Fiduciary Net Position and Combining Statement of Changes in Fiduciary Net Position of the Insurance Funds as of December 31, 2023. The CERS/KERS/SPRS Insurance Fund Contribution Reports for the six-month period ending December 31, 2023, were also reviewed. Next, Mr. Lamb presented the KRS Outstanding Invoices by Type and Employer and Penalty Invoices Report to the Authority Members. He succinctly presented the FY 2023-2024 KPPA Administrative Budget and Budget-to-Actual Summary Analysis for the six months ending December 31, 2023. Lastly, Mr. Lamb briefly reviewed the JP Morgan Chase Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2024.

Mr. Powell introduced agenda item **Budget Planning** (Video 00:31:02 to 00:50:15). Mr. Lamb discussed budget planning with the Authority Members. In the past, a Budget Work Group was formed to review and approve the Administrative and Investment budgets. The group included Authority Members, the KRS/CERS CEOs, and KPPA Staff Members, said Mr. Lamb. He presented a memorandum outlining items related to the administrative and investment budgets which require decisions from the Authority prior to June 30, 2024. Mr. Lamb recommended that a KPPA Budget Work Group be defined to make recommendations to the full Authority Board regarding the budget planning items described.

Mr. Board stated that the Authority has the statutory obligation to develop the FY2025 Administrative and Investment Budgets. Therefore, he recommended that Authority Members be assigned to the work group. Based on the findings of extensive research, the KPPA Office of Legal Services recommended that the meetings of the Budget Work Group be held in a public setting as to not violate the Open Meetings Act. A KPPA Ad Hoc Budget Committee was suggested if Authority Members

participate. The Authority Chair or the KPPA Executive Director may appoint members to an ad hoc committee, advised Ms. Hale. Mr. Powell stated that he would defer the appointments to Mr. Peercy at the next meeting of the Authority. Mr. O'Mara expressed concern regarding a delay in appointments. Ms. Hampton reminded all that the KPPA Board election is near which may change the makeup of the Authority.

Mr. Powell asked those on last year's Budget Work Group to participate until Mr. Peercy can appoint members to the Committee. Ms. Hampton and Mr. O'Mara agreed to service temporarily. The Authority requested that the KRS/CERS CEOs are also included in the process.

Mr. Lane made a motion to create a KPPA Ad Hoc Budget Committee to work with staff regarding the budget planning items and to make recommendations to the full KPPA Board. Mr. Summers seconded the motion. Mr. Powell reiterated that he would defer appointments to the KPPA Ad Hoc Budget Committee to Mr. Peercy. The motion passed unanimously.

Mr. Powell introduced agenda item ***Investment Department Update*** (Video 00:50:16 to 00:52:03). KPPA Deputy Chief Investment Office, Mr. Chiu, provided an Investment Department Update. He presented a memorandum summarizing the actions taken at the 2024 KRS and CERS Investment Committee Meetings. Lastly, Mr. Chiu briefly reviewed performance data for the first half of the fiscal year.

Mr. Powell introduced agenda item ***KPPA Update*** (Video 00:52:04 to 00:59:02). Mr. Eager provided a written KPPA Update. He briefly updated attendees on the 2024 Regular Legislative Session and relevant benefit-related legislation.

Ms. Rebecca Adkins stated that it is the responsibility of the Authority to hire an outside auditor and an actuary to serve all the plans. These contracts are set to expire on June 30, 2024, advised Ms. Adkins. She reported that KPPA is in the process of renewing the contracts for the current outside auditor (Blue & Company) and actuary (Gabriel, Roeder, Smith & Company). These contracts will be renewed; bids are not required.

Ms. Adkins also provided an update on the contract negotiations between Humana and Baptist Health Medical Group. Humana and Baptist Health Medical Group have come to an agreement. Baptist Health Medical Group will be in network with Humana as of April 2024, reported Ms.

Adkins.

Mr. Powell introduced agenda item ***New Business*** (Video 00:59:03 to 00:59:11) – None.

Mr. Powell introduced agenda item ***Closed Session*** (Video 00:59:12 to 01:00:50) and advised that only KPPA Trustees, KPPA legal counsel, and KPPA outside legal counsel were permitted to attend the closed session.

Ms. Hampton made a motion and was seconded by Mr. Lane to enter closed session to discuss pending litigation. The motion passed unanimously.

Mr. Powell read the following closed session statement: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider litigation matters, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the KPPA's litigation strategy and preserving any available attorney-client privilege.

All other attendees exited the meeting.

Closed Session (Video - Part 2 - 00:00:45 to 00:01:04). Mr. Powell called the meeting back to open session and stated that there would be no action taken as result of the closed session discussion.

There being no further business, Mr. Powell ***adjourned*** the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA held March 21, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

The remainder of this page left blank intentionally.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on March 21, 2024, were approved on April 25, 2024.

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the March 21, 2024, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL CALLED MEETING
MEETING VIA LIVE VIDEO TELECONFERENCE
MARCH 26, 2024, AT 9:15 AM ET**

At the Special Called Meeting of the Board of the Kentucky Public Pensions Authority held on March 26, 2024, the following members were present: Keith Peercy (Chair), Dr. Merl Hackbart, Lynn Hampton, Prewitt Lane, William O'Mara, Betty Pendergrass, Jerry Powell and William Summers, V. Staff members present were Lori Casey, Victoria Hale, and Sherry Rankin.

Mr. Peercy called the meeting to order.

Ms. Hale read the Legal Opening Statement.

Ms. Park called roll.

There being no **Public Comment**, Mr. Peercy introduced agenda item **Closed Session – KRS 61.810(1)(f) – Interviews with finalists for Executive Director position; Board discussion re: Candidates** (Video 00:04:49 to 00:05:51) and requested a motion to go into Closed Session under KRS 61.810(1)(f) to interview finalists for the Executive Director position and for the Board to discuss the candidates. A motion was made by Mr. Powell and seconded by Mr. Lane. The motion passed unanimously.

Mr. Peercy read the following statement and the meeting moved into closed session: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider the appointment, discipline, dismissal and member account information of an employee pursuant to KRS 61.810(1)(f) and 61.810(1)(k). It is necessary to enter closed session because of the sensitive nature of the material to be considered regarding the employee and the requirement of 61.661(1) that each member's account be administered in a confidential manner.

Closed Session (Video - Part 2 - 00:00:23 to 00:00:35)

Mr. Peercy called the meeting back to open session and stated that no action would be taken as a result of the Closed Session discussion.

There being no further business, Mr. Peercy *adjourned* the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held March 26, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

The remainder of this page left blank intentionally.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on March 26, 2024, were approved on April 25, 2024.

KPPA Chair

Executive Director

I have reviewed the Minutes of the March 26, 2024, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL CALLED MEETING
MEETING VIA LIVE VIDEO TELECONFERENCE
MARCH 27, 2024, AT 1:00 PM ET**

At the Special Called Meeting of the Board of the Kentucky Public Pensions Authority held on March 27, 2024, the following members were present: Keith Peercy (Chair), Dr. Merl Hackbart, Lynn Hampton, Prewitt Lane, William O'Mara, Betty Pendergrass, Jerry Powell and William Summers, V. Staff members present were Lori Casey, Victoria Hale, and Katie Park.

Mr. Peercy called the meeting to order.

Ms. Hale read the Legal Opening Statement.

Ms. Park called roll.

There being no *Public Comment*, Mr. Peercy introduced agenda item *Closed Session – KRS 61.810(1)(f) – Board discussion re: Candidates (Video 00:08:28 to 00:09:43)* and requested a motion to go into Closed Session under KRS 61.810(1)(f) for the Board to discuss candidates. A motion was made by Ms. Hampton and seconded by Mr. Powell. The motion passed unanimously.

Mr. Peercy read the following statement and the meeting moved into closed session: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider the appointment, discipline, dismissal and member account information of an employee pursuant to KRS 61.810(1)(f) and 61.810(1)(k). It is necessary to enter closed session because of the sensitive nature of the material to be considered regarding the employee and the requirement of 61.661(1) that each member's account be administered in a confidential manner.

Closed Session (Video - Part 2 - 00:00:15 to 00:01:15)

Mr. Peercy called the meeting back to open session and introduced agenda item *Decision on Executive Director Position*. Ms. Pendergrass made a motion to appoint Ryan Barrow as the Executive Director for KPPA beginning July 1, 2024, including a training period in May and/or June

2024, pending contract negotiations and background checks. Dr. Hackbart seconded the motion and the motion passed unanimously.

There being no further business, Mr. Peercy *adjourned* the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held March 27, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

The remainder of this page left blank intentionally.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on March 27, 2024, were approved on April 25, 2024.

KPPA Chair

Executive Director

I have reviewed the Minutes of the March 27, 2024, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL CALLED MEETING
AD HOC EXECUTIVE DIRECTOR SEARCH COMMITTEE
MARCH 1, 2024, 8:30 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the March 1, 2024, Special Called Meeting of the Ad Hoc Executive Director Search Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O’Mara (Chair), Betty Pendergrass, Lynn Hampton, and Keith Peercy. Staff members present were Victoria Hale, Lori Casey, Shaun Case, Katie Park, and Sherry Rankin.

Mr. O’Mara called the meeting to order.

Ms. Hale read the Opening Statement.

Ms. Rankin called roll.

There being no **Public Comment** received, Mr. O’Mara introduced the agenda item **Approval of Minutes – February 16, 2024, February 20, 2024, February 23, 2024, and February 26, 2024** (Video 00:03:46 to 00:04:34). Ms. Hampton made a motion to approve the minutes as presented. The motion was seconded by Mr. Peercy and passed unanimously.

Mr. O’Mara introduced the agenda item **Closed Session KRS 61.810(1)(f) – Next steps** (Video 00:04:35 to 00:05:41). Ms. Hampton made a motion and was seconded by Mr. Peercy to go into closed session under KRS 61.810(1)(f) to discuss next steps in the hiring process for the position of Executive Director. The motion passed unanimously.

Mr. O’Mara read the following closed session statement: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Committee shall now enter closed session to discuss next steps in the hiring process for the position of Executive Director pursuant to KRS 61.810(1)(f).

(Video - Part 2 - 00:00:12 to 00:01:13)

Coming back into open session, Ms. Pendergrass made a motion to request a special called meeting of the Authority to hear a report from the KPPA Ad Hoc Executive Director Search Committee. The motion was seconded by Ms. Hampton and passed unanimously.

There being no further business, Mr. O'Mara *adjourned* the meeting.

The remainder of the page is left blank intentionally

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.

Recording Secretary

I, as Chair of the Ad Hoc Executive Director Search Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on March 1, 2024, were approved by the KPPA Ad Hoc Executive Director Search Committee on April 25, 2024.

Committee Chair

I have reviewed the Minutes of the KPPA Ad Hoc Executive Director Search Committee meeting on March 1, 2024, for form, content, and legality.

Office of Legal Services



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



TO: County Employees Retirement System (CERS) Board of Trustees
Kentucky Retirement Systems (KRS) Board of Trustees
Kentucky Public Pensions Authority (KPPA) Board

FROM: Michael Lamb, KPPA, Chief Financial Officer

M. Lamb 4/11/2024

CC: David Eager, KPPA, Executive Director; Rebecca Adkins, KPPA Deputy Executive Director;
Michael Board, KPPA Executive Director, Office of Legal Services; Ed Owens III, CERS
Chief Executive Officer; John Chilton, KRS Chief Executive Officer

DATE(S): April 8, 2024; CERS Annual Board Meeting
April 9, 2024; KRS Annual Board Meeting
April 25, 2024; KPPA Annual Board Meeting

RE: Annual Comprehensive Financial Report (ACFR) presentation

SUMMARY:

During the November 28, 2022, CERS and KRS Joint Audit Committee meeting, a discussion ensued regarding the presentation of the financial statements in the June 30, 2022, ACFR. This discussion included the relevance of a KPPA total in the financial statements as well as the potential for separate CERS and KRS audit opinions and separate CERS and KRS ACFRs. During that meeting it was agreed that further research needed to be conducted, and during the February 28, 2023, CERS and KRS Joint Audit Committee meeting, a timeline for that research was presented.

Having completed this research it has been concluded that there are multiple options available on how to present the audited financial statements of CERS, KRS, or KPPA that are appropriate and allowable, and ultimately the decision is at the discretion of the board(s) of trustees and KPPA management.

RECOMMENDATION:

Beginning with fiscal year ended June 30, 2024, I recommend that KPPA contract with an outside certified public accountant to perform two separate financial statement audits and have KPPA publish two separate Annual Comprehensive Financial Reports:

- One ACFR for the County Employees Retirement System, and their related pension and insurance trust plans.
- and
- One ACFR for the Kentucky Retirement Systems, inclusive of the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS), and their related pension and insurance trust plans.

APPENDIX OF RESEARCH

BACKGROUND

The Kentucky Employees Retirement System (KERS) was established by the State Legislature on July 1, 1956. The State Police Retirement System (SPRS) and the County Employees Retirement System (CERS) were established by the State Legislature on July 1, 1958.

Prior to 2021 all three systems were governed by a single board of trustees. This board of trustees, management and staff were all referred to as the Kentucky Retirement Systems (KRS). Under this single board of trustees KRS issued one ACFR, including all three systems and their related pension plans and the insurance trust plans (the last ACFR issued under this governance structure was for the fiscal year ended 6/30/2020).

Effective April 1, 2021, the KRS Board of Trustees was replaced by three boards:

- A new 9-member board of trustees to oversee CERS (CERS Board). Three trustees are elected by CERS membership, and six are appointed by the Governor from a list of applicants submitted by the Kentucky League of Cities, the Kentucky Association of Counties, and the Kentucky School Boards Association.
- A reconstituted 9-member board of trustees, retaining the KRS name, to oversee KERS and SPRS (KRS Board). Two trustees are elected by KERS membership, one is elected by SPRS membership, and six are appointed by the Governor.
- A new 8-member board, to oversee the professional employees who provide administrative support, investment management and conduct other activities on behalf of the CERS and KRS Boards. These employees are part of the agency now called Kentucky Public Pensions Authority (KPPA) and the board is referred to as the KPPA Board.
 - The KPPA Board is composed of four trustees from the CERS Board and four trustees from the KRS Board as follows:
 - The chair of KRS and the chair of CERS,
 - The KRS investment committee chair and the CERS investment committee chair,
 - Two KRS trustees selected by the KRS chair, one who was elected and one who was appointed, and
 - Two CERS trustees selected by the CERS chair, one who was elected and one who was appointed.

This new structure was in place for the fiscal year ended June 30, 2021, and has been in place ever since, including fiscal years ended June 30, 2022, and June 30, 2023.

For these past three fiscal years KPPA has continued to issue one ACFR including all three systems and their related pension plans and the insurance trust plans. The external audits and related opinions for these years were on the total of all three systems and the insurance trust plan (the KPPA total). This was due to KPPA management concluding that KPPA met the definition of a Public Employees Retirement System (PERS) under GASB. However, the appropriateness of that conclusion and subsequent presentation of the financial statements was questioned prompting research to clarify how the financial statements of these retirement systems and the insurance trust plan should be presented going forward.

GASB AUTHORITATIVE GUIDANCE:

GASB 67, paragraph 51 defines a public employee retirement system (PERS) as

“A **special-purpose government** that **administers** one or more **pension plans**; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.”

Special-purpose government: GASB 34 paragraph 134 discusses special-purpose governments but does not offer a definition of the term. However, through the literature, we conclude that a special-purpose government: is not a **general-purpose government**, that provides a single or limited set of services or programs; has **separate legal status**; may be a **component unit** or **other stand-alone government**; and can either be **fiscally independent** or **fiscally dependent**.

General-purpose government: Entities such as states, cities, counties, towns, and villages (GASB 34 paragraph 134). These governments provide multiple services, such as public safety, roads, fire protection, and record keeping.

Separate legal status – a legally recognized organization with its own rights and obligations.

Component unit (GASB 14 paragraph 20): Legally separate organizations for which the elected officials of the primary government are financially accountable.

Other stand-alone government (GASB 14 paragraph 66): Legally separate organizations that (a) do not have a separately elected governing body and (b) do not meet the definition of a component unit as discussed in paragraph 20. Other stand-alone governments include some special-purpose governments, joint ventures, jointly governed organizations, and pools.

Fiscally independent or fiscally dependent (GASB 14 Paragraph 16):

A special-purpose government is fiscally independent if it has the authority to do all three of the following:

- a) Determine its budget without another government's having the authority to approve and modify that budget.
- b) Levy taxes or set rates or charges without approval by another government.
- c) Issue bonded debt without approval by another government.

A special-purpose government that is not fiscally independent is fiscally dependent on the primary government that holds one or more of those powers. A special-purpose government may be fiscally dependent on another state or local government regardless of whether it receives financial assistance from that state or local government; fiscal dependency does not necessarily imply that a financial benefit or burden relationship exists.

Administers: The term is not defined in the GASB literature. Through our technical inquiry with GASB we asked them to provide a definition, but they would not do so because the literature does not do so.

There has been significant discussion between KPPA management and our external audit firm regarding this definition and whether administer could also mean “govern”, as GASB would not confer with that assumption, KPPA management does not interpret this definition to incorporate the term govern.

Merriam-Webster defines administers as: “to manage or supervise the execution, use, or conduct of.”

Pension plan: (GASB 67 paragraph 51): arrangement through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

Public employee retirement system (PERS)	CERS	KRS	KPPA	Comments
Special-purpose government	Yes	Yes	Yes	
Not a general-purpose government	Yes	Yes	Yes	
Provides single or limited services	Yes	Yes	Yes	
Separate legal status	Yes	Yes	Yes	
Component unit or other stand-alone government.	Yes	Yes	Yes	CERS & KRS = Component Units; KPPA = other stand-alone government (as KPPA Board is not separately elected)
Fiscally independent	No	No	No	KPPA Budget approved by the State
Fiscally dependent	Yes	Yes	Yes	CERS & KRS do not have budgets.
Administers	Yes	Yes	Yes	
One or more pension plans	Yes	Yes	Yes	<p>KRS 78.782(1) The County Employees Retirement System shall be administered by the board of trustees...</p> <p>KRS 61.645(1) The Kentucky Employees Retirement System and State Police Retirement System shall be administered by the board of trustees of the Kentucky Retirement Systems...</p> <p>KRS 16.640 The government and control of the system [SPRS] is hereby vested in the board of trustees of the Kentucky Retirement Systems</p> <p>KRS 61.505 KPPA is charged with administering day to day needs of CERS and KRS including the three components of a pension plan (determination, accumulation, payment).</p> <p>KRS 78.782(9a) & KRS 61.645(9a) – establishes the executive director of KPPA as the chief administrative officer of the CERS and KRS Boards.</p>
Other types of employee benefit plans	Yes	Yes	Yes	
Meets GASB definition of a PERS	YES	YES	YES	

The GASB guidance requires the following:

GASB Codification (Sp20 .117):

“...A PERS that administers more than one defined benefit pension plan that is administered through a trust that meets the criteria in paragraph .101 of Section Pe5 or OPEB plan that is administered through a trust that meets the criteria in paragraph .101 of Section Po50 **[which the CERS, KERS, and SPRS pension and insurance trust plans do]** is required to present in its financial report combining financial statements for all plans administered by the system and, if applicable, required schedules for each plan. A PERS should meet this financial statement requirement by (a) presenting a separate column for each plan administered on the statement of fiduciary net position and the statement of changes in fiduciary net position or (b) presenting combining statements for those plans as part of the basic financial statements. [GASBS 34, ¶140, as amended by GASBS 63, ¶8, GASBS 67, ¶5 and ¶11, and GASBS 73, ¶5, ¶7, ¶115, and ¶116 and GASBS 74, ¶3, ¶5, and ¶18].

For the past three years, KPPA has met this GASB requirement in their Annual Comprehensive Financial Report (ACFR) by presenting combining statements (as allowed by (b) above) for all the pension and insurance plans that KPPA administered (all CERS and KRS plans), with a KPPA total (not a separate CERS or KRS total).

GASB CONCLUSIONS

KPPA management has concluded that both CERS and KRS, meet the definition of a PERS, as both these systems (which include pension plans and other types of employee benefit plans) are administered by their respective boards (statutorily). However, KRS 61.505 also grants the 8 member KPPA board administrative duties related to the pension plans and other plans of both CERS and KRS, and KRS 78.782(9)(a) and KRS 61.645(9)(a) both designate the KPPA executive director as the chief administrative officer for both the CERS Board and the KRS Board. As such, KPPA management can conclude that KPPA also meets the definition of a PERS under GASB.

However, it does not seem likely that two special-purpose governments can both administer the same pension plans at the same time. Therefore, concluding on who is administering the “one or more pension plans” and is therefore defined as the PERS under GASB is ultimately the decision of the board(s) of Trustees and KPPA management.

Based on the statutes granting KPPA most of the administrative duties of the pension plans, and the fact that the statutes designate the KPPA executive director as the chief administrative officer for both the CERS Board and the KRS Board, KPPA management concludes that KPPA shall be designated as the PERS under GASB.

INDUSTRY EXAMPLES:

Having reviewed all 50 State Pension System ACFRS we have noted three examples of ACFR presentations.

Example 1: Closely “mimics” current KPPA ACFR presentation, administration, and governance.

Alabama – The Retirement Systems of Alabama’s (RSA) ACFR indicates that RSA includes the Teachers Retirement System (TRS), the Employees Retirement System (ERS), and the Judicial Retirement Fund (JRF). TRS and ERS are governed by two separate Boards of Control, yet RSA issues one combined ACFR, and the independent auditor’s report’s opinion is on the total “Retirement Systems of Alabama” (not the individual systems).

Wyoming – The Wyoming Retirement System (WRS) includes a wide variety of plans, and the responsibility for the administration and operation of most plans is vested in the Wyoming Retirement Board. However, the Volunteer Firefighter, Emergency Medical Technicians (EMT) and Search & Rescue Pension Plan is controlled by a separate board and administered by the Executive Director of the Wyoming Retirement System. Despite this separate administration WRS issues one combined ACFR, and the independent auditor’s report’s opinion is on the total “Wyoming Retirement System” (not the individual plans or systems).

Example 2: Multiple audit opinions within one ACFR

Rhode Island – The Employees Retirement System of Rhode Island is responsible for administering 7 defined benefit plans, and 1 defined contribution plan. They have only one governing body, the State of Rhode Island Retirement Board, which governs all eight of these plans. The Basic Financial Statements show eight columns (one for each plan). In addition, there is a separate “Memorandum Total” column showing the sum of these eight plans. The independent auditor’s report’s opinion states “...the auditor audited the accompanying financial statements of the plans...” (Individual plans are audited and opined upon)

Washington –The Washington State Department of Retirement Systems (DRS) administers 8 statewide retirement systems composed of 15 defined benefit plans. They have a state investment board (for all systems/plans), but some systems have separate governing boards. The financial statements show all 15 of these plans separately and a total column. The independent auditor’s report’s opinion states “...we audited the accompanying financial statements (including the individual fund financial statements) of the Washington State Department of Retirement Systems (DRS)...” (Individual plans are audited and opined upon)

Example 3: Produce separate and distinct ACFRs.

Alaska - The Alaska Retirement Management Board governs two retirement systems: The Alaska Public Employees Retirement Systems and the Alaska Teachers’ Retirement System. Both systems’ administration is performed by the Division of Retirement and Benefits (DRB), and DRB publishes two separate ACFRs, one for each system.

Michigan - Michigan has one administrative agency; that administers several retirement systems, some of which are governed by separate boards, and each system issues a separate ACFR.

INDUSTRY EXAMPLES CONCLUSIONS:

KPPA management presented and discussed these example ACFR presentations during our GASB inquiry and were told that GASB could not argue against the presentation of any of the examples provided.

KPPA management has concluded that the current presentation of one ACFR with a "KPPA total" is compliant with GASB standards and can continue with the current practice if we choose to.

KPPA management has also investigated the possibility of producing one ACFR with multiple audit opinions as presented in Example 2 and has concluded that this presentation would be compliant with GASB standards as well.

Furthermore, producing two separate audit opinions and two separate ACFRs would also be compliant with GASB standards.

KPPA management has discussed the various options with users of the financial statements, mainly the Office of the Controller, within the Finance and Administration Cabinet, of the Commonwealth of Kentucky. KPPA management has consulted our own external audit firm, and a non-related external audit firm. KPPA management has discussed these examples with the KPPA audit committee, various trustees of both the CERS Board and KRS Board, as well as the CEOs of CERS and KRS. Furthermore, there have been multiple internal discussions among KPPA management and staff as to the practicality and appropriateness of all three examples presented above.

KPPA management concludes that there are multiple options available on how to present the audited financial statements of CERS, KRS, or KPPA that are appropriate and allowable, and ultimately the decision is at the discretion of the board(s) of trustees and KPPA management.

However, we understand that the presentation and "audit" of a "KPPA total" has little relevance to the health and stability of the specific individual retirement systems, whereas a more stringent materiality at a CERS and KRS level would bring more transparency to the health and stability of the specific retirement systems, and therefore be more relevant.

Therefore, KPPA management recommends separate presentations of the CERS and the KRS in their own freestanding ACFR.

STATUTES APPLICABLE TO ACFR PRESENTATION(S)

BOLD and [] are emphasis added by KPPA management.

ITEM	CERS	KERS	SPRS	KPPA
Establishment	<p>KRS 78.520 Retirement system established -- Fund created.</p> <p>There is hereby created and established:</p> <p>(1) A retirement system for employees to be known as the "County Employees Retirement System" by and in which name it shall, pursuant to the provisions of KRS 78.510 to 78.852, transact all of its business and shall have the powers and privileges of a corporation; and</p> <p>(2) (a) A fund, called the "County Employees Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 78.510 to 78.852.</p> <p>(b) All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 78.510 to KRS 78.852.</p>	<p>KRS 61.515 Retirement system established -- Fund created.</p> <p>There is hereby created and established:</p> <p>(1) A retirement system for employees to be known as the "Kentucky Employees Retirement System" by and in which name it shall, pursuant to the provisions of KRS 61.510 to 61.705, transact all its business and shall have the powers and privileges of a corporation; and</p> <p>(2) (a) A fund, called the "Kentucky Employees Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 61.570 to 61.585.</p> <p>(b) All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 61.510 to 61.705.</p>	<p>KRS 16.510 Retirement system established -- Fund created.</p> <p>There is hereby created and established:</p> <p>(1) A retirement system for state police to be known as the "State Police Retirement System" by and in which name it shall, pursuant to the provisions of KRS 16.510 to 16.652, transact all of its business, and shall have the powers and privileges of a corporation; and</p> <p>(2) A fund, to be known as the "State Police Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 16.555. All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 16.505 to KRS 16.652.</p>	<p>KRS 61.505 - Kentucky Public Pensions Authority -- Purpose -- Memberships, vacancies, compensation, and meetings -- Authority granted powers and privileges of corporation -- Executive director, internal auditor, and employees -- Expenses -- Authorization of administrative expenses -- Duties of members.</p> <p>(1) There is created an eight (8) member Kentucky Public Pensions Authority</p>

ITEM	CERS	KERS	SPRS	KPPA
<p>Assets</p>	<p>KRS 78.630 System's assets. Except as provided by KRS 61.701, all of the assets of the system shall be held in the county employees' retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts...</p>	<p>KRS 61.570 Fund assets. All of the assets of the system shall be held and invested in the Kentucky employees retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts...</p>	<p>KRS 16.555 Assets of the system -- Accounts. All the assets of the system shall be held and invested in the State Police Retirement Fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts...</p>	<p>KRS 61.505 - Kentucky Public Pensions Authority... (1) There is created an eight (8) member Kentucky Public Pensions Authority whose purpose shall be to administer and operate... (d) Any jointly held assets used for the administration of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to real estate, office space, equipment, and supplies;</p>
<p>Administration</p>	<p>KRS 78.782 County Employees Retirement System board of trustees... (1) The County Employees Retirement System shall be administered by the board of trustees... (9)(a) " ... The executive director of the Kentucky Public Pensions Authority shall be the chief administrative officer of the [CERS] board." (9)(c) The board shall have a system of accounting</p>	<p>KRS 61.645 Board of trustees... (1) The Kentucky Employees Retirement System and State Police Retirement System shall be administered by the board of trustees of the Kentucky Retirement Systems... (9)(a) " ... The executive director of the Kentucky Public Pensions Authority shall be the chief administrative officer of the [KRS] board."</p>	<p>KRS 16.640 Administration of system. The government and control of the system is hereby vested in the board of trustees of the Kentucky Retirement Systems. The board shall carry out the provisions of KRS 16.510 to 16.652 in the same manner in which it administers the Kentucky Employees Retirement System. In all matters concerning the administration of KRS 16.510 to 16.652, the same rights, duties, and obligations shall apply to the board, as now</p>	<p>KRS 61.505 - Kentucky Public Pensions Authority... (1) There is created an eight (8) member Kentucky Public Pensions Authority whose purpose shall be to administer and operate... (a) A single personnel system for the staffing needs of the Kentucky Retirement Systems and the County Employees Retirement System; (b) A system of accounting that is developed by the Authority for the Kentucky Retirement Systems and the County Employees Retirement System;</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>established by the Kentucky Public Pensions Authority.</p> <p>(12) (a) The Kentucky Public Pensions Authority shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities for the systems.</p> <p>[Plural in the C Statute?][CERS] The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards... the board may select the independent certified public accountant hired by the Kentucky Public Pensions Authority or the Auditor of Public Accounts to perform the audit.... The Kentucky Public Pensions Authority shall make copies of the audit...available for examination by any member, retiree, or beneficiary...A copy of the annual audit shall be sent electronically to the Legislative Research Commission no later than ten (10) days after receipt by the [CERS] board.</p>	<p>(9) (d) The board shall have a system of accounting established by the Kentucky Public Pensions Authority.</p> <p>(12) (a) The Kentucky Public Pensions Authority shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities for the systems.[KERS & SPRS] The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards... the board may select the independent certified public accountant hired by the Kentucky Public Pensions Authority or the Auditor of Public Accounts to perform the audit... The Kentucky Public Pensions Authority shall make copies of the audit... available for examination by any member, retiree, or beneficiary...A copy of the annual audit shall be sent to the Legislative Research Commission no later than ten (10) days after receipt by the [KRS] board.</p>	<p>apply under the provisions of KRS 61.510 to 61.692, except that members of the board, when acting for the State Police Retirement System, shall be paid a per diem of thirty dollars (\$30) plus actual expenses.</p>	<p>(c) Day-to-day administrative needs of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to:</p> <ol style="list-style-type: none"> 1. Benefit counseling and administration; 2. Information technology and services, including a centralized website for the Authority, the Kentucky Retirement Systems, and the County Employees Retirement System; 3. Legal services; 4. Employer reporting and compliance; 5. Processing and distribution of benefit payments, and other financial, investment administration, and accounting duties as directed by the Kentucky Retirement Systems board of trustees or the County Employees Retirement System board of trustees; 6. All administrative actions, orders, decisions, and determinations necessary to carry out benefit functions required by the Kentucky Retirement Systems and the County Employment Retirement System

ITEM	CERS	KERS	SPRS	KPPA
				<p>statutes, including but not limited to administration of reduced and unreduced retirement benefits, disability retirement, reemployment after retirement, service purchases, computation of sick-leave credit costs, correction of system records, qualified domestic relations orders, and pension spiking determinations; and</p> <p>7. Completing and compiling financial data and reports;</p> <p>(d) Any jointly held assets used for the administration of the Kentucky Retirement Systems and the County Employees Retirement System, including but not limited to real estate, office space, equipment and supplies;</p> <p>(e) The hiring of a single actuarial consulting firm who shall serve both the Kentucky Retirement Systems and the County Employees Retirement System;</p> <p>(f) The hiring of a single external certified public accountant who shall perform audits for both the Kentucky Retirement Systems and the County Employees Retirement System;</p>

ITEM	CERS	KERS	SPRS	KPPA
				<p>(g) The promulgation of administrative regulations as an authority or on behalf of the Kentucky Retirement Systems and the County Employees Retirement System, individually or collectively, provided such regulations are not inconsistent with the provisions of this section and KRS 16.505 to 16.652, 61.505, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in order to carry out the provisions of this section and duties authorized by KRS 16.505 to 16.652 and 61.510 to 61.705;</p> <p>(h) A system of contracting management for administrative services; and</p> <p>(i) Other tasks or duties as directed solely or jointly by the boards of the Kentucky Retirement Systems or the County Employees Retirement System.</p>
<p>Board Powers & Privileges</p>	<p>KRS 78.782 County Employees Retirement System board of trustees...</p> <p>... (2) The [CERS] board is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:</p>	<p>KRS 61.645 Board of trustees...</p> <p>... (2) The [KRS] board is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:</p>		<p>KRS 61.505 - Kentucky Public Pensions Authority...</p> <p>... (3) The Kentucky Public Pensions Authority is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>(a) To sue and be sued in its corporate name;</p> <p>(b) To make bylaws not inconsistent with the law;</p> <p>(c) To conduct the business and promote the purposes for which it was formed;</p> <p>(d) Except as provided in KRS 78.790(6), to contract for investment counseling, auditing, medical, and other professional or technical services as required to carry out the obligations of the board subject to the provisions of KRS Chapters 45, 45A, 56, and 57. Actuarial consulting services shall be provided by a firm hired by the Kentucky Public Pensions Authority; ...</p>	<p>(a) To sue and be sued in its corporate name;</p> <p>(b) To make bylaws not inconsistent with the law;</p> <p>(c) To conduct the business and promote the purposes for which it was formed;</p> <p>(d) Except as provided in KRS 61.650(6), to contract for investment counseling, auditing, medical, and other professional or technical services as required to carry out the obligations of the board subject to KRS Chapters 45, 45A, 56, and 57. Actuarial consulting services shall be provided by a firm hired by the Kentucky Public Pensions Authority; ...</p>		<p>(a) To sue and be sued in its corporate name;</p> <p>(b) To make bylaws not inconsistent with the law and in accordance with its duties as provided by this section;</p> <p>(c) To conduct the business and promote the purposes for which it was formed;</p> <p>(d) To carry out the obligations of the Authority subject to KRS Chapters 45, 45A, 56, and 57;</p>
<p>Financial Reports</p>	<p>KRS 78.782 County Employees Retirement System board of trustees...</p> <p>(18) In order to improve public transparency regarding the administration of the</p>	<p>KRS 61.645 Board of trustees...</p> <p>(19) In order to improve public transparency regarding the administration of the systems, the board of</p>		<p>KRS 78.782 (12) (a) and KRS 61.645 (12) (a). They both read the same.</p> <p>The Kentucky Public Pensions Authority shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>system, the board of trustees shall adopt a best practices model by posting the following information to the Kentucky Public Pensions Authority's website and shall make available to the public:</p> <p>b) The Annual Comprehensive Financial Report with the information as follows:</p> <ol style="list-style-type: none"> 1. A general overview and update on the system [CERS] by the executive director; 5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding progress, and other supporting data; 6. Investment information, including a general overview, a list of the system's professional consultants, a total net of fees return on system investments over a 	<p>trustees shall adopt a best practices model by posting the following information to the Kentucky Public Pensions Authority's website and shall make available to the public:</p> <p>(b) The Annual Comprehensive Financial Report with the information as follows:</p> <ol style="list-style-type: none"> 1. A general overview and update on the retirement systems [KRS] by the executive director; 5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding progress, and other supporting data; 6. Investment information, including a general overview, a list of the retirement system's professional consultants, a total net of fees return on retirement 		<p>for the systems. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards....</p> <p>KRS 61.505(1) (b) A system of accounting that is developed by the Authority for the Kentucky Retirement Systems and the County Employees Retirement System;</p>

ITEM	CERS	KERS	SPRS	KPPA
	<p>historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;</p> <p>7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and</p> <p>8. A general statistical section, including information on contributions, benefit payouts, and retirement system demographic data;</p> <p>(c) All external audits;</p>	<p>systems investments over a historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;</p> <p>7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and</p> <p>8. A general statistical section, including information on contributions, benefit payouts, and retirement systems' demographic data;</p> <p>(c) All external audits;</p>		

STATUTORY CONCLUSIONS:

KRS 78.782, Stipulates that CERS shall be administered by the CERS board of trustees, KRS 61.645 Stipulates that KERS and SPRS shall be administered by the KRS board of trustees, and KRS 61.505 Charges KPPA with administrating day to day needs of CERS and KRS including the three components of a pension plan (determination, accumulation, payment), and KRS 78.782(9a) & KRS 61.645(9a) – establishes the executive director of KPPA as the chief administrative officer of both the CERS and KRS Boards

Therefore, KPPA management concludes that under GASB CERS, KRS, and KPPA all meet the definition of a PERS.

However, it does not seem likely that two special-purpose governments can both administer the same pension plans at the same time. Therefore, concluding on who is administering the “one or more pension plans” and is therefore defined as the PERS under GASB is ultimately the decision of the board(s) of Trustees and KPPA management.

Based on the statutes granting KPPA most of the administrative duties of the pension plans, and the fact that the statutes designate the KPPA executive director as the chief administrative officer for both the CERS Board and the KRS Board, KPPA management concludes that KPPA shall be designated as the PERS under GASB.

KRS 78.782 (12) (a): Requires KPPA to publish an annual financial report showing all receipts, disbursements, assets, and liabilities of the systems. As this is a CERS statute, we interpret this to be an annual report for CERS. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards, and the CERS board of trustees must select either the independent certified public accountant hired by KPPA or the Auditor of Public Accounts to perform the audit.

KRS 61.645 (12)(a): Requires KPPA to publish an annual financial report showing all receipts, disbursements, assets, and liabilities of the systems. As this is a KRS statute, we interpret this to be an annual report for KERS and SPRS. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards, and the KRS board of trustees must select either the independent certified public accountant hired by KPPA or the Auditor of Public Accounts to perform the audit.

These statutes are, at a minimum, vague regarding whether there should be a separate ACFR for the CERS and KRS systems. KPPA management has concluded that these statutes allow for the board(s) of Trustees and KPPA management to decide on how to produce the ACFR for the systems.

KPPA management recommends separate presentations of the CERS and the KRS in their own freestanding ACFR.

KRS 61.505 (1)(e) Directs KPPA to hire a single external certified public accountant who shall perform audits for both the [KRS and the CERS]. While KRS 78.782(2)(d) and KRS 61.645(2)(d) – Allows both the CERS and the KRS boards “to contract for investment counseling, **auditing**, medical, and other professional or technical services as required to carry out the obligations of the board subject to the provisions of KRS Chapters 45, 45A, 56, and 57.”

KPPA management concludes that KRS 78.782(2)(d) and KRS 61.645(2)(d) allows the board(s) to hire their own auditor for other audits such as forensic, internal control, other agreed upon procedures, etc.; however, for the ACFR and related audit, KPPA management has interpreted KRS 78.782 (12) (a) and KRS 61.645 (12)(a) to require CERS and KRS to use the KPPA hired certified public accountant or the Auditor of Public Accounts.

PERSONAL SERVICE CONTRACT FOR
EXECUTIVE DIRECTOR
BETWEEN
KENTUCKY PUBLIC PENSIONS AUTHORITY
AND
RYAN P. BARROW

This Personal Service Contract ("PSC" or "Agreement") is entered into by and between the Kentucky Public Pensions Authority ("Authority" or "KPPA") and Ryan P. Barrow ("Employee") to establish a contract for the positions of Contract Executive Director and then Executive Director of KPPA.

No solicitation was issued for these services.

Employee's appointment to this position was determined under the statutory authority of KPPA. Per KRS 61.505(8)(a), "The Kentucky Public Pensions Authority shall appoint or contract for the services of an executive director and fix the compensation & other terms of employment without limitation of the provisions of KRS Chapters 18A, 45A and KRS 64.640."

This PSC is effective June 16, 2024 and expires June 30, 2026. The Board reserves the right to renew this Agreement per the authority granted to them in KRS 61.505.

KPPA and Employee further agree to the following:

I. Scope of Agreement

Services required

Employment Duties, Contract Term and Application of Personnel Policies.

1. Duties.

The Board of KPPA agrees to employ Employee as Contract Executive Director, shadowing the current Executive Director, David L. Eager, from June 16, 2024 through June 30, 2024, and thereafter as Executive Director of KPPA from July 1, 2024 through June 30, 2026, unless earlier terminated pursuant to this Agreement. Employee will report to the Board of KPPA and shall perform his duties and discharge his responsibilities competently, carefully and faithfully as required herein and in accordance with the KPPA policies and statutes, as applicable. Employee will devote his full time and best efforts to the affairs of KPPA and shall complete all assigned tasks to the satisfaction of the Board and within any prescribed timeframe.

Commented [A1]: Mr. Barrow is proposing a 3-year Contract Term ending on June 30, 2027. Board vote on 2-year versus 3-year Contract Term is required.

Commented [A2]: Mr. Barrow is proposing a 3-year Contract Term ending on June 30, 2027. Board vote on 2-year versus 3-year Contract Term is required.

2. Resignation, Contract Term, & Notice of Non-Renewal.

Employee shall resign his current employment with the Office of Financial Management effective June 15, 2024, by submitting a written personnel resignation notice that states he is “resigning his position in the Office of Financial Management effective June 15, 2024 to be reappointed into a contract position at KPPA effective June 16, 2024.” The Parties have been advised by the Personnel Cabinet that if Employee complies with this provision regarding resignation and reappointment, then Employee will not have a break in service.

The term of Employee's employment with KPPA under this Agreement shall be for the period from June 16, 2024 through June 30, 2026 (the “Contract Term”), unless earlier terminated pursuant to this Agreement. Nothing in this Agreement shall be construed to create any commitment, guarantee, agreement or understanding of any kind that KPPA shall continue to employ Employee after the end of the Contract Term.

KPPA shall provide written notice to Employee of its intent, if any, not to re-negotiate a renewal or extension of this Agreement at least sixty (60) days prior to the end of the Contract Term.

3. Policies.

The Employee is subject to the current and future Commonwealth of Kentucky Employee Handbook, Personnel Policies, Conflict of Interest Policies, Confidentiality Policies, and/or any other personnel related policies or statutes which apply to KPPA employees except to the extent his unclassified position is exempted therefrom in any statute or exempted as set forth in this Agreement. Certain obligations of Employee in the Employee Handbook, policies, and statutes survive termination of Employee's employment under this Agreement, including but not limited to Employee's confidentiality obligations.

4. Compensation.

A. Salary.

KPPA shall pay Employee, as compensation for the performance of his obligations under this Agreement, an annual salary in the gross amount of \$200,000. Employee understands that no variable or performance linked compensation is envisioned during the Contract Term, but Employee shall receive any salary increments (intended as cost of living adjustments) passed by the legislature in its budget that all other employees of KPPA receive during the Contract Term. Employee's salary shall be paid in such periodic installments as KPPA pays its other employees.

B. Benefits.

KPPA shall provide Employee for the duration of the Contract Term with all benefits received by other employees of the KPPA as set forth in the Commonwealth of Kentucky Employee Handbook from time to time.

Commented [A3]: Mr. Barrow is proposing a 3-year Contract Term ending on June 30, 2027. Board vote on 2-year versus 3-year Contract Term is required.

5. Early Termination of Employment.

A. Termination for Cause.

KPPA may immediately terminate Employee's employment with KPPA at any time prior to the end of the Contract Term for "Cause" as defined below. The decision to terminate the Employee for Cause shall require a majority vote of the full KPPA Board. The existence of Cause shall be determined in the sole and absolute discretion of the KPPA Board.

Definition and Determination of "Cause."

As used herein, "Cause" shall include but not be limited to the following:

Failure or neglect by Employee to satisfactorily perform the duties of the Employee's position.

Failure of the Employee to obey lawful orders or to comply with lawful directives to him.

Misconduct in connection with the performance of any of his duties, including but not limited to misappropriation of funds or property of KPPA, misrepresentations to KPPA or any regulatory authority, the violation of any laws (except for minor traffic violations), regulations or policies to which KPPA is subject or the Employee's position is subject, violation of a provision of the Kentucky Executive Branch Code of Ethics or any policies of KPPA.

Commission by Employee of an act involving moral turpitude, dishonesty, theft, unethical business conduct, or conduct that impairs or injures the reputation of, or harms, KPPA.

The performance of any act outside the authority of the Executive Director (while purportedly acting on behalf of KPPA).

Failure to cooperate fully in any investigation by KPPA or by any regulatory or law enforcement authority that may properly investigate the KPPA.

Disclosure of any confidential or proprietary information.

Use or abuse of illegal drugs which interferes with the Employee's performance of his duties.

KPPA shall provide Employee with written notice of termination for Cause citing the specific reason for the termination. The Employee is non-classified and therefore Employee does not have the right to appeal any termination in any manner to a neutral decision maker. Consequently, Employee shall have no rights to the Grievance and Appeal Procedures set forth in the Commonwealth of Kentucky Employee Handbook and shall have no right of appeal to the Kentucky Personnel Board. The Employee's only rights of recourse are set forth in this Agreement.

B. Termination without Cause.

The Board of KPPA may terminate Employee's employment with KPPA prior to the end of the Contract Term at any time without Cause by providing written notice of the same. If Employee's employment with KPPA is terminated prior to the end of the Contract Term for reasons other than Cause, the Employee shall be entitled to six (6) months of the contractual compensation or the amount of the contractual compensation remaining through the end of the Contract Term, whichever is less. This amount shall be payable to Employee in one lump sum within sixty (60) calendar days of termination; provided, however, KPPA shall not be required to make any such payment until, upon the request of and in form acceptable to KPPA, Employee executes and delivers a full and complete release of KPPA, KPPA's Board, and KPPA's employees, individually and in their official capacities, for any and all claims and potential claims of any nature, employment related or otherwise, whether arising by statute, contract or common law, that Employee could assert against KPPA, such release to be in a form satisfactory to KPPA and its counsel.

In the event of termination without Cause, the only obligation for compensation to Employee shall be as stated in this subparagraph, and Employee shall not be entitled to compensation for the remaining term of employment under this Agreement.

C. Voluntary Termination.

Employee shall have the right to terminate his employment with KPPA voluntarily, at any time, by giving at least sixty (60) days written notice to the Chair of the KPPA Board. Under the terms of a voluntary termination, Employee is entitled to his contractual compensation, as set forth herein, through the date of resignation or last day worked as determined in the sole discretion of KPPA.

6. Miscellaneous.

A. Notices.

Any notice or other communication required, or which may be given to any party hereunder shall be in writing and shall be delivered personally, via email, or sent by certified, registered or express mail, postage prepaid, and shall be deemed given when so delivered personally or via email, or, if mailed, five days after the date of mailing to the respective party as follows:

To KPPA: Kentucky Public Pensions Authority
Attention: KPPA Board Chair
1260 Louisville Road
Frankfort, KY 40601

To Employee: Ryan P. Barrow
Rparr0@gmail.com

B. Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon KPPA and its successors and assigns, and Employee and his heirs and personal representatives, but Employee's rights hereunder are personal to him and shall not be subject to voluntary or involuntary alienation, assignment or transfer. For the purposes of this Agreement, the term "successors and assigns" shall mean any person, firm, corporation, or other entity which at any time, whether by change in law, merger, purchase or otherwise, shall manage or acquire all, or substantially all, of the assets or business of KPPA.

C. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky.

D. Entire Agreement.

This Agreement is the entire and exclusive agreement between Employee and KPPA with regard to the subject matter hereof and supersedes all previous oral and written agreements or understandings, and all contemporaneous oral and written negotiations, commitments, understandings and communications between them, except for any written agreements signed by the Chair of the KPPA Board and Employee regarding confidentiality, non-competition, and/or non-solicitation of employees, which written agreements shall remain in full force and effect according to its/their terms. Either KPPA or Employee may terminate the employment relationship pursuant to the terms of this Agreement. Nothing in this Agreement is intended, nor should be construed, to limit or modify this mutual right of at-will employment. This Agreement was negotiated between the Employee and the KPPA Board.

E. Waivers and Amendments.

This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the Chair of the KPPA Board and Employee or, in the case of a waiver, by the party waiving compliance. No delay on the part of the KPPA Board or Employee in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of KPPA Board or Employee of any right, power or privilege hereunder, or any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that KPPA Board or Employee may otherwise have at law or in equity, except as expressly excluded herein.

F. Severability.

The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof.

G. Counterparts.

This Agreement may be executed in two (2) or more Counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

H. Headings.

The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning, construction or interpretation of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement. The language in all parts of this Agreement is to be construed according to its fair meaning, and not strictly for or against any party hereto.

I. Jurisdiction.

KPPA and Employee hereby irrevocably consent and submit to the jurisdiction of (A) the Circuit Court of Franklin County, Commonwealth of Kentucky or (B) the United States District Court sitting in and for the district which includes the City of Frankfort, Commonwealth of Kentucky in any dispute, action, claim or proceeding arising out of or relating to this Agreement, and irrevocably agree that any and all claims arising out of or relating to this Agreement shall be heard and determined in these Courts, without regard to the principle of conflicts of law.

J. Conflict-of-Interest Laws and Principles.

The Employee certifies that he is legally entitled to enter into this Agreement with KPPA, and by holding and performing this Agreement, he will not be violating any Conflict-of-Interest Statute or Policy, or KRS 11A.040 of the Executive Branch Code of Ethics.

II. Contract Components and Order of Precedence

KPPA's appointment of the Employee as its Executive Director shall create a valid contract between the Parties consisting of the following:

1. Any Addenda to the Agreement.
2. Any written Agreement between the Parties.

In the event of any conflict between or among the provisions contained in the Agreement, the order of precedence shall be as enumerated above.

III. Pricing

1. Salary.

KPPA shall pay Employee, as compensation for the performance of his obligations under this Agreement, a base annual salary of \$200,000 and benefits as determined and set forth herein. Employee understands that no variable or performance linked compensation shall be paid during the term of this Agreement, but Employee shall receive any salary increments (intended as cost of living adjustments) passed by the legislature in its budget that all other employees of KPPA receive during the Contract Term. Any and all changes to this Agreement must be processed in the same manner as the original Agreement. The salary shall be paid in such periodic installments as KPPA pays its other employees.

IV. Invoicing

1. Payment.

Payment is processed through the Commonwealth of Kentucky's KHRIS system.

2. Travel Expenses.

Kentucky Public Pensions Authority may reimburse the Employee for travel expenses in accordance with the state regulations established by the Finance and Administration Cabinet and in compliance with Kentucky Revised Statutes and Kentucky Administrative Regulations upon receipt of approved documentation.

3. Other Expenses.

The Employee shall be reimbursed for no other expenses of any kind, unless and except as specifically authorized within the specifications of this Agreement or authorized in advance and in writing by the Chair of the KPPA Board.

If reimbursement of such expenses is authorized, the reimbursement shall be only on an out-of-pocket basis. Request for payment of same shall be processed upon receipt from the Employee of valid, itemized statements submitted periodically for payment at the time any fees are due. The Employee shall maintain supporting documents that substantiate every claim for expenses and shall furnish the same if requested by KPPA.

IN WITNESS WHEREOF, KPPA has caused this Agreement to be subscribed on its behalf by its duly authorize agent, and Employee has caused this Agreement to be subscribed on his behalf, as of the ____ day, _____, 2024. By affixing signatures below, the parties verify that they are authorized to enter into this Agreement and that they accept and consent to be bound by the terms and conditions stated herein. In addition, the parties agree that (i) electronic approvals may serve as electronic signatures; and (ii) this Agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all counterparts together shall constitute a single contract.

[SIGNATURES FOLLOW ON NEXT PAGE]

KPPA: KENTUCKY PUBLIC PENSIONS AUTHORITY
Employee: RYAN P. BARROW

By: _____
Name: TBD
Title: KPPA Board Chair
Date: _____

Commented [A4]: A new Board Chair will be elected at the KPPA meeting on April 25, 2024, and only the Chair can sign this Employment Agreement. We will add the name of the new Board Chair prior to signing of the Agreement.

APPROVED AS TO FORM AND LEGALITY:
KPPA'S OFFICE OF LEGAL SERVICES

By: _____
Name: Victoria A. Hale
Title: General Counsel, Non-Advocacy
Date: _____

0112286.0549312 4874-2579-3463v4

KPPA STRATEGIC PLAN

AREAS OF FOCUS

ORGANIZATIONAL EXCELLENCE

Create KPPA Organizational Excellence Model

- ◆ Enhance and support the KPPA mandates by using organizational excellence best practices and continuous improvement programs for business operations to create and follow an ongoing KPPA organizational excellence model.
 - ◆ Use benchmarking and best practices programs for customer service delivery and related continuous improvement services to compare KPPA performance to other organizations.
-

CUSTOMER SERVICE DELIVERY

Modernize, Enhance, and Sustain High Quality Services

- ◆ Build member engagement across career stages and age groups through more targeted communications and programs.
 - ◆ Evaluate service delivery programs regularly to take advantage of changing societal trends and performance benchmarks in customer service delivery.
 - ◆ Use timely satisfaction surveys to fine tune and/or redesign future programs.
-

INFRASTRUCTURE AND KEY RESOURCES

Modernize and Sustain High Quality Resources

- ◆ Reinforce KPPA's early-stage leadership and ongoing succession plan activities with additional proven best practices.
 - ◆ Continue to monitor and measure the effectiveness of hybrid working arrangements during 2024 and update plans accordingly for 2025 and beyond.
 - ◆ Conduct a comprehensive review of current technology against current and future needs and develop an overall roadmap with specific steps for addressing KPPA needs and consistent with societal trends in technology use.
 - ◆ Expand in-house investments management capacity.
-

GOVERNANCE

Confirm, Improve, and Monitor Operations

- ◆ Reinforce and communicate the structure and purpose of the KPPA Board as needed.
 - ◆ Apply best practices from Policy Governance models such as the "one board, one voice" fundamentals for leading KPPA.
 - ◆ Refine process of KPPA board decisions impacting KPPA operations to ensure intent and purpose of relevant statutes are being applied effectively and efficiently.
 - ◆ Ensure that KPPA operational resources are controlled and monitored by the KPPA executive director as directed by the KPPA board.
-



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road · Frankfort, Kentucky 40601
 kyret.ky.gov · Phone: 502-696-8800 · Fax: 502-696-8822



To: Kentucky Public Pensions Authority

From: David Eager, Executive Director

Date: April 25, 2024

Subject: KPPA Update

I. STAFFING: We currently have a staff of 258 which is below our cap of 270. We requested an increase in the cap to 284 over the next two years. However, the increase has been struck from the budget bill. We are trying to get those put back in.

II. RETIREMENTS: Below represents the historical data regarding the membership numbers:

	Membership as of June 30, 2018	Membership as of June 30, 2023
CERS	242,185	277,371
KRS	134,477	141,386
SPRS	<u>2,626</u>	<u>2,852</u>
Total	379,288	421,609

In comparison to the 11% increase in membership, KPPA staff numbers remained relatively flat only increasing approximately 1% from 247 as of June 30, 2018 to 250 as of June 30, 2023.

KERS retirements have decreased from 1,761 in 2019 to 1,254 in 2024. CERS retirements have decreased from 3,805 in 2019 to 3,261 in 2024. There was also a decrease SPRS retirements from 60 in 2019 to 11 in 2024.

III. LOUISVILLE OFFICE: On January 18th, KPPA Executive Staff met with leadership from the Finance and Administration Cabinet, including Secretary Johnson, to discuss options for the lease of office space in Louisville for KPPA Investments Staff. We are no longer pursuing a legislative fix to the issue; however, we are continuing to work with the Finance and Administration Cabinet to issue an “invitation” (RFP) for potential property. Finance staff have been responsive, and they now have the available staff to address our needs. Between January 31st and February 23rd, KPPA and Finance staff met several times to finalize our Agency Request. The request is for approximately 3,500 square feet and will include a conference room in addition to offices and workstations. Finance is finalizing the invitation (the "property RFP"). We anticipate that the invitation will be issued in the coming weeks.

IV. ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) and SUMMARY ANNUAL FINANCIAL REPORT (SAFR): The [ACFR](#) was published to the KPPA website on December 8, 2024, and the [SAFR](#) was published to the KPPA website on January 10, 2024. Below are additional details regarding the distribution of the SAFR.

Print Distribution:

- 4,000 print copies were ordered
- Copies were mailed to 1,420 participating employers the week of February 19th
- Copies were provided to the Legislative Research Commission (LRC) on February 19th for distribution to legislators
- Two (2) copies were provided to all Trustees via U.S. Mail
- Copies are available onsite at KPPA

Currently, the ACFR is available in electronic form only.

LEGISLATIVE UPDATE: Kentucky General Assembly 2024 Regular Session Update

Several retirement-related bills have passed both chambers of the General Assembly and are currently under review by the Governor.

[House Bill 99](#) (Rep DJ Johnson), the KPPA Housekeeping bill, amends various sections of KRS Chapters 16, 61, and 78 to make technical and housekeeping changes relating to KPPA's administration of the systems. Of particular note, the bill changes the disability application review process to permit one medical examiner to review initial applications and approve a member for disability with no additional reviews required. If disability is denied, up to two more examiners will review the application to achieve majority consensus for approval or disapproval of disability. This change is expected to speed up the review process and provide cost savings to KPPA's administrative expenses while maintaining the applicant's right to a thorough review of their application.

House Bill 99 was sent to the Governor on March 28 for his review and consideration.

[House Bill 1](#) (Rep Jason Petrie, *et al*) allocates money from the Budget Reserve Trust Fund Account, commonly known as the state's "Rainy Day Fund," to be applied to the unfunded liability of the KERS Nonhazardous pension fund and the SPRS pension fund (\$50 million and \$25 million each fiscal year, respectively). The Senate's version of the bill included money to pay for a one-time "13th Check" for some KERS and SPRS retirees but that allocation was removed from the final version of the bill.

[House Bill 6](#) (Rep Jason Petrie, *et al*) is the State/Executive Branch budget bill for the biennium beginning July 1, 2024, through June 30, 2026. The budget includes the full actuarially determined employer contribution rate for the KERS and SPRS plans, and it allocates an additional \$250 million in each fiscal year to be paid toward the unfunded liability of the KERS Nonhazardous pension fund. The budget includes a 3% raise for state employees in each year of the biennium, and it restores some, but not all, of the money KPPA requested to spend from our restricted

funds toward our administrative budget (no General Fund monies are used for this purpose: this is pension fund money but the General Assembly grants KPPA permission to use it). House Bill 6 does not contain a COLA or other form of supplemental payment (such as a “13th check”) for retirees. This means there are no budget bills that contain a COLA or other form of supplemental payment for retirees in any of the systems administered by KPPA.

[House Bill 277](#) (Rep Jason Nemes) transfers employees of the Louisville and Jefferson County Public Defender Corporation to the Department of Public Advocacy in the state personnel system to provide employment and retirement benefits based on their service with the Corporation. It is estimated that 95 current employees would be affected by this transfer. No more than 25 of these 95 employees might be eligible to receive an earlier participation date based on their employment date with the Corporation, which means those employees may receive higher benefit payments than if they had received benefits under Tier 3. However, due to the limited number of individuals who might qualify for an earlier participation date, GRS does not expect this bill to have a material financial impact on any of the systems. The bill has an Emergency clause, and the transfer would take effect on July 1, 2024.

[House Bill 354](#) (Rep DJ Johnson) requires the Department of Education to pay to KPPA the health insurance premium reimbursements required for retirees who participated in a hazardous position prior to July 1, 2003, and are reemployed by a local school board. It also provides that local school board employees who are retirees who participated in a hazardous position prior to July 1, 2003, shall have the cost of their retiree health insurance reimbursed to KPPA.

[House Bill 635](#) (Rep David Meade) implements additional reporting requirements for actuarial analyses and expands the required supporting documentation and explanations of findings for fiscal and corrections impact statements. In pertinent part to KPPA, the bill amends KRS 6.350 to require an actuary performing an actuarial analysis to clearly note and describe a new assumption or method and the basis for selecting the assumption or method, including any documentation, studies, written opinions, calculations, or citations in support of their choice. It also requires the actuary to certify that the information provided in the analysis is accurate. House Bill 635 was delivered to the Governor for his consideration on March 28.

The General Assembly is currently scheduled to return to Frankfort on Friday, April 12 for Legislative Day 59 of the 2024 Regular Session, and will adjourn *Sine Die* on Monday, April 15, 2024.

V. ACTUARIAL ANALYSIS STATEMENTS: Staff has prepared 75 Actuarial Analysis Statements during the 2024 Regular Legislative Session to date.

VI. NEWSLETTERS: 2023 was the first time since 2008 that KPPA issued three Member and Retiree Newsletters in a single year. We are continuing this practice in 2024 as our newsletter metrics continue their upward trend. The KPPA Division of Communications emailed the [2024 Winter Edition of Pension Insights](#) to 213,369 members on February 26, 2024. As of March 1st, that newsletter had a 50% open rate. The 2023 Fall Edition's 53% open rate is the highest that

KPPA has experienced since our ability to accurately track newsletter performance began in May of 2019. During the past five years, the open rate has ranged from 39% to 53%.

VII. ALL EMPLOYEE MEETINGS: Our most recent All Employee Meetings were held onsite in the Building C Boardroom and virtually on March 26th and 27th .

KENTUCKY PUBLIC PENSIONS AUTHORITY

TO: Members of the Board
 FROM: David L. Eager
 Executive Director
 DATE: April 25, 2024
 SUBJECT: Service Recognition Awards

In 1988, the Board elected to annually recognize members of the staff for their service to the Board and the members of CERS, KERS, and SPRS. Certificates and pins are given for each five-year period an employee has been on the retirement systems' staff. There are a total of 57 employees eligible for a KPPA service award this fiscal year.

The following **16** employees will receive their **five-year** service award:

Amy Gash	Accounting
LaShannon Norris	Accounting
Angie Griffin	Enterprise & Technology Services
Timothy Groves	Enterprise & Technology Services
Travis Humphries	Enterprise & Technology Services
Ashlyn Jackson	Disability & Survivor Benefits
Martha Stratton	Employer Reporting, Compliance & Education
Madeline Evans	Internal Audit
Victoria Hale	Legal Non-Advocacy
Chase Nichols	Member Services
Kimberley Harris	Member Services
Anderea Youngblood	Membership Support
Kennedy Lewis	Membership Support
Shawn Newsome	Membership Support
Dolores Birdwhistell	Procurement & Office Services
Brenda Snider	Retiree Healthcare

The following **10** employees will receive their **ten-year** service award:

Don Chapelle	Enterprise & Technology Services
Magnus Geijer	Enterprise & Technology Services
Megan Gorham	Disability & Survivor Benefits
Carrie Slayton	Legal Advocacy
Daniel Nation	Membership Support
Jack Medlar	Membership Support
Brett Howell	Quality Assurance
Lindsay Fallis	Quality Assurance
Rachel Barnett	Retiree Healthcare
Tom Wells	Retiree Healthcare

The following **8** employees will receive their **fifteen-year** service award:

Connie Davis	Accounting
Chad Bryan	Enterprise & Technology Services
Kevin Lee	Enterprise & Technology Services
Martin Miller III	Enterprise & Technology Services
Shaun Case	Enterprise & Technology Services
Holly Liu	Procurement & Office Services
Amy Hockensmith	Quality Assurance
Leah Locknane	Retiree Healthcare

The following **10** employees will receive their **twenty-year** service award:

Kristy Feldman	Accounting
Christy Boone	Disability & Survivor Benefits
Dominique McKinley	Enterprise & Technology Services
Bennie Good	Employer Reporting, Compliance & Education
D’Juan Surratt	Employer Compliance, Reporting & Education
Melissa Ping	Employer Reporting, Compliance & Education
Kimberly Leet	Human Resources
Leigh Ann Davis	Legal Advocacy
Jeffrey Pritchett	Member Services
Debra Smith	Quality Assurance

The following **10** employees will receive their **twenty five-year** service award:

Ann Case	Accounting
Michael Curtsinger	Accounting
Liza Welch	Disability & Survivor Benefits
Rebecca Adkins	Executive
Lori Wells	Human Resources
Jody Carson	Member Services
Kelly Newton	Member Services
Jennifer Land	Quality Assurance
Wesley Crosthwaite	Quality Assurance
Wesley Smith	Quality Assurance

The following **3** employees will receive their **thirty-year** service award:

Terri Price	Member Services
Walter Weitzel	Membership Support
Andra Deaton	Quality Assurance



KPPA
Kentucky Public Pensions Authority

Annual Service Recognition Awards

April 25, 2024



Amy Gash	Accounting
LaShannon Norris	Accounting
Angie Griffin	Enterprise & Technology Services
Timothy Groves	Enterprise & Technology Services
Travis Humphries	Enterprise & Technology Services
Ashlyn Jackson	Disability & Survivor Benefits
Martha Stratton	Employer Reporting, Compliance & Education
Madeline Evans	Internal Audit
Victoria Hale	Legal Non-Advocacy
Chase Nichols	Member Services
Kimberley Harris	Member Services
Anderea Youngblood	Membership Support
Kennedy Lewis	Membership Support
Shawn Newsome	Membership Support
Dolores Birdwhistell	Procurement & Office Services
Brenda Snider	Retiree Healthcare

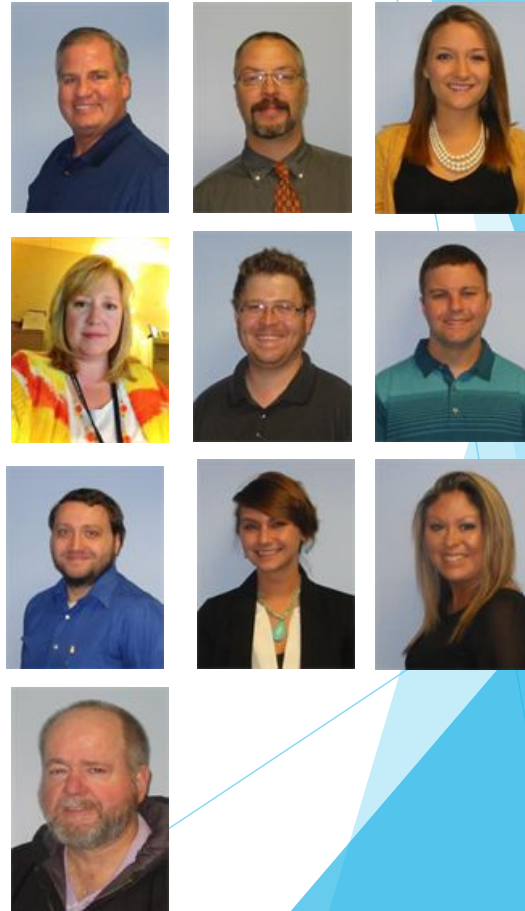
Five Years





Don Chapelle	Enterprise & Technology Services
Magnus Geijer	Enterprise & Technology Services
Megan Gorham	Disability & Survivor Benefits
Carrie Slayton	Legal Advocacy
Daniel Nation	Membership Support
Jack Medlar	Membership Support
Brett Howell	Quality Assurance
Lindsay Fallis	Quality Assurance
Rachel Barnett	Retiree Healthcare
Tom Wells	Retiree Healthcare

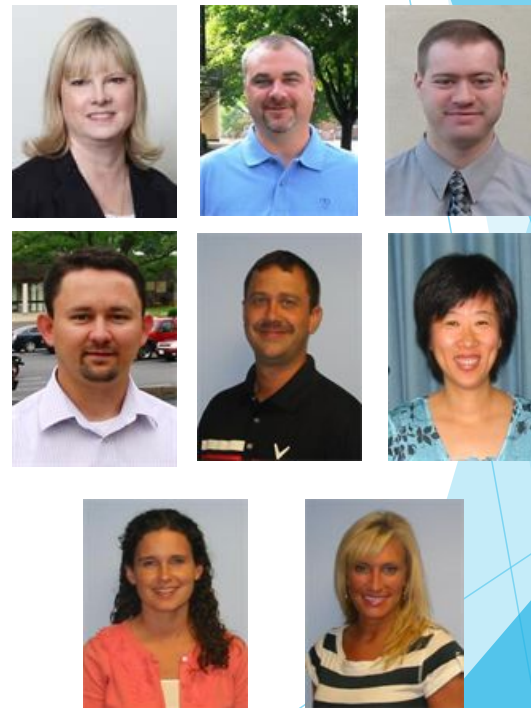
Ten Years





Connie Davis	Accounting
Chad Bryan	Enterprise & Technology Services
Kevin Lee	Enterprise & Technology Services
Martin Miller III	Enterprise & Technology Services
Shaun Case	Enterprise & Technology Services
Holly Liu	Procurement & Office Services
Amy Hockensmith	Quality Assurance
Leah Locknane	Retiree Healthcare

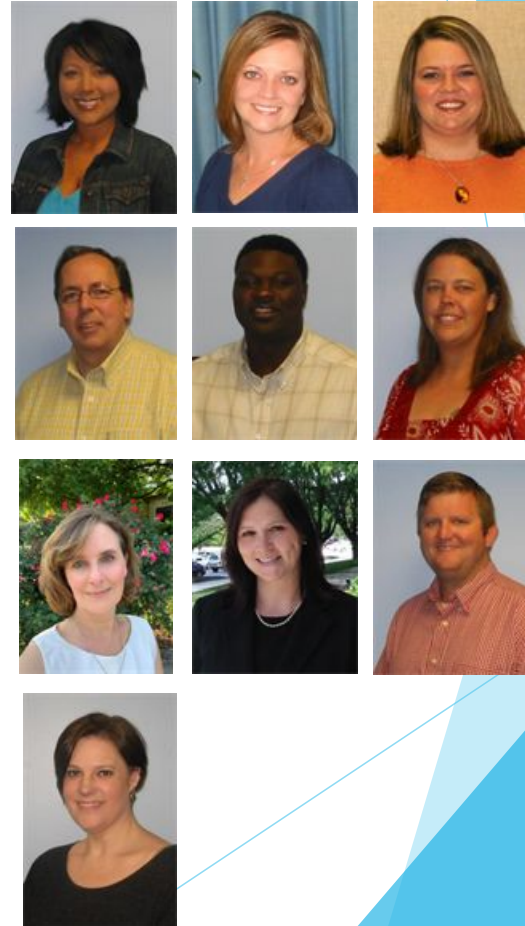
Fifteen Years





Kristy Feldman	Accounting
Christy Boone	Disability & Survivor Benefits
Dominique McKinley	Enterprise & Technology Services
Bennie Good	Employer Reporting, Compliance & Education
D’Juan Surratt	Employer Reporting, Compliance & Education
Melissa Ping	Employer Reporting, Compliance & Education
Kimberly Leet	Human Resources
Leigh Ann Jordan Davis	Legal Advocacy
Jeffrey Pritchett	Member Services
Debra Smith	Quality Assurance

Twenty Years





Ann Case	Accounting
Michael Curtsinger	Accounting
Liza Welch	Disability & Survivor Benefits
Rebecca Adkins	Executive
Lori Wells	Human Resources
Jody Carson	Member Services
Kelly Newton	Member Services
Jennifer Land	Quality Assurance
Wesley Crosthwaite	Quality Assurance
Wesley Smith	Quality Assurance

Twenty-Five Years





Thirty Years

Terri Price

Member Services

Walter Weitzel

Membership Support

Andra Deaton

Quality Assurance

