Kentucky Public Pensions Authority
Ad Hoc Budget Committee – Special Meeting
October 30, 2025, at 1:00 PM EST (12:00 PM CT)
Live Video Conference/Facebook Live

AGENDA

1.	**Call to Order**	**William O'Mara**
2.	**Opening Statement**	**Legal Services**
3.	**Roll Call**	**Sherry Rankin**
4.	**Public Comment**	**Sherry Rankin**
5.	**Approval of Meeting Minutes* - September 22, 2025**	**William O'Mara**
6.	**FY2027 – DRAFT HYBRID Percentages for CERS & KRS Boards*** **a. Review of History and Methodology** **b. Discuss Large Categories** **c. Discuss Employee Categories** **d. Discuss Methodology**	**Mike Lamb**
7.	**Other Budget topics**	**Mike Lamb**
8.	**Schedule next meeting date and time**	**William O'Mara**
9.	**Adjourn***	**William O'Mara**

****Committee Action May Be Taken***

MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL-CALLED MEETING
AD HOC BUDGET COMMITTEE
SEPTEMBER 22, 2025, 1:00 P.M., E.T.
VIA LIVE VIDEO
TELECONFERENCE

At the September 22, 2025, Special-Called Meeting of the Ad Hoc Budget Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O'Mara and Prewitt Lane. Staff members present were CERS CEO Ed Owens III, KRS CEO John Chilton, Ryan Barrow, Rebecca Adkins, Michael Lamb, Victoria Hale, Elizabeth Smith, Vonda Donoho, Shaun Case, Sandy Hardin, and Sherry Rankin.

1. Mr. O'Mara called the meeting to order.

2. Ms. Hale read the Opening Statement.

3. Ms. Rankin called roll.

4. Ms. Rankin noted there was one ***Public Comment*** that was received. *(Video 00:006:13 to 00:06:46).*

   <u>Jerry Waddell:</u>
   Since the economy is in such bad shape, we the people of CERS have not received a raise in years. Is there going to be any raises in the near future? I'm 70 years old on Social Security. It's getting hard to make ends meet.

   Mr. O'Mara thanked Mr. Waddell for his comment and stated that it would be shared with KPPA staff.

5. Mr. O'Mara introduced the agenda item ***Approval of Meeting Minutes – August 29, 2025***

(Video 00:006:46 to 00:07:17). Mr. Lane made a motion to approve the minutes as presented. Mr. O'Mara seconded the motion. The motion passed unanimously.

6. Mr. O'Mara introduced the agenda item ***FY26-28 Biennium Budget – Additional Budget Request Discussion*** *(Video 00:07:36 to 00:44:00).* Mr. Lamb opened by revisiting the Budget Office's baseline figure of $50,115,600 for Fiscal Years 2027 and 2028, noting that it appeared to be slightly lower than needed based on current budget discussions. He shared updates from follow-up meetings, including the removal of the $270,000 hearing officer line item and confirmation of legal and IT-related costs. Despite adjustments, the budget remained tight. Mr. Lamb explained that the Personnel Cabinet added $149,000 for IT position assessments, but internal estimates suggested costs closer to $750,000 annually. However, anticipated savings from reduced retirement rates—estimated at $1.4 million—offset these costs.

   To address the shortfall, Mr. Lamb analyzed staffing levels, noting that while the cap is 284 full-time employees, actual staffing averages are lower due to turnover. By adjusting projections to 97% and 97.5% staffing levels for FY 2027 and 2028 respectively, the budget could be balanced with minimal reserve. Mr. Lamb also presented a memo and PowerPoint presentation, outlining the biennium baseline budget submission and a capital planning submission totaling $75 million, with $15 million allocated for FY 2028.

   Discussion turned to the possibility of submitting an Additional Budget Request (ABR) to cover potential shortfalls. Mr. Lamb clarified that an ABR would be required to exceed the $50,115,600 baseline. Mr. O'Mara inquired about historical salary underspending, and Mr. Lamb reported actual personnel costs and salary figures for FY 2024 and FY 2025, noting consistent underspending—90% of budget in FY 2025, 88% in FY 2024, and 82% in FY 2023.

   Mr. Lane expressed support for maintaining a conservative budget approach, citing flexibility for unexpected technology needs. Mr. O'Mara agreed, preferring not to request additional funds unless tied to specific line items. Mr. Lamb explained that the ABR justification would center on personnel costs tied to the upcoming IT modernization project, including overtime and backfilling roles. Mr. O'Mara emphasized the need for detailed support behind any funding request, and Mr. Lamb acknowledged the challenge of estimating costs, suggesting historical data might provide guidance.

Mr. O'Mara raised concerns about approving budget adjustments without sufficient research or backup, especially given the historical gap between total budget and actual spending. He questioned the feasibility of absorbing a $1 million reduction to meet the $50 million target and asked about the process for requesting additional funds mid-biennium. Mr. Lamb explained that a budget addendum could be submitted to the Budget Office with proper justification.

The conversation shifted to the $15 million Capital Project slated for FY 2028. Mr. O'Mara asked whether the proposed $1 million in support costs for FY 2027 could be justified, and whether such costs should be included in the Capital Project Budget. Mr. Lamb clarified that the capital planning covers external vendor costs, not internal personnel expenses, and acknowledged the possibility of submitting an Additional Budget Request (ABR) for the second year instead of the first.

Ms. Adkins added that since KPPA operates on trust funds rather than general funds, an ABR serves as permission to spend—not a mandate. She recommended a conservative approach: request the ABR now and use it only if necessary. She noted that retroactive requests are time-consuming, and that budget flexibility is important, especially given the likelihood of across-the-board cuts in the upcoming cycle. She emphasized that the ABR could help hedge against such reductions.

Mr. O'Mara proposed a scenario of requesting $500,000 for FY 2027 and $1 million for FY 2028, suggesting that a smaller figure might be more palatable and less attention-grabbing than a full $1 million upfront. Mr. Lane agreed, supporting a more modest request given the uncertainty.

Elaborating on the Capital Plan, Ms. Adkins explained that although the external vendor engagement hasn't officially begun, internal preparations are already underway. KPPA is accelerating work originally planned over 18 months to align resources for the upcoming system modernization. FY 2026 and part of FY 2027 will focus on technical assessment, with the vendor evaluating current systems and best practices. Projects will be prioritized over several years, including major upgrades such as shifting employer error correction to self-service and expanding automated regression testing. The implementation will follow a bell curve—ramping up in the second biennium and stabilizing in the third.

Mr. O'Mara revisited the discussion with a second proposal, acknowledging the complexity of estimating costs prior to finalizing the RFP scope. He noted that it has been decades since the system was last replaced and shared that staff already appear stressed about the upcoming project. Mr. Lamb responded that by July 2027, the team would likely be actively working and proposed $750,000 as a more justifiable figure if supported by available data.

Ms. Adkins supported the $750,000 estimate, noting that $500,000 might be too low. She emphasized KPPA's history of conservative spending and reassured the group that any approved funds would be used prudently. Mr. O'Mara reiterated his desire to support staff without arbitrarily setting figures, encouraging a number that felt reasonable and defensible.

Mr. Lamb reminded the group that ABRs must go through the formal budget process and shared that a previous request for additional headcount had not been approved. Mr. Chilton suggested waiting until there was more clarity on the need for increased funding, cautioning that a second request might be harder to justify. Mr. Lamb acknowledged that if KPPA remained under its staffing cap due to turnover, existing salary allocations might absorb overtime and ancillary costs. However, if fully staffed, a future request could be warranted.

Mr. O'Mara clarified that the current budget proposal already includes a $1 million reduction based on turnover assumptions. Mr. Barrow added that budgeting for lapse—such as the 97% and 97.5% staffing assumptions—is standard practice and manageable. He emphasized that the IT modernization is a once-in-20-years project and difficult to estimate precisely. He supported the ABR as a ceiling that may not be used but would enable progress if needed.

Following discussion, the group leaned toward proposing $750,000 for FY 2027 and $1.5 million for FY 2028 as reasonable figures. Mr. Lamb agreed and committed to updating the KPPA Board presentation to reflect these numbers.

Mr. Lane made a motion to approve the FY26-28 biennium budget as presented and to forward it to the full KPPA Board for its approval. Mr. O'Mara seconded the motion. The motion passed unanimously.

7. Mr. O'Mara introduced the agenda item ***Other Budget Topics*** *(Video 00:44:00 to 00:44:55).* Mr. Lamb stated that although there had been prior discussion about reviewing administrative budget details for Fiscal Year 2027, he proposed tabling that portion for now. His priority was to finalize and present the KBUD submission to the KPPA Board due to the limited time remaining before the October 1 deadline. He suggested reconvening at a later date to address additional budget matters, including hybrid percentage allocations, classification of specific budget line items, and other related topics.

8. Mr. O'Mara introduced the agenda item ***Schedule Next Meeting Date and Time*** *(Video 00:44:55 to 00:46:21).* Mr. O'Mara proposed scheduling one more meeting to follow the KPPA Board meeting. The group agreed to have Ms. Rankin coordinate calendars and plan the meeting for late October or early November, depending on team availability.

9. There being no further business, Mr. O'Mara ***adjourned*** the meeting and thanked everyone for their contributions.

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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.

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Recording Secretary

I, as Chair of the Ad Hoc Budget Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on September 22, 2025, were approved by the KPPA Ad Hoc Budget Committee on October 30, 2025.

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Committee Chair

I have reviewed the Minutes of the KPPA Ad Hoc Budget Committee meeting on September 22, 2025, for form, content, and legality.

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Office of Legal Services