

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
ANNUAL MEETING
VIA LIVE VIDEO TELECONFERENCE
APRIL 28, 2022 AT 10:00 AM ET**

At the Annual Meeting of the Board of the Kentucky Public Pensions Authority held on April 28, 2022 the following members were present: Keith Peercy (Chair), Lynn Hampton, Dr. Merl Hackbart, Prewitt Lane, William O'Mara, Betty Pendergrass, and Jerry Powell. Other Trustees in attendance was Dr. Crystal Miller. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Marlane Robinson, Connie Davis, Kristen Coffey, Ashley Gabbard, D'Juan Surratt, Victoria Hale, Ann Case, Jared Crawford, Phillip Cook, and Sherry Rankin. Others in attendance was Eric Branco with Johnson, Bowman and Branco.

Mr. Peercy called the meeting to order.

Mr. Board read the Legal Opening Statement.

Ms. Rankin called roll.

There being no *Public Comment* submitted, Mr. Peercy introduced Mr. David Eager, Executive Director of KPPA to initiate the agenda item *Election of Chair and Vice Chair*. Mr. Eager opened the floor for nominations for the Chair of the KPPA Board. Ms. Pendergrass made a motion and was seconded by Mr. O'Mara to nominate Jerry Powell as Chair of the KPPA Board. The motion carried, with Ms. Hampton abstaining from the vote.

Mr. Powell thanked Mr. Peercy for his service to the KPPA Board and opened the floor for nominations for Vice Chair of the KPPA Board. Ms. Pendergrass made a motion to nominate Keith Peercy as Vice Chair of the KPPA Board. Mr. Peercy declined the nomination. Ms. Hampton made a motion and was seconded by Mr. Peercy to nominate Prewitt Lane as Vice Chair of the KPPA Board. The motion passed unanimously.

Mr. Powell introduced agenda item *Approval of Meeting Minutes – March 24, 2022*. Ms. Hampton made a motion and was seconded by Mr. O’Mara to table the approval of the minutes from the March 24, 2022 meeting in order to provide more clarity of the actions taken by the Board. The motion carried, with Ms. Pendergrass casting a no vote. Mr. Powell asked Ms. Hampton to collaborate with Ms. Rankin to clarify the minutes. Ms. Hampton stated that she would also ask Mr. Chilton to provide assistance.

Mr. Powell introduced agenda item *Joint Audit Committee Reports*. Ms. Pendergrass provided a review of the Joint Audit Committee Meeting which was held on April 7, 2022. She stated the Internal Audit Director brought a request to the Committee to add a total of seven (7) audits to the prior approved Annual Audit Plan. These additions were approved by the Joint Audit Committee and were ratified by both the CERS and KRS Boards of Trustees. Ms. Pendergrass made a motion and was seconded by Ms. Hampton to approve the addition of the seven (7) audits to the Internal Audit Plan. The motion passed unanimously.

Ms. Pendergrass stated that the other item that was presented and discussed at the Joint Audit Committee Meeting on April 7, 2022, was the Plan Liquidity Audit. Because more information was needed, this matter will be presented at the next Joint Audit Committee Meeting scheduled for May 24, 2022, with an update to be provided at the June KPPA meeting.

Mr. Powell introduced agenda item *Administrative Expense Allocation Update*. Ms. Adkins stated that at the KPPA meeting held on March 24, 2022, the KPPA Board elected to adopt the recommendations presented by the Cost Allocation Work Group with one change. That change was to move the Legal Advocacy staff from a 50/50 allocation to a membership allocation due to the majority of the work performed is attributable to disability cases by members who are system specific. The remainder of the Legal staff would remain at the 50/50 allocation. Ms. Adkins indicated that KPPA agreed that the hybrid allocation would be used for FY22 and for FY23, with a yearly review. The hybrid percentages presented at the March 24, 2022 KPPA meeting were calculated to be KRS at 37.61% and CERS at 62.39%. After the changes made regarding the Legal Advocacy staff, the updated hybrid percentages are calculated as KRS at 37.32% and CERS at 62.68%.

Ms. Adkins stated that at the March 24, 2022 meeting, KPPA decided that the CERS Board and the

KRS Board should decide how to further allocate the administrative expenses assigned to them between the plans that are controlled by their Boards. She reported that the CERS Board met on April 20, 2022 and decided to base the allocation of their expenses between CERS nonhazardous and hazardous based on membership as of June 30th of the previous fiscal year. Therefore, based on the membership as of June 30, 2021, the breakdown of the expenses is CERS nonhazardous at 57.58% and CERS hazardous at 5.10%. Ms. Adkins reminded the Trustees that this initial calculation is based on estimated budget figures, but moving forward there will be historical data which will allow for the percentages to be based on actual budget expenditures.

Mr. Powell introduced agenda item *Investment Division Positions*. Mr. Eager indicated that this topic will be discussed in the KPPA Update agenda item.

Mr. Powell introduced agenda item *KPPA Update*. Mr. Eager provided an update on KPPA which included discussions and information regarding the bi-weekly meetings between KPPA Executive Staff and the CEOs of the CERS Board and KRS Board, the upcoming New Trustee Orientation, the Budget Work Group, hybrid employee work schedules begin May 2nd, onsite counseling to begin on May 2nd with appointments, quarterly all-employee meetings in May, ongoing video and sound enhancement search for the Board Room, and CEM operational and investment studies.

Mr. Eager discussed the results from the recent legislation session. He stated that HB 297, our Housekeeping Bill, provided that six (6) of our Investment staff could be unclassified as to the salary provisions under 18A. Under this legislation, the Board is charged with agreeing with the positions, the position descriptions, and setting the salary limits. Mr. Eager suggested the formation of a working group that would include the Investment Committee Chairs, to research and bring recommendations to the Board on this subject. Ms. Pendergrass stated that the CERS Board recently created a Personnel Committee to analyze, review and handle a number of staffing issues. She indicated that this may be an opportunity to create such a committee at the KPPA level. Ms. Pendergrass made a motion and was seconded by Mr. O'Mara for KPPA to form a Personnel Committee. Ms. Pendergrass indicated that an Ad Hoc Personnel Committee could be formed until the Bylaws could be amended for a standing committee. Mr. Prewitt stated that such a committee would be unnecessary as KPPA has no direct staff. Mr. Percy questioned Ms. Pendergrass on whether this committee would solely be used for the positions that fall outside of the 18A provisions, or was the envision for this committee to be used for other positions, for which the Board has no

authority over. Ms. Pendergrass gave the example of the formation of a new CFO position and indicated that she feels that the Boards should have some oversight on the CFO qualifications, experience, duties and responsibilities. She stated that there are a number of opportunities in terms of managing key staff positions at the KPPA level. Ms. Hampton indicated that the Bylaws are very clear that it is not the Boards' responsibility and only provides oversight for the two CEO positions. Mr. O'Mara stated that a recent Board Smart segment discussed a Personnel Committee for Boards. It was regarding having a defined and formed Committee in place, so that the process and procedures for the evaluation of an Executive Director or CEO would already be in place. And, it could also function as a search committee should a position need to be filled. He stated that having a committee already in place would save time and resources if a need arose that could be handled by such a committee. Mr. Board cited KRS 61.505(8)(b) which states that the Kentucky Public Pensions Authority shall authorize the Executive Director to appoint the employees deemed necessary to transact the duties of the authority. He stated that the Board should keep this statute in mind when making a decision regarding the formation of this committee. Mr. Powell stated that the Board would be in an advisory position since the authority would lie with the Executive Director. Mr. Board agreed. Mr. Eager encouraged the Trustees to read "The Role of Trustees" and "The Role of the Board" in Board Smart as these provide an alert to Trustees about avoiding micromanaging, which would overstep the role of the Trustee. A roll call vote was taken, with Dr. Hackbart, Mr. O'Mara and Ms. Pendergrass voting yes and Mr. Percy, Ms. Hampton, Mr. Lane and Mr. Powell voting no. The motion failed. Mr. Powell stated that the working group, consisting of Dr. Hackbart and Mr. Lane, will work with Mr. Eager regarding the Investment positions and research the appropriateness of a personnel committee for KPPA.

Mr. Eager proceeded with the review of legislation by indicating that HB 76 requires the Board to do an experience study of economic assumptions every two (2) years instead of the current five (5) years. He stated that HB 297 was initially vetoed by the Governor, but the veto was overridden. Ms. Surratt added that another item in HB 297 was regarding the Medicare Secondary Payer Act and satisfying the 6th Circuit Court's ruling regarding our administration of the Act. This allows our retirees, who are Medicare eligible and affected by the Medicare Secondary Payer Act, to participate on the KEHP plans that are administered by DEI, Department of Employees Insurance. She stated that the collaboration and cooperation of DEI is greatly appreciated for allowing these retirees to participate on the plan. Ms. Surratt indicated that implementation is in the early stages, and updates will be provided as soon as those are available.

Ms. Surratt stated that HB 259 offers a sick leave buyout for the members of the State Police Retirement System, being specific to the Tier 3 members. This is to begin in July 2023 for any trooper who has at least five (5) years of service, and it allows for a contribution to be made to their account for any sick leave hours they have accumulated in excess of 480 hours. This will be funded by appropriations made by the General Assembly and will be reviewed on a yearly basis.

Ms. Surratt then spoke about SB 209 that allows for an additional \$5.00 to be added per year of service that the retiree has over the career threshold, which is defined as 27 years for non-hazardous and 20 or 25 years for hazardous, and depending upon their Tier. This option is only available for those retirees who are non-Medicare eligible and there is a requirement that the insurance fund must be 90% funded for this additional payment to occur. She stated that currently only one fund, the KERS Hazardous Insurance Fund that meets this requirement. However, it is projected that a few of the other plans should meet the funded requirement within the next few years. Staff are reviewing data and working on implementation as this is slated to take effect in January 2023.

Ms. Surratt stated that HB 668 requires KPPA to provide membership data related to HB 8 liability for KERS Non-Hazardous positions. Ms. Adkins added that these requests for data have a 90 day response time, so KPPA staff and the actuaries are working to meet those deadlines.

Mr. Powell introduced agenda item – *KPPA Service Recognition Awards*. Marlane Robinson, Division Director of Human Resources provided a presentation to recognize members of our staff for their service to the Board and the members of CERS, KERS and SPRS. There are 31 employees who are being recognized today for their 5, 10, 15, 20 and 25 year service awards. Mr. Powell thanked these employees for their dedication and service to KPPA.

Mr. Powell introduced agenda item – *Closed Session*. Mr. Powell indicated that there will be no need for a closed session at this time.

Ms. Pendergrass made a request about investment performance and compliance reporting. She stated that prior to April 2021, the Trustees received a comprehensive report which was very useful to the Trustees. She provided and reviewed a sample of the type of reporting that the Trustees received in the past. Ms. Pendergrass made a motion to resume this level of investment performance and compliance reporting beginning with the May Investment Committee Meetings and the June Board

Meetings. The motion failed for a lack of a second.

Mr. O'Mara made a motion and was seconded by Mr. Lane to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA Board held April 28, 2022 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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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 Board of Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on April 28, 2022 were approved on June 16, 2022.


KPPA Board Chair


Executive Director

I have reviewed the Minutes of the April 28, 2022 Kentucky Public Pensions Authority Meeting for content, form, and legality.


Executive Director. Office of Legal Services