

**MINUTES OF MEETING  
KENTUCKY PUBLIC PENSIONS AUTHORITY  
MEETING VIA LIVE VIDEO TELECONFERENCE  
NOVEMBER 17, 2021 AT 10:00 AM**

At the meeting of the Board of the Kentucky Public Pensions Authority held on November 17, 2021 the following members were present: Keith Peercy (Chair), John Cheshire, Campbell Connell, Dr. Merl Hackbart, Prewitt Lane, William O'Mara, Betty Pendergrass, and Jerry Powell. Other Trustees present were Larry Totten. Staff members present were KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Victoria Hale, Connie Davis, Kristen Coffey, Ann Case, Ashley Gabbard, D'Juan Surratt, Elizabeth Smith, Liza Welch, Steve Willer, Shaun Case, Phillip Cook, Glenna Frasher and Sherry Rankin.

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 agenda item *Approval of Minutes – September 8, 2021*. Mr. Powell made a motion and Mr. Cheshire seconded to approve the minutes as presented. The motion passed unanimously.

Mr. Peercy introduced agenda item *Approval of KPPA ByLaws*. Mr. Peercy began by stating that the changes were meant to amend meeting dates and the need to coordinate with the other Boards to try and make sure there is room placed between some of these meetings. This is an attempt to keep the meetings from coming too close together, which is putting a strain on the staff getting materials prepared for the meetings. Mr. Peercy asked for Ms. Pendergrass to weigh in on this subject. Ms. Pendergrass indicated that her assessment over the past six months is that there are too many meetings that are scheduled too close to one another. This is causing the staff to have to prepare for a future meeting, while staffing a live meeting, and it is just limiting the time staff has to get things ready and to facilitate these meetings in an efficient manner. She stated that she has asked Ed Owens, III, to review the CERS board and committee calendar to attempt to put some space between all of the board and committee meetings. She indicated that once all of the Boards can agree on the changed meeting dates and times, then each of the Boards can amend and approve these in their respective Bylaws. Ms. Pendergrass made a motion and Mr. Powell seconded to

table this item until February when we can get a better recommendation from all three Boards on the meeting dates. The motion passed unanimously.

Mr. Peercy introduced agenda item *Ratification of the Amendments of Regulations*. Mr. Michael Board began by stating that these amendments were brought to the Board at the last meeting, but due to the lack of time to review such voluminous records that these regulations contain, it was tabled to this meeting. Mr. Board indicated that they are rather lengthy, but necessary, and the specific regulations that are being amended are as follows:

105 KAR 1:210, Disability procedures

105 KAR 1:310, Fred Capps Memorial Act

105 KAR 1:330, Purchase of service credit

Mr. Board is seeking the Board to ratify the filing of the amended administrative regulations with the Legislative Research Commission. Ms. Pendergrass asked for clarification on whether or not these amendments have already been filed with the Legislative Research Commission. Mr. Board answered that the amendments have been filed with the Legislative Research Commission. However, we have received some minor edit requests back from them, and they were scheduled to go before the regulatory subcommittee in early November, but we deferred them, which is allowable for up to 12 times, because the Board had not had the chance to properly review them.

Ms. Pendergrass indicated she had some questions regarding the provisions that are included in these. She pointed out that in the amendment to the regulation regarding disability procedures, there is a provision there that if there is a reapplication after the applicant has requested an administrative hearing but prior to a Final Order, then the additional reapplication is deemed a notice of intent to dismiss the request for administrative hearing. She then pointed out that the page following this section, in number 2, that states the applicant has to file a written statement that they will not appeal the Final Order of the Disability Appeals Committee or they have withdrawn any pending appeal of a Final Order of the Disability Appeals Committee before this application can be submitted for review by the medical examiners. Ms. Pendergrass states that she is confused about those provisions, as it would seem we are taking away an opportunity for an applicant to go through due process. She asked for more clarification on these particular provisions. Mr. Board responded by going back to the first example Ms. Pendergrass questioned and indicated that if an applicant files a valid reapplication, while one is still pending, we will deem that filing to be the intent to dismiss the original application, which is pending in the hearing

process, prior to the entry of the Final Order is issued, unless they simultaneously sign and file a written statement that the reapplication is filed solely for designating a new beneficiary. In section 3(a)(1), it states that if a valid reapplication is filed after the Final Order of the Disability Appeals Committee has been issued, if they want us to consider the reapplication, then they need to tell us in writing that they are not going to appeal that Final Order of the Disability Appeals Committee. Or, if they have already appealed the Final Order, then they will have the case dismissed that has been filed with the Franklin Circuit Court. He stated that we do not want to be litigating the reapplication through the administrative process, and litigating the original application at the Franklin Circuit Court on the same issue. Mr. Peercy then asked for clarification for the statement that it would seem that you cannot have two active applications for exactly the same disabling conditions pending at the same time. Mr. Board indicated that is correct. Ms. Surratt indicated that she asked Ms. Liza Welch, the Director of Disability and Survivor Benefits, to join the meeting today, and welcomed her to add any comments to this discussion. Ms. Welch then addressed the Board and noted that an individual has 24 months from the date of their last paid employment to apply or reapply for disability retirement. The additional thought there is that if they are coming up on that 24 month date, and they feel that the decision on the initial application is not swaying in their favor, and they want the opportunity to appeal further, then they have the opportunity to dismiss the initial application in order to be able to reapply and still be within 24 months of their date of last paid employment. Ms. Pendergrass stated that helps explain it more clearly and she was simply making sure we are not eliminating opportunities for due process for our members. Mr. Board acknowledged that we have not and will not eliminate due process procedures. Mr. Powell made a motion and Mr. Cheshire seconded to ratify the amendments to the proposed regulations. The motion passed unanimously.

Ms. Pendergrass suggested that when we have these complicated administrative regulations, maybe we could take those regulations to the working committee that would have some oversight on applying that regulation. That way we could have more thorough discussion on process changes before we come to the Board. Just to get some additional input on the changes. Mr. Peercy questioned to what committee she is specifically referring. Ms. Pendergrass explained that in this particular situation, we have two regulations that effect how we handle disability claims and appeals process. So, these could have been split and gone to two different committees, to get input from the Trustees that are actively working on those types of issues. She further explained that the regulation regarding the purchase of service credit could have been sent to one of the Finance

Committees for further review and for additional input.

Mr. Peercy introduced agenda item *KPPA Updates*. Mr. Eager began by expressing his appreciation to Ms. Pendergrass for her effort in taking the initiative to work on spreading out the meetings for the Boards and Committees for the coming year. He indicated that having the meetings so close together causes a strain on the staff and the Board and heightens the chance for errors and omissions.

Mr. Eager gave an update on the collaborative work that has been going on between the KPPA Executives, Staff Assistants and the CEOs. He indicated that regular meetings are being held to in order resolve issues concerning administrative support, Statute language, needed legislation, Trustee education needs, expense allocation, meeting agendas, disaster recovery procedures, and future meeting schedules. Mr. Eager announced that the CEOs now have offices set up in house where administrative staff are available to them.

Mr. Eager announced that the agency has approximately 20% of staff still working from home full time, but there are an increasing number of staff who are on campus on any given day. The lobby of the lower building is open and there are a few dedicated office spaces that have been set up for members to use for a virtual appointment with staff. He mentioned that recently there were a few legislators who were concerned that productivity levels were down in agencies that were still allowing their employees to work from home. Mr. Eager stated that he met with Representative Graham about this issue and that he is supportive of the new working model that has developed since the pandemic. Mr. Powell questioned if members who do not have access to the internet had been notified that the office is open for in person services. Ms. Surratt indicated to her knowledge nothing has been sent out to members specifically. However, she stated that a plan is in place to allow in person visits in the near future, but those details are being finalized and a date certain has not been set. Ms. Surratt announced that positive feedback has been received from members regarding the virtual appointments, and those will continue even after the in person appointments start to happen.

Mr. Eager then spoke about KPPA staffing and indicated that there are currently 251 employees, which matches our employee count from 10 years ago. He indicated that in poling recent new hires that had previously worked in other state agencies, the consensus between the responses indicated

that our staff are hard workers and that our staff provides great support and that makes working here enjoyable. Mr. Eager stated that due to employee retirement back in 2018, our staffing level had dropped to the low 240 range, but those numbers have continued to increase and stated that there have been 24 new hires to date this year. He acknowledged the work of Marlane Robinson, Lori Casey and Kimberly Leet, the human resources staff, not only for their work when having to transition the employees to 18A but throughout all of the retirements and new employees that have added to their workload. He also acknowledged James Isaacs who is in charge of training our new counselors.

Mr. Eager indicated that the external audit is proceeding in normal course and the Joint Audit Committee will be meeting on November 30, 2021 to review the final results. He stated that the House Bill 8 appeals process, where 47 employers appealed some level of the liability that was charged to them, is coming to a close with a deadline of December 31, 2021. A more detailed report on this process will be brought at the December meeting.

Mr. Eager announced that the Public Pensions Oversight Board has requested that he present the GRS Valuations, Cash Flow and Investment results at the November 22, 2021 meeting. He stated that he has asked the Investment Department to explain to the Investment Committees and Boards, if warranted, the processes for auditing a manager's invoices. The media has highlighted the issue regarding irregularities found in invoices from investment managers by other public pension organizations across the Country. Mr. Eager stated that our Investment Department has processes in place to audit those invoices and would like for that information to be explained to the Trustees. He also indicated that a request has been made for the Investment Department to present their Fees Policy and discuss fee negotiations and levels regarding the investment benchmarks that have been set that ensure the competitiveness of our investments. Mr. Eager mentioned that discussions prior to the pandemic were held regarding a benchmark study possibility from CEMS to review management fees, expenses and activities, but felt that due to the CERS separation and working from home transition, that the timing was not proper. He intends to bring this discussion again early next year.

Mr. Eager stated that in January of next year, the RFP will be issued for the Actuary who will be retained in the spring of 2023 and will conduct their first valuation beginning in July 2023. Mr. Eager indicated that in regards to COLAs, he has not been approached since presenting the cost

information to the Public Pensions Oversight Board. In regards to the Biennium Budget, that has been submitted to the Legislative Research Commission. Mr. Eager stated that the 2022 actuarial experience will be allocated to the systems based on the formula that KPPA decides to use. Mr. Eager stated that ways are being sought to improve the presentation of our board and committee meetings both at the meetings and to the public. He indicated that we are mindful of the need to display the material so that it can be more easily read and steps are being taken but realize that there is always room for more improvement. Mr. Eager stated that Facebook is currently being used for viewing by those not participating in the meeting and other options are being reviewed as possible other means for streaming the live meetings. He then opened the floor for questions or comments.

Ms. Pendergrass stated that in previous minutes there was discussions held about bringing the biennium budget to the Trustees for review and input prior to submission. She indicated that she realizes the time constraints involved this year, but thought the opportunity for review would still be available to the Trustees. Ms. Pendergrass asked if any of the Boards or the Trustee receive more details regarding the biennium budget prior to the finalization by the Governor in January. Ms. Adkins stated this was an oversight and suggested that the financial statements, as well as the biennium budget be placed on the agenda for the December 8, 2021 meeting to afford the Trustee's a more detailed review of that information. Ms. Pendergrass then asked if the KRS Board has reviewed the biennium budget to date. Ms. Adkins answered no. Ms. Pendergrass suggested that it may be necessary to present it on both December 2<sup>nd</sup> to the KRS Board and to the KPPA Board on December 8<sup>th</sup>. Mr. Eager suggested that it is the administrative budget for KPPA and feels that it should just be presented to the KPPA Board. Ms. Adkins indicated that the biennium budget had already been presented to the CERS Board upon their request, but was not aware of any request made by the KRS Board. Ms. Pendergrass indicated that her thoughts are that by having it brought before the individual boards offers the Trustees, who are not on the KPPA Board, an opportunity to review and ask questions that those on the KPPA Board can address at the KPPA meeting. Ms. Adkins apologized for the oversight and indicated that it will be included on the agendas of the December Board meetings. Mr. Percy asked for clarification that the budget is approximately 80%+ salary and fringe benefits of employees. Ms. Adkins affirmed that is correct. Mr. Percy agreed to include it in the December meeting. Ms. Pendergrass indicated that one of the issues that CERS Board is reviewing is the fact that it is a \$48 million budget with a \$7 million contingency that seems to fluctuate between \$4 million and \$7 million. It is that line item that is confusing to the Trustees of the CERS Board. Ms. Pendergrass asked if the 80%+ includes contracts for outside

services such as attorneys and the medical examiners. Ms. Adkins answered no, it is only staff salaries and benefits. She also stated that the contingency amount has been a point of question for multiple years and after having discussions with the accounting department, the amount included in that line item can be lowered. Dr. Hackbart stated that it would be beneficial to just list the raw numbers in the proposal, possibly listing a provision for the future, in terms of potential new initiatives that may enhance operations. This is the critical part of the budget process, as the numbers follow what we intend to do, so he feels some discussion of that or some perspective would be valuable to the Trustees and the general public as well. Ms. Pendergrass had another suggestion when we are doing our budget to actual comparisons, to include the prior year actual figures. This will assist the newer Trustees in determining consistency in the budget.

Mr. Percy introduced agenda item – *New Business*. Mr. Percy indicated that he had no new business and asked other board members if they had any new business to discuss. Dr. Hackbart made a suggestion about the possibility of KPPA doing a series of webinars, particularly now that the new structure of the organization is settling, for information to be given to the city officials, legislators, and other interested parties, about how we are operating under the new guidelines and Statutes. With new officials taking office, it would be a great time to have a webinar to discuss the relationship between the cities and counties with CERS and KPPA. He suggested webinars on different topics and offer them periodically or quarterly, and he feels this will raise the profile of KPPA in the general public and offer more transparency to our organization. Mr. Eager stated that it should be taken under consideration to further our attempts for more transparency. He indicated that as in the past, attempts are being taken again to try present material and information to legislators, but feels sessions like these would be beneficial. Ms. Pendergrass stated that a webinar on financial statements and how we prepare those would be a very beneficial topic.

Mr. Percy introduced agenda item – *Closed Session*. Since there is nothing to discuss in closed session, Mr. Percy moved on with the meeting. Mr. Lane made a motion and was seconded by Dr. Hackbart to adjourn the meeting. The motion passed unanimously.

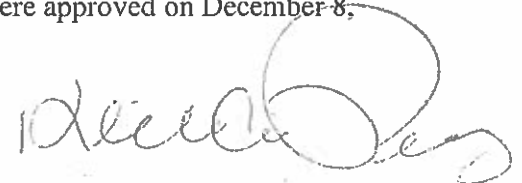
Copies of all documents presented are incorporated as part of the Minutes of the KPPA Board held November 17, 2021 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

## 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

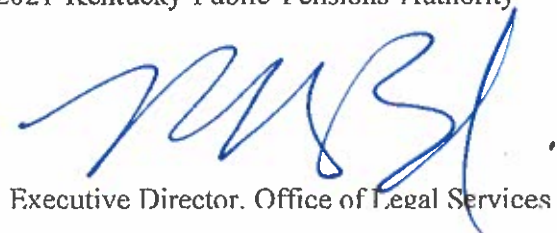
We, the Chair of the Board of Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on November 17, 2021 were approved on December 8, 2021.



KPPA Board Chair

Executive Director

I have reviewed the Minutes of the November 17, 2021 Kentucky Public Pensions Authority Board Meeting for content, form, and legality.

  
Executive Director, Office of Legal Services