

**MINUTES OF MEETING**  
**KENTUCKY PUBLIC PENSIONS AUTHORITY**  
**VIA LIVE VIDEO TELECONFERENCE**  
**SEPTEMBER 28, 2023, AT 10:00 AM ET**

At the meeting of the Kentucky Public Pensions Authority held on September 28, 2023, the following Members were present: Keith Peercy (Chair), Prewitt Lane, William O'Mara, Betty Pendergrass, Dr. Merl Hackbart, Lynn Hampton, Jerry Powell, 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, Jillian Hall, Jessica Beaubien, Lori Casey, D'Juan Surratt, Steve Willer, Ann Case, Michael Lamb, Connie Davis, Elizabeth Smith, Kristen Coffey, Ashley Gabbard, Katie Park, Shaun Case and Sherry Rankin.

Mr. Peercy called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

Ms. Rankin advised that six (6) **Public Comments** were received and read each comment aloud.

1) Submitted by Terra Vincent

*As a retiring state employee who started 7/16/03, I do not get the fully-paid health insurance that retirees for years have received. I get a monthly allowance of \$426 based on my 20 years of hazardous duty service. KPPA insurance is too expensive (nearly \$2,000 for the family PPO), so I am trying to find a job with a great insurance plan offering. I am very disappointed that SB209 was executed by KPPA in a fashion that does not allow for me to be reimbursed the \$426 that I have earned UNLESS a future employer pays nothing, or less than \$426. Even if I applied and was hired back as a state employee, I wouldn't be able to use the \$426 toward an employee plan. This leaves me with no tangible benefit in regards to health insurance following two decades of service to the Commonwealth. While I understand that changes had to and must be made for the pension system, the implementation of a reimbursement plan that ultimately does nothing for the retirees is very frustrating.*

2) Submitted by Beverly Kelly

*I am a retiree that served 28 years with Kentucky State. I draw a minimum pension from my retirement. Inflation has increased so much in the years since retiree received a cost of living that it makes it difficult for most to survive. Most retirements have a cost of living built in. Please consider supporting our retiree with a cost of living raise.*

3) Submitted by Elinor R Shipley

*Regarding the Humana and Baptist Medical Health Group (BMHG) contract dispute, why does Humana have an exclusive contract for the KPPA Medicare Advantage plans? Why doesn't KPPA offer multiple Medicare Advantage plans? How can KPPA state "retirees can expect the same level of service" when Humana is saying BMHG will no longer be covered by Humana Medicare Advantage? How can KPPA guarantee that retirees will not have increased costs for the same level of service? What is the process for retirees to insure continuity of care when their current doctors belong to BMHG? I am very concerned about Humana's ability to change the contract with KPPA during the first year of a multiyear contract granted exclusively to Humana.*

4) Submitted by John C Coots

*I retired from Louisville Metro Government in 2013 after serving our citizens for 27 years. I currently have Anthem insurance and am pleased with my coverage. I am however very concerned with the insurance plan your board is discussing today, 9/28/23. I am currently 58 years old. After I turn 65 in 7 years, I would like to expect the same coverage and benefits I have today. I currently have stage IIIb prostate cancer and use doctors affiliated with both Humana and Baptist (BHMG). I do not want to be required to switch providers down the road due to negotiations and decisions your board is making today. While working in Economic Development I was tasked with working with numerous government bodies, regulatory agencies, administrations and stakeholders. I ask that your board continue working with all stakeholders as well, including BHMG. Thank you for your time. Sincerely, John C. Coots*

5) Submitted by Patricia P. Brodie

*Please comment on the role of KPPA in the loss of Baptist Health providers coverage through Humana Medicare Advantage plans. I am one of many retirees, who will have potentially critical services loss. I am a retiree in Louisville, KY, and have only received communication on this issue*

*from Baptist Health and Humana. My most important provider, my cardiologist, is a Baptist Health provider who has treated me for 15 years. Since my Humana Medicare Advantage plan was a KPPA approved selection for my county, Jefferson, how is it possible that services were dropped prior to the end of the plan year without KPPA involvement? Please explain.*

6) Submitted by Judy Lloyd

*In reference to the Humana and Baptist Medical Health Group contract dispute. Why does Humana have an exclusive contract for the KPPA Medicare Advantage plans? How can KPPA state "retirees can expect the same level of service" when Humana is no longer honoring Baptist doctors? I am faced with finding new doctors or paying the increased costs for the same level of service. I am very concerned about Humana's ability to change the contract with KPPA during the first year of a multi-year contract. Why isn't KPPA offering an alternative insurance provider to the Medicare Advantage individuals. Thank you, Judy Lloyd*

Mr. Percy introduced agenda item ***Approval of Meeting Minutes – June 28, 2023, and July 31, 2023*** (Video 00:11:54 to 00:11:56). Mr. Summers made a motion and was seconded by Mr. Powell to approve both minutes as presented. The motion passed unanimously.

Mr. Percy introduced agenda item ***KPPA Audit Committee Report*** (Video 00:11:57 to 00:23:15). Ms. Coffey stated that the KPPA Audit Committee held a special called meeting on July 26, 2023, and a regularly scheduled meeting on August 24, 2023. She briefly reviewed the job description of the Chief Auditor. Next, the Charter for the Division of Internal Audit was presented to the Authority Members. Ms. Coffey advised that a decision was needed regarding the approval of the Chief Auditor's weekly timesheet, leave requests, work schedule, and training/educational opportunity requests. These responsibilities may be performed by the Chair of the Audit Committee, the KPPA Chair, or delegated to a KPPA staff member, said Ms. Coffey. Mr. Powell made a motion to insert language in the Charter for the Division of Internal Audit delegating these tasks to the Director of Human Resources (Lori Casey). Mr. Lane seconded the motion and the motion passed unanimously.

Ms. Coffey advised that a decision was needed regarding who would review the performance of the Chief Auditor. Dr. Hackbart made a motion to insert language in the Charter for the Division of Internal Audit delegating the performance review of the Chief Auditor to the Chair of the KPPA Audit Committee. The motion was seconded by Mr. Summers and the motion passed unanimously.

Ms. Coffey presented a memo outlining proposed Audit Committee Agenda Items. To reduce the amount of duplicate information being presented at these meetings, a proposed schedule was created for commonly presented topics/items. The KPPA Audit Committee approved the proposed schedule, said Ms. Coffey. Next, the Fiscal Year 2023 Internal Audit Budget as of June 30, 2023, and Proposed FY 2024 Budgets as approved by the KPPA Audit Committee were presented. It was requested that the KPPA ratify the actions taken by the KPPA Audit Committee.

Mr. Percy and Mr. Board advised that discussion of the final action item, 1. (e) Appointment of Chief Auditor, would take place during Closed Session.

Ms. Hampton made a motion to ratify the actions of the KPPA Audit Committee in items 1. (a-d) (p. 13, Meeting Materials) as modified by previous votes. The motion was seconded by Mr. Powell and passed unanimously.

Mr. Percy introduced agenda item *Staffing* (Video 00:23:16 to 00:46:54). Ms. Adkins presented a memo discussing current staffing challenges at KPPA. She described the following actions to be taken to remedy the issue:

1. Adjust Salaries on Retirement System Counselor (RSC)
2. Increase Staff Count Maximums (CAP) to 284
3. Hire Internal Hearing Officers

Ms. Adkins noted that ERCE, Investments, and Legal are a few areas that currently need more staff or may need staff in the coming months. Additional positions may also be needed to implement the Strategic Plan once completed, Ms. Adkins advised.

Next, Ms. Surratt presented information regarding turnover in Retirement System Counselors (RSC). Current turnover for the counselor series is 20%. She stated that the starting salary for an RSC is not competitive. Ms. Surratt stated that the current starting salary of an RSC I is \$33,000 and proposed that the salary be increased to \$45,000 for the position of RSC I to aid recruitment and retention. She emphasized the cost associated with employee turnover and importance of Retirement System Counselors to Members. Ms. Lori Casey, Human Resources Director, reminded the Authority that these salary adjustments are subject to Personnel Cabinet approval. Ms. Adkins reported that there are sufficient funds within the current FY 2024 budget to accommodate for the estimated \$722,100

salary adjustments, if approved. Ms. Hampton requested a salary comparison report with the data gathered to justify the salary increases.

Mr. Board gave a short presentation discussing the challenges to recruit and retain contracts for qualified Hearing Officers with the KPPA Office of Legal Services. He provided data illustrating the significant increase in hearing requests since 2018. Mr. Board recommended that the Authority hire two new internal staff members to serve as Hearing Officers.

Mr. Percy introduced agenda item *FY25-26 Biennial Budget Recommendation* (Video 00:46:55 to 01:01:29). Mr. Lamb presented the FY25-26 Biennial Budget Recommendation from the FY 2024 Budget Planning Workgroup. He briefly reviewed the drafted FY 2024 Administrative Budget, FY 25/26 Baseline Budget, and FY 25/26 Proposed KBUD Baseline Submission with the KPPA. Mr. Lamb advised that an Additional Budget Request would also be submitted to request an increase in KPPA's headcount. He provided an overview of this request.

Mr. O'Mara made a motion to approve the recommended FY2025/2026 Biennium Baseline Budget Submission of \$51,670,000 as well as the Additional Budget Request (ABR) in FY 2025 and FY 2026. The motion was seconded by Dr. Hackbart and passed unanimously.

Mr. Percy introduced agenda item *Cyber Insurance Policy* (Video 01:001:30 to 01:05:23). Mr. Lamb announced that KPPA released a Request for Proposal (RFP) for a Cyber Insurance Policy. Bids were received and evaluated, said Mr. Lamb. He advised the policy was not budgeted for, but the cost would fit within the 2024 KPPA Administrative Budget. However, reserve funds may need to be utilized to pay the policy premium. Mr. Lamb requested that the KPPA approve the awarding of the Cyber Insurance Contract to the successful bidder including the associated cost to be paid out of the Administrative Budget and the reserve, if needed. Ms. Pendergrass made a motion to award a contract for Cyber Insurance upon completion of the process. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. Percy introduced agenda item *Quarterly Financial Statements* (Video 01:05:24 to 01:10:34). Mr. Lamb presented the Quarterly Financial Reports. He briefly reviewed these reports with the Authority Members. He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of June 30, 2023. Next, Mr. Lamb briefly reviewed the Combining Statement of Changes

in Fiduciary Net Position of the Pension Funds for the twelve-month period ending June 30, 2023. Mr. Lamb went on to present the CERS/KERS/SPRS Pension Fund Contribution Reports for the twelve-month period ending June 30, 2023. Lastly, he succinctly presented the FY 2022-2023 KPPA Administrative Budget and Budget-to-Actual Analysis for the fiscal year ending June 30, 2023. Separation/plan-specific expenses allocated based on the hybrid-percentage were highlighted by Mr. Lamb. Mr. Lamb reviewed the JP Morgan Chase Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2023. Lastly, the KRS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were presented.

Mr. Peercy introduced agenda item *Investment Department Update (Video 01:10:34 to 01:18:35)*. Mr. Willer stated that the KRS Investment Committee met on August 8, 2023, and the CERS Investment Committee met on August 30, 2023. No recommendations were made that required ratification approval by the Investment Committees and no actions were taken that required ratification by the CERS or KRS Boards of Trustees, said Mr. Willer. He provided a brief overview of the data presented to the Committees.

Mr. Peercy introduced agenda item *Administrative Regulations 105 KAR 1:270 and 105 KAR 1:215 (Video 01:18:36 to 01:22:05)*. Ms. Jessica Beaubien presented two (2) new Administrative Regulations to the Authority Members; Administrative Regulations 105 KAR 1:270 and 105 KAR 1:215.

She stated that 105 KAR 1:270, Federal Tax Withholding or Direct Rollover of Eligible Distributions, is an amendment to an existing administrative regulation which establishes the procedure for informing affected members, beneficiaries, and alternate payees of their rights regarding federal taxation rules and provides forms for members, beneficiaries, and alternate payees to indicate their preference for federal tax withholding or direct rollover of eligible distributions. The amended regulation was presented to the KPPA Ad Hoc Regulation Committee on August 15, 2023, and was approved with recommended edits, said Ms. Beaubien. She advised that the edits were incorporated into the presented regulation.

Next, Ms. Beaubien presented Administrative Regulation 105 KAR 1:215, Administrative Hearing. Administrative Regulation 105 KAR 1:215 is an amendment to an existing regulation which provides the administrative appeals procedures for an affected person aggrieved by a decision of the agency,

or an employer required to pay additional actuarial costs. Ms. Beaubien reported that the amended regulation was presented to the KPPA Ad Hoc Regulation Committee on August 15, 2023, and was approved. She advised that the edits requested by the Committee were incorporated into the presented regulation.

Mr. Powell made a motion to approve Administrative Regulations 105 KAR 1:270 and 105 KAR 1:215 as presented, and to direct staff to file the regulations with the Office of the Regulations Complier at LRC. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. Percy introduced agenda item *KPPA Executive Director Position (Video 01:22:06 to 01:43:57)*. Mr. Percy orally presented historical information of past recruitments for position of Executive Director. He recommended three (3) options to execute the recruitment: (1) Utilize Deloitte, a search firm; (2) Hire internally; and (3) Announce the opening to internal and external candidates. There was extensive discussion regarding the pros and cons of these options and the recruitment process. Dr. Hackbart made a motion to identify/select an Executive Director Search Committee. The Committee works off the recommendations in terms of process and then reports to the KPPA at a Special Called Meeting to discuss and approve the process, said Dr. Hackbart Ms. Pendergrass seconded the motion and the motion passed unanimously.

Mr. Percy selected Ms. Lynn Hampton (KRS Chair), Ms. Betty Pendergrass (CERS Chair), Mr. Bill O'Mara (CERS Trustee) to serve on the Committee. The Authority Members requested that Mr. Percy (KRS Trustee and KPPA Chair) also serve on the Executive Director Search Committee.

Mr. Lane made a motion to execute the recruitment of the Executive Director without the use of a search firm. The motion was seconded by Ms. Pendergrass and the motion passed unanimously.

Mr. Percy introduced agenda item *KPPA Meeting Calendar 2024 (Video 01:43:58 to 01:46:12)*. Ms. Pendergrass advised of a modification to the proposed KPPA Meeting Calendar included in the Meeting Material. She stated that the CERS Board of Trustees will reschedule their quarterly meeting scheduled for December 9, 2024, to December 2, 2024. Mr. Summers made a motion to approve the 2024 KPPA Meeting Calendar as modified. The motion was seconded by Ms. Pendergrass and the motion passed unanimously.

Mr. Percy introduced agenda item ***KPPA Update*** (Video 01:46:13 to 01:53:24). Mr. Eager provided the KPPA with a written report which was also presented to the CERS and KRS Boards of Trustees. He touched on the progress of the Strategic Plan development with Provaliant Staff. Ms. Erin Surratt provided a succinct update regarding the contract dispute between Humana and Baptist Health Medical Group.

Mr. Percy introduced agenda item ***Legislative Update*** (Video 01:53:25 to 01:57:59). Mr. Eager reported that the KPPA Housekeeping Bill was reviewed by legislators. Representative DJ Johnson will be the bill sponsor, said Mr. Eager. He advised that the bill remained unchanged aside from a minor modification due to House Bill 587. Language regarding the leasing of property is also being drafted in cooperation with LRC. Mr. Eager stated that a one-time supplement or thirteenth retirement payment is an item of discussion, and the topic was raised at the September 26, 2023, Public Pension Oversight Board (PPOB) meeting.

Mr. Percy introduced agenda item ***Paperless Project Presentation*** (Video 01:58:00 to 02:08:59). Ms. Surratt presented information on the KPPA 'Go Paperless' project focusing on electronic correspondence with Members: Beginning in Spring 2024, the project will provide Members with expanded Self Service features and easy access to information. Members will be able to opt-out of paperless if they choose, said Ms. Surratt. There is also an anticipated cost savings to KPPA in print and postage.

Mr. Percy introduced agenda item ***New Business*** (Video 02:09:00 to 02:09:08) – None.

Mr. Percy introduced agenda item ***Closed Session – Litigation and Personnel*** (Video 02:09:09 to 02:10:30). Ms. Hampton made a motion and was seconded by Mr. Powell to enter closed session for the purposes of litigation and personnel. The motion passed unanimously.

Mr. Percy 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, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. Also, to consider the appointment, discipline, dismissal, and member account information of an employee pursuant to



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 this employee and the requirement of 61.661(1) that each member account be administered in a confidential manner.

*\*\*\* Mr. Peercy called for a five-minute recess\*\*\**

*Closed Session (Video - Part 2 - 00:14:00 to 00:00:46).* Mr. Peercy called the meeting back into open session. Mr. O'Mara made a motion to appoint Ms. Kristen Coffey as the KPPA Chief Auditor subject to her acceptance of the contract being offered by the KPPA. The motion was seconded by Mr. Powell and 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 KPPA held September 28, 2023, 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 Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on September 28, 2023, were approved on December 6, 2023.

  
KPPA Board Chair

  
Executive Director

I have reviewed the Minutes of the September 28, 2023, Kentucky Public Pensions Authority Meeting for content, form, and legality.

  
Executive Director, Office of Legal Services