Minutes of Meeting
Kentucky Public Pensions Authority
Meeting Via Live Video Teleconference
SEPTEMBER 29, 2022 at 10:00 AM ET

At the meeting of the Board of the Kentucky Public Pensions Authority held on September 29, 2022, the following members were present: Jerry Powell (Chair), John Cheshire, Prewitt Lane, William O'Mara, Betty Pendergrass, Lynn Hampton, Dr. Merl Hackbart, and Keith Peercy. Other Trustees present were KRS Trustees Ramsey Bova and William Summers, V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steve Willer, Connie Pettyjohn, Connie Davis, Kristen Coffey, Ashley Gabbard, Victoria Hale, Jessica Beaubien, Leigh Ann Davis, Elizabeth Smith, Carrie Bass, Holly Thompson, Ann Case, Shaun Case, Katie Park, and Sherry Rankin.

Mr. Powell called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no *Public Comment*, Mr. Powell introduced agenda item *Approval of Meeting Minutes – June 16, 2022 and September 2, 2022*. Ms. Hampton advised that she wished to amend her comment made at the June 16, 2022 KPPA Board meeting regarding the breakout of Medicare and FICA taxes. She stated that no action should be taken until the new Chief Financial Officer (CFO) is hired. Ms. Pendergrass made a motion and was seconded by Mr. Cheshire to approve the minutes as modified. The motion passed unanimously.

Mr. Powell introduced agenda item *Joint Audit Committee Reports*. Ms. Kristen Coffey stated that the Joint Audit Committee met on August 25, 2022. There were no items presented which required ratification by the KPPA Board of Trustees. Ms. Coffey presented a memo to the Board outlining the discussions held at the meeting.

Mr. Powell introduced agenda item *FY23 Budget*. Ms. Adkins stated that these items were in response to questions from the June 16, 2022 KPPA Board of Trustees meeting. One request was to include the actuals for 2022 through May 31, 2022 which had been provided in the past but was now updated through June 30, 2022 for reference. Another request was for detail regarding the 1.3 million dollar increase in salaries. Ms. Adkins advised that about $550,000 of the increase was attributed to an additional payroll in FY22. The June 30 payroll had been paid in the next fiscal year for several years. However, for FY22, the Office of the State Budget Director moved the June 30 payroll back into the fiscal year causing a 25th payroll in FY22. The remaining monies were spent for new staff, increased staff salaries, new positions, etc. Also, Ms. Adkins stated that Mr. O'Mara had requested to see a comparison of FY21 and FY22 salaries by position. Ms. Adkins briefly presented this data by KPPA Division. She reported that IT had the largest increase from FY21 to FY22 due to high turnover. Ms. Pendergrass stated that there were six new employees and two CEOs hired between FY21 and FY22 for the CERS and KRS Boards. She asked who the remaining four employees listed were. Ms. Adkins advised that the data accounted for those Trustees who have left the Board and further clarified that the data reflects all individuals that reported as a Trustee during FY21 and FY22 to account for the salary increase. Ms. Hampton asked if FY21 included the CERS and KRS CEOs. The contracts for the CEOs began in July of FY22, said Ms. Adkins. In addition, Ms. Adkins advised that the 8% salary increases for current employees would be included in FY23. She also provided an overview of the KPPA process in creating and hiring a new merit position. Dr. Hackbart asked if the full funding of all approved and existing positions is included in the prepared budget or only the positions which are filled at the time of budget preparation. Ms. Adkins stated that the Board approved the funding of 260 of the 270 positions.

Mr. Powell introduced agenda item *Board Separation Expenses*. Ms. Adkins provided an update on the Board Separation Expenses which were discussed at the June 16, 2022 KPPA Board of Trustees meeting. She presented the final fiscal year 2021 expenditures. Ms. Adkins stated that it was determined that the FY21 Legal Fees were not a separation expense; therefore, were already paid. Ms. Pendergrass stated that the FY21 expenditures are included in FY22 because they were not recorded in FY21. Ms. Adkins confirmed and advised that the Board had not made their decision until June of 2022; therefore, a correction was made in FY22. The expenses were paid with FY21 monies and were paid for at the plan percentages that were defined in FY21. Ms. Hampton asked if the adjustment had been made. Ms. Adkins reported that the adjustment was made and reviewed by the CERS Board of Trustees at their most recent meeting. Next, Ms. Adkins briefly presented the final fiscal year 2022 expenditures with the Board. She stated that the FY21 separation expenses were paid based on the membership percentages that were defined in FY21. CERS paid $137,008.63 and KRS paid $74,620.39. Ms. Adkins explained that the final FY22 expenses included the hybrid percentage adjustment, plan specific adjustment, and separation expense adjustment.

Mr. Powell introduced agenda item *Quarterly Financial Statements*. Ms. Adkins presented the Combining Statement of Fiduciary Net Position of the Pension Funds to the Board of Trustees. She advised that the statement reflects data as of June 30, 2022 and included comparative totals as of June 30, 2021. Additionally, the statement included all separation expense adjustments, said Ms. Adkins. All plans were down 4.57%, CERS plans were down 7.4%, and KRS plans were up 3.04% as they were impacted by the general fund appropriation for SPRS. Employer contributions, benefit payments, and refunds were up across plans. Next, Ms. Adkins reviewed the Combining Statement of Fiduciary Net Position of the Insurance Funds. She stated that there was a decrease of 4.64% across all plans due to unfavorable market conditions. The Combining Statement of Changes in Fiduciary Net Position was also presented; healthcare subsidies were up, CERS plans were down a total of $211 million dollars, KRS plans were down $96 million, and SPRS was down $15 million dollars. Ms. Adkins reviewed the Pension Funds Contribution Report for CERS and reported that CERS Hazardous was cash flow positive and CERS Nonhazardous was cash flow negative. Unrealized loss was the greatest hindrance to the plans, said Ms. Adkins. The Pension Funds Contribution Report for KERS and SPRS illustrated a positive cash flow for all plans. KERS Nonhazardous was down .27%, KERS Hazardous was down 6.37%, and SPRS was up 54.6%.

***Mr. Powell stepped away and asked Mr. Lane (Vice-Chair) to continue the meeting. ***

The Insurance Fund Contribution Report for CERS illustrated that total inflows and net contributions were cash flow positive. Again, unrealized losses negatively impacted the plans. Ms. Adkins reviewed the Insurance Fund Contribution Report for KERS; KERS Nonhazardous was cash flow positive, KERS Hazardous and SPRS were both cash flow negative. She advised that KERS Hazardous was cash flow negative because no contributions going into the plan due to being 135% funded. The funding ratio for SPRS is 82% and were negative again this year, said Ms. Adkins. Unrealized losses also unfavorably affected the plans. Ms. Adkins presented the KPPA Administrative budget for FY 2021-2022. She reported that KPPA ended the year 15.76% underbudget, however, there were several line items which were overbudget. A total of $40,481,445 was spent. Dr. Hackbart asked why the Authority was underbudget by $7,524,056. Ms. Adkins explained that $3.7 million of that amount is the reserve amount. Mr. Eager added that this amount is typically used for unforeseen events such as litigation. Funds were recently used out of that reserve to provide outside legal counsel to the CERS and KERS Board of Trustees, said Ms. Adkins. Dr. Hackbart asked if there is a pattern of being underbudget by about 15% at the end of each fiscal year.

Ms. Adkins stated that KPPA is typically underbudget due to overbudgeting. She advised that the reserve is helpful should additional funds be required throughout the year. Also, KPPA is extremely judicious with all expenditures, said Mr. Eager. Furthermore, Ms. Adkins expressed the benefit of the reserve should changes in legislation cause additional staff hours, information technology etc. Mr. O'Mara stated that it is important that the reserve funds are spent only as needed rather than one twelfth of the budget, therefore, more money is left in the trust for investments. He advised that most of the variance in the budget is in the salaries line item and that the new budgeting practice is to account for vacant positions and create the budget with a 260 compliment rather than 270. Dr. Hackbart commented that general fund agencies typically operate on a quarterly allotment process given their general fund budgets. He asked if this approach would be appropriate for KPPA or is it done monthly and how the monthly cash flow estimates are met. Ms. Pendergrass stated that KPPA had previously utilized this process, however, it led to drawing down the reserve when the funds were not needed. Therefore, there was a shift to an estimate of what the expenses would be instead of drawing down the reserve to leave more funds in the investment portfolio. Ms. Hampton asked Ms. Adkins if there is a penalty for being over budget or if the budget must be amended if KPPA is over budget. Ms. Adkins advised that KPPA does not have the authority to spend above the budgeted amount and would need to receive permission from the Finance Cabinet if additional funds were needed.

***Mr. Powell returned to the meeting. ***

Mr. Chilton advised the Board of Trustees that a request to the Office of the State Budget Director would be required to spend outside of the approved budget. The additional spending may or may not be approved and would also require approval by the KPPA Board of Trustees. Dr. Hackbart asked if KPPA can add funds to a particular line item with reserve monies or if the approval of the Office of the State Budget Director is required. Also, how much flexibility there is to utilize the reserve. Mr. Chilton stated that the Office of the State Budget Director is only interested in the total amount spent, not amounts within the budget. Ms. Adkins added that the reserve line within the budget is specific to KPPA and that the presented administrative budget is much more detailed than what is approved by the Office of the State Budget Director. She reiterated that the reserve allows for unexpected expenditures without seeking approval which could take several weeks/months and be denied. Mr. Chilton commented that the administrative expenses and cost of benefits earned are included in the normal cost calculations done by the actuary. The actuary refers to actual expenditures not the budgeted amounts; therefore, the annual rate is not inflated by any budgeted overages. Ms. Adkins stated that the reserve comes from the pension trust funds and is not general fund money. Lastly, Ms. Adkins reviewed the KPPA Outstanding Invoices by Type and Employer and the Penalty Invoices Report.

Mr. Powell introduced agenda item *Investment Department Update*. Mr. Willer stated that FY22 was a difficult year for markets as the U.S. median public pension plan was down between 10% and 11%. However, the plans held up relatively well given the volatility within markets and performed very well relative to the peer universe. The overall pension trust was down 5.7% and the insurance trust was down 5.3%. Individual pension plan performance ranged from 4.6% to about 6% and insurance plan performance was down 4.5% to 6.1%. Mr. Willer reported that most of the variants amongst the individual plans was the IPS asset allocation targets, actual positioning, and cash flow experience. In July, global equities were up about 7%, U.S. equites were up over 9%, high yield was up over 6%, loans were up over 2%, and core bonds were up 2.5%. Commodities, real estate, and crypto currencies were up as well. Mr. Willer stated that this was a strong month for risk assets and performance illustrated that; the pension trust was up about 4% which outperformed the blended IPS benchmark by about 65 basis points which equates to about 100 million dollars of outperformance relative to the benchmark. In July, the insurance trust was up 4.1% and outperformed its blended IPS benchmark by 78 basis points. Mr. Willer reiterated that all plans outperformed their benchmarks. In August, global equities were down almost 4%, high yield was down 2.5%, and core bonds were down 3%. The plans held up relatively well and pension assets were down 1.9% and outperformed the blended IPS benchmark by about 15 basis points. The insurance assets were down 2% and outperformed the blended IPS benchmark by about 10 basis points. In September, volatility continued to rise. Mr. Willer reported that the Federal Reserve Bank had raised rates by 75 basis points in their effort to stomp out inflation. He stated that the Office of Investments continues to utilize a cautious approach when it comes to the deployment of capital as well as how they position within mandates. Mr. Willer advised that he expects volatility to continue in the coming months. Approximately 1.2 billion dollars have been deployed across the pension and insurance trusts since mid-June. There are several active searches in multi-asset and inflation sensitive, commodities, agriculture, infrastructure, and real asset strategies. Mr. Willer is also evaluating the use of liquid public securities as short-term proxies for private asset classes. Additionally, the Office of Investments is revamping their compliance report and have received feedback from the Boards and Investment Committees. Mr. Willer reported that they have also completed a new ownership report to address the pooling language that was added to both Investment Policy Statements. This ownership report will include the ownership by plan of every unitized pool at BNY Mellon as of any date and time and the associated market value with those units. Investment Staff has also received feedback from Trustees regarding the trust budget which will be presented to the Public Pension Oversight Board later in 2022. Mr. Willer stated that he is also conducting a study of the functions of management/consultant fees and how these fees paid compare to that of other pension plans. Mr. Willer also discussed current staffing challenges. There are three open positions within the Office of Investments which were granted 18A exemptions, said Mr. Willer. Mr. Eager added that there is a need for junior and senior analytic support for the KPPA Portfolio Managers and support for Mr. Willer in the Chief Investment Officer role. A Senior Investment Analyst position has been heavily discussed and would focus primarily on fixed income. He reminded the Board of Trustees that the six positions which received 18A exemptions from the Personnel Cabinet required Board approval of job descriptions and salary ranges. A discussion with the Kentucky Personnel Cabinet is taking place regarding the necessity of Board approval of these positions. However, Mr. Eager requested that the KPPA Board of Trustees approve the new position, Senior Investment Analyst in case Board approval of the position is required. Mr. Eager entertained a motion to approve the Senior Investment Analyst position. Mr. Willer clarified that this position is not one of the six 18A exempted positions. Mr. Lane made a motion to approve the Senior Investment Analyst position and was seconded by Mr. Cheshire. Ms. Pendergrass expressed that she would be more comfortable approving the position if a job description had been presented. Mr. Peercy asked if this vote was to establish an 18A position. Mr. Eager clarified that the position is under 18A but is not one of the six which received the compensation exemption. Mr. Peercy stated that the Board may not have the authority to vote on this if the position is not outside of 18A. Mr. Michael Board stated that this is a current disagreement between KPPA Executive Staff and the Kentucky Personnel Cabinet and are working with the Personnel Cabinet to reach an agreement. Therefore, Mr. Eager wished to request the approval of the position to appease the Personnel Cabinet and show the endorsement of the KPPA Board of Trustees. Ms. Adkins believed that HB297 requires Board of Trustee approval for all new non-merit positions under 18A. Ms. Victoria Hale confirmed that KRS 61.505(8)(b) includes language which states that after April 14, 2022 approval by the Authority shall be required for a petition to the Secretary of the Personnel Cabinet for the creation of any new unclassified position pursuant to KRS 18A. Mr. Eager reiterated that this is not one of the six 18A exempted positions, but would be compensated competitively. A vote was taken, and Ms. Pendergrass opposed since a job description was not presented, however, the motion passed. Mr. Eager advised that a job description would be presented once discussions were finalized.

Mr. Powell introduced agenda item *Administrative Regulations – 105 KAR 1:071, 105 KAR 1:360,* *and 105 KAR 1:411*. Ms. Jessica Beaubien, Regulation Policy Specialist led the discussion. She briefly reviewed 105 KAR 1:071, 105 KAR 1:360, and 105 KAR 1:411 with the Board of Trustees. 105 KAR 1:071 is a repealer regulation (repealing 105 KAR 1:070) and addresses a special allocation for certain military service. Further, the statute which authorized that regulation was repealed in 2021 and KPPA no longer has the authority for it, said Ms. Beaubien. Ms. Hampton asked if credit for military service will no longer be given to members because of this administrative regulation. Ms. Bass advised that there are at least two other options for members to receive service credit for their time served in the military. Ms. Beaubien reviewed the new administrative regulation, 105 KAR 1:360. She stated that this regulation outlines the administrative requirements for the hybrid cash balance plan tier 3 and provides the administrative requirements for plan opt-in election and separation of retirement accounts within State-administered retirement systems. Ms. Pendergrass asked how often interest earnings are allocated to tier 3 members. Ms. Erin Surratt stated that interest is allocated to these members annually as of June 30 each year. Ms. Pendergrass asked if interest earnings would be awarded to a member should they leave in May of the following year. Ms. Surratt advised that the interest earnings would not be given as it is only awarded in June of each year. Ms. Pendergrass expressed the importance of awarding theoretically accrued interest to tier 3 members. Ms. Adkins stated that the interest that the member is entitled to cannot be calculated until the end of the fiscal year; therefore, they may elect to take their refund after August 1st to receive the interest, however, she was unsure what percentage a member would receive if they separated early. Ms. Pendergrass stated that perhaps this issue could be incorporated into the regulation. She also wished to discuss rollovers and the forfeiture of employer credit with the Board. Ms. Bass clarified that the forfeiture of employer credit in section six of the document refers to non-vested employees; those employees with less than five years or 60 months of service. Further, only vested tier 2 and tier 3 members can receive their employer paid credits, said Ms. Bass. Ms. Pendergrass also asked if the specific, "other payment options" discussed in section seven should be listed in the regulation. Ms. Bass stated that these options are statutory, however, the statue could be added for clarification. Ms. Beaubien reviewed 105 KAR 1:411 with the Board. She advised that this new administrative regulation outlines the eligibility requirements, procedures, documentations, and forms for enrollment in hospital and medical insurance for retired members, beneficiaries, and eligible spouses and dependent children. In addition, the regulation establishes requirements for the administration of the out-of-state and the dollar contribution, hospital, and insurance premium reimbursement plans. It provides administrative requirements for the additional five-dollar contribution for health insurance premiums to retired members who meet eligibility requirements and how that will be paid should some or all of the systems reach the required funding level. Lastly, 105 KAR 1:411 incorporates the required forms for enrollment in hospital and medical insurance coverage for both non-Medicare and Medicare eligible retirees, for establishing eligibility of a spouse or dependent to receive monthly contributions toward health insurance premiums paid on their behalf, for bank draft premium payments, and for requesting out-of-state or dollar contribution hospital and medical insurance premium reimbursement. Ms. Hampton asked if 105 KAR 1:411 was a new regulation. Ms. Beaubien explained that there was previously a similar regulation, 105 KAR 1:410, which expired last year; therefore, 105 KAR 1:411 would replace the expired regulation.

Ms. Bass asked if there was an agreement reached regarding the 105 KAR 1:360 interest. Ms. Pendergrass stated that an option would be to apply the gainer for the previous year to balances between July 1 and the date of withdrawal until a new gainer is calculated. Ms. Surratt advised that KRS 61.575(3)(a) states that each member may have his or her individual account credited with interest on June 30th of each fiscal year. Therefore, she stated that the Office of Legal Services would need to review and advise if any changes can be made without a statutory change. Ms. Pendergrass stated that she was focused on the word 'earned' and that the statue only requires KPPA to make an annually earning adjustment to these accounts. Ms. Hampton asked if Ms. Pendergrass was referring to non-vested individuals. Ms. Pendergrass stated that she was referring to the withdrawals from tier 3 and that interest earnings apply to both vested and non-vested individuals. However, employer credits may vary based on vesting status, said Ms. Pendergrass. Ms. Surratt clarified that Ms. Pendergrass is suggesting a change to allow for partial year interest to be applied to tier 3 accounts should an individual take a withdrawal before June 30 of a fiscal year. Mr. Board stated that this may be a larger discussion requiring additional time and research; therefore, he suggested that the Board entertain the approval of 105 KAR 1:071 and 105 KAR 1:411 and table KAR 1:360 at this time. Ms. Bass agreed and stated that she would conduct further analysis and present 105 KAR 1:360 at the next KPPA Board meeting. Mr. Powell requested that the new Ad Hoc Regulation Committee discuss 105 KAR 1:360. Therefore, a motion was made by Ms. Hampton to authorize Staff to file the Administrative Regulations 105 KAR 1:071 and 105 KAR 1:411 as presented. Mr. O'Mara seconded the motion and the motion passed unanimously.

Mr. Powell wished to discuss agenda item *New Business* next. He announced that a new KPPA Ad Hoc Regulation Committee would be formed. Mr. Powell requested that Mr. Peercy and Ms. Pendergrass join him as members on the Committee. Mr. Board confirmed that the KPPA bylaws state that the KPPA Board of Trustees Chair may form an ad hoc committee; therefore, the Committee was formed. Ms. Carrie Bass thanked the Board and expressed her excitement for the new Committee. Ms. Hampton suggested that Mr. Powell add an additional member to the Committee to prevent an unintentional quorum. Mr. Powell stated that he wished to keep the Committee small and include an odd number of Trustees.

Mr. Powell introduced agenda item *KPPA Meeting Calendar.* He stated that he was pleased with the presented calendar. There was no discussion held. Dr. Hackbart made a motion to approve the KPPA Meeting Calendar as presented. Ms. Hampton seconded the motion and the motion passed unanimously.

Mr. Powell introduced agenda item *KPPA Update.* Mr. Eager reported that the Authority is staffed with 245 employees, authorized for an additional 25 employees, and budgeted for 15 more employees. Mr. Eager stated that it has been increasingly difficult to fill open positions within the Enterprise and Technology Services Division. Seven contractors and five interns serve the Division, said Mr. Eager. He advised that KPPA is deeply focused on recruitment and have attended job fairs at Kentucky State University, University of Kentucky, and Eastern Kentucky University. Mr. Eager announced that various KPPA Divisions have been mandated to return to the office for a minimum of three days per week. However, nine non-member facing Divisions were awarded an exemption to this mandate. He reported that the 8% salary increase effective July 1, 2022 has aided in overall morale and may prove to be helpful in recruitment and reduce retirements. Mr. Eager stated that he, Ms. Adkins, and Ms. Pendergrass, with the help of Mr. O'Mara and Ms. Hampton, continue to interview candidates to fill the new Chief Financial Officer (CFO) position. The annual reports are in progress and the SAFR will have an updated and improved layout, however, the information included will remain consistent with previous years, said Mr. Eager. Ms. Adkins and Ms. Surratt presented to the Public Pension Oversight Board (PPOB) on September 27, 2022 regarding House Bill 8 and the capturing of information from employers regarding contractors and the retired reemployed. Mr. Eager took a moment to review a few key dates with the Board of Trustees. In 2013, House Bill 2 enacted the requirement for 100% funding and set up tier 3. PPOB was also established by the Kentucky General Assembly that same year. Mr. Eager stated that these events were beneficial to management, transparency, oversight, and funding. In 2017, the KRS Board of Trustees elected to revise the economic assumptions resulting in an increase in contributions for KERS, SPRS, and CERS. Additional Trustees with institutional investment management experience joined the Board in 2017 which proved to be helpful in the management of assets. In 2021, House Bill 8 was passed and in 2022, House Bill 1 and another House Bill led to 695 million dollars in supplemental payments. Mr. Eager stated that there was a presentation to the A&R Subcommittee.

He reported that the A&R Subcommittee asked for an analysis of the impact of an annual supplemental payment of 200 million dollars. He advised that the Actuary, GRS, is unable to build that scenario into the Valuation because it is not in statue that KPPA will receive those funds each year. Mr. Eager added that the CEM Study continues to progress, and that Executive Staff is working to draft a Request for Proposal (RFP) for assistance with the Strategic/Operational Plan. He stated that the goal of this plan is to improve the quality and efficiency of the Authority. Ms. Ashley Gabbard continues to spearhead Trustee Education with Board Smart and developed immensely helpful Trustee Handbooks for CERS, KRS, and KPPA. Six new Trustees attended Trustee Orientation in July and August and All Employee Meetings were held in early September. Mr. Eager reminded the Board that over 60 employees were hired throughout the pandemic; therefore, many will begin to experience the culture of KPPA for the first time. CEO meetings continue every two weeks and have been beneficial, said Mr. Eager. Lastly, he stated that there has been discussion of retiree supplements among legislators to combat inflation and encouraged all Trustees to attend Board and Committee meetings in the KPPA Board Room and suggested that the Annual Meetings in April be held in-person.

Mr. Eager introduced the Key Productivity Indicators (KPIs). He stated that the project has been led by Ashley Gabbard and Holly Thompson and asked that the Trustees direct their comments and questions to Ms. Adkins or Ms. Surratt. Ms. Surratt presented one KPI for each Division within the Office of Benefits to the Board. The first indicator from the division of Disability and Survivor Benefits measures the days elapsed from the receipt of a retirement application to when an estimate is mailed to the member. The target range for this measure is 20 to 22 days, however, the average for the Division is about 14 days, said Ms. Surratt. The indicator for Member Services measured the average number of days to complete a benefits request. The target range is 13 to 15 days. As of the end of August 2022, it took approximately 23.07 days to complete a request. The next KPI measured the average call length in the Membership Support Call Center. The Division has an average call time of 5.59 minutes which is out of the target range of 3.95 to 4.36 minutes. Ms. Surratt attributed the longer call lengths to newly trained counselors who are continuing to learn and often seek assistance from senior counselors during calls to accurately answer all questions asked by a member. Further, counselors will take additional time with members who are first-time users of the KPPA Self-Service portal and show them how to calculate a benefit estimate, do a service purchase estimate etc. Ms. Surratt advised that the call length target range may be adjusted in the future with these scenarios in mind. Ms. Hampton requested that data regarding member satisfaction be gathered and presented to the Board. Mr. Eager added that Humana provides client retiree survey satisfaction information regarding healthcare. The number of completed post-retirement audits was also presented. Ms. Surratt stated that the number of completed audits remained steady throughout 2021 and 2022; however, there was a significant decrease in May of 2021 believed to be due to employees out on leave and legislation implementation. Ms. Surratt advised that there was an issue with the KPI data for new retiree plan holders, including enrollments in the default plan, therefore, the numbers shown may vary the actuals. However, she stated that the 2020 data looked reasonable and that the Humana data for 2021 and 2022 was likely out of range. Lastly, retirement trends for calendar years 2021 and 2022 were reviewed. Ms. Surratt mentioned that four counseling positions were open in the Call Center and were only able to fill one out of the four positions. She reported that recruitment and retention has proven challenging within the Office of Benefits and that seven counseling positions were to be posted very soon. Mr. Eager noted the positive and uplifting culture of KPPA and stated that once employees begin working at KPPA they often do not wish to leave as KPPA is a great place to work. Ms. Adkins presented the KPIs for the Office of Operations. The first was from the Division of Enterprise and Technology Services and measured the number of phish emails reported by KPPA Staff. Ms. Adkins stated that the Division sends simulated phishing emails to various employees as a testing and training tool. In the second quarter of calendar year 2022, 98% of all employees successfully marked their received test emails as phish which meets the target range of 97-98%. Additionally, the Division sends quarterly security trainings to all employees and is required by HIPAA to send security trainings at least once a year. Lastly, Ms. Adkins reviewed the total completed error corrections from March 2020 through August 2022. She explained that Employer Reporting Compliance and Education works diligently to track errors and receives several thousand per month. The graph presented illustrated the number of errors corrected by month. Ms. Hampton asked for examples of common errors. Ms. Adkins stated that an increase or decrease of 10% in a salary, name reported, and address reported would be common errors that KPPA works to catch and correct. Mr. Eager stated that the increase in errors is becoming an issue which needs to be aided. He suggested additional training of reporting officials and stated that the KPPA Louisville facility is well-equipped to hold such trainings. Next, Mr. Eager presented the Executive KPIs. He reported that the Authority has a target range of 246 to 269 employees. KPPA currently has 247 employees, therefore, reaching the target. However, Mr. Eager advised that KPPA is understaffed and has hired contractors and interns to mitigate the issue. According to the presented KPIs, KPPA needs improvement in the number of minority employees employed, however, is exceptional when it comes to the number of female employees. The KPPA website received about half a million views, said Mr. Eager. Mr. Eager asked Ms. Leigh Ann Davis to comment on the 131 administrative hearings which occurred in 2021. Ms. Davis stated that the data provided included all open cases from the end of the second quarter of fiscal year 2022. She advised that there was an increase in disability cases as members began to resume their medical appointments after the covid-19 pandemic and an increase in member pension spiking cases as statue changes occurred and members worked through the appeals process. Mr. Eager advised that all presented KPIs are a work-in-progress and will be presented again as changes are made. He requested suggestions from the Board of Trustees regarding KPI data they wish to see in the future.

Mr. Powell introduced agenda item *Closed Session.* Ms. Peercy made a motion and was seconded by Ms. Pendergrass to enter closed session. The motion passed unanimously.

Mr. Board read the following closed session 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 close 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. Additionally, to consider the potential appointment, discipline, dismissal of an employee pursuant to KRS 61.810(1)(f).

Mr. Powell stated that the Board will be taking no action as the result of the closed session discussions and opened the floor for adjournment. Ms. Pendergrass made a motion and seconded by Ms. Hampton 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 September 29, 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 September 29, 2022 were approved on December 7, 2022.

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the September 29, 2022 Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director. Office of Legal Services