

MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
VIA LIVE VIDEO TELECONFERENCE
MARCH 21, 2024, AT 10:00 AM ET

At the meeting of the Kentucky Public Pensions Authority held on March 21, 2024, the following Members were present: Jerry Powell (Vice Chair), Prewitt Lane, William O'Mara, Dr. Merl Hackbart, Lynn Hampton, 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, Jessica Beaubien, Anthony Chiu, Biran Caldwell, Michael Lamb, Connie Davis, Kristen Coffey, Ashley Gabbard, Katie Park, Shaun Case and Sherry Rankin. Others present included Adam Gordon with the Auditor of Public Accounts and Katie Wright with Frost Brown Todd.

Mr. Powell called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no **Public Comment** submitted, Mr. Powell introduced agenda item **Approval of Meeting Minutes – December 6, 2023, and February 7, 2024** (*Video 00:08:45 to 00:09:24*). Mr. Summers made a motion and was seconded by Ms. Hampton to approve all minutes as presented. The motion passed unanimously.

Mr. Powell introduced agenda item **KPPA Audit Committee Report and Recommendations** (*Video 00:09:45 to 00:14:24*).

Ms. Coffey reported that the KPPA Audit Committee met on February 27, 2024, and reviewed several informational items. However, the Committee did review the GASB 68 and GASB 75 Proportionate Share Audits for fiscal year ended June 30, 2023, said Ms. Coffey.

Mr. Adam Gordon with the Auditor of Public Accounts (APA) presented the Draft GASB 68 and GASB 75 Proportionate Share Audits. He stated that the APA audited the schedules as prepared by

GRS. Management will be provided with two reports; one for pension and one for OPEB, said Mr. Gordon. End of field work for the audit is schedule to begin on March 21, 2024. Mr. Gordon advised that the full report will be released once approved by the Authority. He stated that there were no findings or issues; therefore, the APA anticipates issuing a modified/clean opinion.

Mr. O'Mara made a motion to accept the GASB 68 and GASB 75 Proportionate Share Audits as presented. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. Powell introduced agenda item *KPPA Ad Hoc Regulation Committee Reports and Recommendations* (Video 00:14:24 to 00:20:47). Ms. Jessica Beaubien stated that the presented amendment to 105 KAR 1:001, Definitions for 105 KAR Chapter 1, adds eight (8) new definitions and updates two (2) previous definitions to ensure consistent use of terminology across all regulations in Title 105 of the Kentucky Administrative Regulations. Ms. Beaubien advised that the KPPA Ad Hoc Regulation Committee approved forwarding the administrative regulation to the Authority for approval.

Ms. Hampton made a motion to approve regulation 105 KAR 1:001 as presented, and to direct staff to file the regulations with the Office of the Regulations Compiler at LRC. The motion was seconded by Mr. Lane and passed unanimously.

Next, Ms. Beaubien presented an amendment to the existing regulation 105 KAR 1:190, Qualified Domestic Relations Orders ("QDROs"). This administrative regulation establishes the requirements, procedures, and forms necessary to administer QDROs, said Ms. Beaubien. She advised that the KPPA Ad Hoc Regulation Committee approved forwarding the administrative regulation to the Authority for approval.

The amendment achieves the following:

- Updates the language throughout the regulation to be consistent with the language used in all Kentucky Public Pensions Authority regulations and the definitions found in 105 KAR 1:001.
- Reorganizes the sections of the regulation for clarity.
- For QDROs received by the KPPA prior to retirement, incorporates the Partial Lump Sum Payment Option (PLSO) that is now available as a payment option.
- Adds details on how multiple retirement accounts affect the administration of a QDRO.

- Adds details throughout to more accurately reflect the way QDROs are currently being administered.
- Updates all forms for clarity and to reflect the agency name change.

Mr. Lane made a motion to approve regulation 105 KAR 1:190 as presented, and to direct staff to file the regulations with the Office of the Regulations Compiler at LRC. The motion was seconded by Mr. Summers and passed unanimously.

Lastly, Ms. Beaubien presented amendments to the existing Administrative Regulation 105 KAR 1:411, Hospital and Medical Insurance for Retired Members and Kentucky Retirement Systems Insurance Fund Trust.

The amendment:

- Removes definitions from Section 1 that can be found in 105 KAR 1:001, the general definitions regulation applicable to all Kentucky Public Pensions Authority, Kentucky Retirement Systems, and County Employees Retirement System regulations.
- Updates the language throughout the regulation to be consistent with the language used in all Kentucky Public Pensions Authority regulations and the definitions found in 105 KAR 1:001.
- Adds details to Section 4 to indicate the difference between the dollar amount contribution rate and the percentage contribution rate that the systems pay toward a retired member's hospital and medical insurance plan premium based on membership date or hire date.
- Adds clarifying language to Section 5 concerning the fee that recipients may be required to pay for tobacco usage or failure to complete a wellness or wellbeing promise.
- Updates Section 13 to detail how the dollar contribution reimbursement is applied for recipients with reciprocity, as well as how the reimbursement will be applied to a recipient who is on their spouses' insurance, including in another state-administered retirement system.

She reported that the Ad Hoc Regulations Committee considered both reimbursement calculation options and recommended an alternate calculation option ("Reimbursement Option 2") going forward. Additionally, the Committee recommended the change in the reimbursement calculation method be applied retroactive to January 1, 2023. Section 13(2) has been amended to reflect these recommendations, said Ms. Beaubien. She advised that the KPPA Ad Hoc Regulation Committee approved forwarding the administrative regulation to the Authority for approval.

Dr. Hackbart made a motion to approve the KPPA Ad Hoc Regulation Committee's recommendation of Reimbursement Option 2 and 105 KAR 1:411 as presented, and to direct staff to file the regulations with the Office of the Regulations Compiler at LRC. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. Powell introduced agenda item ***Quarterly Financial Statements*** (Video 00:20:48 to 00:31:01). Mr. Lamb reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds and the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds as of December 31, 2023. He went on to present the CERS/KERS/SPRS Pension Fund Contribution Reports for the six-month period ending December 31, 2023. Next, he reviewed the Combining Statement of Fiduciary Net Position and Combining Statement of Changes in Fiduciary Net Position of the Insurance Funds as of December 31, 2023. The CERS/KERS/SPRS Insurance Fund Contribution Reports for the six-month period ending December 31, 2023, were also reviewed. Next, Mr. Lamb presented the KRS Outstanding Invoices by Type and Employer and Penalty Invoices Report to the Authority Members. He succinctly presented the FY 2023-2024 KPPA Administrative Budget and Budget-to-Actual Summary Analysis for the six months ending December 31, 2023. Lastly, Mr. Lamb briefly reviewed the JP Morgan Chase Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2024.

Mr. Powell introduced agenda item ***Budget Planning*** (Video 00:31:02 to 00:50:15). Mr. Lamb discussed budget planning with the Authority Members. In the past, a Budget Work Group was formed to review and approve the Administrative and Investment budgets. The group included Authority Members, the KRS/CERS CEOs, and KPPA Staff Members, said Mr. Lamb. He presented a memorandum outlining items related to the administrative and investment budgets which require decisions from the Authority prior to June 30, 2024. Mr. Lamb recommended that a KPPA Budget Work Group be defined to make recommendations to the full Authority Board regarding the budget planning items described.

Mr. Board stated that the Authority has the statutory obligation to develop the FY2025 Administrative and Investment Budgets. Therefore, he recommended that Authority Members be assigned to the work group. Based on the findings of extensive research, the KPPA Office of Legal Services recommended that the meetings of the Budget Work Group be held in a public setting as to not violate the Open Meetings Act. A KPPA Ad Hoc Budget Committee was suggested if Authority Members

participate. The Authority Chair or the KPPA Executive Director may appoint members to an ad hoc committee, advised Ms. Hale. Mr. Powell stated that he would defer the appointments to Mr. Peercy at the next meeting of the Authority. Mr. O'Mara expressed concern regarding a delay in appointments. Ms. Hampton reminded all that the KPPA Board election is near which may change the makeup of the Authority.

Mr. Powell asked those on last year's Budget Work Group to participate until Mr. Peercy can appoint members to the Committee. Ms. Hampton and Mr. O'Mara agreed to service temporarily. The Authority requested that the KRS/CERS CEOs are also included in the process.

Mr. Lane made a motion to create a KPPA Ad Hoc Budget Committee to work with staff regarding the budget planning items and to make recommendations to the full KPPA Board. Mr. Summers seconded the motion. Mr. Powell reiterated that he would defer appointments to the KPPA Ad Hoc Budget Committee to Mr. Peercy. The motion passed unanimously.

Mr. Powell introduced agenda item ***Investment Department Update*** (Video 00:50:16 to 00:52:03). KPPA Deputy Chief Investment Office, Mr. Chiu, provided an Investment Department Update. He presented a memorandum summarizing the actions taken at the 2024 KRS and CERS Investment Committee Meetings. Lastly, Mr. Chiu briefly reviewed performance data for the first half of the fiscal year.

Mr. Powell introduced agenda item ***KPPA Update*** (Video 00:52:04 to 00:59:02). Mr. Eager provided a written KPPA Update. He briefly updated attendees on the 2024 Regular Legislative Session and relevant benefit-related legislation.

Ms. Rebecca Adkins stated that it is the responsibility of the Authority to hire an outside auditor and an actuary to serve all the plans. These contracts are set to expire on June 30, 2024, advised Ms. Adkins. She reported that KPPA is in the process of renewing the contracts for the current outside auditor (Blue & Company) and actuary (Gabriel, Roeder, Smith & Company). These contracts will be renewed; bids are not required.

Ms. Adkins also provided an update on the contract negotiations between Humana and Baptist Health Medical Group. Humana and Baptist Health Medical Group have come to an agreement. Baptist Health Medical Group will be in network with Humana as of April 2024, reported Ms.

Adkins.

Mr. Powell introduced agenda item *New Business* (Video 00:59:03 to 00:59:11) – None.

Mr. Powell introduced agenda item *Closed Session* (Video 00:59:12 to 01:00:50) and advised that only KPPA Trustees, KPPA legal counsel, and KPPA outside legal counsel were permitted to attend the closed session.

Ms. Hampton made a motion and was seconded by Mr. Lane to enter closed session to discuss pending litigation. The motion passed unanimously.

Mr. Powell 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 matters, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the KPPA's litigation strategy and preserving any available attorney-client privilege.

All other attendees exited the meeting.

Closed Session (Video - Part 2 - 00:00:45 to 00:01:04). Mr. Powell called the meeting back to open session and stated that there would be no action taken as result of the closed session discussion.

There being no further business, Mr. Powell *adjourned* the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA held March 21, 2024, 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 March 21, 2024, were approved on April 25, 2024.

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the March 21, 2024, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services