

# **PUBLIC PENSION OVERSIGHT BOARD**

## **Minutes**

**December 9, 2024**

### **Call to Order and Roll Call**

The eighth meeting of the Public Pension Oversight Board was held on December 9, 2024, at 3:00 PM in Room 154 of the Capitol Annex. Representative DJ Johnson, Chair, called the meeting to order, and the secretary called the roll.

### **Present were:**

Members: Senator Jimmy Higdon, Co-Chair; Representative DJ Johnson, Co-Chair; Senators Karen Berg, Robby Mills, Gerald A. Neal, Michael J. Nemes, and Mike Wilson; Representatives Robert Duvall, Ken Fleming, Derrick Graham, Jason Petrie, Phillip Pratt, and James Tipton; Allison Ball (Matt Frye as Proxy), John Hicks, and Victor Maddox.

Guests: Representative John Blanton; Alicia Sells, Chief Executive Officer, WeLeadCS; Ryan Barrow, Executive Director, and Erin Surratt, Executive Director, Office of Benefits, Kentucky Public Pensions Authority; Representative James Tipton; and Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System

LRC Staff: Brad Gross, Michael Clancy, Jennifer Black Hans, and Angela Rhodes.

### **Approval of Minutes**

Senator Higdon moved that the minutes of the November 19, 2024, meeting be approved. Representative Duvall seconded the motion, and the minutes were approved without objection.

### **BR 437: Kentucky Public Pensions Authority Pension Spiking Provisions**

Representative John Blanton discussed his proposed bill, which would codify language from a recent court opinion on pension spiking. The bill specifies that across-the-board pay rate increases do not qualify as pension spiking, even if they exceed the ten percent statutory cap. Erin Surratt, Executive Director, Office of Benefits, Kentucky Public Pensions Authority (KPPA), added the proposed bill applies to all plans under KPPA.

In response to Representative Tipton, Ms. Surratt stated the language has already been inserted into an administrative regulation and that KPPA has been operating under that

language since July 1, 2024. Ms. Surratt agreed codifying the language would put KPPA statutorily in compliance with the court decision.

In response to Senator Higdon, Representative Blanton stated his proposed bill does not affect any other pension spiking provisions in current statute.

### **BR 804: Add WeLeadCS to List of Participating Teachers' Retirement System Employers**

Alicia Sells, Chief Executive Officer, WeLeadCS, shared that WeLeadCS was created in statute as a non-profit to provide Kentucky students with the opportunity to take dual credit computer science courses through virtual education. Under the proposed bill, Ms. Sells is seeking for WeLeadCS employees to be placed into the Teachers' Retirement System (TRS) and for WeLeadCS to be listed as a named employer under KRS 161.220.

Senator Higdon discussed the sick leave programs available to TRS members. He commented he was not opposed to the programs but was concerned with the lack of standardization across districts.

In response to Representative Tipton, Ms. Sells stated all WeLeadCS staff would be certified with the potential exception of one non-certified part-time administrative staff member who would receive benefits from outside TRS.

In response to Representative Petrie, Ms. Sells said WeLeadCS was incorporated in 2022 as a non-profit and is seeking to pay its employees and employ them directly as an employer of TRS. Additionally, WeLeadCS would like to clarify whether its employees are legally employees of WeLeadCS or the cooperative. Representative Petrie commented he would like to discuss the appropriation for WeLeadCS and potential issues based off the understanding of how the appropriation was established.

### **BR 17: Kentucky Public Pensions Authority Reorganization**

Ryan Barrow, Executive Director, KPPA, discussed a proposed reorganization of KPPA that would elevate the CFO to an executive director level position, and would split the Division of Accounting into two separate divisions, the Division of Accounting and the Division of Investment Operations.

In response to Senator Higdon, Mr. Barrow stated the elevation of the CFO position will not increase cost, however, there may be additional costs in the future for potentially hiring one new person for the Division of Investments. Mr. Barrow stated these positions are not exempt from the payroll caps.

In response to Representative Johnson, Mr. Barrow said the reorganization will increase transparency and have an administrative structure in line with other agencies.

In response to Senator Mills, Mr. Barrow stated the reorganization in the accounting division could produce some efficiencies within the Division of Investment Operations.

In response to Representative Johnson, Mr. Barrow agreed there is potential for one new hire as a result of the reorganization. The new hire would be within the Division of Investment Operations.

In response to Representative Petrie, Mr. Barrow stated he will follow-up with the basis for the need of the reorganization and creating a new position.

In response to Senator Berg, Mr. Barrow said the current CFO will be elevated to the executive director level along with a split of the Division of Accounting and the potential hire of a new division director. Mr. Barrow stated the investment group is exempt from the traditional salary caps by statute, however, the reorganization deals with the accounting function of investments.

Senator Higdon commented that, in past years, the General Assembly exempted six investment staffers at KPPA from the salary cap in order to be competitive.

Representative Johnson requested the KPPA organization chart be sent to members.

### **BR 357: Teachers' Retirement System Reemployment After Retirement**

Representative Tipton discussed a proposed bill regarding reemployment after retirement in TRS. The bill would change statutory requirements when rehiring retired teachers to fill critical shortage positions.

In response to Representative Petrie, Representative Tipton stated there are more areas in the statute that could be changed with discussion, but that his main concern is not harming TRS.

In response to Representative Fleming, Representative Tipton stated he is unsure why there is a one percent rehire cap on the critical shortage program. He stated the bill would remove language establishing regulatory burdens, which requires school districts to certify they cannot find teachers to fill positions. In its current form, Representative Tipton stated the only change is increasing the one percent rehire cap on the critical shortage program to ten percent, which is what it was altered to during the Covid era. In response to a follow-up question, Representative Tipton stated the increase would not

eliminate the hiring problem, but it would provide school districts with another tool to help fill positions.

In response to Senator Berg, Representative Tipton stated if a retired reemployed teacher does not contribute into a second retirement account, TRS would potentially lose contributions thereby impacting the plan's actuarial health. Senator Berg requested information regarding the impact on TRS if retired reemployed teachers did not contribute into a second retirement account.

### **Teachers' Retirement System Housekeeping Bill & Response to Questions**

Beau Barnes, Deputy Executive Secretary and General Counsel, TRS, began with a brief overview of TRS members (primarily school teachers), 171 school districts, state education agencies, five universities, and the Kentucky Community and Technical College System. Mr. Barnes also discussed several items in TRS' proposed housekeeping bill, including updating their statutory list of employers to include WeLeadCS and several technical changes and filing deadlines in KRS Chapter 161.

In response to Senator Neal, Mr. Barnes stated the notification process begins when a member submits a request to TRS in writing. He stated TRS has multiple forms of communication it uses to inform members regarding deadlines.

In response to Representative Tipton regarding the provided list of TRS participating employers that includes number of members and payroll amounts as requested during the Public Pension Oversight Board's (PPOB's) November meeting, Mr. Barnes stated the list of employees include active and retired reemployed members. He agreed all employers are responsible for paying the statutory contribution, and the state is paying the additional costs to pay off the unfunded liability for all employers. Mr. Barnes stated that per statute, regional local cooperatives basically get the same rights and benefits as members in the school districts, such as, lump sum payments of sick leave towards retirement credit for final average salary or employers paying the actuarial cost so members could have their sick leave go towards service credit. The cooperatives and school districts can pay their retiring employees up to 30 percent of their unused sick leave. The annual cost for the paid sick leave is around \$40 million.

In response to Senator Nemes, Mr. Barnes stated the reciprocity listed in the bill proposal is for the TRS statute only and not the general reciprocity statute.

Senator Higdon commented that he would like to have sick leave standardized across the state. Senator Higdon requested information for all the cooperatives sick leave,

personal days, and emergency day policies. In response to a question, Mr. Barnes stated non-district and non-cooperative employers pay the actuarial costs of service credit.

Representative Johnson added to Senator Higdon's request that he would also like to have any TRS standardized policies that are being followed.

Representative Johnson acknowledged departing members: Representative Graham, Representative Pratt, and Senator Mills, and thanked them for their service to the PPOB. He also acknowledged and congratulated PPOB staffer, Jennifer Black Hans, on her retirement.

### **Adjournment**

With no further business, the meeting adjourned.