

PUBLIC PENSION OVERSIGHT BOARD

Minutes

January 27, 2025

Call to Order and Roll Call

The first meeting of the Public Pension Oversight Board was held on January 27, 2025, at 2:00 PM in Room 154 of the Capitol Annex. Senator Jimmy Higdon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Walker Thomas, Co-Chair; Senator Jimmy Higdon, Co-Chair; Senators Greg Elkins, Shelley Funke Frommeyer, Michael J. Nemes, and Mike Wilson; Representatives David Hale, Adrielle Camuel, Robert Duvall, Ken Fleming, DJ Johnson, Jason Petrie, and James Tipton; Allison Ball, and Victor Maddox (Wil Schroder as Proxy).

Guests: Senator Jimmy Higdon; Senator Robby Mills; JD Chaney, Executive Director/CEO, Kentucky League of Cities; Chief Jeremy Thompson, Elizabethtown Police Department, Kentucky Association of Police Chiefs; Jeff Taylor, Legislative Affairs Director, Kentucky Professional Fire Fighters; Jerry Wagner, Executive Director, Kentucky Sheriffs' Association; and Senator Robin Webb.

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

Approval of Minutes

Senator Wilson moved that the minutes of the December 9, 2024, meeting be approved. Representative Johnson seconded the motion, and the minutes were approved without objection.

County Employees Retirement System Retiree Health Subsidy Proposal

Senator Robby Mills along with JD Chaney, Executive Director/CEO, Kentucky League of Cities; Chief Jeremy Thompson, Elizabethtown Police Department, Kentucky Association of Police Chiefs; Jeff Taylor, Legislative Affairs Director, Kentucky Professional Fire Fighters; and Jerry Wagner, Executive Director, Kentucky Sheriffs' Association, discussed legislation to modify the County Employees Retirement System retiree health benefits for members who joined the system on or after July 1, 2003. The goal is to better align benefits to match the cost of a single premium for members when they retire to support recruitment, retention, and the long-term financial stability of the system. Key provisions

include: a shared cost structure where both employers and employees contribute to funding enhanced health benefits, ensuring financial sustainability without overburdening either party; and a trigger mechanism that adjusts employee contribution rates based on funding levels in each of the health trusts, ensuring that funding remains adequate over time. The goal of these changes is to balance the interests of retirees, address long-term liabilities, and limit employer cost risks while maintaining solid financial footing for the system.

In response to Senator Funke Frommeyer, Mr. Chaney stated the health plan is a level dollar contribution amount measured on years of service applied to the health insurance benefit.

In response to Representative Petrie, Senator Mills stated the proposed legislation is not yet a bill and the actuarial analysis is forthcoming. Mr. Chaney discussed preliminary fiscal impacts.

In response to Senator Higdon, Mr. Chaney stated he does not believe the subsidy amount changes if a retiree is reemployed. Senator Mills added that he believes the subsidy will go towards the rehired retiree's benefit payment, but will forward the subsidy information. Due to 2008 pension reform legislation, Mr. Chaney stated the employer is often required to reimburse the systems for the cost of the retiree health plan if the member retains coverage from the retirement systems. In response to a follow-up, Mr. Chaney stated he believes the employee would still be entitled to the health subsidy amount accrued if they were to be reemployed in the private sector.

SB 58: Retirement Beneficiary Designations for Special Needs Trusts

Senator Robin Webb discussed SB 58, which establishes an option for members of any state-administered retirement system to designate a special needs trust as a beneficiary for a lifetime benefit. Congress has established eligibility for trust beneficiaries, which is referenced in SB 58. The actuarial analysis is forthcoming and the preliminary indication is revenue neutral.

In response to Representative Tipton, Senator Webb stated special needs trusts are established by federal law and the bill contains provisions that require notice of death of the beneficiary and that any overpayment would be paid back to the system.

In response to Senator Funke Frommeyer, Senator Webb stated, if a special needs individual is named as a beneficiary without a special needs trust, any money that exceeds the federal limit could prohibit that individual from receiving many government benefits. In response to follow-up questions, Senator Webb stated that the trust could

defray some governmental expenditures, but does not prohibit the individual from getting the assistance they are entitled to. Senator Funke Frommeyer commented she does not fully understand the need for the legislation as she thought it was already authorized. Senator Webb stated state employees specifically do not currently have a mechanism for their retirement benefits to be directed to a special needs trust.

Auditor Ball commented that a “stable account” might be worth examining as an alternative.

In response to Mr. Schroder, Senator Webb stated this would be for a familial lineage beneficiary.

Teachers' Retirement System Sick/Annual Leave Proposal

Senator Higdon discussed a sick/annual leave legislative proposal for the Teachers' Retirement System to ensure that every teacher in Kentucky receives equal treatment by receiving 10 sick days and two personal days that roll over into their final retirement calculation. If a district allows more than the 10 sick and two personal days, then the district will assume the associated financial responsibility. The proposed legislation requires uniform reporting requirements and oversight of all participating agencies to ensure accountability. The proposed legislation requires each school district provide up to 30 paid maternity leave days for teachers or employees for the birth of a child.

In response to Senator Wilson, Senator Higdon stated sick leave is paid at 30 percent face value of paid wages at time of retirement.

In response to Representative Camuel, Senator Higdon stated paid maternity leave days are for the birth of a child. In response to an additional question, Senator Higdon stated the state will only pay retirement costs for 10 sick days and 2 personal days a year at the time of retirement. The school district will have to pay for any days given above the 10 sick and 2 personal days per year.

In response to Representative Thomas, Senator Higdon stated the maternity leave provision would only apply to the mother of the child.

In response to Representative Tipton, Senator Higdon stated he believes statutes do not currently allow school districts to roll over personal and/or emergency days into sick days to be used for final compensation for retirement. He said he believes his legislation is fair and allows for the 12 days most districts are already providing. In response to another question, Senator Higdon stated he would have to follow-up on the current annual cost for the unfunded liability for sick days.

Representative Tipton announced that an updated version of BR 357 was in members folders and he welcomes any questions.

Adjournment

With no further business, the meeting adjourned.