

PUBLIC PENSION OVERSIGHT BOARD

Minutes

July 29, 2025

Call to Order and Roll Call

The fourth meeting of the Public Pension Oversight Board was held on July 29, 2025, at 2:30 PM in Room 154 of the Capitol Annex. Representative Walker Thomas, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Walker Thomas, Co-Chair; Senators Greg Elkins, Shelley Funke Frommeyer, Christian McDaniel, Gerald A. Neal, Michael J. Nemes, and Mike Wilson; and Representatives David Hale, Tina Bojanowski, Adrielle Camuel, Robert Duvall, Ken Fleming, DJ Johnson, and James Tipton; Allison Ball, John Hicks, Victor Maddox.

Guests: Lorrان Ferguson, Chief of Staff, Auditor of Public Accounts; Alexander Magera, General Counsel, Auditor of Public Accounts; Ryan Barrow, Executive Director, Kentucky Public Pensions Authority (KPPA); and Rebecca Adkins, Deputy Executive Director, KPPA.

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

Approval of Minutes

Co-Chair Higdon moved that the minutes of the April 28, 2025, meeting be approved. Representative Johnson seconded the motion, and the minutes were approved without objection.

2025 RS Senate Bill 9: TRS Leave Audit Requirements & Process

Lorrان Ferguson, Chief of Staff, Auditor of Public Accounts, and Alexander Magera, General Counsel, Auditor of Public Accounts, discussed how their office is involved in an active audit under direction of 2025 Regular Session Senate Bill 9 for sick leave requirements and processes for Teachers' Retirement System (TRS). The audit focuses on information gathering on and examination of sick leave policies and procedures, usage by employers, and costs as it pertains to TRS.

In response to Senator Funke Frommeyer, Mr. Magera stated his understanding of Senate Bill 9 was to cap the state's financial responsibility for sick leave payments at retirement, which shifts more of the financial responsibility to school districts.

Co-Chair Higdon commented the cap going forward is 13 sick days and noted that 2008 legislative changes had already limited the maximum number of sick leave days recognized for new hires to 300 days when they retire.

In response to Senator Funke Frommeyer regarding the calculation of sick leave, Mr. Magera stated TRS would be more capable of answering.

Co-Chair Higdon commented that sick leave is calculated at 30 percent of its value then added into the retiree's last years' income.

Representative Tipton added school districts are not required to compensate teachers for unused sick leave at retirement. In response to a question from Representative Tipton, Mr. Magera stated Senate Bill 9 asks the Auditor of Public Accounts to gather, not only sick leave data, but all types of accumulated days school districts offer.

Co-Chair Higdon commented that school districts can give and compensate for more than 13 days, but are financially responsible for any additional retirement costs above the 13-day threshold. District reporting accountability and preventing annual leave from being rolled over to sick leave is also in Senate Bill 9.

Senator Funke Frommeyer commented during the audit process, she hopes to better understand why teachers are retiring young. Ms. Ferguson stated the goal of the audit is to provide details on sick leave days and how they are applied so the General Assembly has the information to make those conclusions.

In response to Representative Camuel regarding whether the TRS high three final average salary calculation had to be consecutive years, Ms. Ferguson stated without reading the statute, she did not know.

Chair Thomas clarified that TRS members in Tiers 1, 2, or 3 who meet the statutory age and service requirements are eligible for a final average salary based upon the highest three years.

In response to Senator Elkins, Mr. Magera stated the audit request does not include maternity leave policies, but that it could be included if requested by the General Assembly. In response to another question regarding sick leave calculations, Chair

Thomas commented that further questions regarding matters outside the audit should be held until TRS representatives are present.

In response to Chair Thomas, Ms. Ferguson stated she will let Public Pension Oversight Board staff know once a projected audit completion date is available.

2025 RS Senate Bill 10: Overview of Enacted Legislation & Discussion

Ryan Barrow, Executive Director, Kentucky Public Pensions Authority (KPPA), and Rebecca Adkins, Deputy Executive Director, KPPA, gave an overview of 2025 Regular Session Senate Bill 10. Mr. Barrow stated Senate Bill 10 enhances retiree health insurance benefits for members of the County Employees Retirement System who began participating on or after July 1, 2003, and increases the employee contribution rate to help fund the enhancement. Senate Bill 10 will impact current and future retirees starting in January as it relates to benefits and next July as it relates to the employee contribution rate.

In response to Senator McDaniel, Mr. Barrow stated the benefit enhancement is only for members who meet the "career threshold".

Mr. Barrow discussed one observation made by KPPA involving sick leave service credit for members with participation dates between July 1, 2003, and August 31, 2008, and the impact of that service on meeting the "career threshold".

Ms. Adkins provided updates for the 2025 Medicare Advantage plan. She discussed the Medicare Advantage payment policies, employer group waiver plan payments, and how the Inflation Reduction Act lowered the out-of-pocket Part D for prescription drugs in 2025.

In response to Representative Tipton, Mr. Barrow stated the Senate Bill 10 enhancement takes effect January 1, 2026, but the contribution rate increase does not take effect until July 1, 2026. In response to a follow-up, Mr. Barrow stated under Senate Bill 10, both the employer and employee will have an increase in contribution rates to pay for the enhanced benefit.

Next Meeting - August 26, 2025

Adjournment

There being no further business, the meeting was adjourned.