

Minutes
Kentucky Community and Technical College System
Board of Regents
Finance, Technology, and Human Resources Committee Meeting
December 5, 2019

Committee Members Present:

- Mr. Mark A. Wells, Committee Chair
- Mr. Damon V. Allen, Committee Vice Chair
- Ms. Lisa Desmarais
- Ms. Karen A. Finan
- Dr. Angela Fultz
- Dr. Gail Henson
- Mrs. Jacqueline D. Teehan
- Ms. Tammy C. Thompson

Call to Order:

Committee Chair Mark A. Wells called to order the meeting of the Kentucky Community and Technical College System Board of Regents Finance, Technology, and Human Resources Committee at 1:20 p.m. (ET) on December 5, 2019. The meeting was held in Room 102 B of the KCTCS System Office, Versailles. The press was notified of the meeting on November 27, 2019. Hon. Michael Murray, KCTCS General Counsel, served as parliamentarian.

There being a quorum present, the meeting began.

Approval of Minutes:

Chair Wells asked if there were any corrections to the September 19, 2019, minutes presented in the meeting materials. There being none, the minutes were declared approved as presented.

Additions or Changes to the Agenda:

There were no changes or additions to the agenda.

Action: Ratification of Personnel Actions

RECOMMENDATION: That the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

Chair Wells called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation. It was noted that the personnel actions presented were in accordance with reporting guidelines and policies adopted by the KCTCS Board of Regents.

Chair Wells called for discussion.

During discussion, Regent Allen asked for a definition of terminal reappointment. Mr. Followell explained that there is a contract for an employee for a terminal time amount.

Regent Desmarais asked what circumstances a leave without pay would be granted for an employee. Mr. Followell noted that it would be granted in an extenuating circumstance when the employee no longer had vacation or sick time to use but needs a special leave because they are not cleared to return to work because of illness.

Chair Wells called for a motion.

MOTION: Mr. Allen moved, and Ms. Thompson seconded, that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

VOTE: The motion was approved unanimously.

Chair Wells moved to the next agenda item.

Action: KCTCS Interim Project Approval Scope Increase: Fire Commission Parking Lot

RECOMMENDATION: The KCTCS Board of Regents approve the scope increase of \$1.0 million in agency funds for the construction of a parking lot (driving course) at the National Responder Preparedness Center (NRPC) located in Greenville, Kentucky for the Kentucky Fire Commission – State Fire Rescue Training.

Chair Wells called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation.

In accordance with House Bill (HB) 529 of the 2018-20 general session, interim authorization for a capital construction project with a scope greater than \$1.0 million must be approved by the KCTCS Board of Regents and reported to the Capital Projects and Bond Oversight Committee of the Kentucky Legislature.

The current authorization for the NRPC Parking Lot project is \$2.0 million. The additional \$1.0 million needs to be added to increase the project's budget to \$3.0 million in order to maintain the project's scope.

The funding for this increase will come from agency funds of the Kentucky Fire Commission – State Fire Rescue Training.

Chair Wells called for discussion.

During discussion, Regent Finan asked if the approval would be connected to the Fire Training curriculum and what college this would be closest to. Mr. Followell noted that KCTCS conducts fire safety and fire science training and Madisonville Community College would be the closest college to this facility. He also shared that volunteer firefighters and those who work with local fire departments for training would be using this facility too.

Mr. Followell also gave a brief history of the Fire Commission and the relationship they have with KCTCS. They are administratively part of KCTCS but have a separate budget appropriation. The Fire Commission has a separate Governing Board.

Chair Wells called for a motion.

MOTION: Dr. Henson moved, and Ms. Finan seconded, that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents approve the scope increase of \$1.0 million in agency funds for the construction of a parking lot (driving course) at the National Responder Preparedness Center (NRPC) located in Greenville, Kentucky for the Kentucky Fire Commission – State Fire Rescue Training.

VOTE: The motion was approved unanimously.

Chair Wells moved to the next agenda item.

Action: KCTCS 403(b) Plan Restatement

RECOMMENDATION: The KCTCS Board of Regents authorize the amendment and restatement of the Kentucky Community and Technical College System § 403(b) Defined Contribution Plan (“Plan”) (Attachment A), to comply with form requirements of the Internal Revenue Service (IRS) Revenue Procedure (Rev. Proc.) 2013-22, as modified and clarified by Rev. Proc. 2014-28, 2015-22, and 2017-18 and other changes in applicable law.

Chair Wells called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation.

Mr. Followell noted that KCTCS sponsors a § 403(b) Defined Contribution Plan. When § 403(b) was enacted by the IRS, its provisions were fairly simple. However, over time, 403(b) plans have become more complex, both in the types of plans available and in the legal requirements applicable to them.

In 2007, the IRS published new regulations requiring that all § 403(b) plans have a written plan document in place by December 31, 2009, given their growing complexity. As of December 31, 2009, there was no official § 403(b) Pre-Approved Plan Document program issued by the IRS, so plan sponsors attempted to document their own plan provisions. KCTCS complied with the regulation and created a written plan.

Pursuant to Rev. Proc. 2013-22, as modified and clarified by additional procedures, the IRS established a remedial amendment period that permits an employer to retroactively correct form defects in its written § 403(b) plan by timely adopting a § 403(b) pre-approved plan (which were issued in 2017) or by otherwise timely amending its § 403(b) individually designed plan.

The deadline for adopting a §403(b) pre-approved plan is March 31, 2020. The Board of Regents must authorize the amendment and restatement of the plan documents. By adopting a § 403(b) pre-approved plan, KCTCS will gain needed reassurance from the IRS that its §

403 (b) plan is legally sufficient.

Chair Wells called for discussion.

During discussion, Regent Desmarais asked if a law firm was hired to help with the template for this resolution. Mr. Followell noted that the law firm of Bingham Greenbaum Doll was hired to help. If any trouble is determined with the plan, KCTCS will work with the IRS and the law firm of Bingham Greenbaum Doll to correct any deficiencies.

Chair Wells called for the motion.

MOTION: Dr. Fultz moved, and Ms. Desmarais seconded, that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents authorize the amendment and restatement of the Kentucky Community and Technical College System § 403(b) Defined Contribution Plan (“Plan”) (Attachment A), to comply with form requirements of the Internal Revenue Service (IRS) Revenue Procedure (Rev. Proc.) 2013-22, as modified and clarified by Rev. Proc. 2014-28, 2015-22, and 2017-18 and other changes in applicable law.

VOTE: The motion was approved unanimously.

Chair Wells moved to the next agenda item.

Information: Compensation and Classification Phase II – Compression Adjustment

Chair Wells called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation.

It was noted that the KCTCS Board of Regents requested information on possible options and the cost of the options for Phase II of the Compensation and Classification Study, which focuses on Pay Compression across the System. Pay compression is the situation in which an organization has negligible differences in pay between people who have differing skill sets and/or experience levels. It has occurred at KCTCS because the Commonwealth’s economic realities over the last decade have resulted in employee pay raises not keeping up with increases in the market—resulting in a situation in which new hires are hired in at levels similar to employees who have been with KCTCS for several years.

Staff have developed (with input from the President’s Leadership Team and the college human resource directors) three options to address employee salary compression at the various pay bands of the KCTCS Salary Schedule and the projected cost associated with each option (Attachment B). All three options include the common factor of years of service in a position but rely on different scaling methods to alleviate the compression. The three options appear below:

Option 1: Base salary increased at a percentage of Market Rate and reflective of years in position, with the adjustment not to exceed Market Rate.

Option 2: Flat dollar increase in base salary reflective of years in position, with the adjustment not to exceed Market Rate.

Option 3: Percentage increase in base salary reflective of years in position, with the adjustment not to exceed Market Rate.

The scope of this study includes all 3,886 regular full-time faculty and staff employees in each pay band.

Chair Wells called for discussion.

During discussion questions evolved regarding more in depth on the option choices with further explanation needed. Mr. Followell answered the questions and will bring the scatter rate for the options to the March meeting for everyone's observation.

Chair Wells called for further discussion. Being none, he moved to the next agenda item.

Update: Kentucky Employees Retirement System (KERS)

Chair Wells called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation.

It was noted that on July 24, 2019, the special session of the Kentucky legislature passed, and Governor Bevin signed into law, House Bill 1 (HB1). HB1 applies only to "Quasi-Governmental" employers and allows them to elect to cease participation ("opt-out," if you will) of the Kentucky Employees Retirement System (KERS) for nonhazardous employees. Currently KCTCS has 415 employees participating in KERS.

New employees are not able to choose the KERS retirement option, thus KCTCS's liability with KERS decreases as the KERS retirement plan employees retire or leave. Projected contribution cost on these employees is @ \$9.0 million annually at the current 49.47 percent employer contribution rate. The published contribution rate for the 2020-22 biennia is 89.37 percent, raising the projected cost to \$16.1 million (@ \$7.1 million more) for FY 2020-21.

It was noted that no decision has been made as to whether it would be better for KCTCS to stay in KERS or opt-out. All information necessary to make an informed decision is not yet known, nor is it expected prior to February 2020. Research and analyses continue. KERS is not required to supply necessary information for a decision until January 31, 2020. All due consideration is and will continue to be given to staying in and opting out, including financial and moral considerations.

If the decision is to opt out, KCTCS must notify KERS by April 30, 2020. With this in mind, if the research shows that opting out is the best option, the Board will be asked to vote on a resolution at its March 2020 meeting. Variations as to how to best to fund the cost of either option is being reviewed, including consideration of debt financing for the cost of staying in or opting out.

Chair Wells called for discussion.

During discussion, there were questions regarding current KERS employees and if they were asked for their input regarding a decision. It was noted that all employees of KCTCS will be impacted and the decision will be a very difficult one.

Chair Wells called for further discussion. Being none, he moved to the next agenda item.

Update: Administrative Services Report

Chair Wells called on President Box to present the item. Vice President Followell assisted with the presentation.

Vice President Followell noted that the Statement of Current Funds Revenues and Expenses as presented in the agenda materials, reflects actual program and operational expenditures compared to the 2019-20 budget approved by the KCTCS Board of Regents, June 14, 2019. The report reflects total revenues and appropriated fund balances of \$383,331,000 or 45 percent of the budgeted revenue and appropriated funds.

It was shared that the Statement of Current Funds Revenues and Expenses also reflects current fund expenses and budget reserve of \$248,938,000 or 29 percent of the expenses budgeted for the year. The Statement of Net Position as presented in the agenda materials, reflects the overall financial position of the System and includes assets deferred outflows, liabilities deferred inflows, and net position. KCTCS's net position remains a strong \$635,840,000 as of September 30, 2019.

Vice President Followell shared information from the Facilities Management and Sustainability Report. The report provided online details KCTCS capital construction projects; facilities support services, sustainability initiatives, and facilities utilization.

Chair Wells called for discussion. There being none, he called for a brief recess.

RECESS: The Committee recessed at 3:25 p.m. (ET) and reconvened at 3:30 p.m. (ET).

Update: Institutional Advancement Report

Chair Wells called on President Box to present the agenda item. President Box introduced KCTCS Vice President Ben Mohler, who assisted with the presentation.

Mr. Mohler distributed a copy of the Resource Development Report to the committee.

Mr. Mohler noted that the *Institutional Advancement Report* covers private giving and sponsored projects, grants, and contracts. Private gift income by donor purpose and source for the System and the donor source by college for the KCTCS colleges is included. The largest private gifts during the reporting period are featured.

Sponsored Projects, Grants, and Contracts funds are stated by source and purpose for the System Office in total, and total awards to individual colleges are presented. The top grants and contracts received during the reporting period are highlighted. This report covered gifts from July 1, 2019, through October 31, 2019.

Chair Wells called for discussion. There being none, he moved to the next agenda item.

Action: The 2018-19 Annual Audit Report

RECOMMENDATION: That the KCTCS Board of Regents accept the financial audit results for the 2018-19 fiscal year.

Chair Wells called on President Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation. President Box introduced Pete Ugo, a Crowe, LLP partner, to present the audit findings to the committee.

The independent audit issued by Crowe; LLP is an unmodified opinion. This opinion means that the KCTCS financial statements present fairly, in all material respects, the KCTCS financial position on June 30, 2019. The KCTCS financial statements and the audit firm's opinion letter are included in the document titled *2018-19 Annual Financial Report*.

The audit firm has reported that there are no deficiencies in the KCTCS internal controls considered material weaknesses. The audit firm's management comment letter, KCTCS responses, and other related correspondence from the audit firm are included in the document titled *2018-19 Audit Correspondence*.

The audit firm has audited the KCTCS major federal programs in compliance with the requirements of the *U.S. Office of Management and Budget Uniform Guidance*. That audit report is in the document titled *Report on Audit of Institutions of Higher Education in Accordance with Uniform Guidance*.

Chair Wells called for discussion.

During discussion, Regent Desmarais commended the staff and organization for the two findings, which is remarkable for the size of KCTCS. It was noted of the two findings that one of them is a repeat finding.

Chair Wells called for the motion.

MOTION: Mr. Allen moved, and Dr. Fultz seconded, that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents accept the financial audit results for the 2018-19 fiscal year.

VOTE: The motion was approved unanimously.

Chair Wells moved to announcing the next meeting.

Next Meeting:

The next meeting of the KCTCS Board of Regents Finance, Technology, and Human Resources Committee will be held on March 12, 2020, at the KCTCS System Office in Versailles.

Adjournment:

Mr. Allen moved that the meeting adjourn. Ms. Finan seconded the motion.

VOTE: The motion was approved unanimously, and the meeting adjourned at 4:22 p.m. (ET).

March 12, 2020

Date Approved by the
KCTCS Board of Regents
Finance, Technology, and Human Resources Committee

SIGNATURE ON FILE

Mark A. Wells, Committee Chair
KCTCS Board of Regents
Finance, Technology, and Human Resources Committee



Kentucky Community and Technical College System

Board of Regents

Resolution to Amend and Restate the KCTCS 403(b) Plan

WHEREAS, the Kentucky Community and Technical College System (“System”) sponsors the Kentucky Community and Technical College System 403(b) Defined Contribution Plan (“Plan”); and

WHEREAS, pursuant to Revenue Procedure 2013-22, as modified and clarified by Revenue Procedures 2014-28, 2015-22 and 2017-18, the Internal Revenue Service has established a remedial amendment period during which an employer retroactively may correct any form defects in its written section 403(b) plan document either by adopting a section 403(b) pre-approved plan or by otherwise amending its section 403(b) individually designed plan no later than March 31, 2020;

WHEREAS, the System is reviewing the Plan with counsel to determine whether any such form defects exist with respect to the Plan and retroactively to amend the Plan accordingly, on or before March 31, 2020;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents hereby approves amending the Plan in a form that complies with Rev. Proc. 2013-22 in a form acceptable to the KCTCS President in his sole discretion; and

FURTHER RESOLVED, that the KCTCS President, on behalf of the System, hereby is authorized, empowered and directed to execute the appropriate amendment and/or restatement to the Plan, and he and the appropriate officers of the System, hereby are authorized, empowered and directed to do all further acts and things, and to execute all further documents in writing which each such officer determines to be necessary or appropriate to effectuate amending and/or restating the Plan.

ADOPTED this sixth day of December 2019.

ATTEST:

Gail R. Henson, Ph.D., Chair
KCTCS Board of Regents

Jay K. Box, Ed.D.
KCTCS President

Mary Bosely-Kinney,
Secretary
KCTCS Board of Regents

Compensation and Classification - Phase II

Compression Adjustment - Option Information

Option 1

<p>Base salary increased at a percentage of Market Rate and based upon years in position, not to exceed Market Rate.</p> <p><i>1859 Employees impacted – will receive increase</i></p>
0 - 1.99 (NO CHANGE)
2-3.99 (up to 85% of Market not to exceed Market Rate)
4-5.99 (up to 90% of Market not to exceed Market Rate)
6-7.99 (up to 95% of Market not to exceed Market Rate)
8+ (up to 100% of Market not to exceed Market Rate)

Option 2

<p>Flat dollar increase in base salary based upon years in position, not to exceed Market Rate.</p> <p><i>2367 Employees impacted – will receive increase</i></p>
0-1.99 (NO CHANGE)
2-5.99 (up to \$500 Pay Increase not to exceed Market Rate)
6-10.99 (up to \$1000 Pay Increase not to exceed Market Rate)
11-15.99 (up to \$1500 Pay Increase not to exceed Market Rate)
16-19.99 (up to \$2000 Pay Increase not to exceed Market Rate)
20+ (up to \$2,500 Pay Increase not to exceed Market Rate)

Option 3

<p>Percentage increase in base salary based upon years in position, with the adjustment not to exceed Market Rate.</p> <p><i>1897 Employees impacted – will receive increase</i></p>
0-2.99 (NO CHANGE)
3-5.99 (up to 1.5% Pay Increase not to exceed Market Rate)
6-10.99 (up to 2% Pay Increase not to exceed Market Rate)
11-15.99 (up to 2.5% Pay Increase not to exceed Market Rate)
16-19.99 (up to 3% Pay Increase not to exceed Market Rate)
20+ (up to 3.5% Pay Increase not to exceed Market Rate)

FACULTY COSTING

Business Unit Description	Cost of Option1	Cost of Option 2	Cost of Option 3
Ashland Comm & Tech College	\$321,500	\$45,200	\$45,800
Big Sandy Comm & Tech College	\$742,800	\$95,400	\$97,800
Bluegrass Comm & Tech College	\$1,383,800	\$198,400	\$193,000
Elizabethtown Comm & Tech Coll	\$784,400	\$118,600	\$116,800
Gateway Comm & Tech College	\$176,400	\$35,300	\$39,600
Hazard Comm & Tech College	\$640,700	\$91,100	\$96,400
Henderson Comm College	\$277,300	\$45,900	\$42,800
Hopkinsville Comm College	\$347,000	\$43,100	\$44,600
Jefferson Comm & Tech College	\$1,013,500	\$181,400	\$174,100
Madisonville Comm College	\$592,600	\$71,400	\$83,100
Maysville Comm & Tech College	\$409,400	\$68,000	\$69,400
Owensboro Comm & Tech College	\$570,700	\$76,800	\$73,700
Somerset Comm College	\$872,900	\$125,000	\$131,000
Southcentral KY Comm & Tech	\$415,400	\$54,500	\$57,700
Southeast KY Comm & Tech Coll	\$645,500	\$83,900	\$91,300
West KY Comm & Tech College	\$548,300	\$84,000	\$85,500
System Office *	\$80,100	\$9,500	\$10,500
TOTAL	\$9,822,300	\$1,427,500	\$1,453,100

* Includes Corrections Central Office

STAFF COSTING

Business Unit Description	Cost of Option 1	Cost of Option 2	Cost of Option 3
Ashland Comm & Tech College	\$179,700	\$61,600	\$43,800
Big Sandy Comm & Tech College	\$194,600	\$73,400	\$47,700
Bluegrass Comm & Tech College	\$501,800	\$136,300	\$115,000
Elizabethtown Comm & Tech Coll	\$153,200	\$73,000	\$45,700
Gateway Comm & Tech College	\$41,800	\$43,800	\$39,600
Hazard Comm & Tech College	\$210,900	\$86,200	\$61,700
Henderson Comm College	\$59,100	\$20,400	\$15,300
Hopkinsville Comm College	\$171,100	\$55,100	\$43,500
Jefferson Comm & Tech College	\$191,200	\$86,000	\$60,600
Madisonville Comm College	\$169,600	\$59,300	\$47,500
Maysville Comm & Tech College	\$250,900	\$71,000	\$59,700
Owensboro Comm & Tech College	\$91,800	\$60,500	\$47,100
Somerset Comm College	\$237,700	\$105,000	\$72,600
Southcentral KY Comm & Tech	\$81,600	\$72,400	\$55,100
Southeast KY Comm & Tech Coll	\$244,400	\$87,400	\$65,000
West KY Comm & Tech College	\$278,800	\$102,000	\$72,200
System Office **	\$684,500	\$151,300	\$167,400
TOTAL	\$3,742,700	\$1,344,700	\$1,059,500

** Includes Corrections, Fire Commission, Fire Rescue/Training, KY Board of Emergency Medical Services, and KCTCS Online

FACULTY AND STAFF COSTING

Business Unit Description	Cost of Option 1	Cost of Option 2	Cost of Option 3
Ashland Comm & Tech College	\$501,200	\$106,800	\$89,600
Big Sandy Comm & Tech College	\$937,400	\$168,800	\$145,500
Bluegrass Comm & Tech College	\$1,885,600	\$334,700	\$308,000
Elizabethtown Comm & Tech Coll	\$937,600	\$191,600	\$162,500
Gateway Comm & Tech College	\$218,200	\$79,100	\$79,200
Hazard Comm & Tech College	\$851,600	\$177,300	\$158,100
Henderson Comm College	\$336,400	\$66,300	\$58,100
Hopkinsville Comm College	\$518,100	\$98,200	\$88,100
Jefferson Comm & Tech College	\$1,204,700	\$267,400	\$234,700
Madisonville Comm College	\$762,200	\$130,700	\$130,600
Maysville Comm & Tech College	\$660,300	\$139,000	\$129,100
Owensboro Comm & Tech College	\$662,500	\$137,300	\$120,800
Somerset Comm College	\$1,110,600	\$230,000	\$203,600
Southcentral KY Comm & Tech	\$497,000	\$126,900	\$112,800
Southeast KY Comm & Tech Coll	\$889,900	\$171,300	\$156,300
West KY Comm & Tech College	\$827,100	\$186,000	\$157,700
System Office **	\$764,600	\$160,800	\$177,900
TOTAL	\$13,565,000	\$2,772,200	\$2,512,600

** Includes Corrections, Fire Commission, Fire Rescue/Training, KY Board of Emergency Medical Services, and KCTCS Online