



Kentucky High School Athletic Association

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June 30, 2026

TO: KHSAA Board of Control
Hicks and Associates Audit Firm
Finance Staff

FR: Julian Tackett, Commissioner *JT*
Kara Howard, Business Affairs Director *KH*

RE: KHSAA Staff Participation in TRS, KERS (now part of KPPA), CERS (now part of KPPA)
Reconciliation of Sick Leave Reserve Account
Transition of Bank Account Following Designations as Approved

During the 2025-26 Fiscal Year, efforts began to reconcile the Sick Leave Reserve Account (formerly titled the Retirement Trust Fund). This account was the sole bank account not held at PNC, as it had been with Traditional Bank (formerly Montgomery and Traders Bank), an institution essential to the Association's financial rebuild in the mid-1990s.

As it became apparent that staff turnover would occur in the coming years, it was essential that these funds be separated from the General Fund and that written historical clarity related to retirement be provided. That is why the motion during FY25-26 to approve the financial reports allowed for the reconciliation of Designated and Reserve accounts.

TRS (TEACHER RETIREMENT SYSTEM) INDIVIDUALS

KHSAA full-time staff, employed on a full-time basis in a position where a college degree is a prerequisite, qualify for TRS. Per KRS 161.220 (4)(f), full-time members of the staff of the KHSAA who:

"were qualified for a position covered by the system at the time of employment by the association in the event that the board of directors of the respective association petitions to be included. The board of trustees of the Kentucky Teachers' Retirement System may designate by resolution whether part-time employees of the petitioning association are to be included. The state shall make no contributions on account of these employees, either full-time or part-time. The association shall make the employer's contributions, including any contribution that is specified under KRS 161.550. The provisions of this paragraph shall be applicable to persons in the employ of the associations on or subsequent to July 1, 1972."

NON-TRS (FORMERLY KERS, NOW CERS) INDIVIDUALS

In 1984, during the administration of Governor Martha Layne Collins, an executive order extended participation in the Kentucky Employees Retirement System (KERS) to employees of the Kentucky High School Athletic Association who held positions that did not require a college degree. The action is specifically documented in the July 10, 2019, minutes of the Kentucky General Assembly's Interim Joint Committee on Education. There was no option for KHSAA staff members to participate in CERS when this order was issued in 1984.

KERS V. CERS POLICY DISCUSSIONS

In response to ongoing issues with the long-term viability of KERS, particularly, an anticipated more than 100% withholding match being proposed for contributing organizations, the Board of Control during 2017-18 approved the determination that future hires in the office for full-time positions at the Director 4, 3, 2 or 1 level (grade 4 and above) would require a college degree, but permitted past position holders to be grandfathered in to their current positions.

The effect of this action would have been to create a path by which all new staff members could qualify for TRS rather than the classified system, solely due to the specific language of KRS 161.220. It was the Board's expressed concern that all positions in the office meet that requirement, in an effort to reduce pension costs during a severe crisis.

TRANSITION TO KEDC

In 2019-20, the KHSAA entered into exploratory negotiations with the Kentucky Educational Development Corporation (KEDC) to determine the feasibility of the KHSAA staff entering into a payroll services agreement with KEDC. KEDC had similar arrangements with other government-related organizations, and it would offer retirement options that would include CERS and, therefore, not necessitate that all KHSAA classified personnel hold degrees.

An agreement was entered into, effective July 1, 2020, for classified (non-degreed, non-KHSAA) employees, and September 1, 2020, for certified (degreed) employees. The employees remained under full authority of the KHSAA Board of Control and Commissioner, with payroll services, including benefits, being managed by KEDC in exchange for service fees and other marketing considerations for the organization. That arrangement continues today.

ACCRUED SICK LEAVE ACCOUNT (FORMERLY RETIREMENT TRUST FUND "RTF" ACCOUNT)

The KHSAA is responsible for paying the employee's lump-sum benefit and may also be responsible for associated retirement system costs with no additional state funding. The purpose of this account was initially simple. The Association was to accrue a sick leave expense transaction each year, which would move part of the KHSAA net profit to the holding area for the eventual retirement of the TRS members of the Executive Staff.

ACCRUED SICK LEAVE PAYOUT UPON RETIREMENT

Consistent with state law governing school districts, KHSAA policy (as well as KEDC policy) allows the KHSAA to compensate retiring employees for accumulated, unused sick leave at a rate of up to 30% of their final daily salary, subject to applicable statutory limits.

For employees who are Tier 1 members of the Kentucky Teachers' Retirement System (TRS), meaning they entered the system before July 1, 2002, the qualifying sick leave payout can provide two financial benefits. First, the employee receives a lump-sum payment from the school district. Second, the payout is included in the employee's final-year compensation for retirement-calculation purposes, provided that applicable TRS requirements are met. This can increase the employee's final average salary and, consequently, the monthly retirement benefit received for life. The number of days Tier 1 employees can accumulate in TRS is unlimited. The KHSAA has three Tier 1 employees in TRS as of this time.

Employees who began working for a school district before July 1, 2008, are not subject to the statutory 300-day payout limit applicable to employees hired on or after that date (Tier 2 or above if applicable). The actual payout depends on the employee's accumulated eligible sick leave and the calculated final salary.

Employees in the KERS system prior to the KEDC payroll service beginning were able to use accumulated sick time as service credit for up to 6 months. However, KERS employees had to take a cash payout based on that accumulated leave.

BEFORE AND AFTER KEDC PAYROLL SERVICES

Prior to the transition to KEDC for payroll services, the KHSAA was to annually transfer a calculated amount to the RTF bank account. During fiscal years 2020 to 2025, the actual cash transfer was not paid, and the Association instead left the cash assets in its General Fund bank account. They were calculated, known and reported, but not transferred.

For fiscal years 2020 through 2025, the original reserve calculation for expected sick leave applied only to TRS employees. Because those employees who had come into KERS prior to the transition to KEDC and had no cash equivalents expected upon retirement, the association had no financial issues with not accruing those amounts. KHSAA would receive an invoice from KERS (KPPA) for any expected impact of the 6-month service accrual, as the amount was fairly nominal and not reliably calculable for reserve purposes.

KERS TO CERS TRANSITION FOR CLASSIFIED EMPLOYEES

During the 25-26 school year, a conversation with KPPA representatives revealed that when KHSAA classified employees moved to KEDC, they were actually placed in C rather than KERS. While this may have been known to the individual employees, it was not an organizational notification.

This necessitated a new way of calculating the sick leave reserve. KHSAA staff who are working and participating in CERS now participate in the Alternative Sick Leave program as defined by KPPA. This means employees have the option to take a cash payout for their unused sick leave, calculated much the same way as TRS, but with different limitations based on their Tier under the KPPA statutes. That is not a matter of management discretion and is a statutory classification. As such, during 2025-26, the expected accumulation table for this possible sick pay was adjusted to include all of the employees who were in CERS and had accumulated sick leave prior to the KEDC transition.

Further complicating this situation is that the KHSAA is only responsible for accumulating these amounts for employees who were employed by the KHSAA at the time of the transition to KEDC. After the transition to KEDC, these expenses have been processed through the payroll services, so there is no significant additional payment expected from the association upon the retirement of any of these employees for the accumulated sick leave time after the KEDC transition. In essence, we are having to manage two different sets of numbers agreement with KEDC contemplates that. The association must reserve cash for the pre-2020 accruals of all its staff who are in either TRS or CER, regardless of which system they were in before the summer of 2020.

ACCOUNT CLOSURE AND TRANSFER

In the summer of 2026, the Commissioner worked with Miss Howard to compile all statements and information regarding account number 10300, titled the RTF Account, at Traditional Bank. We also worked with the field representative at PNC to create a new account, which is now 10310 and labeled RTF-PNC. This is the cash account for the sick leave reserve funds.

At the time, the account at Traditional Bank had been DORMANT and unreconciled for years, with no activity since 2020-2021. After locating the vast majority of the single-page statements, an adjusting entry was made to account for 10300 to balance past interest receipts. For those years, even while dormant, the account had accumulated approximately \$11 per month in interest, totaling \$741.38 through June 30, 2026, resulting in an ending balance of \$133,156.66, which matches the June 30 statement.

On July 31, the account accrued another \$11.31 in interest, leaving a final balance of \$133,167.97. The account was closed on August 25, 2026, and the cashier's check was immediately taken to PNC Bank to seed the new account with \$133,167.97. On September 9, 2026, a one-time transfer of \$133,375.93 from the PNC Main account to the PNC RTF account was made to bring the account into balance with the required reserves as of June 30, 2026. Also on September 9, 2026, a journal entry was made to sick leave expenses to transfer the necessary \$93,356.14 from the association's cash carryforward to accrued sick leave, reflecting the liability on the balance sheet. The majority of this entry is to adjust for the hiring of an employee with an accumulated sick balance in 2024, and the inclusion of the CERS accumulations prior to the 2020 KEDC conversion.

APPENDIX

CURRENT EMPLOYEE APPLICABILITY

CERS Tiers	
Tier 1	Before 2008
Tier 2	2008-2013
Tier 3	2014 and beyond
Tier 2	Catron, Rob (02/21/2008)
Tier 2	Ison, Jeremy (07/01/2013)
Tier 3	Molloy, Jeanie (06/08/2015)
Tier 3	McClain, Sara (03/05/2024)
Tier 3	Milam, Brian (09/08/2025)
TRS Tiers	
Tier 1	Before July 1, 2002
Tier 2	Entry on or between July 1, 2002, and June 30, 2008
Tier 3	Entry on or between July 1, 2008, and Dec. 31, 2021
Tier 4	Entry on or after January 1, 2022
Tier 2	Angolia, Joe (11/14/2012)
Tier 2 ****	Bilberry, Darren (02/01/2007) plus previous with FCPS
Tier 3 *	Bridenbaugh, Sarah (08/17/2015) plus previous with FCPS
Tier 2 **	Collins, Chad (07/19/2010) plus KERS service with LRC and AOC
Tier 1	Cope, Butch (09/11/1995)
Tier 4	Elder, Jenny (01/10/2022)
Tier 3	Howard, Kara (09/10/2018)
Tier 2 ***	Jackson, Abby (07/15/2024) plus previous with FCPS
Tier 1	Tackett, Julian (08/27/1984)
* - Does not include previous applicable time in WV and FCPS, final determination should be made by TRS ** - Does not include previous applicable time with LRC and AOC for state, or other retirement system time, final determination should be made by TRS *** - Does not include previous applicable time in FCPS, final determination should be made by TRS **** - Does not include previous applicable time in FCPS, final determination should be made by TRS	

CURRENT EMPLOYEE PRE-KEDC BALANCES (DAYS) AS OF JUNE 30, 2026

	System	Factor	June 30 2020 Sick Balance Days	2	August 1, 2020 Balance
Joe Angolia	TRS	1	80.0	2	82.0
Darren Bilberry	TRS	1	199.0	2	201.0
Sarah Bridenbaugh	TRS	1	91.0	2	93.0

Rob Catron	CERS	1	116.5	2	118.5
Chad Collins	TRS	1	122.4	2	124.4
Butch Cope	TRS	1	285.9	2	287.9
Jenny Elder	TRS	0	0.0	0	0.0
Kara Howard	TRS	1	32.0	2	34.0
Jeremy Ison	CERS	1	61.7	2	63.7
Abby Jackson	TRS	1	128.0	0	128.0
Sara McClain	CERS	0	0.0	0	0.0
Brian Milam	TRS	0	0.0	0	0.0
Jeanie Molloy	CERS	1	53.1	2	55.1
Julian Tackett	TRS	1	394.7	2	396.7
Beginning Balance Accrued from Audit	\$136,149.92				
Adjustment Needed	\$130,393.98				
Required Cash Reserve	\$266,543.90				
Current Bank Balance	\$133,167.97				
Needed Transfer	\$133,375.93				
NOTE: This amount will require a significant adjustment if any employee is hired from within the membership and transfers in sick leave, depending on the individual's salary. This was the case most recently, when the Board approved the transfer of Ms. Jackson's accumulated sick leave, who was hired from one of our member schools.					