MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES MEETING
JUNE 16. 2026, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE

At the meeting of the Kentucky Retirement Systems Board of Trustees held on June 16, 2026, the following members were present: Keith Peercy (Chair), Mary Eaves, Prewitt Lane, Lynn Hampton, Pamela Thompson, Larry Totten, and Michael Riley. Staff members present were KRS CEO John Chilton, Ryan Barrow, Michael Lamb, Odette Gwandi, Victoria Hale, Leigh Ann Davis, Nathan Goodrich, Carrie Bass, Steve Willer, Anthony Chiu, Brian Caldwell, Joe Gilbert, Ian Blaiklock, Connie Pettyjohn, Phillip Cook, Sherry Rankin, and Mary Hill. Also present was Janie Shaw with GRS; David Lindberg, Chris Tessman, and Craig Morton with Wilshire Advisors; Nick Zuiker with Reinhart; and Joe Cowles, Gabe Hellinger, and Stephanie Heller from Humana.

1. Mr. Peercy called the meeting to ***order.***

2 Ms. Hale read the ***Legal Public Statement***.

3. Ms. Rankin ***Called Roll*** and noted that no ***Public Comments*** were submitted.

4. Mr. Peercy introduced agenda item ***Approval of the April 16, 2026, Minutes.*** *(Video 00:07:27 to 00:07:46).* Mr. Totten made a motion to approve the minutes of the meeting held on April 16, 2026. Ms. Eaves seconded the motion. A vote was held and the motion passed unanimously.

5. Mr. Peercy introduced Ms. Pettyjohn for agenda item ***Joint Retiree Health Plan Committee Report.*** *(Video 00:07:48 to 00:21:08).* Ms. Pettyjohn began by informing the Board that at the Joint Retiree Health Plan Committee Meeting held on May 13, 2026, Keith Peercy and Dr. Patricia Carver were elected as Chair and Vice Chair, respectively. Humana reported an increase in pharmacy benefits claims and medical costs, while performance guarantees regarding Humana's Call Center and Customer Services are being

met and the quarterly reports are sent to the committee. The anticipated cost impact for 2027 includes an average 2.48% increase based on Medicare projections. Ms. Pettyjohn introduced Mr. Cowles to discuss the Inflation Reduction Act. He highlighted that the Act reduced maximum out-of-pocket (“MOOP”) costs from $8,000 to $2,100, which will decrease member costs but increase plan costs by 15%-25%. Ms. Pettyjohn stated that in the Committee meeting, the Humana representatives were tasked with providing additional reporting on utilization and cost statistics into 2026 to evaluate impact.

Ms. Eaves inquired how specialty drugs have been contributing to the increase in pharmacy expenditures and Mr. Cowles affirmed that specialty drugs are, in large part, the reason for members reaching their MOOP so quickly. To help offset some of those costs, Humana is making changes to their formulary by adding biosimilar (akin to “generics”) drugs as they come on the market. He also noted that the Centers for Medicaid and Medicare (“CMS”) routinely negotiate prices for the most expensive drugs on the market to help keep costs low.

Ms. Pettyjohn closed her presentation with a discussion regarding the Kentucky Group Health Insurance Board. The goal of the board is to facilitate the need for comprehensive, effective planning, implementation, and administration of the state employee health insurance plan. The Insurance Board recommended that a retiree serve, and Mr. Larry Totten volunteered to do so. He was confirmed by the Joint Retiree Health Plan Committee and Ms. Pettyjohn sought ratification of his appointment. Mr. Peercy requested a motion to approve Mr. Totten’s appointment to the Kentucky Group Health Insurance Board. Mr. Riley made the motion, and it was seconded by Ms. Eaves. A vote was held and the motion passed with Mr. Totten abstaining.

6. Mr. Peercy introduced agenda item ***Hybrid Percentage and KRS Allocation.*** *(Video 00:21:10 to 00:22:48).* Mr. Lamb discussed the approved Hybrid Percentage Plan for FY 2027 with allocations of 35.62% for KRS and 64.38% for CERS, effective July 1. He further explained that of those percentages, the Boards further allocate to their respective plans. Mr. Lane made a motion to approve the allocation as presented and Ms. Hampton

seconded. A vote was held and the motion carried unanimously.

7. Mr. Peercy introduced agenda item ***FY 2027 Draft Administrative Budget.*** *(Video 00:22:49 to 00:27:29).* Mr. Lamb presented the draft fiscal year 2027 KPPA administrative budget that will be presented to the KPPA Board on June 25 for approval. He stated that KPPA's biennium budget request, submitted in October, was about $1 million less than needed due to constraints based on baseline numbers like current headcount and salaries. House Bill 500 provided $49.8 million, which was $2 million less than requested, creating a shortfall. For fiscal year 27, $51.2 million is needed, leaving a $1.4 million shortfall after allocations. KPPA plans to manage a 4% to 5% adjustment in personnel costs as part of the strategy to address the budget shortfall. The draft budget includes a $1.4 million reduction primarily from decreased salaries and related expenses such as FICA and retirement contributions. Ms. Hampton asked about legal expenses and Mr. Lamb stated the legal expenses were reduced due to expected case closings, but cautioned these numbers are subject to fluctuations.

8. Mr. Peercy introduced agenda item ***Quarterly Financial Reports.*** *(Video 00:27:31 to 00:38:59).* Mr. Lamb continued to discuss the quarterly financial reports as of March 31. The total fiduciary net position for the KRS system as of March 31 is reported at $10.651 billion, representing a 14.8% increase ($1.4 billion) from the previous year. Pension plans total $7.7 billion, and insurance plans total $2.9 billion. Investments at fair value increased by 14.52% year-over-year, with public equities seeing the highest increase at 21%. The fiduciary net position increased by 15.66% this fiscal year, mainly due to $93 million higher net investment income. Total member and employer contributions for all three pension plans were $978.7 million this fiscal year, compared to $952.1 million in the prior year. Net investment income for the pension plans increased by $148.4 million, up 17.31% from the prior year. Pension plans paid out $946 million in benefits and expenses, a 1.9% increase from the previous year. The KERS non-hazardous, hazardous, and SPRS pension plans had positive net contributions for the third quarter, while insurance plans had negative net contributions.

Ms. Hampton requested some clarification on the negative numbers relating to health insurance and whether or not they were related to Humana's presentation. Mr. Lamb stated that those numbers are low because this plan is close to being fully funded and contributions are small. Mr. Peercy also noted that the KERS Hazardous plan hasn't received contributions for several years because the plan was over-funded and Mr. Lamb confirmed.

Past due accounts receivable at the end of March totaled nearly $8.3 million, with most being worked by KPPA Legal. He noted that between March 31 and May 15, most of the top ten (10) employers had paid their past-due amounts. One outlier accounts for $6.7 million of the total past due amount. Regarding the Administrative Budget to Actual, KPPA spent 66.98% of its budget by the third quarter, with an expenditure of $33.5 million, and is expected to end the fiscal year $4 million below budget.

Ms. Eaves asked about the increase in past-due invoices and how they are accounted for. Mr. Lamb stated that Seven Counties ceased accruing invoices due to a court order, whereas Kentucky River Community Care continues to accrue invoices, significantly contributing to the total past due amount.

9. Mr. Peercy introduced agenda item ***Investment Committee Report.*** *(Video 00:39:04 to 00:57:52).* Mr. Lane began the presentation and stated that the recent Investment Committee meetings focused on specialty investments, leading to positive outcomes. Wilshire representative Chris Tessman stated that Wilshire's capital market forecast predicts convergence between US stocks and core bonds, with a 70-30 portfolio expected to yield around 5% over ten (10) years. Market concerns include the US-Iran conflict impacting oil reserves and inflation, though inflation shock is seen as short-term. Fed rate expectations have shifted from potential cuts to more neutral or even rate hikes, driven by inflation and labor market data.

   Mr. Willer continued with a brief discussion on performance for the quarter. Portfolio performance showed the KRS pension composite had a return of minus fifty-two (52) basis points for the quarter, outperforming its benchmark, while the KRS insurance composite produced a return of minus 0.89%, outperforming the benchmark by thirty-seven (37) basis points. Overall, portfolios outperformed their benchmarks by between thirty-one (31) and fifty-five (55) basis points. The specialty credit portfolio outperformed its benchmark by ninety-four (94) basis points, with fifteen (15) out of seventeen (17) underlying portfolios outperforming. In terms of dollar amounts, Mr. Willer explained these numbers translated to outperformance of approximately $75 million in the pension composite and $20 million of outperformance in the insurance composites. The public equity portfolio underperformed its benchmark by twenty-seven (27) basis points and Mr. Willer noted that this was not unique to KRS portfolios, but common for active managers globally as they struggle to keep pace with performance indices.

Mr. Willer provided a few final updates, including renegotiated management fees with external managers, saving approximately $5.1 million annually. An additional commitment of up to $100 million was made in the IT Rail Fund for KERS and SPRS portfolios. Asset management responsibilities of the MSCI ACWI ex-US public equity mandate shifted from Franklin Equity Group to ClearBridge within Franklin Templeton, a move that is expected to improve overall international portfolio with improved performance, less risk, similar growth, and lower tracking error.

Ms. Bass then presented the Investment Related Policy Review *(Video 00:57:52 to 01:40:50)* and highlighted some of the changes being proposed for a consolidated policy manual. The new manual, if adopted, will result in one comprehensive policy document, incorporating various existing policies and delegating specific guidelines to the KPPA investment staff. Key proposed changes include delegating investment decision-making responsibilities below certain thresholds to the KPPA investment staff and maintaining larger decision-making at the Board level. The changes intend to separate procedural specifics from the policy, improving agility and risk management. An advisory vote structure for executive compensation will emphasize long-term performance alignment. One recommendation that will remain unchanged is that Trustees are fiduciaries and retain ultimate oversight.

Ms. Bass introduced Nick Zuiker to give a brief overview of the proposed changes to the proxy voting guidelines to reflect current governance concerns and fiduciary obligations. He noted that the guidelines were built with flexibility to address the rare unique case where a vote is not merely a formality. Following his presentation, Ms. Eaves inquired about the amount of discretion the new policy will give to staff and management. Ms. Bass noted that the policy preserves the right of the Board for the KPPA Investment staff to direct the proxy voting agent in cases of ambiguity. Mr. Gilbert stated that these situations are extremely rare occurrences and Mr. Zuiker clarified that further direction may be sought in these rare instances.

Mr. Chilton asked about the CERS Board adopting the same policies and Ms. Bass stated that while she did not know the answer to his question, she stated there were differences in effect between the investment-related policies for each Board. Ms. Hale clarified that differing policies are allowed by Kentucky Revised Statutes. Ms. Eaves also raised some concerns about some of the language in the revised policies and Ms. Bass stated those issues will be addressed. She then requested a motion to ratify the Investment Committee's adoption of the Kentucky Retirement Systems' Statement of Investment Objectives and Policies, including repealing the listed individual investment policies, with changes. Ms. Hampton made a motion, and it was seconded by Mr. Lane. A vote was held and the motion passed unanimously.

10. Mr. Peercy introduced agenda item ***Cost Efficiency RFP Update.*** *(Video 01:40:58 to 02:04:23.)* Mr. Willer gave a brief update on the Cost Efficiency RFP issued on July 9, 2025. On March 25th, 2026, the CERS Investment Committee recommended XTP implementation services to the CRS Board, which was approved by the CRS Board on April 15th, 2026. XTP provided a draft of their service agreement on April 27th, followed by KPPA's comments with revisions on May 5th, with finalization pending XTP's response. Ongoing discussions concern XTP's contingent fee, whether it is based on CERS's savings or total enterprise savings. The services outlined in the RFP include cost benchmarking, fee validation, and review of existing contracts. Progress is being made towards finalizing a contract, with a need to determine whether it is done jointly with KRS or remains

exclusively with CERS. Mr. Lane noted that the KPPA Investment Staff have been performing well and keeping costs low and Mr. Willer echoed that sentiment but stated that his staff are prepared to have discussions and/or negotiations with external providers, should the Board deem it necessary. A clarification was made regarding the requirement for policy approval by both the Board and the Finance Cabinet. There was further discussion about recovery and billing of the cost efficiency services and how those services will be billed and paid for between the systems. Ms. Hale stepped in to clarify that currently there is no contract, only ongoing negotiations on behalf of CERS, who had previously voted to move forward.

**** Mr. Peercy left the meeting, and Mr. Lane assumed the position of Chair****

11. Mr. Lane introduced agenda item ***CEO Update.*** *(Video 02:04:25 to 02:05:53).* Mr. Chilton gave a brief update of his activities over the last quarter, including conversations and document reviews regarding ongoing litigation; attending regular Committee, Board, and oversight meetings; introductory meetings with the newest Trustees; and providing Ms. Bass with feedback on the proposed changes to the Investment Policy Statements.

12. Mr. Lane introduced agenda item ***KPPA Executive Director's Update.*** *(Video 02:05:56 to 02:08:27).* Mr. Barrow gave a very brief overview of his quarterly report, including various internships and leadership programs happening at KPPA; updates on the Louisville office; and some KPPA kudos for employee excellence.

13. There was no ***new business*** to report.

14. There was no need to go into ***closed session.***

15. Mr. Lane ***adjourned*** the meeting.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

____
Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on June 16, 2026 were approved on September 10, 2026.

____
Chair of the Board of Trustees

I have reviewed the Minutes of the June 16, 2026 Board of Trustees Meeting for content, form, and legality.

____
Executive Director
Office of Legal Services