

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES
JUNE 18, 2024, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the Kentucky Retirement Systems Board of Trustees held on June 18, 2024 the following members were present: Lynn Hampton, Ramsey Bova, Mary Eaves, Prewitt Lane, Keith Peercy, William Summers, V, and Pamela Thompson. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Ryan Barrow, Erin Surratt, Michael Board, Leigh Ann Davis, Michael Lamb, Steve Willer, Brian Caldwell, Anthony Chiu, Victoria Hale, Jessica Beaubien, Jillian Hall, Carrie Bass, D’Juan Surratt, Connie Davis, Connie Pettyjohn, Ashley Gabbard, Shaun Case, and Sherry Rankin. Others in attendance included Robert Kellerman, Outside Counsel; Craig Morton with Wilshire; Tracy Garrison, Larry Loew, and Carla Whaley with Humana; and Ryan Graham with Blue & Co.

Ms. Hampton called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

Ms. Hampton introduced agenda item **Public Comment** (Video 00:05:00 to 00:05:39) and Ms. Rankin indicated that one comment had been received from Douglas Lee Jordan, and read as follows:

“I want to see the pension spike problem fixed! This is totally unacceptable and ridiculous!!!! Also the two tier 1 systems. Insurance for the family needs added back immediately!!”

Ms. Hampton introduced agenda item **Approval of Minutes – April 9, 2024** (Video 00:05:40 to 00:06:04). A motion was made by Mr. Summers and seconded by Mr. Lane to approve the minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item *Introduction of Ryan Barrow, Executive Director of KPPA* (Video 00:06:05 to 00:08:28). Mr. Eager introduced Ryan Barrow as the new Executive Director and indicated that this is his first Board meeting as his first official day was June 17, 2024. He stated that as a part of the onboarding process, Mr. Barrow will be attending meetings with a wide range of people, both internal and external to KPPA, through July 31, 2024, which is Mr. Eager's last day prior to his retirement date. Mr. Barrow expressed his gratitude to Mr. Eager for the introduction and stated that he is looking forward to working with staff and the Boards. Mr. Eager commended the KPPA Ad Hoc Executive Director Search Committee for their time and efforts in the hiring process for his replacement.

Ms. Hampton introduced the *FYS 6/30/2024 – KRS ACFR – Planning letter* (Video 00:08:29 to 00:10:54). Mr. Michael Lamb introduced Mr. Ryan Graham with Blue & Co. who is the director in charge of the Audit of the Annual Comprehensive Financial Report (ACFR) for the KRS System. Mr. Graham reviewed the planning letter for the upcoming Audit which he expects to begin in August 2024 and concluding with an issued report in November 2024.

Ms. Hampton introduced agenda item *Administrative Budget – Hybrid Percentage and KRS Allocation* (Video 00:10:55 to 00:13:48). Mr. Michael Lamb presented a memo detailing the KPPA Ad Hoc Budget Committee's determination of the Fiscal Year 2025 hybrid percentage as follows: CERS 64.16% and KRS 35.84%. The KRS Board is being charged with determining the approved the Fiscal Year 2025 allocation between the KRS Hazardous, KRS Nonhazardous and State Police plans. Mr. Lamb indication that historically this was based on membership and provided the following percentages using that application: KRS Nonhazardous 31.514%, KRS Hazardous 3.617% and State Police 0.709%. Ms. Hampton commended Mr. Lane and Mr. Chilton for their participation and work involved with this recommendation coming from the KPPA Ad Hoc Budget Committee. Mr. Lane expressed his gratitude to Mr. Lamb and his staff on their work regarding the budget process. Mr. Percy made a motion to approve the Fiscal Year 2025 allocation of the KRS Hybrid percentage between the KERS Non-hazardous, the KERS Hazardous, and the SPRS funds. Ms. Bova seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Quarterly Financial Reports* (Video 00:13:49 to 00:26:26). Mr. Lamb reviewed the following Quarterly Financial Reports with the KRS Board of Trustees: Combining Statements of Fiduciary Net Position of the Pension Funds and Insurance Funds as of

March 31, 2024, the Combining Statements of Changes in the Fiduciary Net Position of the Pension Funds and Insurance Funds as of March 31, 2024, the Pension Funds and Insurance Funds Contribution Reports for the period ending March 31, 2024, the KRS Outstanding Invoices by Type and Employer as of March 31, 2024, and the KRS Penalty Invoices Report as of March 31, 2024.

Next, Mr. Lamb reviewed the KPPA Administrative Budget for Fiscal Year 2023 – 2024 Budget-to-Actual Summary Analysis for the nine months ending March 31, 2024. Lastly, Mr. Lamb briefly reviewed the separation/plan-specific expenses and the JP Morgan Chase Credit Earnings/Fees and Hard Interest Earned for the fiscal year ending June 30, 2024.

Ms. Hampton introduced agenda item *Hazardous Duty Requests (Video 00:26:27 to 00:28:54)*. Mr. D’Juan Surratt stated that two (2) agencies are requesting hazardous duty coverage for five (5) positions. Four (4) are related to Mine Safety within the Department of Natural Resources and one (1) is a State Park Ranger within the Department of Parks. Mr. Surratt indicated that KPPA staff has reviewed the requests and has determined that they meet the statutory guidelines for hazardous coverage, therefore recommending approval by the Board. Mr. Peercy made a motion to approve the hazardous duty requests as presented. Mr. Summers seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Amendment to 105 KAR 1:451, Quasi-Governmental Employer Reports on Independent Contractors and Leased Employees (Video 00:28:55 to 00:30:47)*. Ms. Jessica Beaubien presented the memorandum surrounding this amendment to the administrative regulation which outlines the information that, pursuant to KRS 61.5991, must be provided by certain quasi-government employers in the Kentucky Employees Retirement System for some independent contractors, leased employees and other persons providing services for the quasi-governmental employer under similar arrangements. She stated that this amendment achieves the following:

- Updates the language throughout the regulation to be consistent with the language used in all KPPA regulations and the definitions found in 105 KAR 1:001.
- Clarifies which persons are reported and what additional documentation is required.
- Details exemptions from reporting to how to handle any applicable exemption.
- Incorporates by reference the Contractor Wizard, which is an electronic interactive form that guides employers through the process of reporting as required by KRS

61.5991.

Ms. Beaubien stated that the Office of Legal Services is requesting approval and authorization to file this regulation with the Regulations Compiler. Mr. Percy made a motion to approve the amendment to 105 KAR 1:451 and to authorize staff to file an amended administrative regulation with the Office of the Regulations Compiler at the Legislative Research Commission as presented. Mr. Summers seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***KRS Bylaws Amendments*** (Video 00:30:48 to 00:38:50) Ms. Hampton explained that the amendment to the KRS Bylaws pertains to the section related to the Actuarial Subcommittee. She stated that this is a subcommittee of the Investment Committee and reviewed the duties of the committee which included a yearly review of the actuarial assumptions, funding methods and other information proposed by the actuary for each of the systems. Mr. Board reviewed the suggested language of the amendments to the KRS Bylaws. Ms. Bova made a motion to approve the amendments to the Bylaws as discussed. Ms. Thompson seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***Investment Committee Report*** (Video 00:38:51 to 00:53:50). Mr. Willer stated that the KRS Investment Committee met on May 16, 2024 and reported that no recommendations were made that required approval by the Investment Committee and that no actions were taken that required ratification by the KRS Board of Trustees.

Mr. Willer indicated that the KPPA Investment Staff advised the Committee of the change to the benchmark index for the US Public Equity large cap internally managed passive portfolio from the S&P 500 Index to the Russel 500 Index. Therefore, resulting in a better alignment across the Public Equity asset allocation, with a cost savings of approximately \$130,000 per year with no impact to performance or volatility.

Then, Mr. Willer provided the highlights discussed at the Investment Committee meeting, including a review of economic conditions, market activity and outlook; absolute and relative performance and asset allocation for the pension and insurance portfolios for the quarter ending March 31, 2024; asset allocations; and a compliance review. Mr. Willer also provided an update on the Investment Budget.

Ms. Hampton introduced agenda item *Joint Retiree Health Plan Committee Report (Video 00:53:51 to 01:02:28)* Ms. Connie Pettyjohn reported that the Joint Retiree Health Plan Committee met on May 8, 2024. The first order of business was the election of the Committee Chair and Vice-Chair. Ms. Pettyjohn indicated that Mr. Jerry Powell, CERS Trustee, was elected as Committee Chair, while Dr. Crystal Miller, KRS Trustee, was elected as Vice-Chair.

Ms. Pettyjohn stated that Humana provided a presentation on Plan Performance for 2023, the Inflation Reduction Act (IRA) impact for 2025, the Centers for Medicare and Medicaid Services (CMS) Final Notice for 2025 plan year and introduced Personify Health. She reminded the Board that that Humana has exited from the Employer Group Commercial Medical Products and has subcontracted with Personify Health who will continue to provide coverage for the KPPA Medical Only and Medicare Advantage Mirror self-funded plans. Mr. Larry Loew and Ms. Tracy Garrison, with Humana, provided details on the topics discussed at the Committee level.

Ms. Hampton introduced agenda item *CEO Update (Video 01:02:29 to 01:05:30)* Mr. John Chilton provided an update regarding the multiple meetings for the past few months surrounding the budget process which he and Mr. Lane were participants. He stated that he, along with Ms. Hampton, met with Mr. Ed Owens and Mr. George Cheatham, the CERS CEO and CERS Board Chair respectively, and discussed various topics and issues. He reported that the meeting went well and looking forward to good working relationship.

Ms. Hampton introduced agenda item *KPPA Update (Video 01:05:31 to 01:18:39)*. Ms. Hampton expressed her appreciation to Trustee David Adkins and Michael Board for their work as she read the Resolution Acknowledging the Contributions of David Eager to the Kentucky Retirement Systems/Kentucky Public Pensions Authority. Various Trustees, Mr. Chilton, and Mr. Barrow provided comments and congratulated Mr. Eager on his accomplishments and upcoming retirement. Ms. Eaves made a motion to approve a resolution in honor of David Eager. Ms. Bova seconded the motion and the motion passed unanimously.

Mr. Eager stated that there are three important words in the resolution, and those are, “and KPPA Staff”. He commended the work of all KPPA staff and stated that the work performed by each staff member is important to the overall success of the agency as a whole.

There being no *New Business*, Ms. Hampton introduced agenda item *Closed Session (Video 01:18:40 to 01:19:45)* and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Ms. Bova and seconded by Mr. Percy. The motion passed unanimously.

Ms. Hampton read the following statement and the meeting moved into closed session: “A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to discuss pending litigation, pursuant to KRS 61.810(1)(c)”

All public attendees exited the meeting.

*** Ms. Hampton exited the meeting ***

Closed Session (Video - Part 2 - 00:00:22 to 00:02:02).

Mr. Lane called the meeting back to open session. Mr. Board stated that a motion would be needed to potentially initiate legal action in Franklin Circuit Court as discussed in Closed Session. Mr. Percy made the motion as stated and Mr. Summers seconded the motion. The motion passed unanimously.

There being no further business, Mr. Lane adjourned the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held June 18, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the 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 18, 2024, were approved on September 12, 2024.


Chair of the Board of Trustees

I have reviewed the Minutes of the June 18, 2024, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services