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

At the September 10, 2026, meeting of the Kentucky Retirement Systems Board of Trustees the following members were present: Keith Peercy (Chair), Ramsey Bova, Mary Eaves, Prewitt Lane, Lynn Hampton, Larry Totten, William Summers V, and Michael Riley. Staff members present were KRS CEO John Chilton, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Victoria Hale, Leigh Ann Davis, Nathan Goodrich, Carrie Bass, D'Juan Surratt, Steve Willer, Anthony Chiu, Brian Caldwell, Ian Blaiklock, Connie Pettyjohn, Madeline Evans, Shaun Case, Sherry Rankin, and Mary Hill. Also present: Danny White, Krysti Kiesel, and Michael Reed with GRS; Chris Tessman, and Craig Morton with Wilshire Advisors; Roger Alfaro and Lealan Miller with Eide Bailly; and Joe Cowles, Carrie Lovell, Gabe Hellinger, and Stephanie Heller with Humana.

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

2 Mr. Board read the ***Legal Opening Statement***.

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

4. Mr. Peercy introduced agenda item ***Approval of the June 11, 2026, and the June 16, 2026, Minutes.*** *(Video 00:06:28 to 00:06:49).* Mr. Summers made a motion to approve the minutes of the meetings held on June 11th and June 16th and the motion was seconded by Mr. Lane. 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 00:06:51 to 00:38:08).* The Joint Retiree Health Plan Committee met on September 3rd to review non-Medicare and Medicare eligible plans for 2027, including rates and benefits. Kentucky Employees Health Plans ("KEHP") require mandatory open enrollment for all retirees and individuals on the non-Medicare plan from

October 1st to October 31st, 2026. Applications must be submitted during this period to maintain coverage. Outreach efforts include targeted email blasts, follow-up postcards, and attendance at thirteen (13) benefit fairs across Kentucky. Retirees who miss the open enrollment deadline may pursue a grievance process coordinated by the Department of Employee Insurance, with assistance available through January 31st, 2027.

The Committee recommended continuing the Kentucky Employees Health Plan (KEHP Living Well PPO option) as the contribution plan for non-Medicare eligible retirees, including hazardous duty spouse and dependents, with 100% contribution for those with 240 months of service credit or more and hired prior to July 1, 2023.

The tobacco use fee remains unchanged at $40 for individuals and $80 for couple/family/parent plus. Retirees can have the fee refunded if they quit tobacco use during the year. The Consumer Directed Health Plan with HRA continues to be available, and the Living Well Promise (annual health assessment) remains required, with the submission window from January 1 to July 1 each year. Failure to submit results in an extra $40 fee in 2028. A cross-reference benefit for family plans is available when there are two (2) active employees or an active employee and a non-Medicare eligible retiree, or two (2) non-Medicare eligible retirees, potentially offering cost savings.

The Medicare Secondary Payer Plan applies to about 300 retirees who become Medicare eligible and return to work for a participating agency; no extra cost is currently charged for these individuals. There will be no default plan for state employees next year, making it essential for retirees to submit applications during open enrollment. Exception processes will be available for qualifying events.

Following Ms. Pettyjohn's presentation, Mr. Peercy requested a motion to ratify the Joint Retiree Health Plan Committee's approvals for the Non-Medicare Eligible Retirees for the 2027 plan year as presented. Mr. Totten made a motion to ratify and it was seconded by Ms. Bova. A vote was held and the motion passed unanimously.

Mr. Peercy then requested a motion to ratify the Joint Retiree Health Plan Committee's approval to allow eligible Non -Medicare Eligible Retirees to select the Cross-Reference Option during the 2026 Open Enrollment as presented. Mr. Totten made a motion to ratify and it was seconded by Ms. Eaves. A vote was held and the motion passed unanimously.

Mr. Peercy requested a motion to ratify the Joint Retiree Health Plan Committee's approvals for the Medicare Eligible Retirees for the 2027 plan year as presented. Mr. Totten made a motion to ratify and it was seconded by Ms. Hampton, A vote was held and the motion passed unanimously.

Ms. Pettyjohn proceeded with a presentation on the Medicare eligible plans for 2027, confirming no benefit changes and no increase in out-of-pocket costs or copays. The Medicare Advantage premium plan, selected by the board as the contribution plan for Medicare eligible retirees with 100% contribution will have its premium increased by about $1, with the new premium set at $200.95. The Committee approved the Medicare Essential Plan, with the premium decreasing to $18.08 from $50.

A Medical Only Plan rate, set by actuaries based on claims and utilization, will be $199.52, a slight increase from the previous rate. For individuals with no Part B, the plan rates are set, with the extra cost to retirees increasing from $203 last year to $209 this year. This plan is used for special cases, such as those with transplants at facilities that do not bill Humana. Both Medicare and non-Medicare retirees are allowed to change their plan in the month following retirement. This flexibility is supported by Board regulation and assists retirees in maintaining coverage. Open enrollment for Medicare eligible retirees will run from October 26th through November 30th, 2026. Humana will mail materials in mid-October and will begin taking calls from retirees starting October 26th. This is not mandatory for Medicare eligible retirees; only those wishing to change their plan option need to participate.

Following the presentation, Mr. Peercy requested a motion to ratify the Joint Retiree Health Plan Committee's approvals for the Medicare Eligible Retirees for the 2027 plan year as

presented. Mr. Totten made the motion and it was seconded by Ms. Hampton. A vote was held and the motion passed unanimously.

Mr. Peercy then requested a motion to ratify the Joint Retiree Health plan Committee's approval of the Medical Only and Medicare Advantage Mirror Plan, including approve the premiums and allowing enrollment for No Part B and certain exceptions for the Medicare Eligible Retirees for the 2027 plan year as presented. Mr. Totten made the motion and it was seconded by Ms. Bova. A vote was held and the motion passed unanimously.

Mr. Peercy then requested a motion to ratify the Joint Retiree Health Plan Committee's selection of the KPPA Medical Only Plan as the Default Plan for the Medicare Eligible Retirees for the 2027 plan year as presented. Mr. Totten made the motion and it was seconded by Ms. Hampton. A vote was held and the motion passed unanimously.

Nathan Goodrich presented a new joint HIPAA privacy and security policy for approval, noting the previous policy had not been updated since the House Bill 484 separation of governance. The new policy incorporates updates to federal law and best practices, reduces the length from forty-four (44) pages to seven (7) pages, and directs KPPA to adopt HIPAA procedures to implement the joint policy. The policy establishes CERS, KRS, and KPPA as a hybrid entity for HIPAA purposes, covered by a single policy, and designates specific officials for privacy, complaints, and security responsibilities.

The Boards' responsibility under the policy is to maintain oversight of the health insurance plan and review the HIPAA policy at least every three (3) years. Trustees and relevant staff will undergo training on fiduciary responsibilities relating to HIPAA. Ms. Eaves raised a concern that the new policy should explicitly state it supersedes and replaces the old policy, which Mr. Goodrich agreed to add to the final version. Following the brief presentation, Mr. Peercy requested a motion to approve the Joint Retiree Health Plan Committee's recommendation for KRS to approve the revised Joint HIPAA Privacy & Security Policy with Ms. Eaves's modification. Mr. Totten made the motion to approve and it was seconded by Ms. Bova. A vote was held and the motion passed unanimously.

6. Mr. Peercy introduced agenda item ***KRS ACFR – External Audit Planning Letter.*** *(Video 00:38:19 to 00:43:43).* Mr. Lamb introduced Lealan Miller and Roger Alfaro from Eide Bailly to present an update on the ACFR audit planning, including responsibilities, process, and transition of lead auditor duties due to Lealan Miller's retirement at the end of December. Mr. Alfaro outlined the audit process, emphasizing that the audit provides reasonable (not absolute) assurance, involves sampling and professional judgment, and considers internal controls for determining procedures but does not express an opinion on internal control unless deficiencies are found. Significant risk areas identified for special audit consideration include management override of internal control, revenue recognition of contributions, disclosures related to net pension and other post-employment benefit liabilities, evaluation of alternative investments, and calculation of initial benefit payments. Planning and risk assessment began in July; final field work started mid-August and will continue through mid-October; the reporting process will begin in November with the final reports expected to be completed in December. This presentation was for information only and no action was required.

7. Mr. Peercy introduced agenda item ***Quarterly Financial Reports.*** *(Video 00:43:53 to 00:55:29).* Mike Lamb presented the quarterly financial statements for the period ended June 30, highlighting that the total fiduciary net position for the KRS system reached $11.426 billion, an increase of 15.62% ($1.5 billion) from the previous year. Pension plans totaled $8.3 billion (up 17.93%) and insurance plans totaled $3.1 billion (up 9.92%). Investments at fair value increased by 16.13% ($1.5 billion), with public equities showing the largest increase at 19.14% ($684 million). The change in fiduciary net position for the fiscal year was an increase of $1.544 billion, which is 21.63% ($275 million) higher than the prior year, mainly due to higher net investment income and increased employer/member contributions, partially offset by higher deductions. Total member and employer contributions for the pension plans were $1.3 billion, up $31 million from the prior year. Net investment income for the three pension plans was $209.3 million, 17.5% higher than the previous year. Benefit, refund, and administrative expenses for the pension plans totaled $1.258 billion, a 2% ($25 million) increase over the prior year. All three (3) pension plans had positive net contributions, with the KRS non-hazardous plan at $514

million, hazardous at $32.6 million, and State Police at $36.5 million. After removing net investment income, all plans still had positive cash flow for the first time this year.

For insurance plans, the KRS Non-Hazardous plan had a negative net contribution of $3.1 million, Hazardous had a positive $0.6 million, and State Police had a negative $8 million. After removing net investment income, cash flows were negative for Non-Hazardous and State Police, but positive for Hazardous. As of June 30, 2026, past due invoices for the KRS system totaled nearly $8.4 million. Three (3) of the top ten (10) past due employers (totaling $7.4 million, with one entity responsible for $7.1 million) are being addressed by KPPA Legal. Most other top ten (10) employers have since paid, reducing the outstanding amount being worked by the ERCE team to $300,000. The number of past due invoices decreased from 1,139 (totaling $7.1 million) two years ago to 439 (totaling $8.4 million) as of June 30, 2026, with the increase in total amount mainly due to one (1) employer's rapidly growing balance. During the quarter, one (1) penalty invoice for $1,000 was waived or canceled, six (6) new penalty invoices were created, and nine (9) penalty invoices totaling $10,699 were paid.

KPPA spent 98.14% of its annual personnel budget, coming in under budget by 1.86% ($700,000). Personnel spending was $2.1 million (5.88%) higher than the prior year, with most line items under budget except employer-paid health insurance, which exceeded budget by $437,000. Legal contracts were $1.1 million under budget, with $539,000 less spent than the prior year. Auditing was $46,000 under budget, actuarial costs $199,000 under budget, and medical review $620,000 under budget. The IT assessment, included in "other personnel," will continue through December 2026. Operational expenses were $770,000 below budget, with minor overages in printing ($1,500), insurance ($5,000), and dues/subscriptions ($11,000). Overall, KPPA spent 91.58% ($45.9 million) of its $50.1 million fiscal year budget, coming in under budget by $4.2 million. Total spending was 4% ($1.8 million) higher than the previous year, mainly due to increased personnel costs. These reports were presented for informational purposes only and no action was required.

8. Mr. Peercy introduced agenda item ***SPRS Election Ballot.*** *(Video 00:55:31 to 00:57:10).*

Ms. Evans stated that there were two (2) candidates for the SPRS election to begin in January, 2027. As there were only two (2) applicants, Mr. Peercy requested a motion to place both applicants on the SPRS Election Ballot as candidates for the upcoming vacancy. Mr. Riley made the motion to approve and it was seconded by Ms. Hampton. A vote was held and the motion passed unanimously.

9. Mr. Peercy introduced agenda item ***Investment Committee Report.*** *(Video 00:57:14 to 01:19:18).* The Investment Committee report provided a detailed review of portfolio performance for the quarter and fiscal year, highlighting strong returns across most asset classes. The KRS Pension Composite returned 6.38% for the quarter (slightly underperforming its benchmark), while the KRS Insurance Composite returned 7.35%, outperforming its benchmark. Five (5) of six (6) plans outperformed their respective benchmarks. For the fiscal year, the KRS Pension Composite returned 12.49% (outpacing its benchmark by 95 basis points), and the KRS Insurance Composite returned 13.18% (outperforming its benchmark by 98 basis points). All portfolios outperformed their benchmarks by 90–114 basis points, resulting in $78 million of outperformance for the pension composite and $31 million for the insurance composite.

   Performance drivers included outperformance in real return, specialty credit, and core fixed income portfolios, as well as overweight allocations to public equities. Real return produced 924 basis points of outperformance, specialty credit 209 basis points, and core fixed income 37 basis points for the fiscal year. Mr. Willer discussed recent headlines and concerns regarding private credit and private equity, including liquidity issues in business development corporations ("BDCs"), the rise of "zombie" companies and funds, and concentrated technology sector exposure. The systems have no investments in BDCs and limited technology exposure (1.4% of specialty credit allocation, 0.3% at the total fund level). Private equity remains challenging due to higher interest rates, leading to more funds requesting extensions beyond their stated maturity and a large percentage of unsold portfolio companies. The investment team is continuously evaluating legacy funds, which are not charging management fees and are still invested in ongoing companies.

For the fiscal year, investment expenses came in $5.3 million under budget, with only $6.5 million spent (55% of budgeted amount), and legal expenses were $450,000 (8% of budgeted). The total budget for fiscal year 2027 is $10.8 million, an 8% reduction from 2026, with legal services reduced by $1.6 million (28%). Investment fees and expenses at the pension level declined by $12.3 million (8%) from the prior year, despite a 14% increase in total assets. The decline was driven by decreases in performance fees for specialty credit ($17.4 million) and private equity ($13.4 million). Real return asset class fees increased by $7 million as staff built out the portfolio toward targets, increasing assets by $400 million (28%). Weighted average investment management fees at the pension level were approximately 28 basis points, with core fixed income at 6.1 basis points (including internally managed portfolios with no fees) and real estate at 82 basis points.

Ms. Eaves and Ms. Hampton asked about the term "zombie funds" and Mr. Willer defined and explained the implications of these funds in private equity, their prevalence, and their impact on unsold portfolio company statistics. Mr. Willer clarified that most legacy funds are not charging management fees and are still actively managed for economic outcomes. This presentation was for informational purposes only and no action was required.

10. Mr. Peercy introduced agenda item ***CEO Report.*** *(Video 01:19:23 to 01:25:57).* Mr. Chilton presented a brief update on positive litigation developments, organizational matters, and contract reviews. Mr. Chilton proposed increasing the contract for Dentons Bingham Greenbaum from $50,000 to $150,000 due to ongoing legal needs, noting that the budget does not need to be amended at this time. Ms. Hampton made the motion to approve amending the Dentons contract from $50,000 to $150,000 and Mr. Riley seconded the motion. A vote was held and the motion passed with Ms. Eaves abstaining.

11. Mr. Peercy introduced agenda item ***2027 Board and Committee Meeting Calendar.*** *(Video 01:26:02 to 01:27:11).* There was no discussion as the calendar is included in the Board materials. Ms. Bova made the motion to approve the 2027 KRS Board and Committee Meeting Calendar as presented and it was seconded by Ms. Eaves. During the discussion and before the vote, Mr. Totten noted the potential impact on the December 7th,

2027 meeting due to the inauguration of a new governor, which may result in a state employee holiday. The effect on the meeting date is uncertain and will not be known until November. Following this discussion, a vote was held and the motion passed unanimously.

12. Mr. Peercy introduced agenda item ***KPPA Executive Director's Update.*** *(Video 01:27:16 to 01:37:43).* Mr. Barrow stated that KPPA annual statements have been produced and will receive increased attention this year to improve member engagement and early identification of discrepancies. He went on to discuss that KPPA is in the assessment phase for IT system modernization, with future board discussions anticipated. Six (6) active teams are working on strategic planning initiatives, including IT assessment, paper check reduction, self-service mirroring, enhanced ID verification, policy/procedure updates, and centralized messaging for employers.

    KPPA is moving forward with a legislative housekeeping bill, with no policy changes proposed. The bill is expected for the upcoming session starting in January. KPPA will participate in the State and Local Government meeting, which will address open enrollment and no-default issues affecting multiple groups statewide. Mr. Barrow stated they anticipate further discussion on how these changes will impact KPPA during a meeting with the Public Pensions Oversight Board ("PPOB") at a later date. He went on to provide a brief update on the proxy audit being conducted by the State Auditor. The cost will be borne by KPPA, though the exact portion is undetermined and may be offset by additional state funding.

    Mr. Barrow noted that Impact Forum training is open to all Trustees, including the new Trustee orientation. He closed by giving kudos to several divisions and employees around KPPA, including the receipt of Government Finance Officers Association ("GFOA") certificates for financial reporting, with contributions from multiple teams including accounting, communications, investments, benefits, and internal audit. The member service division received positive feedback from members. He also noted updates to the records retention project and the reorganization of regulations, streamlining processes, to be discussed in the upcoming ad hoc regulation committee.

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

14. Mr. Peercy introduced agenda item ***Closed Session*** *(Video 01:38:00 to 01:38:42)* and requested a motion to enter into closed session pursuant to KRS 61.810(c) to discuss pending litigation. Mr. Riley made the motion to enter closed session and Mr. Summers seconded. A vote was held and the motion passed unanimously. Mr. Peercy read the following statement:

> *A motion having been made in open session to move into 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(c).*

****Closed Session****

15. Coming back into open session, Mr. Peercy noted there was no action taken during closed session and declared the meeting ***adjourned***. *(Video 2 00:00:00 to 00:00:40).*

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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 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.

Sherry Rankin
2026-11-10 16:07 UTC
Recording Secretary

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

Keith Peercy
2026-11-10 17:16 UTC
Chair of the Board of Trustees

I have reviewed the Minutes of the September 10, 2026 Board of Trustees Meeting for content, form, and legality.

Michael Board
2026-11-10 16:23 UTC
Executive Director
Office of Legal Services