

**MINUTES OF MEETING  
KENTUCKY RETIREMENT SYSTEMS  
BOARD OF TRUSTEES MEETING  
JUNE 5, 2023, AT 10:00 AM, E.T.  
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the Kentucky Retirement Systems Board of Trustees held on June 5, 2023 the following members were present: Lynn Hampton (Chair), David Adkins, Ramsey Bova, John Cheshire, Prewitt Lane, Dr. Crystal Miller, Keith Percy, Pamela Thompson and William Summers, V. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Leigh Ann Davis, Michael Lamb, Connie Davis, D’Juan Surratt, Steve Willer, Ann Case, Jared Crawford, Brian Caldwell, Kristen Coffey, Madeline Perry, Matthew Daugherty, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Tracy Garrison and Larry Loew with Humana, Danny White and Janie Shaw with GRS, and Chris Tessman and Craig Morton with Wilshire Advisors.

Ms. Hampton called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no *Public Comment* submitted, Ms. Hampton introduced agenda item *Approval of Minutes – April 6, 2023, and April 11, 2023 (Video 00:08:15 to 00:08:37)*. A motion was made by Mr. Summers and seconded by Mr. Percy to approve the minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item *Review of Actuarial Assumptions (Video 00:08:38 to 00:58:07)*. Mr. Danny White and Ms. Janie Shaw with GRS presented a summary of the 2022 Experience Study. Mr. White reviewed the recommended Economic, Demographic, Investment Return, and Mortality Rate Assumptions with the KRS Board of Trustees. Ms. Janie Shaw presented the fiscal impact of the proposed assumptions by plan. She advised that the new assumptions would be first used in the June 30, 2023 Actuarial Valuation.

\*\*\*Mr. Cheshire entered the meeting\*\*\*

*\*\*\*Dr. Miller entered the meeting\*\*\**

Ms. Hampton requested the following motion: The Economic Assumption Recommendations are to increase the price inflation from 2.3% to 2.5%; to increase the assumed rate of return for the KERS and SPRS portions of the Insurance Trust Fund from 6.25% to 6.50%; and to increase the cash balance interest credit to 5.90% for the KERS non-hazardous fund and SPRS fund and to 6.75% for the KERS hazardous fund. Mr. Percy made a motion to approve the Economic Assumption Recommendations as presented. Mr. Summers seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Joint Audit Committee Report and Recommendations (Video 00:58:08 to 00:59:46)*. Ms. Kristen Coffey stated that the Joint Audit Committee met on May 25, 2023, and reviewed the Risk Assessment and the Annual Audit Plan. The Joint Audit Committee requested that the KRS Board of Trustees ratify the actions of the Committee and submit the Audit Plan to the Kentucky Public Pensions Authority for approval. Mr. Lane made a motion to approve the Audit Plan as presented. The motion was seconded by Mr. Cheshire and passed unanimously.

Ms. Hampton introduced the *Joint Retiree Health Plan Committee Report (Video 00:59:47 to 01:06:05)*. Dr. Miller stated that the Joint CERS & KRS Retiree Health Plan Committee met on May 11, 2023. She announced that the Committee elected Jerry Powell (CERS) as Chair and Dr. Crystal Miller (KRS) as Vice-Chair. Humana provided information on Plan Performance for 2022, Stars Review 2023, Inflation Reduction Act Impact in 2024-2029 and introduced Humana Community Navigator for 2023. Humana also provided information on the Centers for Medicare and Medicaid Services (CMS) Final Notice for 2024 plan year, indicating an average CMS net payment of all payment policies of -1.12%, said Dr. Miller. Humana also discussed their exit from the Employer Group Commercial Medical Products. Lastly, Ms. Connie Pettyjohn provided an update on the Medicare Secondary Payer Act Reimbursement process.

Mr. Larry Loew with Humana expanded on the average CMS net payment of all payment policies of -1.12% in Medicaid Services (CMS) Final Notice for 2024 and the company's exit from the Employer Group Commercial Medical Products. He explained that this exit includes the Commercial medical and pharmacy benefits which will impact the KPPA Medical Only and

Medicare Advantage (MA) Mirror plans. However, Humana received approval to continue to administer these plans through 2024, said Mr. Loew. Humana is researching possible solutions to be able to continue to provide coverage for these plans through the contract engagement which ends 12/31/2025. Mr. Loew assured the Trustees that this change does not affect their Group Medicare products which includes the KPPA Medicare Advantage Premium and Essential plans.

Ms. Hampton requested that Ms. Pettyjohn provide an update on these changes and timeline for the implementation of the changes at a future meeting.

Ms. Hampton introduced agenda item ***Hazardous Duty Requests*** (Video 01:06:06 to 01:10:03). Mr. D’Juan Surratt presented agencies requesting hazardous duty coverage for several positions. Mr. Surratt stated that KPPA reviewed the requests and determined that they meet the statutory guidelines for Hazardous coverage. A motion to approve Hazardous Duty coverage for the positions as presented was made by Ms. Thompson and seconded by Mr. Lane. Mr. Adkins opposed, and Mr. Cheshire and Mr. Summers abstained; however, the motion passed.

Ms. Hampton introduced agenda item ***Quarterly Financial Reports*** (Video 01:10:02 to 01:22:12). Mr. Mike Lamb, Chief Financial Officer, reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of March 31, 2023. Next, Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the nine-month period ending March 31, 2023, Combining Statement of Fiduciary Net Position of Insurance Funds as of March 31, 2023, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the nine-month period ending March 31, 2023, with the KRS Board of Trustees. Mr. Lamb went on to present the KRS Pension and Insurance Funds Contribution Reports for the nine-month period ending March 31, 2023. Lastly, he briefly presented the FY 2022-2023 KPPA Administrative Budget and Budget-to-Actual Analysis for the nine-month period ending March 31, 2023. Mr. Lamb reviewed the JP Morgan Chase Earnings and Fees and Hard Interest Earned for the non-month period ending March 31, 2023. Lastly, the KRS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were presented to the KRS Board.

Ms. Hampton introduced agenda item ***Administrative Budget – Hybrid Percentage and KRS Allocation*** (Video 01:22:13 to 01:27:51). Mr. Lamb stated that the Budget Task Force Work Group determined the Hybrid Percentage for FY 2024; CERS 64.34% and KRS 35.66%. These percentages

are scheduled to be presented to the KPPA on June 28, 2023, for approval. However, the CERS/KRS Boards of Trustees must determine the allocation among their individuals plans. Mr. Lamb presented the recommended allocation of 35.66% by membership among the plans. Mr. Percy made a motion to approve the FY2024 allocation of the KRS Hybrid Percentage as presented. Mr. Adkins seconded the motion and the motion passed unanimously.

Ms. Hampton requested that agenda item *Bylaw Amendment (Video 01:27:52 to 01:32:06)* be presented prior to the Investment Committee Report. Mr. Board presented the proposed amendments to the KRS Bylaws. Mr. Percy made a motion to approve the amendment to the Statement of Bylaws and Committee Organization as presented. The motion was seconded by Dr. Miller and passed unanimously.

Ms. Hampton introduced agenda item *Investment Committee Report (Video 01:32:07 to 01:59:55)*. KPPA Chief Investment Officer, Steve Willer, provided an update on the proxy change process. He reported that the project is in the final stages and should be completed within the coming months. Next, Mr. Willer presented the Investment Review and Update for the quarter ended March 31, 2023.

Ms. Hampton introduced agenda item *KRS CEO Contract Renewal (Video 01:59:56 to 02:02:15)*. Ms. Hampton briefly reviewed the modifications to the KRS CEO Contract. She stated that a performance review for the KRS CEO had been conducted. A motion to approve the extension to the CEO Contract as presented was made by Ms. Thompson and seconded by Ms. Bova. The motion passed unanimously.

Ms. Hampton introduced agenda item *KPPA Update (Video 02:02:16 to 02:04:55)*. Mr. Eager was absent; however, Ms. Adkins briefly reviewed the written KPPA Update on his behalf.

Ms. Hampton introduced agenda item *CEO Report (Video 02:04:56 to 02:08:26)*. KRS CEO John Chilton provided an update on various projects and happenings since the Annual KRS Board of Trustees meeting in April 2023.

Ms. Hampton introduced agenda item *New Business (Video 02:08:27 to 02:08:42) – None*.

Ms. Hampton introduced agenda item *Closed Session* (Video 02:08:28 to 02:09:50) and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Mr. Adkins and seconded by Mr. Lane. The motion passed unanimously.

Mr. Board 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 consider litigation, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. All public attendees exited the meeting.

*\*\*\*Ms. Thompson exited prior to the conclusion of Closed Session\*\*\**

*\*\*\*Mr. Lane exited prior to the conclusion of Closed Session\*\*\**

Ms. Hampton called the meeting back to open session and stated that there was no reportable action.

There being no further business, Ms. Hampton *adjourned* the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held June 5, 2023, 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 5, 2023, were approved on September 14, 2023.

  
Chair of the Board of Trustees

I have reviewed the Minutes of the June 5, 2023, Board of Trustees Meeting for content, form, and legality.

  
Executive Director  
Office of Legal Services