MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES QUARTERLY MEETING
NOVEMBER 13, 2025, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE

At the Quarterly Meeting of the Kentucky Retirement Systems Board of Trustees held on November 13, 2025, the following members were present: Lynn Hampton (Chair), David Adkins, Ramsey Bova, Mary Eaves, Dr. Crystal Miller, Keith Peercy, and William Summers V. Staff members present were KRS CEO John Chilton, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Leigh Ann Davis, D'Juan Surratt, Steve Willer, Brian Caldwell, Joe Gilbert, Ian Blaiklock, Shaun Case, Sherry Rankin, and Sandy Hardin. Also present were Danny White, Krysti Kiesel, and Janie Shaw from GRS.

1. Ms. Hampton called the meeting to order.

2 Mr. Board read the Legal Public Statement.

3. Ms. Rankin called roll. A quorum was present.

   Ms. Rankin noted that no ***Public Comments*** were submitted.

4. Ms. Hampton introduced agenda item ***Approval of Minutes – September 11, 2025; October 22, 2025; and October 23, 2025*** *(Video 00:07:13 to 00:08:00).* Dr. Miller made a motion to approve the meeting minutes of September 11, 2025; October 22, 2025; and October 23, 2025, as presented. Mr. Peercy seconded the motion. The motion passed unanimously.

   *** Ms. Eaves joined the meeting.***

5. Ms. Hampton introduced agenda item ***Review DRAFT 2025 Actuarial Valuation*** *(Video 00:08:00 to 01:03:10).* Danny White from GRS presented the 2025 Actuarial Valuation Results, prepared using membership data and assets as of June 30, 2025. He explained that

the report would be accepted by the Board as information at this meeting with formal adoption scheduled for the December KRS Board meeting to allow members time to review and raise any questions. Mr. White emphasized that the data itself will not change, but the additional time provides an opportunity for thoughtful consideration before adoption. He noted the particular importance of this year's valuation, as the contribution rates established and adopted in December will be incorporated into the state budget and funded during the upcoming two-year biennium.

He then reviewed the 2025 Actuarial Valuation Results, highlighting membership and payroll growth, legislative appropriations, strong investment returns, and liability impacts from higher-than-expected health insurance premiums.

During Mr. White's review of assumptions, Ms. Hampton asked whether recent legislative changes requiring funding of actuarial recommendations should be noted in the actuary's report. Mr. White noted that his recollection was that such statutory language was added around 2013–2014 with the creation of the Tier 3 cash balance plan. Ms. Surratt confirmed this timing. Mr. White further explained that while the statutes do require funding, one legislature cannot bind future legislatures, which is why the Board has not emphasized the provision strongly. He also highlighted another statutory requirement that any benefit increases, such as retiree COLAs or supplements, must be immediately funded unless surplus assets are available.

Mr. Chilton then inquired about how administrative costs are incorporated into funding calculations. Mr. White explained that actual costs from the prior year are used, divided by current payroll, rather than budgeted figures, as actuals are more transparent and reliable. He noted that administrative expenses are included in the normal cost and illustrated where they appear in the contribution rate part of the presentation.

Mr. Chilton also asked how additional contributions are treated. Mr. White clarified that such funds are applied directly as reductions to the unfunded liability, functioning like a liability gain rather than being smoothed over time as investment returns are. He indicated

that exhibits later in the presentation would demonstrate how these adjustments are reflected in amortization schedules.

The 2024 valuation reflects a $300 million appropriation and investment gains that reduced unfunded liabilities, lowering annual amortization costs by about $25 million over 20 years. Overall, pension contributions decreased from $855 million to $831 million, while insurance costs rose slightly, resulting in a relatively flat new impact.

Next, Ms. Kiesel reviewed the funded ratios, projected costs, and liabilities. Since 2018, the funded ratio has steadily improved due to consistent contributions under the current funding policy with notable gains in 2022 from additional appropriations. Membership trends and payroll growth have also shifted positively, though continued contributions remain critical as retiree counts and benefit payments rise. In summary, she explained the actuarial contribution rates combine normal costs for current service, member contributions, administrative expenses, and amortization costs, which act like mortgage payments on unfunded liabilities. Investment gains helped offset salary-related liability losses, improving funded ratios for pensions, while insurance funds saw slight decreases due to premium changes – though hazardous and state police plans remain well above 100% funded.

The discussion confirmed that the actuarial results include all tiers of membership – Tier 1, Tier 2, and Tier 3 – for both pension and insurance plans. The liability is primarily driven by existing retirees, who account for more than half of the total liability, though new retirees continue to enter the system, and Tier 1 benefits remain in place. Additionally, insurance benefits are protected under the inviolable contract only for members who joined before July 1, 2023. Those who entered after that date are not covered under this provision.

Ms. Kiesel reviewed projections based on assumptions of steady contribution payments, 0% payroll growth, and a slight decline in active membership, showing that all plans are on track to reach a 100% funded ratio by 2049.

The key takeaway for this year is that favorable investment performance and payroll growth helped reduce contribution rates for the KERS hazardous and SPRS funds, further supported by a $25 million appropriation for SPRS. However, these gains were partially offset by higher insurance contribution rates tied to the 2026 health insurance premiums. For KERS non-hazardous, rising salaries and health insurance costs increased required contributions, though this impact was mitigated by a $300 million appropriation and strong investment returns. Across all pension funds, unfunded liabilities continue to decline, and funded ratios are improving, reflecting the ongoing commitment to fully funding actuarially required contributions. In contrast, insurance funds experienced an increase in unfunded liabilities due to the projected 2026 health insurance premiums. To maintain and strengthen the system's financial security, it remains essential that the State and participating employers consistently contribute the actuarially determined amounts in future years.

Mr. White then noted that sensitivity and projection details are included in the presentation materials, and the next step is for the Board to review and adopt the reports and rates in December.

In response to questions posed by Mr. Adkins, Mr. White explained that the Board controls actuarial assumptions but not statutory funding rules, emphasizing that the risk of underperforming investment returns is greater than overshooting. Maintaining conservative return assumptions is critical to avoid aggressive investment strategies, and while Tier 3 benefits reduce normal costs over time, they do not accelerate paying down the unfunded liability. They mainly provide slight budget relief.

Ms. Hampton asked whether Tier 3 could be shown separately since it theoretically carries no liability. Mr. White explained that prior reports have shown Tier 3 liability is very small and suggested that a deeper review would focus on whether Tier 3 is meeting its intended goals, such as providing projected benefits and influencing workforce retention, rather than just isolating it in columns. Ms. Hampton agreed to consider the matter, consult with Mr. Barrow and Mr. Lamb, and provide a report back to GRS.

6. Ms. Hampton introduced agenda item ***KRS 61.5991 Contract Reporting of Quasi-Governmental Agencies and FY24 Compliance Audits*** *(Video 01:03:10 to 01:07:40).* Mr. Surratt reported pursuant to KRS 61.5991, certain KERS employers are required to report data on contracted employees to the Kentucky Public Pensions Authority (KPPA) for submission to the Legislative Research Commission (LRC) and the Office of the State Budget Director (OSBD). All agencies submitted Form 6756 with supporting documentation in a timely manner, and KPPA staff transmitted the data to LRC and OSBD on August 25, 2025. Mountain Comprehensive Care Center (MCCC) was noted as non-compliant, as they have declined to report contract employees that KPPA staff determined to be employees under KRS 61.675. These individuals should have been included in monthly reports beginning in FY23 as participating members, but MCCC has maintained they are not employees and has not added them.

   KRS 61.5991 also requires KPPA to conduct annual compliance and education reviews to ensure employers subject to these reporting requirements are properly reporting all eligible employees and paying contributions in accordance with KRS 61.510 to 61.705. At its March 1, 2023, meeting, the KRS Board directed that ERCE staff review 5% of the 102 agencies subject to reporting each year. For FY 2025, the Employer Reporting, Compliance and Education (ERCE) team completed reviews of the Laurel County Health Department, Estill County Health Department, Pennyrile Children's Advocacy Center, Garrard County Health Department, and Cumberland Valley Children's Advocacy Center.

   For informational purposes, Mr. Surratt presented the data requested from each agency along with the results of recent compliance reviews. One issue was identified at Pennyrile Children's Advocacy Center, which had not reported two part-time employees. The employer was advised of the requirement to list all part-time positions as non-participating, and corrections were submitted. ERCE is establishing a dedicated compliance and education team to enable reviews of larger quasi-governmental agencies.

7. Ms. Hampton introduced agenda item ***KRS CEO Update*** *(Video 01:07:10 to 01:10:05).*

Mr. Chilton reported on his work with policies affecting Kentucky Retirement Systems, including investment, internal audit, and budget processes, as well as expense allocation across the five KPPA-serviced plans. He noted participation in the Public Pension Oversight Board meeting in Frankfort, regular collaboration with executive staff, and involvement with the Audit, Retiree Health Plan, and PPW committee. He also referenced ongoing litigation matters and highlighted the recent two-day IMPACT Forum as highly productive with full attendance.

8. Ms. Hampton introduced agenda item ***New Business*** *(Video 01:10:05 to 01:10:27)*. There was no new business brought before the Board.

9. Ms. Hampton introduced agenda item ***Closed Session*** *(Video 01:10:27 to 01:11:11)* 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 Ms. Bova. 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 other attendees exited the meeting.

Closed Session *(Video - Part 2 - 00:00:25 to 00:01:53)*

Ms. Hampton reconvened the meeting in open session and noted that no action had been taken by the Board during closed session.

She shared information received from security staff indicating that mobile phone hacking is increasingly common, with one in three phones targeted and one in five compromised.

Ms. Hampton commended the I.T. security team for effectively educating Board members on recognizing scams and responding appropriately.

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

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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.

Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on November 13, 2025, were approved on March 11, 2026.

C Lynn Hampton

Chair of the Board of Trustees

I have reviewed the Minutes of the November 13, 2025, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services