

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES MEETING
NOVEMBER 14, 2023, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the Kentucky Retirement Systems Board of Trustees held on November 14, 2023 the following members were present: Lynn Hampton (Chair), Ramsey Bova, Mary Eaves, Prewitt Lane, Dr. Crystal Miller, Keith Percy and William Summers, V. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Connie Pettyjohn, Michael Board, Victoria Hale, Leigh Ann Davis, Michael Lamb, Connie Davis, D’Juan Surratt, Steve Willer, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Tracey Garrison and Larry Loew with Humana, Chris Tessman and David Lindberg with Wilshire Advisors, and Danny White, Janie Shaw, and Krysti Kiesel with GRS.

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 – September 7, 2023, and September 14, 2023 (Video 00:06:27 to 00:07:05)*. 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 *Review of Draft 2023 Actuarial Valuation (Video 00:07:06 to 01:07:18)*. Ms. Shaw and Mr. White with GRS presented the 2023 Valuation Results.

****Ms. Eaves entered the meeting****

Mr. Chilton led a discussion of annuity rates. He stated that there was recent discussion regarding whether to increase the rate used for computing annuities from 5.25% to what was recently

suggested in what CERS adopted was 5.875% recently. Mr. Chilton recommended that the annuity rate be increased to 5.875% as adopted by The CERS Board of Trustees and that 7.50% rate charged when retirees recontribute funds that had been previously distributed be maintained.

Mr. White provided an overview of annuity factors and how they impact member benefits. He noted that the KPPA system is set-up to handle only one set of administrative factors for both systems. It would take a lot of a lot of effort to create two different sets of factors for use, said Mr. White.

Mr. Percy stated that the KRS Board of Trustees needs to follow the lead of the CERS Board of Trustees and adopt an annuity rate of 5.875% or disadvantage the KPPA employees as they will need to administer two separate benefit types for the same class of employees or disadvantage the KRS membership as it would be more valuable to work for a CERS employer. Therefore, Mr. Percy made a motion to follow the lead of CERS and adopt a 5.875% annuity rate. The motion was seconded by Mr. Lane.

Mr. Lane advised that he agreed with Mr. Percy's statement. Mr. Eager also supported Mr. Percy's statement. He stated that the KPPA strongly encouraged a single rate from an administrative and equity standpoint.

Ms. Eaves asked if the proposed interest rate assumption of 5.875% was in-line with other states. Mr. White stated that the proposed rate is low; however, the median return assumption utilized by other systems is 7.00%. However, 5.875% is consistent with the current return assumption used by CERS and KRS, said Mr. White.

Ms. Bova expressed that more information was needed for a decision and asked if there was an approval deadline. Ms. Surratt indicated that an effective date had not been established; the Boards of Trustees must first determine the rate to be used to determine the factors. Depending on when the factors are received from GRS, July 1, 2023, would be the earliest implementation date – if the same rate is utilized by both KRS and CERS, said Ms. Surratt.

Mr. Percy voiced that if KRS does not utilize the rate approved by CERS (5.875%), the Tier 3 annuity payout of KRS members would become less valuable than the CERS system.

The vote was taken, and Ms. Bova abstained; however, the motion to adopt a 5.875% annuity rate passed.

Ms. Hampton introduced the *Joint Retiree Health Plan Committee Report (Video 01:07:19 to 01:15:50)*. Ms. Pettyjohn stated that the Joint CERS & KRS Retiree Health Plan (RHP) Committee met October 23, 2023. She advised that the Committee reviewed an informational presentation from Humana regarding 2024 Pharmacy Review, Pharmacogenomics, and Medication Therapy Management (MTM). She briefly discussed 2024 Formulary changes, open enrollment, and retiree engagement/outreach efforts. Mr. Larry Loew with Humana reported that contract negotiations continue between Humana and Baptist Health Medical Group (BHMG).

Ms. Hampton introduced agenda item *Statutorily Required Reporting (Video 01:15:51 to 01:17:20)*. Ms. Adkins presented an informational memo illustrating the variety of reports that are statutorily required to be submitted to the Legislative Research Committee (LRC) annually. She advised that the listed reports would be submitted via email to the LRC on or before Nov 15, 2023.

Ms. Hampton introduced agenda item *KRS 61.5991 Contract Reporting of quasi-Governmental Agencies (Video 01:17:21 to 01:21:11)*. Mr. D’Juan Surratt presented an informational memo regarding KRS 61.5991 Contract Reporting of Quasi-Governmental Agencies & Employer Audits. He stated that KRS 61.5991 requires certain KERS employers to report data on contracted employees to the KPPA for data reporting to the LRC and the Office of the State Budget Director (OSBD).

Mr. Surratt reported that all agencies submitted their Form 6756 and supporting documentation. KPPA staff provided this data to LRC and OSBD on August 28, 2023.

Mountain Comprehensive Care Center (MCCC) was marked as non-compliant on the report as they have not submitted contract employees whom KPPA has deemed to be employees pursuant to KRS 61.675. These employees should have been added to the monthly reports for FY23 as participating members, said Mr. Surratt.

He advised that KRS 61.5991 requires KPPA to perform audits each fiscal year to ensure employers subject to these requirements are reporting all eligible employees and contributions are being paid

in accordance with KRS 61.510 to 61.705. At the March 1, 2023, KRS Board of Trustees meeting, the KPPA Division of Employer Reporting, Compliance and Education (ERCE) was directed to annually audit 5% of the 102 agencies who are subject to KRS 61.5991 reporting. ERCE staff had completed four (4) agency audits thus far, reported Mr. Surratt.

Ms. Hampton introduced agenda item *December Meeting Date Discussion* (Video 01:21:12 to 01:25:03). The next KPPA meeting is scheduled for December 6, 2023, and the next KRS Board of Trustees meeting was scheduled for December 7, 2023. Ms. Hampton advised that there may be actions at the KRS Board of Trustees meeting requiring ratification by the KPPA. Therefore, the KRS Board of Trustees meeting was rescheduled as a special called meeting to Tuesday, December 5, 2023, at 10:30 a.m.

Ms. Hampton introduced agenda item *KRS Update/CEO Report* (Video 01:25:04 to 01:26:49). Mr. Chilton stated that he attended a recent Trustee Education Session and a meeting of the Public Pensions Oversight Board. Discussions about the KPPA Housekeeping Bill and other legislation that may arise during the upcoming 2024 Legislative Session continue, said Mr. Chilton. He also noted a memo drafted with the assistance of GRS regarding actuarial factors and interest rates. Mr. Chilton advised that the memo would be distributed to all KRS Trustees.

Ms. Hampton introduced agenda item *New Business* (Video 01:26:50 to 01:27:49). Ms. Hampton announced that the KPPA Ad Hoc Executive Director Search Committee comprised of CERS Trustees Bill O'Mara (Chair) and Betty Pendergrass and KRS Trustees Lynn Hampton and Keith Peercy. The Committee has been working diligently with KPPA Staff and the position opening will be posted in several locations soon; however, a search firm will not be utilized, said Ms. Hampton.

Ms. Hampton introduced agenda item *Closed Session* (Video 01:27:50 to 01:28:51) and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Mr. Summers and seconded by Mr. Lane. 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 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.

Closed Session (Video - Part 2 - 00:00:14 to 00:00:30)

Ms. Hampton called the meeting back to open session and stated that there was no action taken by the KRS Board of Trustees as result of the Closed Session.

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 November 14, 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 November 14, 2023, were approved on December 5, 2023.


Chair of the Board of Trustees

I have reviewed the Minutes of the November 14, 2023, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services