

# **PUBLIC PENSION OVERSIGHT BOARD**

## **Minutes**

**April 28, 2025**

### **Call to Order and Roll Call**

The third meeting of the Public Pension Oversight Board was held on April 28, 2025, at 3:00 PM in Room 154 of the Capitol Annex. Senator Jimmy Higdon, Chair, called the meeting to order, and the secretary called the roll.

### **Present were:**

Members: Representative Walker Thomas, Co-Chair; Senator Jimmy Higdon, Co-Chair; Senators Greg Elkins, Shelley Funke Frommeyer, Michael J. Nemes, and Mike Wilson; Representatives Adrielle Camuel, Robert Duvall, Ken Fleming, DJ Johnson, and James Tipton; and Allison Ball (Alexander Magera as Proxy), John Hicks, and Victor Maddox.

Guests: Bo Cracraft, Executive Director, Judicial Form Retirement System; Ryan Barrow, Executive Director, and Erin Surratt, Executive Director, Office of Benefits, Kentucky Public Pensions Authority; and Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System.

LRC Staff: Brad Gross, Michael Clancy, and Angela Rhodes.

### **Approval of Minutes**

Senator Wilson moved that the minutes of the February 24, 2025, meeting be approved. Senator Elkins seconded the motion, and the minutes were approved without objection.

### **Investment, Cash Flow, and Legislative Update**

#### **Judicial Form Retirement System**

Bo Cracraft, Executive Director, Judicial Form Retirement System, presented a review of the investment performance for the Judicial Retirement Plan (JRP) and the Legislators Retirement Plan (LRP). He discussed the gross and net performance for the defined-benefit and hybrid cash balance plans for the quarter ending March 31, 2025, and for the 1-, 3-, 5-, 10-, 20-, and 30-year trailing time periods.

Mr. Cracraft discussed asset allocation for both plans. He reviewed the equity, fixed income, and cash allocations.

Mr. Cracraft discussed cash flow for both plans for FYTD 2025 compared to FYTD 2024. He reviewed the cash inflows, outflows, investment gains and losses, and the total net plan assets across both time periods.

Lastly, Mr. Cracraft provided a legislative update regarding 2025 Regular Session SB 183.

In response to Senator Funke Frommeyer, Mr. Cracraft clarified that the cash balance fund for post 2014 employees is now invested the same as the defined benefit plan, but previously was not.

In response to Senator Wilson, Mr. Cracraft stated, as of the 2023 full funding valuation, all pension and insurance plans are near or about 100 percent funded. The next full funding valuation will take place at the close of this fiscal year. JRP has about 500 recipients and LRP has about 300 recipients.

### **Kentucky Public Pension Authority**

Ryan Barrow, Executive Director, Kentucky Public Pension Authority (KPPA), presented a review of investment performance for all plans. Mr. Barrow discussed the pension and insurance investment returns for the quarter ending March 31, 2025. He provided the FYTD, 3-, 5-, 10-, 20-, and 30-year net of fees rates of return.

Mr. Barrow discussed pension and insurance asset allocation for all plans. He reviewed the equity, fixed income, and cash allocations.

Mr. Barrow discussed the pension and insurance cash flow for all plans for FYTD 2025 compared to FYTD 2024. He reviewed the cash inflows, outflows, investment gains and losses, and the total net plan assets across both time periods.

Mr. Barrow and Erin Surratt, Executive Director, Office of Benefits, KPPA, provided a legislative update regarding 2025 Regular Session HB 30, HB 71 (did not pass), SB 10, and SB 183.

In response to Representative Tipton, Ms. Surratt stated KPPA is still evaluating SB 10 for implementation purposes, and clarified there is shared reciprocity between the retirement systems.

In response to Representative Johnson, Ms. Surratt stated, in regards to SB 10, the purpose of the increase in the non-Medicare contribution amounts is so the system can cover single coverage premium amounts once the member has worked their career threshold.

In response to Representative Camuel, Ms. Surratt stated, in regards to HB 30, in order to follow a Court of Appeals decision, an administrative regulation in place before HB 30 was effective for retirement dates July 1, 2024 and after.

### **Teachers' Retirement System**

Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System (TRS), presented a review of the gross and net performance for the retirement and insurance plans for the quarter ending March 31, 2025, for the 1-, 3-, 5-, 10-, and 20-year time periods and the 30-year compounded gross return.

Mr. Barnes discussed cash flow for both plans for FYTD 2025 compared to FYTD 2024. He reviewed the cash inflows, outflows, investment gains and losses, and the total net plan assets across both time periods.

Mr. Barnes discussed the asset allocation for the retirement annuity trust and the health insurance trust as of February 28, 2025.

Mr. Barnes provided a legislative update for 2025 Regular Session SB 9, HB 694, HB 441, and SB 183.

In response to Representative Tipton, Mr. Barnes stated after the health insurance trust fund becomes 100 percent funded, the percentage cost (contribution rate) needed to fund health benefits will drop to about 2 to 3 percent.

In response to Senator Funke Frommeyer, Mr. Barnes stated the FYTD 2025 investment gains were down compared to the FYTD 2024 investment gains due to the differences in asset allocations between the insurance fund and retirement annuity fund. An asset class that is in the insurance fund and not in the retirement annuity fund is not in favor this year.

In response to Senator Higdon, Mr. Barnes stated the improved cash flow in the pension fund largely reflects the additional contributions received from the General Assembly to help address the unfunded liability.

In response to Mr. Maddox, Mr. Barnes stated the health insurance trust recovery income of \$124 million is from the collections of rebates performed through TRS' pharmacy benefit manager (PBM), Express Scripts. Mr. Barnes also briefly explained the process and the benefits of TRS using a PBM for these rebates. In response to a follow-up question, Mr. Barnes stated Express Scripts is cooperating with TRS and that they are contractually obliged to.

In response to Senator Higdon, Mr. Barnes stated that under the Inflation Reduction Act, costs will increase for a small number of members, but there will not be any drastic increases and it will be manageable.

### **Adjournment**

There being no further business, the meeting was adjourned.