

PUBLIC PENSION OVERSIGHT BOARD

Minutes

December 12, 2025

Call to Order and Roll Call

The eighth meeting of the Public Pension Oversight Board (PPOB) was held on December 12, 2025, at 10:00 AM in Room 154 of the Capitol Annex. Representative Walker Thomas, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Walker Thomas, Co-Chair; Senators Shelley Funke Frommeyer, Michael J. Nemes, and Mike Wilson; and Representatives Adrielle Samuel, Ken Fleming, DJ Johnson, Jason Petrie, and James Tipton; and Allison Ball (Jeremy Sylvester, by proxy), John Hicks, and Victor Maddox.

Guests: Ryan Barrow, Executive Director, Kentucky Public Pensions Authority (KPPA); Erin Surratt, Deputy Executive Director, KPPA; Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System (TRS); Representative Daniel Grossberg; Representative Ashley Tackett Lafferty; and Representative John Blanton.

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

Approval of Minutes

A motion was made by Chair Thomas and seconded by Senator Wilson to approve the minutes of the October 21, 2025, meeting. Minutes were approved by voice vote without objection.

Actuarial Valuation Update – Kentucky Public Pensions Authority

Ryan Barrow, Executive Director, KPPA, and Erin Surratt, Deputy Executive Director, KPPA, discussed the actuarial valuation results for the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and the State Police Retirement System (SPRS) pension and health funds. They provided an overview of the annual actuarial valuation cycle, statutory amortization requirements, active membership payroll and membership count, retired membership count, pension benefit distribution, and employer contribution rates for all systems.

In response to Representative Tipton, Ms. Surratt stated 2025 RS SB 10 did impact the actuarial losses to the CERS health insurance funds. Ms. Surratt stated KPPA will have their actuaries determine how much of the \$545 million actuarial loss was due to premium increases and how much was due to benefit improvements in 2025 RS SB 10.

In response to Co-Chair Higdon, Ms. Surratt stated new employees are provided benefits through the structure known as Tier 3, which is a lower cost plan compared to Tier 1 and 2.

In response to Senator Funke Frommeyer, Mr. Barrow clarified that Tier 3 members are part of the pension fund and Ms. Surratt explained the pension unfunded liability increases from salary improvements are due to Tier 1 and Tier 2 employees.

In response to Chair Thomas, Mr. Barrow provided an outline of the historical employer contribution rates and cost.

In response to Representative Johnson, Mr. Barrow agreed the health fund liabilities have increased. Ms. Surratt stated the Medicare Advantage Premium Plan payment has increased about 30 percent with a premium of just below \$200 per month and the non-Medicare plan has increased about 15 percent with a premium of just over \$1000 per month.

In response to Co-Chair Higdon, Ms. Surratt stated 2025 RS SB 10 will create an unfunded liability for the CERS insurance funds due to benefit improvements for all tiers, including Tier 3.

Co-Chair Higdon presented a practical guide for responsible pension stewardship to the PPOB.

Actuarial Valuation Update – Teachers’ Retirement System

Beau Barnes, Deputy Executive Secretary and General Counsel, TRS, provided actuarial valuation updates for the retirement annuity and health insurance trusts. He discussed the actuarial findings, five-year history, 30-year projections, the 2026-28 budget requests, and 2026 legislative requests.

In response to Co-Chair Higdon, Mr. Barnes stated the timeframe for the unfunded retirement annuity legacy plan should be complete in 2046.

In response to Senator Funke Frommeyer, Mr. Barnes stated the 61 percent ratio in the actuarial valuation retirement annuity means TRS has 61 percent of the assets needed to

pay for future benefits accrued to date. He further explained the funding process, including how TRS Tier 4 currently has no unfunded liabilities and has a mechanism to offset unfunded liabilities if they should occur in the future.

In response to Co-Chair Higdon, Mr. Barnes stated the liability increases in 2025 were offset by the increase in assets resulting in an overall decrease to the unfunded liability, however, liabilities could continue to increase in the future due to several factors. He again noted Tier 4 has no unfunded liability.

In response to Representative Tipton, Mr. Barnes stated the last experience study that adjusts assumptions as recommended by the actuary resulted in a little over \$2 billion in additional unfunded liabilities to the retirement annuity fund and resulted in the funding ratio decreasing about 1 percent.

In response to Co-Chair Higdon, Mr. Barnes stated the “salary increases” from the gain/loss analysis is individual salary increases not total payroll. Mr. Barnes agreed that if local school districts give teacher raises greater than the actuary anticipates, additional benefits are provided, and it increases the unfunded liability to the retirement annuity trust. The gain in the “turnover and retirement” is due to fewer retirements than the actuary anticipated. The “other” loss includes the 5-year smoothing established by the actuary. In response to a follow-up, Mr. Barnes stated the TRS total funding request is \$1.75 billion for FY 2027 and \$1.8 billion for FY 2028.

In response to Representative Johnson, Mr. Barnes stated there are no other categories outside the current budget requests that need funding.

Co-Chair Higdon commented he believes there is still room for transparency.

In response to Senator Funke Frommeyer, Mr. Barnes stated TRS strives for transparency and agrees that the current direct rate smoothing phase-in period is seeing \$100 million increments a year.

In response to Mr. Maddox, Mr. Barnes agreed the General Assembly has funded the unfunded liability payment over \$3.9 billion above and beyond the fixed statutory rate over the last five years. Mr. Barnes agreed to provide information from the last 10 years of the state unfunded liability payment. Mr. Barnes stated the TRS Board has no relation with the education system in Kentucky other than to administer retirement for teachers.

In response to Co-Chair Higdon, Mr. Barnes agreed the General Assembly is not statutorily required to make the additional unfunded liability payment and that TRS

members, including TRS Tier 4, are allowed to participate with Kentucky Deferred Compensation. Co-Chair Higdon asked TRS to get an actuarial analysis on the requested legislation from the TRS Board.

Legislative Proposals

Representative Tackett Lafferty discussed her proposal to provide all public safety officers with minimum line of duty benefits from the retirement systems in the event of a hazardous disability. A hazardous disability is when a public safety officer is unable to return to a public safety position after a disabling line of duty event but may return to other forms of employment. Currently, minimum line of duty hazardous disability benefits are provided to those public safety officers whose employers have opted into hazardous duty retirement coverage. The bill would extend these additional benefits to public safety officers participating in nonhazardous retirement coverage. The General Assembly has enacted legislation to provide minimum line of duty disability benefits if the disablement is total and permanent and the officer cannot return to work in any position. She discussed a situation in her home county where public safety officers were wounded in the line of duty but were not eligible for the minimum line of duty hazardous disability benefits since their employer had not opted into hazardous duty retirement coverage.

In response to Co-Chair Higdon, Representative Tackett Lafferty stated the bill would add noncodified language to add a five-year window to cover recent situations. This coverage would potentially extend to 710 EMS members, 406 police officers, 117 firefighters, 1,517 jail workers, and 583 sheriffs' department employees in the event those officers suffered a hazardous duty disability occurring in the line of duty.

In response to Senator Nemes, Representative Tackett Lafferty stated this benefit is for a nonhazardous job that can be certified as hazardous duty.

In response to Co-Chair Higdon, Representative Tackett Lafferty stated employers would pay additional contributions to fund the benefit.

Representative Tipton commented that CERS employers decide which retirement coverage their employees go in; hazardous or nonhazardous, which is driven by economics.

Chair Thomas commented that Christian County has just approved their deputies to go into the hazardous duty retirement coverage in CERS.

Representative Grossberg discussed loss of TRS service credit due to religious holiday observance. Under his proposal, KRS 161.155 would be amended to allow school district employees to use sick leave for observance of religious holidays not otherwise included on the school's calendar, provided the employee submits a personal statement verifying the observance and gives advance notice to the district.

In response to Co-Chair Higdon, Representative Grossberg stated the bill does not create an unfunded liability.

Representative Blanton discussed educational contracts and membership dates in KERS. Some transportation engineers were provided scholarships under an educational contract with the state in return for working an equivalent number of years after graduation. His bill would amend the definition of "membership date" in the KERS to remove date restrictions regarding educational contracts and allow any member who entered into an educational contract as a conditional employee of the state to have their system membership date, for purposes of retirement benefits determination, be based upon the earliest date of the contract.

In response to Senator Funke Frommeyer, Representative Blanton stated the legislation does not cover benefit payouts, but impacts the membership date for purposes of Tier placement. The amount of impact is undeterminable.

In response to Senator Nemes, Representative Blanton stated this legislation determines Tier placement by membership date.

In response to Co-Chair Higdon, Representative Blanton stated he can request KPPA go back to 2017 to help determine cost.

Representative Tipton and Representative Blanton discussed applying the retiree health benefit changes from 2025 RS SB 10 for CERS membership, to the KERS and SPRS membership. The measure would increase the nonhazardous and hazardous duty health premium subsidies to \$40 and \$50 per month for each year of service, respectively, for those members who meet the "career threshold" who began participating in the system on or after July 1, 2003, and who are eligible for a fixed-dollar retiree health subsidy not tied to the premium. To help fund the benefit improvement, employee contributions used to fund retiree health benefits would be increased in the same manner as 2025 RS SB 10.

In response to Co-Chair Higdon, Representative Tipton stated there will be some additional employee and employer contributions. The actuarial determined contribution

for KERS nonhazardous employers will increase by approximately \$10 million. The actuarially determined contribution rate will increase by 3 percent of pay for SPRS employers.

Co-Chair Higdon discussed KPPA reporting on line of duty benefits to the PPOB. Current law requires the reporting of line of duty disability payments to the PPOB but not line of duty death benefits. His proposal would require KPPA also report line of duty death benefit payments.

Co-Chair Higdon discussed annual leave payments and the impact to TRS benefits and resulting costs payable by the state. His proposal would amend KRS 161.540 to limit the state's cost to annual leave accrued through July 31, 2026, and require the last employer pay the actuarial costs for annual leave accrued on or after August 1, 2026.

Co-Chair Higdon discussed PPOB membership and his proposal to increase and amend the membership adding the chairs or vice chairs of the Senate State and Local Government Standing Committee and House State Government Standing Committee, and the State Treasurer, and by removing one of the gubernatorial appointees. His proposal would also amend "retirement experience" requirements for appointed legislative appointed members to include experience in retirement plan management or policy by a former elected official.

Co-Chair Higdon discussed use of sick leave for religious holidays. Under his proposal, KRS 161.155 would be amended to allow school district employees to use sick leave for observance of religious holidays not otherwise included on the school's calendar, provided the employee submits a personal statement verifying the observance and gives advance notice to the district.

Senator Funke Frommeyer commented she believes it would be beneficial inviting someone from TRS to the PPOB membership.

In response to Representative Tipton, Co-Chair Higdon stated there is no increase in the unfunded liability with his proposed legislation.

In response to Representative Camuel, Co-Chair Higdon stated allowing school district employees to use sick leave for observance of religious holidays is only applied to administrators.

Adjournment

There being no further business, the meeting was adjourned.