PUBLIC PENSION OVERSIGHT BOARD

Minutes

August 18, 2026

Call to Order and Roll Call
The 4th meeting of the Public Pension Oversight Board (PPOB) was held on August 18, 2026, at 2:30 PM ET/1:30 PM CT 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: Senator Jimmy Higdon, Co-Chair; Representative Walker Thomas, Co-Chair; Senators Greg Elkins, Shelley Funke Frommeyer, Gerald A. Neal, Michael J. Nemes, and Mike Wilson; Representatives David Hale, Adrielle Camuel, Ken Fleming, DJ Johnson, Jason Petrie, and James Tipton; Allison Ball (Jeremy Sylvester, by proxy).

Guests: Bo Cracraft, Executive Director, Judicial Form Retirement System (JFRS); Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System (TRS); Ryan Barrow, Executive Director, Kentucky Public Pensions Authority (KPPA); and Erin Surratt, Deputy Executive Director, KPPA.

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

Approval of Minutes
A motion was made by Representative Johnson and seconded by Senator Wilson to approve the minutes of the June 1, 2026, meeting. Minutes were approved by voice vote without objection.

Investment, Cash Flow, and Legislative Update – Judicial Form Retirement System
Bo Cracraft, Executive Director, JFRS, presented a review of the investment performance for the Judicial Retirement Plan (JRP) and the Legislators' Retirement Plan (LRP) for the quarter ending June 30, 2026. He discussed the fiscal year end investment performance for the defined benefit and hybrid cash balance plans and provided the 1-, 3-, 5-, 10-, 20-, and 30-year rates of return. Mr. Cracraft further discussed the asset allocation and cash flow for both plans for FYTD 2026 compared to FYTD 2025.

Mr. Cracraft provided a legislative update on 2026 RS SB 85 stating that JFRS statutes were amended to allow for a special needs trust to be designated as a beneficiary and receive lifetime survivorship benefits on behalf of a surviving disabled spouse or disabled child.

In response to Representative Johnson, Mr. Cracraft stated JFRS has about 600 members receiving benefits and about 360 active members.

In response to Representative Petrie, Mr. Cracraft stated there are other mechanisms JFRS can use to help offset future negative cash flows if equity returns decrease including scheduling maturities on fixed income investments and investing in short-term treasuries in situations where cash is needed within 6-9 months. He also mentioned that JFRS could rebalance their investment portfolio to decrease holdings in equity and increase holdings in fixed income. In response to a follow-up, Mr. Cracraft stated that market returns for the past 5 years have been very strong, but that his and Baird's investment and cash flow projections operate under the assumption that these historic returns will not continue.

In response to Representative Tipton, Mr. Cracraft stated there are two primary tiers for benefits in JRP and LRP. He referred to them as pre-2014 members (defined benefit plan) and post-2014 members (cash balance plan). For both pre- and post-2014 members, the vesting period is 5 years for LRP and 8 years for JRP. He discussed eligibility requirements of each plan and stated based on current actuarial valuation data and projections, it is possible the defined benefit plan will still have a positive balance after the last benefit payment is made to the pre-2014 members.

Actuarial Audit Recommendation

Chair Higdon announced that at the June meeting there was discussion of PPOB's duties under KRS 7A.250 requiring an actuarial audit of the state retirement systems to be completed at least once every 5 years. Under this process the LRC will contract for the services of an actuary on the board's behalf to perform the audit. The previous audit was conducted as of the June 30, 2021 actuarial valuations and finalized in 2022.

A motion was made by Co-Chair Thomas and seconded by Representative Johnson requesting the LRC to contract with an actuary to perform a Level 1 full-scope actuarial audit of the state-administered retirement systems for the fiscal year ended June 30, 2026.

In response to Representative Tipton, Chair Higdon confirmed there are 3 levels of actuarial audits and that LRC contracted to have a level 1 audit performed in 2021.

In response to Senator Funke Frommeyer, Chair Higdon stated the actuarial audit is conducted by an external actuarial firm.

The motion for the actuarial audit was approved by voice vote without objection.

Investment, Cash Flow, and Legislative Update – Teachers' Retirement System
Beau Barnes, Deputy Executive Secretary and General Counsel, TRS, provided information on TRS' investment performance. He discussed the preliminary and unaudited gross and net performance for the retirement and health insurance plans for the quarter ending June 30, 2026, for the 1-, 3-, 5-, 10-, and 20-year time periods. The retirement plan's 30-year compounded gross return was 8%. Mr. Barnes discussed cash flow for both plans for FYTD 2026 compared to FYTD 2025, reviewed the retirement and health insurance cash flows, and presented the total net plan assets across both time periods.

Mr. Barnes provided a legislative update. He stated that TRS received full funding for the retirement annuity trust. The TRS housekeeping bill restored the former pension waiver program, provided earliest start date recognition for reciprocity service, and made some technical changes. Additionally, 2026 RS SB 85 allows for a special needs trust to be designated as a beneficiary and receive lifetime retirement benefits on behalf of a surviving disabled spouse or disabled child.

Mr. Barnes provided information regarding the TRS 5-year experience study ending June 30, 2025, which should be available in September.

In response to Representative Camuel, Mr. Barnes stated the recovery income are federal subsidies and prescription drug formulary rebates.

In response to Representative Johnson, Mr. Barnes stated there are about 75,000 active members, about 60,000 retirees, and a large number of inactive accounts.

In response to Representative Tipton, Mr. Barnes stated the budget request includes the statutory amount for the Kentucky Department of Education's Support Education Excellence in Kentucky (SEEK) formula along with the TRS budget request to pay down the unfunded liability. The approximate amounts are $1.7 billion for 2027 and $1.8 billion for 2028. The TRS budget request is approximately $1.2 billion with SEEK funding of $529 million for 2027 and approximately $1.3 billion with SEEK funding of $541 million for 2028. Mr. Barnes stated as of June 1, 2025 the health insurance trust was 89.1% funded and is actuarially projected to be 100% funded in a couple of years under current circumstances. In response to a hypothetical question, Mr. Barnes stated a 49- to 50-year-old person with 5 years of service can start to receive benefits at age 65.

In response to Senator Funke Frommeyer, Mr. Barnes stated if a newly retired teacher decides to return to teaching, they can suspend their retirement allowance with no break in service and return to teaching. In order to keep their retirement allowance, a 12-month break in service is needed if returning full-time with the same employer or 3 months if returning part-time with the same employer, and 3 months if returning full- or part-time with a different employer. These requirements are due to negative actuarial impact on the system and compliance with federal tax laws.

Chair Higdon commented that PPOB understands how important it is to fully fund the pension systems and that the systems have made good progress in paying down their unfunded liabilities. In response to a question, Mr. Barnes stated he was not sure what assumptions the actuary will set, but the investment returns have been very good over the 5-year period, and the new mortality table developed by the actuaries is tailored more towards teachers. Chair Higdon commented he's pleased the negative cash flow has decreased.

Investment, Cash Flow, and Legislative Update – Kentucky Public Pensions Authority

Ryan Barrow, Executive Director, KPPA, presented a review of the investment performance for all plans. He discussed the pension and insurance fund investment returns for the fiscal year ending June 30, 2026. He provided the (FYTD) 1-, 3-, 5-, 10-, 20-, and 30-year FYTD net of fees rates of return. Mr. Barrow further discussed the asset allocation for all plans and pension cash flows for all plans for FYTD 2026 compared to FYTD 2025.

Erin Surratt, Deputy Executive Director, KPPA, provided a legislative update that included the executive branch budget bill, pension spiking, reemployment of retired police officers, special needs trust, and reemployment of Kentucky State Troopers and commercial vehicle enforcement officers.

In response to Representative Johnson, Ms. Surratt stated as of June 30, 2025 there are about 132,000 active members for all systems and around 130,000 retired members.

In response to Chair Higdon, Ms. Surratt stated their overall membership has grown from 444,000 members in 2025 to 453,000 members in 2026.

In response to Senator Funke Frommeyer, Ms. Surratt stated that the increase in overall membership, which includes active, inactive, and retired members, is across all 1,400 employers participating in the systems administered by KPPA.

Adjournment
With no further business, the committee adjourned.