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TO: Members of the Public Pension Oversight Board

FROM: PPOB Staff

RE: Follow-up Responses from TRS and KPPA

DATE: October 20, 2026

During the September 22, 2026, PPOB meeting, members requested that TRS and KPPA staff provide follow-up information regarding the 2026 mandatory open enrollment period and the TRS 5-year experience study. The responses of the systems are provided below.

Mandatory open enrollment loss of health insurance coverage and pre-existing conditions.

1.) KPPA response: *The Affordable Care Act prohibited denial of coverage due to a preexisting condition, therefore, KPPA does not foresee any potential issues for retirees who may lose coverage specifically as it relates to preexisting conditions.*

2.) TRS response: *Affordable Care Act compliant plans cannot deny coverage, charge higher premiums, or refuse treatment for a pre-existing condition under the Affordable Care Act. These concerns should not be an issue for retirees.*

TRS experience study follow-up information.

1.) Impact of reserve health fund on unfunded liability: *Yes, the hypothetical reserve fund recently proposed for consideration by the actuary will increase UAL. Page 8 of the Experience Study shows that the inclusion of a reserve fund would increase UAL from $455,676,000 to $786,663,000.*

2.) Statutory authority to establish reserve health fund: *The TRS board has not met on or considered the actuary's recent recommendation to consider a reserve fund for the health insurance trust. As such, there is little information that TRS could provide at this time as to what a reserve fund, if it were to be established, would finally look like. Page 8 of the Experience Study shows the actuary is using a hypothetical reserve fund in which the funded status of the health insurance trust would decrease from 89.3% to 82.8%. Given*

this, it would take the health insurance trust additional time to reach 100% at which time other provisions of existing law would take effect. TRS will note that KRS 161.420(5)(b) contemplates a reserve fund within the health insurance trust with the language as follows: "Any amounts deposited to the fund that are not required to meet current costs shall be maintained as a reserve in the fund for these benefits."

3.) Pharmaceutical investment holdings and actuarial assumptions: *Yes, TRS has holdings in pharmaceutical companies. CavMac does not have its own considerations/assumptions for "most favored nation status," and would not change its investment return assumption for TRS unless TRS were to change its asset allocation or capital market return assumptions changed.*