# PUBLIC PENSION OVERSIGHT BOARD

## Minutes

## September 22, 2026

**Call to Order and Roll Call**
The 5th meeting of the Public Pension Oversight Board was held on September 22, 2026, at 2:30 PM ET/1:30 PM CT 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: Representative Walker Thomas, Co-Chair; Senator Jimmy Higdon, Co-Chair; Senators Greg Elkins, Gerald A. Neal, Michael J. Nemes, and Mike Wilson; Representatives Adrielle Camuel, Ken Fleming, DJ Johnson, and Jason Petrie; and Allison Ball, and Steve Humphress.

Guests: Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System (TRS); Edward Koebel, Chief Executive Officer, CavMac Actuarial Consulting Services (CavMac); 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.

**Prayer and Pledge of Allegiance**

**Approval of Minutes**
The approval of the August 18, 2026, minutes was passed over due to lack of quorum.

**TRS Experience Study Overview**
Beau Barnes, Deputy Executive Secretary and General Counsel, TRS, reviewed the 2025 Experience Study for the TRS Retirement Annuity Trust and the Health Insurance Trust. During his presentation he stated the actuary did not recommend any major assumption changes and the investment return assumption remains at 7.1%. There were minor updates to tables and salary rates and TRS is considering establishing a health reserve fund for adverse health care claims experience. The assumption changes are projected to increase retirement unfunded liabilities by $100 million and increase the actuarially determined employer contribution (ADEC) by roughly 1.2% of payroll.

In response to Representative Johnson, Mr. Barnes confirmed this is the first experience study in which a health reserve fund for adverse health care experience has been considered. The idea behind the health reserve fund is to provide an extra source of funding within the Health Insurance Trust that would provide a cushion in the event of substantial changes in healthcare costs from one year to the next, as these changes could have significant impacts on funding status. In response to a follow-up, Mr. Barnes stated he would have to speak with TRS staff and their actuary regarding possible impact on the unfunded liability and statutory authority for implementation of a health reserve fund.

In response to Co-Chair Higdon, Mr. Barnes stated their actuary made the recommendation to consider the health reserve fund. Mr. Edward Koebel, Chief Executive Officer, CavMac, added that the Health Insurance Trust is nearing 100% funding and once it reaches that mark some of the funding could be shut off. CavMac suggests it might be more beneficial to keep that funding going into the health fund in the event the system has adverse experience going forward.

In response to Representative Petrie, Mr. Barnes agreed the last 4 years of investment returns have exceeded 7.1%. Mr. Koebel added CavMac feels comfortable with a 7.1% projected assumption going forward for a future average. In response to a follow-up, Mr. Barnes stated that 2.75% is the amount the actuary projects total teacher payroll growth will be from year-to-year, accounting for inflation and real wage growth, and TRS will increase their ADEC budget request by 1.2% of payroll. Mr. Koebel added the 1.2% increase is somewhat above what CavMac determines is needed for the ADEC for the system, but that amount could be much less depending on future investment experience. In response to an additional follow-up, Mr. Barnes stated there has been no discussion by the board regarding the consideration of establishing a health reserve fund. Mr. Koebel added, if implemented, contributions for the health reserve fund would continue for a number of years after the Health Insurance Trust reaches 100% funding. The targeted annual amount would be about 0.6% of payroll contributed to the health reserve fund each year, which is about $27 million per year. In response to an additional follow-up, Mr. Koebel stated investment experience will drive the outcome on when the Health Insurance Trust will reach 100% funding, but the projection is 3 years. Representative Petrie requested if there is further consideration for establishing a health reserve fund, that it be a separate budget line-item request so the money can be tracked.

In response to Co-Chair Higdon, Mr. Barnes stated the assumption changes are expected to increase the unfunded liability of the system by about $100 million. This adjustment will cause the funding ratio to decrease by 0.1% to 60.9% so the impact is

negligible. In response to a follow-up, Mr. Barnes stated the assumptions have been changed based on the experience study and agreed that even with a good return year, TRS would still have the same budget request policy. In response to an additional question, Mr. Koebel stated the amount of the unfunded liability attributable to annual leave based on the 2025 valuation is about $8.6 million and the amount attributable to sick leave is about $172 million. Co-Chair Higdon commented that he would like to see more transparency from TRS and that annual leave, sick leave, and salary upon retirement should be made available to employers so the data can be accurately recorded by the systems.

In response to Representative Petrie, Mr. Barnes stated TRS has some exposure to pharmaceutical investments, via index funds if nothing else, but did not know exact holdings. Mr. Koebel added that CavMac will follow-up on whether or not actuarial considerations were made regarding pharmaceutical investment exposure.

**Discussion of Kentucky Employees Health Plan (KEHP) Open Enrollment**

Chair Thomas commented he would like to make PPOB members aware of a critical change in open enrollment procedures for the Kentucky Employees Health Plan (KEHP) that impacts retirees under age 65 who are covered by KEHP through the retirement systems PPOB oversees. Open enrollment will be mandatory and those who do not select a plan during the open enrollment period will have their current health plan coverage expire at the end of December. He noted the importance for retirees to make a decision to ensure health coverage in 2027.

Chair Thomas invited, Ryan Barrow, Executive Director, KPPA and Erin Surratt, Deputy Executive Director, KPPA and Beau Barnes, Deputy Executive Secretary and General Counsel, TRS, to answer questions about the changes and what steps are being taken to notify impacted retirees.

In response to Chair Thomas, Mr. Barnes and Mr. Barrow both agreed they are concerned quite a few retirees will fail to enroll in health coverage. Mr. Barrow noted after the open enrollment in October there will be an extended appeal period through the end of January 2027 to help ensure continuity of coverage. Ms. Surratt added as of August payroll, KPPA has a little over 24,000 plan holders plus additional dependents bringing the total to about 30,000 individuals who will need to complete enrollments.

In response to Senator Nemes, Mr. Barrow stated there will be extra communication toward the end of the extended appeal period.

In response to Representative Camuel, TRS and KPPA stated that members who have not enrolled by the close of the extended appeal period will not have health coverage in 2027 and, as things currently stand, there may not be any recourse for those individuals.

In response to Representative Petrie, Mr. Barrow stated the default enrollment has been in effect for 15 plus years. In response to a follow-up, Ms. Surratt stated open enrollment for retirees is October 1 through October 31 and the affirmative decision that there would be a mandatory enrollment with no default was received in August. Mr. Barnes agreed TRS was also notified in August.

In response to Co-Chair Higdon, Mr. Barnes agreed they have a lot of outdated addresses for retirees. In response to a follow-up, Mr. Barrow agreed that one of the solutions was to wait to have mandatory enrollment for the next open enrollment, which would give the systems more time to communicate the changes. Co-Chair Higdon stated he is asking the Governor and the Personnel Cabinet to reconsider this policy and provide a reasonable alternative that will help ensure retirees will not lose their health insurance.

In response to Representative Johnson, Mr. Barnes stated he has heard the reason for the mandatory enrollment is due to plan design changes and cost increases. Mr. Barrow added there were also going to be structural changes.

In response to Senator Elkins, Mr. Barnes and Ms. Surratt stated they would follow-up on concerns of pre-existing conditions being covered in the future if a retiree fails to enroll and there is a lapse in health coverage.

**Adjournment**

With no further business to come before the committee, the meeting adjourned. The next scheduled meeting is October 20, 2026.