MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
QUARTERLY BOARD MEETING
VIA LIVE VIDEO TELECONFERENCE
DECEMBER 5, 2024, AT 10:00 AM EST

At the meeting of the Kentucky Public Pensions Authority held on December 5, 2024, the following Members were present: Jerry Powell, Dr. Merl Hackbart, Lynn Hampton, Prewitt Lane, William O'Mara, Keith Peercy, and William Summers V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens III, Ryan Barrow, Michael Board, Erin Surratt, Leigh Ann Davis, Victoria Hale, Steve Willer, Brian Caldwell, Michael Lamb, Connie Davis, Kristen Coffey, Dominique McKinley, D'Juan Surratt, Stephanie Aldridge, Phillip Cook, Sandy Hardin, and Sherry Rankin.

1. Mr. Powell called the meeting to order.

2. Mr. Board read the Legal Opening Statement.

3. Ms. Rankin called roll.

Mr. Powell introduced agenda item ***Public Comment*** *(Video 00:06:39 to 00:09:24).* Ms. Rankin indicated that one public comment was received for this meeting from Andrew Parrish and read as follows:

"Good afternoon! I hope this finds you all well and I appreciate your commitment to the Commonwealth and the employees whom you represent. I would like to briefly introduce myself. My name is A.J. Parrish and I currently serve as the night shift sergeant for the Paducah Police Department and have had the pleasure of working with this agency since I joined the force in May of 2014. I am writing this public comment to you all because I want to bring to light an issue with retention among law enforcement that you are likely all too familiar with. While this issue is affecting agencies nationwide, I want to focus on our issues

specifically here in Kentucky. Currently, the Commonwealth offers three Tiers for retirement, but I will focus on the one that is currently in effect as of January 1, 2014, which is Tier 3. Essentially, peace officers are no longer under a pension style retirement but rather a "401K". Unlike the other retirement Tiers prior to 2014, under Tier 3 the participant has the option to leave law enforcement and take their "401K" balance with them. Specifically, they are vested after 60 months (or 5 years) of employment. What this means is that instead of staying in law enforcement for 25 years, officers can now leave law enforcement at 5 years of service and go to work in the private sector with their "401K". This is causing a massive strain on law enforcement agencies across the commonwealth to retain seasoned, veteran officers. Instead, agencies are now forced to cycle through hiring young officers, send them to the academy to get trained and then hope that they will stay faithful to law enforcement for 25 years. While this seems grim, I do have a solution to this issue. In January, House Bill 143 was introduced which would afford Tier 3 participants the option of going to Tier 2. This would greatly benefit the safety and security of the communities within our Commonwealth by retaining law enforcement professionals for 25 years to reach full retirement under the pension system. I humbly request you take some time to fully research this issue and support the efforts to afford us the opportunity to go from a Tier 3 retirement system to Tier 2. I would be happy to discuss this issue further and can be reached via e-mail or phone at xxx-xxx-xxxx. Again, thank you for time and support in this matter."

4. Mr. Powell introduced agenda item ***Approval of Minutes –KPPA Board for September 26, 2024*** *(Video 00:09:24 to 00:10:01)*. Mr. Lane made a motion and was seconded by Ms. Hampton to approve the September 26, 2024, minutes as presented. The motion passed unanimously.

5. Mr. Powell introduced agenda item ***KPPA Audit Committee Report and Recommendations*** *(Video 00:10:01 to 00:21:05).*

   Ms. Coffey noted the KPPA Audit Committee held a regularly scheduled meeting on November 19, 2024. She mentioned that several items are being brought to the KPPA Board for approval or ratification. Ms. Coffey then introduced Mr. Lamb to present the first report.

Mr. Lamb reviewed the CERS and KRS approved FYE June 30, 2024, external audits by discussing the completed governance letters from Blue & Company. The only difference between the letter presented to each Board and the final version from Blue & Company is the removal of a specific journal entry. They did not find anything material enough to present unadjusted values or entries. Besides this change, the letter remains the same as presented to the CERS and KRS Boards. Mr. Lamb noted that no action is required on these, as they were approved in prior board meetings.

Next, Mr. Lamb presented the most recent CERS and KRS ACFRs (Annual Comprehensive Financial Reports). The remaining updates include finalizing the audit opinion letters from draft to final and validating some cosmetic page number references. They are also going to update the glossary. These adjustments need to be finalized before publication. The external auditors will review these updates this afternoon. Both Boards have approved their individual ACFRs for presentation to the KPPA Board. Mr. Lamb requested approval of CERS and KRS ACFRs for publication.

Bill O'Mara made a motion to approve the publication of the CERS and KRS ACFRs. Ms. Hampton seconded the motion, and the motion passed unanimously.

Mr. Lamb presented the management letter to be submitted to the Government Finance Officers Association (GFOA) and reviewed responses to comments and suggestions for improving the KPPA ACFR for the fiscal year ended June 30, 2023. Following the discussion, Mr. Lamb requested the Board's approval of the response as presented.

Bill O'Mara made a motion to approve the Management Response to the FY 2023 GFOA ACFR Letter as presented. Ms. Hampton seconded the motion, and the motion passed unanimously.

Mr. O'Mara asked how many years KPPA has received the Certificate of Achievement. Mr. Lamb responded that the award for the 2023 ACFR marked the 25th year that KPPA has

received the GFOA certificate and expressed confidence that the CERS and KRS ACFRs submitted this year would continue this tradition. Mr. O'Mara and Mr. Powell expressed their appreciation to Mr. Lamb and his team.

Ms. Dominique McKinley shared the Information Security Assessment Summaries, completed by a third-party audit and presented at the November 19, 2024, Audit Committee meeting. She highlighted the External Penetration Assessment, Internal Penetration Assessment, and Microsoft 365 Security Assessment. She reported a total of 19 findings, reviewing their criticalness and status. Ms. McKinley noted that they are seeking approval for the third-party audit again next year, including the application assessment and infrastructure, with a requested budget of $125,000 for the calendar year 2025. She confirmed that this amount has already been budgeted as part of the IT budget.

Mr. O'Mara made a motion to approve the Infrastructure and Application Security Assessment as presented. Dr. Hackbart seconded the motion, and the motion passed unanimously.

Ms. Coffey presented the Completed Internal Audits and asked for the KPPA Board to ratify the acceptance of the issued internal audits and open audit findings. She noted that no reportable findings were identified as part of this audit.

Ms. Hampton made a motion to approve the Completed Internal Audits as presented. Mr. Summers seconded the motion, and the motion passed unanimously.

6. Mr. Powell introduced agenda item ***Administrative Budget to Actual*** *(Video 00:21:05 to 00:22:40).* Mr. Lamb presented the KPPA Administrative Budget-to-Actual Summary Analysis for the fiscal year ending September 30, 2024. He noted an error in the Administrative Budget presented at the CERS Board Meeting, which affected the FICA, the retirement, and health insurance line items. These errors have been corrected, and the new quarterly Administrative Budget-to-Actual detailed pages reflect these changes.

7. Mr. Powell introduced agenda item ***Investment Department Update*** (Video 00:22:40 to 00:30:29). Mr. Willer presented the summary of the Investment Committee Meetings. He noted the CERS Investment Committee held Special-Called meetings on October 22, 2024, and November 18, 2024, as well as a regularly scheduled meeting on November 26, 2024. He provided a detailed summary of the CERS and KRS Investment Committee meetings and the recommendations that were unanimously passed. Mr. Willer then provided a summary of the quarterly and fiscal year reports.

   Mr. Willer also noted that Ms. Carrie Bass has recently started in her new role as the Compliance Officer.

   Next, Ms. Hampton highlighted the intern program, and Mr. Powell emphasized that the Investment Team would offer a great learning environment for interns.

   Mr. Powell asked Mr. Willer to explain basis points for the general public. Mr. Willer explained that a basis point is one one-hundredth of a percentage, meaning 100 basis points equals 1%.

8. Mr. Powell introduced agenda item ***KPPA Executive Director Report*** (Video 00:30:29 to 0033:57). Mr. Barrow commended Mr. Willer, Ms. McKinley, Mr. Lamb, and Ms. Coffey for their dedication as demonstrated in their reports. He provided a written KPPA Update, which included information regarding legislation, the Louisville office, the Pension Public Oversight Board (PPOB), Strategic Planning Teams, staffing, communication, and the Kentucky Employee Charitable Campaign (KECC).

9. Mr. Powell introduced agenda item ***New Business*** *(Video 0:33:57 to 00:34:10)*. Mr. Powell called for additional business, and none was brought forth.

10. Mr. Powell introduced agenda item ***Closed Session*** *(Video 00:34:10 to 00:35:08)*. Dr. Hackbart made a motion and was seconded by Ms. Hampton to enter closed session to discuss pending litigation. The motion passed unanimously.

Mr. Powell read the following closed session statement: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider litigation matters, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the KPPA's litigation strategy and preserving any available attorney-client privilege.

Mr. Cheatham entered the closed session.

All other attendees exited the meeting.

Closed Session. *(Video: Due to technical issues, the Facebook live feed stopped during the Closed Session.)* Mr. Powell called the meeting back to open session and stated that there would be no action taken as result of the closed session discussion.

11. There being no further business, Mr. Powell ***adjourned*** the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA held December 5, 2024, except documents provided during a closed session conducted pursuant to the Open Meetings Act and exempt under the Open Records Act.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on December 5, 2024, were approved on March 20, 2025.

Keith Peercy

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the December 5, 2024, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services