

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
MEETING VIA LIVE VIDEO TELECONFERENCE
DECEMBER 7, 2022, AT 10:00 AM ET**

At the meeting of the Board of the Kentucky Public Pensions Authority held on December 7, 2022, the following members were present: Jerry Powell (Chair), John Cheshire, Prewitt Lane, William O'Mara, Betty Pendergrass, Lynn Hampton, Dr. Merl Hackbart, and Keith Peercy. Other Trustees present were KRS Trustees Ramsey Bova and William Summers. V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steve Willer, D'Juan Surratt, Connie Davis, Kristen Coffey, Ashley Gabbard, Victoria Hale, Jessica Beaubien, Leigh Ann Davis, Elizabeth Smith, Carrie Bass, Ann Case, Shaun Case, Katie Park, and Sherry Rankin. Others present included Allen Norvell and Ryan Graham with Blue & Co.

Mr. Powell called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

Ms. Rankin advised that a *Public Comment* was received from Von Gore and read it aloud to the KPPA Board of Trustees: I retired in 1999 from Juvenile Corrections. My question is will there be any cost of living raise anytime in the near future?

Mr. Powell stated that Mr. Eager would address this subject during the *KPPA Update*.

Mr. Powell introduced agenda item *Approval of Meeting Minutes – September 29, 2022, October 31, 2022, and November 29, 2022 (Video 00:05:57 to 00:06:52)*. Ms. Pendergrass advised the KPPA Board of a possible error within the September 29, 2022, minutes regarding unrealized gains/losses (p.3). Mr. O'Mara made a motion to approve the minutes from the September 29, 2022, the October 21, 2022, and the November 29, 2022, meetings with the discussed modifications to the September 29, 2022, minutes. Ms. Pendergrass seconded the motion and the motion passed unanimously.

Mr. Powell introduced agenda item *Joint Audit Committee Reports (Video 00:06:53 to 00:15:14)*. Ms. Kristen Coffey stated that the Joint Audit Committee met on November 28, 2022, and requests ratification of the Committee's approval of the draft results of the fiscal year ended June 30, 2022, audit, including the draft Financial Section of the Annual Report and the purchase of Infrastructure and Application Security Assessment. Ms. Coffey advised that the CERS and KRS Boards of Trustees had also ratified these actions of the Joint Audit Committee. Mr. Ryan Graham briefly presented the draft results of the fiscal year ended June 30, 2022, audit. Ms. Coffey reported that several other items were also discussed during the Joint Audit Committee meeting such as an update on invalid addresses and an update on the inability of JP Morgan Chase to serve as a fiduciary. Ms. Adkins reminded the Board of Trustees that the GASB 67 and GASB 74 reports were also included in the presented audit report. Mr. O'Mara made a motion to accept the Independent Auditors Report for fiscal year ending June 30, 2022, including the GASB 67 and GASB 74 reports and was seconded by Ms. Pendergrass. The motion passed unanimously. Ms. Hampton made a motion to approve the expenditure for the Infrastructure and Application Security Assessment. Mr. O'Mara seconded the motion and the motion passed unanimously.

Mr. Powell introduced agenda item *Quarterly Financial Statements (Video 00:15:15 to 00:29:36)*. Ms. Rebecca Adkins reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of September 30, 2022. Next, Ms. Adkins briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the three-month period ending September 30, 2022. Combining Statement of Fiduciary Net Position of Insurance Funds as of September 30, 2022, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the three-month period ending September 30, 2022, with the KPPA Board of Trustees. Ms. Davis went on to present the CERS, KERS, and SPRS Pension and Insurance Funds Contribution Reports for three-month period ending September 30, 2022. Lastly, Ms. Adkins briefly presented the KPPA Administrative Budget FY 2022-2023 for the three-month period ending September 30, 2022, CERS Outstanding Invoices by Type and Employer, and Penalty Invoices Report.

Mr. Powell introduced agenda item *Approval of Annual Comprehensive Financial Report and Summary Annual Financial Report (Video 00:29:37 to 00:35:00)*. Ms. Connie Davis provided an update on the Annual Comprehensive Financial Report (ACFR) and Summary Annual Financial Report (SAFR). She advised that the ACFR was in the final stages of production and would be submitted to the Government Finance Officers Association around the 16th of December. Ms.

Davis reported that the SAFR was under review and would be sent to the printer mid-December. Ms. Adkins commended the teamwork demonstrated by the KPPA Division of Accounting, KPPA Office of Investments, KPPA Division of Communications, and the KPPA Division of Internal Audit to complete the ACFR. Ms. Pendergrass and Mr. Powell also applauded all Staff involved. Dr. Hackbart made a motion to approve the Annual Comprehensive Financial Report and the Summary Annual Financial Report with minor modifications which may occur prior to printing. Ms. Pendergrass seconded the motion and the motion passed unanimously.

Mr. Powell introduced agenda item *Investment Department Update (Video 00:35:01 to 00:50:34)*. Mr. Steve Willer presented the item. He provided highlights of what was recently presented to the CERS and KRS Boards of Trustees and Investment Committees. For the quarter, the KPPA Pension Trust portfolio fell -2.77%, outperforming a blended benchmark return of -4.41%. Relative outperformance was driven by solid performance in the Core Fixed Income and Public Equities portfolios. The portfolios also benefitted from overweights to Specialty Credit, and to cash during a weak quarter. The KPPA Insurance Trust portfolio fell -2.82%, said Mr. Willer. Mr. Willer also reviewed the Plan Sponsor Peer Group Analysis – Multi Statistics and Asset Allocation Compliance for the periods ended as of September 30, 2022.

Mr. Powell introduced agenda item *Administrative Regulations –105 KAR 1:360 and 105 KAR 1:001 (Video 00:50:35 to 00:54:24)*. Ms. Jessica Beaubien, Regulation Policy Specialist led the discussion. She briefly reviewed 105 KAR 1:360 and 105 KAR 1:001 with the Board of Trustees. Ms. Beaubien stated that 105 KAR 1:360 is a new administrative regulation which outlines the administrative regulations for the hybrid cash balance plan tier and provides the requirements for the “Hybrid Cash Balance Plan Opt-In Election” and “Separation of Accounts” that members use to separate their retirement accounts with any state-administered retirement system. Ms. Beaubien reported that 105 KAR 1:360 was presented to the Ad Hoc Regulation Committee on November 22, 2022, and the Committee approved sending the regulation to the full Board for approval upon completion of edits to Section 1(1), Section 2(3)(b)1., and Section 5(6). Next, Ms. Beaubien reviewed 105 KAR 1:001 which is a new administrative regulation establishing universal definitions for Title 105 of the Kentucky Administrative Regulations. Title 105 contains regulations for the Kentucky Public Pensions Authority, the County Employees Retirement System, and the Kentucky Retirement Systems. 105 KAR 1:001 was presented to the Ad Hoc Regulation Committee on November 22, 2022. The Committee approved sending the regulation to the full Board for approval upon completion of an edit to Section 1(44). Mr. Peercy made a motion to approve Administrative

Regulations 105 KAR 1:360 and 105 KAR 1:001 as presented. Mr. Lane seconded the motion. Ms. Pendergrass opposed 105 KAR 1:360, however, the motion passed.

Mr. Powell introduced agenda item ***KPPA Update*** (Video 00:54:25 to 01:11:32). Mr. Eager reported that seven Board/Committee meetings had taken place within the last ten days. He expressed gratitude for the Executive Support Staff and urged Trustees to be mindful of Staff when scheduling Special Called meetings. During fiscal year 2022, 81 Board/Committee meetings occurred, said Mr. Eager. He reported that the Housekeeping Bill is almost completed and will be presented to the Public Pension Oversight Board (PPOB) on Monday, December 19th. Retirements decreased across all plans, said Mr. Eager. Staffing at KPPA remained at 248 employees. The newly hired Chief Financial Officer (CFO) begins work on January 9, 2023, and the new Senior Investment Analyst is scheduled to begin in mid-December said Mr. Eager. Recruitment within the Office of Investments continues to fill several other vacant positions. Mr. Eager stated that the ongoing Request for Proposals (RFP) and Key Performance Indicator (KPI) projects remain in progress. Mr. Eager addressed the subject of a COLA. He advised that the KPPA Division of Communications has a standard statement regarding COLAs and stated that those who submit a public comment regarding COLAs will be provided with that response. Ms. Adkins briefly reviewed the FY2022 KPPA Administrative Expenses, FY2022 Investment Expenses, FY2021 and FY2022 Board Separation Expenditures with the KPPA Board of Trustees.

Mr. Powell advised that there was no ***New Business*** to discuss.

Mr. Powell introduced agenda item ***Closed Session*** (Video 01:11:33 to 01:13:08). Mr. Board advised that there was no additional information to provide to the KPPA Board of Trustees; therefore, a closed session was not necessary unless the Board had questions regarding the closed session material provided. The KPPA Board of Trustees did not enter closed session.

Mr. Powell opened the floor for adjournment. Ms. Pendergrass made a motion and seconded by Ms. Hampton to ***adjourn*** the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the KPPA Board held December 7, 2022, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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 KRS 61.805-61.850 were met in conjunction with this meeting.


Recording Secretary

We, the Chair of the Board of Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on December 7, 2022, were approved on March 23, 2023.


KPPA Board Chair


Executive Director

I have reviewed the Minutes of the December 7, 2022, Kentucky Public Pensions Authority Meeting for content, form, and legality.


Executive Director, Office of Legal Services