

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
MEETING**

**VIA LIVE VIDEO TELECONFERENCE
JUNE 28, 2023, AT 10:00 AM ET**

At the meeting of the Kentucky Public Pensions Authority held on June 28, 2023, the following Members were present: Keith Percy (Chair), Prewitt Lane, William O'Mara, Betty Pendergrass, Dr. Merl Hackbart, Lynn Hampton, Jerry Powell, 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, Lori Casey, D'Juan Surratt, Steve Willer, Anthony Chiu, Michael Lamb, Connie Davis, Elizabeth Smith, Kristen Coffey, Madeline Perry, Matthew Daugherty, Melinda Wofford, Ashley Gabbard, Leigh Ann Davis, Carrie Bass, Jillian Hall, Jessica Beaubien, Katie Park, Phillip Cook and Sherry Rankin.

Mr. Percy called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no *Public Comment*, Mr. Percy introduced agenda item *Approval of Meeting Minutes – April 27, 2023, and May 26, 2023 (Video 00:06:48 to 00:07:14)*. Mr. Powell made a motion and was seconded by Ms. Hampton to approve both minutes as presented. The motion passed unanimously.

Mr. Percy introduced agenda item *FY24 Administrative Budget, FY24 Hybrid Percentage, FY24 Investment Budget, and FY23 Board Separation Expenses (Video 00:07:15 to 00:42:47)*.

Mr. Lamb provided an overview of the work conducted by the FY 2024 Budget Workgroup and reviewed the FY 2023 Separation Costs with the KPPA. Mr. O'Mara made a motion to approve the FY23 separation expenses of \$402,707 to be paid by the CERS trusts. Dr. Hackbart seconded the motion and the motion passed unanimously.

Mr. Lamb presented a high-level summary of the FY 2024 Hybrid Percentage. He described the methodology used to establish the Hybrid Percentage. A motion to approve the FY24 hybrid percentage of 64.34% for CERS and 35.66% for KRS to be applied to the administrative expenses of KPPA and continue to allow the CERS and KRS Boards to determine the split for the plans under their administrative purview was made by Ms. Pendergrass. Mr. O'Mara seconded the motion. The motion passed unanimously.

Additionally, the FY 2024 KPPA Administrative Budget was reviewed by Mr. Lamb.

****Mr. Summers entered the Meeting****

Ms. Hampton made a motion to approve the FY24 KPPA administrative budget of \$50,440,800.00 as presented. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. Lamb reviewed the FY 2024 KPPA Investment Budget. A motion to approve the FY24 KPPA investment budget of \$10,270,500.00, as presented was made by Mr. Powell. Dr. Hackbart seconded the motion and the motion passed unanimously.

Lastly, Mr. Lamb presented the Quarterly Financial Statements. He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of March 31, 2023. Next, Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the nine-month period ending March 31, 2023, Combining Statement of Fiduciary Net Position of Insurance Funds as of March 31, 2023, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the nine-month period ending March 31, 2023, with the Authority Members. Mr. Lamb went on to present the CERS/KERS/SPRS Pension and Insurance Funds Contribution Reports for the nine-month period ending March 31, 2023. He briefly presented the FY 2022-2023 KPPA Administrative Budget and Budget-to-Actual Analysis for the nine-month period ending March 31, 2023. The JP Morgan Chase Earnings and Fees and Hard Interest Earned for the nine-month period ending March 31, 2023, were also presented. Lastly, the Outstanding Invoices by Type and Employer and Penalty Invoices Reports were presented.

Mr. Peercy introduced agenda item *KPPA Audit Committee Meeting Summary (Video 00:42:48 to 00:44:26)*. Ms. Coffey stated that the Joint Audit Committee met on May 25, 2023. The Committee reviewed informational items and approved the Annual Audit Plan. She requested that the KPPA

ratify this action taken by the Joint Audit Committee. A motion to approve the KPPA Audit Plan as presented was made by Mr. Powell. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. Percy introduced agenda item *Implementation of HB 587 (Video 00:44:27 to 01:13:15)*. Mr. Board presented all proposed KPPA Bylaw amendments. Ms. Hampton made a motion to approve the amendments to the KPPA Statement of Bylaws and Committee Organization as presented. The motion was seconded by Mr. Powell and the motion passed unanimously.

Ms. Coffey briefly presented the new Charter for the Audit Committee. The KPPA Audit Committee reviewed and approved the Charter, said Ms. Coffey. She requested that the Authority ratify the action taken by the KPPA Audit Committee. Mr. O'Mara made a motion to approve the Charter for the Audit Committee as presented and was seconded by Mr. Powell. The motion passed unanimously.

Next, Ms. Lori Casey presented the Chief Auditor Position Description. The description was drafted with input from Staff and had been approved by the KPPA Audit Committee. There was discussion regarding the significant changes in the role/position duties of the Chief Auditor and Division Director of Internal Audit. Ms. Coffey explained that there is a noticeable difference in the two positions. She indicated that additional staff would be needed in the future to absorb the position duties of the Division Director of Internal Audit. Ms. Hampton made a motion to table the approval of the Chief Auditor Position Description. The motion to table was seconded by Ms. Pendergrass. A roll call vote was taken; the motion passed unanimously.

Mr. Board outlined the outstanding items required prior to the full implementation of HB 587. He advised that the KPPA Audit Committee had yet to complete their review of the Charter for the Division of Internal Audit and that the Charter would be presented to the Authority once finalized.

There was discussion concerning the administrative reporting structure of the Chief Auditor position. Since the KPPA Audit Committee recommended the appointment of Kristen Coffey to the position of Chief Auditor, Ms. Pendergrass asked if the Authority may vote regarding this recommendation despite the tabling of the approval of the position description. Mr. Board advised that KPPA may vote; however, the discussion would be more appropriate for Closed Session. Mr. Percy advised that Authority Members that the Closed Session discussions would be surrounding litigation and

employee matters.

Mr. Peercy introduced agenda item *Administrative Regulation 105 KAR 1:457* (Video 01:13:16 to 01:16:48). Ms. Jessica Beaubien presented 105 KAR 1:457, In-Line-of-Duty Survivor Benefits, which is a new administrative regulation establishing the procedures and the processes for filing and or administering an application for In-Line-of-Duty Survivor Benefits for eligible beneficiaries. 105 KAR 1:457 was presented to the Ad Hoc Regulations Committee for the Board on June 13, 2023, said Ms. Beaubien. The Committee approved sending to the full Board for approval upon edits to Section 6 and Section (7)(3)(a). Ms. Beaubien reviewed all requested changes with the Authority Members. The Office of Legal Services requested that the Authority authorize 105 KAR 1:457, In-Line-of-Duty Survivor Benefits, to be filed with the Regulations Compiler.

A motion to approve regulation 105 KAR 1:457 as presented, and to direct staff to file the regulation with the Office of the Regulations Compiler at LRC was made by Mr. Powell. Ms. Hampton seconded the motion and the motion passed unanimously.

Mr. Peercy introduced agenda item *Office of Financial Management Reorganization* (Video 01:16:49 to 01:21:36). Mr. Eager stated that the addition of a Chief Financial Officer (CFO) position prompted the plan to establish an Office of Financial Management. The Office of Financial Management will oversee the Division of Accounting, which includes the Cash Management branch and the Investment Operations branch. The Office will also be responsible for external bank relations and the oversight of the actuary, said Mr. Eager.

Ms. Pendergrass made a motion to approve the reorganization of KPPA to establish an Office of Financial Management. Dr. Hackbart seconded the motion and the motion passed unanimously.

Further, a motion to establish the non-merit position of Executive Director, Office of Financial Management was made by Ms. Hampton and seconded by Mr. Powell. The motion passed unanimously.

Mr. Peercy introduced agenda item *Investment Department Update* (Video 01:21:37 to 01:33:40). Mr. Willer stated that the KRS Investment Committee met on May 15, 2023, and the CERS Investment Committee met on June 9, 2023. KPPA Investment Staff and Wilshire provided a review of economic conditions, market activity, and updated asset class assumptions. Staff also discussed

absolute and relative performance and asset allocations for the pension and insurance portfolios, compliance, the investment budget, and asset/liability and asset allocation projects. In addition, an update on the implementation of the systems' proxy voting policies was provided at these meetings.

Mr. Willer went on to provide a brief overview of these topics with the Authority Members.

Mr. Board wished to provide clarification regarding the information provided in agenda item **Implementation of HB 587**. He advised that if the Chief Auditor position was vacant as of June 29, 2023, Ms. Coffey would report to the Authority as the position of Division Director of Internal Audit is second in command within the Division. Since the KPPA did not discuss the reporting structure of the Chief Auditor position, Mr. O'Mara made a motion to have the Chief Auditor position report administratively to the KPPA Chair in the interim. Ms. Hampton seconded the motion and the motion passed unanimously.

Mr. Peercy introduced agenda item **KPPA Update** (Video 01:33:41 to 01:48:55). Mr. Eager provided the KPPA with a written report. He touched on KPPA Staffing, the Annual Budget, the development of the Strategic Plan with Provaliant Staff, the Government Officials' Newsletter, the Member Newsletter, the Summary Plan Description, the promotion of Brian Caldwell to Fixed Income Portfolio Manager, the CEM Investment Department Benchmarking, the KPPA Housekeeping Bill, and the recent Joint State Government Committee Presentation in the written report. There was discussion surrounding the search for a new KPPA Louisville Office, the reporting of quasi agencies participating in KERS Nonhazardous, as well as the CEM Investment Department Benchmarking Study.

Mr. Peercy introduced agenda item **New Business** (Video 01:48:56 to 01:49:05) – None.

Mr. Peercy introduced agenda item **Closed Session** (Video 01:49:06 to 01:50:18). Ms. Hampton made a motion and was seconded by Mr. Powell to enter closed session for the purposes of litigation and employee matters. The motion passed unanimously.

Mr. Peercy 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, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems'

litigation strategy and preserving any available attorney-client privilege. Also, for employee matters which concern the appointment, discipline, dismissal, or member account information of an employee pursuant to 61.810(1)(f) and 61.810(1)(k). It is necessary to enter closed session because of the sensitive nature of the material to be considered regarding this employee and the requirement of 61.661(1) that each member account be administered in a confidential manner.

Closed Session (Video - Part 2 - 00:45:00 to 00:01:11). Coming back into open session, Mr. Peercy requested that the KPPA Audit Committee further review the issue of the job duties and responsibilities of the Chief Auditor position and report back to the Authority.

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

Copies of all documents presented are incorporated as part of the Minutes of the KPPA held June 28, 2023, 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 KRS 61.805-61.850 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 June 28, 2023 were approved on September 28, 2023.


KPPA Board Chair


Executive Director

I have reviewed the Minutes of the June 28, 2023, Kentucky Public Pensions Authority Meeting for content, form, and legality.


Executive Director, Office of Legal Services