MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
QUARTERLY BOARD MEETING
VIA LIVE VIDEO TELECONFERENCE
SEPTEMBER 25, 2025, AT 10:00 AM EST

At the quarterly meeting of the Kentucky Public Pensions Authority held on September 25, 2025, the following members were present: Keith Peercy, Dr. Patricia Carver, George Cheatham, Lynn Hampton, Prewitt Lane, William O'Mara, and William Summers V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens III, Ryan Barrow, Rebecca Adkins, Erin Surratt, Mike Lamb, Lori Casey, Victoria Hale, Leigh Ann Davis, Nathan Goodrich, Carole Catalfo, Kristen Coffey, Anthony Chiu, Joe Gilbert, Ian Blaiklock, Shaun Case, Sherry Rankin, and Sandy Hardin. Others in attendance included Eric Branco, Johnson, Branco, & Brennan LLP.

1. Mr. Peercy called the meeting to order.

2. Ms. Hale read the Legal Opening Statement.

3. Ms. Rankin called roll.

   Mr. Peercy introduced agenda item ***Public Comment.*** Ms. Rankin indicated that there were no public comments.

4. Mr. Peercy introduced agenda item ***Approval of Minutes – KPPA Board for June 26, 2025*** *(Video 00:03:44 to 00:04:05).* Ms. Hampton made a motion to approve the June 26, 2025, minutes as presented. Mr. Summers V seconded the motion. The motion passed unanimously.

5. Mr. Peercy introduced agenda item ***KPPA Audit Committee Report and Recommendations*** *(Video 00:04:05 to 00:08:11).* Ms. Coffey reported that the KPPA Audit Committee met on August 26, 2025, and reviewed two audit reports: 2025-9 Review of the Accounts Payable Process and 2025-11 Review of the Accrual Process. The Committee requested that the

Board ratify acceptance of both audits and authorize KPPA staff to implement the necessary corrective actions.

Mr. O'Mara made a motion to ratify the Audit Committee's approval of the internal audit reports as presented and to authorize KPPA staff to implement any corrective actions. Ms. Hampton seconded the motion. The motion passed unanimously.

Mr. Lamb presented the engagement letter between KPPA and Eide Bailly, the new external auditor for the ACFRs, for Board approval. He provided a brief summary of the letter, noting that it outlines the auditor's responsibilities, the audit framework, management's obligations, and the timing and fees associated with the engagement. Mr. Lamb requested a motion to approve Eide Bailly as KPPA's external auditor for the ACFRs. Mr. Peercy confirmed that the Board would take up the motion.

Mr. O'Mara moved to approve Eide Bailly as the external auditor. Ms. Hampton seconded the motion. The motion passed unanimously.

6. Mr. Peercy introduced agenda item ***FY26-28 Biennium Budget*** *(Video 00:08:11 to 00:18:19)*. Mr. Lamb reported that the KPPA Ad Hoc Budget Committee—formed at the June 26, 2025, KPPA Board meeting—had developed recommendations for the FY 2027–2028 Biennium Budget, which is statutorily due by October 1, 2025. He emphasized that the KPPA Board must approve the budget request prior to its submission. Mr. Lamb outlined three key actions requiring Board approval: (1) the Biennium Baseline Budget Submission totaling $50,115,600; (2) the Capital Planning Submission totaling $75 million, allocated across three phases—$15 million for FY 2028, $50 million for fiscal years ending 2029 and 2030, and $10 million for fiscal years ending 2031 and 2032; and (3) an Additional Budget Request (ABR) of $750,000 for FY 2027 and $1,500,000 for FY 2028 to support ancillary personnel costs related to the Pension Administration System (PAS) Modernization and other IT initiatives. He stressed that all proposed expenditures are funded through restricted trust funds, not general fund appropriations, and would be managed with fiscal responsibility.

Mr. Lamb reviewed the Budget Workgroup's presentation, noting that the initial administrative budget was $49,969,700. Following a review of IT job classifications, the Personnel Cabinet added $145,900, resulting in a revised FY 2026 budget of $50,115,600, as confirmed by the Office of State Budget Director (OSBD). Of this total, $38,459,400 is allocated for personnel expenses, including salaries, FICA, retirement, health, and life insurance. He reiterated that all administrative costs are funded through restricted dollars.

He then detailed the Capital Project's three phases, all funded by restricted resources: the Planning Phase ($15 million for FY 2027–2028), the Implementation Phase ($50 million for FY 2029–2030), and the Closure Phase ($10 million for FY 2031–2032).

In response to Mr. Barrow's inquiry regarding the ABR's connection to the Capital Project, Mr. Lamb clarified that while the Capital Project officially begins in 2028, KPPA is already preparing for its launch. The agency is prioritizing current IT initiatives and reallocating resources to support PAS modernization. KPPA intends to fully staff its authorized cap of 285 employees, utilize overtime, and redirect contractors to maintain operations and prepare for future demands. The ABR is designed to sustain these efforts.

Mr. Lamb concluded by noting that KPPA has a meeting scheduled with the Budget Office to finalize the ABR and ensure a strong presentation to the legislature. Once submitted, the biennium budget request will be reviewed by the Legislative Research Commission (LRC), the Budget Office, and the Governor's team, each of which will develop its own version of the budget. The legislature will consider these proposals during the general session, with the final approved budget—granting KPPA spending authority—taking effect on July 1, 2027.

Following the discussion, Mr. O'Mara made a motion to approve the FY 2026–2028 Biennium Budget as presented. Mr. Lane seconded the motion. During deliberation, Ms. Hampton and Mr. O'Mara commended Mr. Lamb and his team for their thorough planning and hard work. The motion passed unanimously.

7. Mr. Peercy introduced agenda item ***Administrative Budget to Actual*** *(Video 00:18.19 to 00:20:59)*. Mr. Lamb presented the 2025 Administrative Budget to Actual report for the fourth quarter ending June 30, 2025. KPPA spent approximately $35 million, which was $1.8 million (5%) below the annual budget of nearly $37 million. Salaries, wages, and overtime came in nearly $1 million under budget, with FICA and employer sick leave underspent by $162,000. However, employer-paid health insurance exceeded the budget by $225,000. Legal contracts were $744,000 below budget for the year. Additionally, auditing, actuarial services, medical expenses, and other personnel-related items were under budget by $1.2 million. Operational costs were $830,000 below budget overall, driven primarily by IT expenditures being $640,000 under budget, the status of the Louisville office, and travel costs coming in $140,000 below budget.

8. Mr. Peercy introduced agenda item ***Investment Department Update*** *(Video 00:20:59 to 00:23:47)*. Mr. Chiu reported that the Kentucky Retirement Systems Investment Committee held a special-called meeting on September 11, 2025. At that meeting, the Committee unanimously approved the investment staff's recommendation to invest up to $75 million in the Strategic Value Special Situations Fund VI. This investment will be shared among all KRS and SPRS plans, pending successful legal negotiations. It will be part of the Real Return allocation and funded through existing cash or the unwinding of proxy positions, depending on the specific needs of each portfolio. The recommendation was forwarded to the Kentucky Retirement Systems Board of Trustees and ratified at their regularly scheduled meeting later that same day. The KRS Investment Committee also held a regularly scheduled meeting on August 20, 2025. No recommendations were made that required approval, and no actions were taken that required ratification by the Board of Trustees.

The County Employees Retirement System Investment Committee met on August 27, 2025. During that meeting, the Committee unanimously approved investment staff's recommendation to invest up to $100 million in the Strategic Value Special Situations Fund VI, to be shared among all CERS plans pending successful legal negotiations. This investment will be part of the Private Equity allocation and funded through existing cash or portfolio rebalancing, based on each plan's specific needs. The recommendation was ratified

by the County Employees Retirement System Board of Trustees at their meeting on September 8, 2025.

During the regular Investment Committee meetings, investment staff and Wilshire presented materials and discussed economic conditions, market activity, and performance outlooks. Mr. Chiu highlighted that both the pension and insurance composites exceeded 11.5% for the fiscal year, outperforming their respective benchmarks and the assumed actuarial rate of return. This outperformance equated to approximately $187.4 million for the Pension portfolios and $33.3 million for the Insurance portfolios, totaling around $220 million in impact.

Key contributors to performance included the Real Return and Specialty Credit portfolios. While the Real Estate market remained somewhat weak, most core funds still outperformed the benchmark, which was approximately 1% for the year. Mr. Chiu noted that all plans were within 1% of their target allocations by asset class, with Private Equity being the only area slightly underweight due to fewer attractive risk-return opportunities. He added that more investment activity has occurred in Real Return and Credit, which has informed recent recommendations.

9. Mr. Peercy introduced agenda item ***KPPA Ad Hoc Regulation Committee Report*** *(Video 00:23:47 to 00:31:30)*. Mr. Goodrich noted that the Ad Hoc Regulation Committee met on September 16, 2025, and forwarded the following administrative regulations to the full Board for final approval:

    a. 105 KAR 1:445 – Trustee Elections
    b. 105 KAR 1:020 – Reciprocal Program
    c. 105 KAR 1:150 – Installment Purchase Procedures
    d. 105 KAR 1:300 – Determination of Service Credit for Classified Employees
    e. 105 KAR 1:340 – Rollovers and Transfers of Contributions in Other Plans
    f. 105 KAR 1:350 – Collection of Account Under $1,000 by Next of Kin
    g. Seven-Year Certification to LRC

i. 105 KAR 1:320 – Proration of Service Credit
ii. 105 KAR 1:345 – Rollovers and Transfers of Contributions to Other Plans.

Following Mr. Goodrich's brief summary of each regulation, Ms. Hampton made a motion to approve the regulations as presented and to authorize staff to file the regulations with the Office of the Regulations Compiler at LRC. Dr. Carver seconded the motion. The motion passed unanimously.

10. Mr. Peercy introduced agenda item ***KPPA Meeting Calendar 2026*** *(Video 00:31:30 to 00:32:14)*. Following review of the proposed calendar for 2026, Mr. Summers V made a motion to approve the KPPA Meeting Calendar for 2026 as presented. Mr. Lane seconded the motion. The motion was approved unanimously.

11. Mr. Peercy introduced agenda item ***KPPA Strategic Plan*** *(Video 00:32:14 to 00:35:58)*. Ms. Adkins presented the updated 2024-2028 Strategic Plan Summary, which now includes five core values: member, investment, transparency, culture, and improvement. The plan was revised by members of the KPPA Leadership Academy to reflect these new core values, replacing the previous six mandates. Ms. Adkins also reviewed the four areas of focus, with specific initiatives highlighted: organizational excellence, customer service delivery, infrastructure and key resources, and governance. Additionally, the term "implementation" has been replaced with "business plan" to better reflect the ongoing and adaptable nature of the document.

12. Mr. Peercy introduced agenda item ***KPPA Update*** *(Video 00:35:58 to 00:46:01)*. Mr. Barrow began by expressing gratitude and acknowledging Ms. Surratt for her excellent work during the PPOB meeting, particularly regarding health insurance benefits. He then provided an update on the Louisville office, mentioning that the floor plan had been submitted for review and the lease had been signed. He invited Ms. Adkins to elaborate on the process. Ms. Adkins recounted the lengthy and challenging journey of securing the new office space, which began 31 months ago. She highlighted various obstacles, including a broken pipe on Christmas Eve

2022 and staffing issues at Real Properties. Despite these challenges, progress was made with support from the Secretary of Finance, and by September 12, 2025, the lease was signed with a 13-week build-out period. Ms. Adkins expressed optimism about the new office benefiting the investment staff.

13. Mr. Peercy introduced agenda item ***Office of Chief Auditor Proposed Legislation*** *(Video 00:46:01 to 00:06:25).* Mr. Peercy introduced the agenda item concerning proposed legislation affecting the Office of the Chief Auditor and the broader KPPA agency. He emphasized that the legislation involves structural changes to the agency, including elevating the Chief Auditor's role, and that this Board—responsible for hiring and supervising both the Executive Director and Chief Auditor—is the appropriate venue for such discussions. Mr. Peercy noted that the current three-board governance model relies on cooperation among the KPPA, KRS, and CERS Boards. He expressed concern that unilateral action by one Board, without input from the others, undermines this collaborative framework. Specifically, he criticized the proposed reorganization as premature and potentially disruptive, especially given that alternative solutions have been suggested, and the ad hoc committee formed by the CERS Board has not yet convened. Mr. Peercy also disputed the notion that only the CERS Board holds fiduciary responsibility. He cited statutory obligations requiring all KPPA Board members to act in the best interest of both KRS and CERS. While acknowledging the statutory requirement for cooperative engagement between the internal auditor and the CEOs, Mr. Peercy stressed that cooperation should not be overridden by unilateral decisions. He concluded by opposing the reorganization and advocating for consideration of the agency's proposed alternative before pursuing legislative changes.

Mr. Cheatham responded to Mr. Peercy's remarks by referencing KRS 61.505, emphasizing its relevance to the Kentucky Public Pension Authority (KPPA) and the duties assigned to its Board. He clarified that the statute outlines KPPA's role in administering personnel systems, accounting, and day-to-day operations for both the Kentucky Retirement System (KRS) and the County Employees Retirement System (CERS). He highlighted a key provision that allows tasks to be directed solely or jointly by the respective Boards, underscoring that the current issue pertains specifically to the CERS system. Mr. Cheatham also reaffirmed the

Board's fiduciary responsibility to act in the best interest of both systems and expressed support for the independence of each Board.

Mr. Owens focused on two primary concerns driving the CERS Board's position: transparency and independence. He cited two referrals from Auditor Ball regarding discrepancies between pension payments and payroll data in Barren and Clay Counties. In response, the CERS Board engaged the Chief Auditor to review APA audits conducted since the 2021 separation and identified several dozen employers requiring follow-up. With over 1,100 employers in the system and only about one-third audited annually by the APA, the Board recognized a significant oversight risk. Mr. Owens referenced a 2018 plan by the Chief Auditor to audit all employers on a five-year rotation, which was never implemented. He argued that the current audit system is ineffective and that the Chief Auditor lacks the independence necessary to address agency risks. A recent risk assessment failed to identify any high-risk items, which Mr. Owens found implausible given repeated audit findings in several counties. He noted that the CERS Board has already voted to move forward with legislative changes to ensure transparency and auditor independence, regardless of the ad hoc committee's future findings.

Mr. Cheatham expressed concern over the liability risks posed by mismatched payroll and contribution data, which could affect retiree benefits and employer fairness. He cited the organization's $26 million expenditure on outside legal counsel since 2008 as a sign of systemic vulnerability. Mr. Cheatham stressed that maintaining transparency is critical to preserving the organization's reputation and credibility, especially considering past scrutiny from courts and legislators. He emphasized that the APA's referrals were not new, but this was the first time the CERS Board had been formally made aware of them.

Mr. O'Mara addressed the complexity of the proposed reorganization, emphasizing the need for a clear and deliberate process to evaluate and implement solutions for accurate CERS employer reporting. He expressed concern that only one option—the creation of a Chief Auditor role within the KPPA executive team—had been developed and advanced without full consideration of alternatives. Mr. O'Mara noted that KPPA's internal auditor already

compiles annual risk assessments and that the proposed reorganization would shift employer reporting duties to the new auditor, who would audit all 1,200 CERS employers on a five-year rotation. He questioned the independence of such a role if embedded within executive leadership, arguing that it could compromise audit objectivity. He also highlighted that KPPA's existing employer reporting compliance and education team has historically addressed underreporting through education and support. A review of 986 audits revealed only nine instances of underreporting across four employers, totaling $6,000 in penalties—suggesting the issue may not be as widespread as portrayed. Mr. O'Mara advocated for a broader evaluation of options, including enhanced audit sampling or certification processes and cautioned that moving forward with the current proposal was premature.

Ms. Hampton echoed concerns about the proposed reorganization, reaffirming the independence of the KRS and CERS Boards and their limited authority over KPPA staff, aside from their CEOs. She stressed the importance of collaboration in addressing systemic issues and expressed disappointment over the lack of coordination prior to the CERS Board's communication with the Auditor of Public Accounts. Ms. Hampton suggested engaging APA directly to explore improvements to their existing audit process, possibly through technological enhancements. She emphasized the need for education and administrative review rather than structural overhaul, noting that current statistics do not indicate a significant problem. She also clarified that the internal audit function should remain independent and not evolve into a policy-making role.

Concluding her remarks, Ms. Hampton made the motion that the KPPA Board publicly opposes the CERS efforts to reorganize KPPA, and moving forward, we would work together on any particular situation to make sure that our agencies serve our members in the best manner. Mr. Summers seconded the motion.

As the Board deliberated on the motion, Mr. Cheatham addressed concerns regarding audit data and employer reporting accuracy, challenging the notion that underreporting affects only 1% of employers. He clarified that over 400 audits from 2024 had yet to be uploaded and that 79 employers had been flagged for issues. He emphasized that no CERS employer audits

have been conducted since the issue was first identified in 2018 and criticized the assumption that such problems would surface through public audit disclosures, noting that local media rarely highlight these findings. Mr. Cheatham reiterated that the CERS Board seeks enhanced transparency and a timely audit process for its 1,300+ employers, as permitted by statute.

Mr. Owens added that the current system is ineffective, citing a tip received in 2022 about mismatched pension payments and payroll that remains under legal review three years later. Mr. Peercy responded by affirming his support for addressing the problem but cautioned against rushing into a full agency reorganization. He advocated for giving the existing internal plan, developed by KPPA staff, a chance to succeed before pursuing structural changes.

Mr. Lane emphasized that all KPPA Board members are fiduciaries for both systems, countering prior claims to the contrary. He called for a vote on the motion. Mr. O'Mara echoed concerns about the premature nature of the proposed reorganization, noting that some constituents were unaware it would involve auditing 100% of CERS employers on a five-year rotating basis. While Mr. Cheatham maintained that the plan had been clearly communicated, Mr. O'Mara stood by his understanding and reiterated the importance of collaboration between KPPA and CERS to refine the current approach.

Ms. Hampton requested that Ms. Hale read the motion, which stated that the KPPA Board would publicly oppose the reorganization proposed by the CERS Board. The roll call vote resulted in five votes in favor (Mr. Peercy, Ms. Hampton, Mr. Lane, Mr. O'Mara, Mr. Summers V) and two against (Dr. Carver, Mr. Cheatham). The motion was adopted. Ms. Hampton clarified that this opposition does not preclude further action by CERS or collaboration with KRS to address the identified concerns.

14. Mr. Peercy introduced agenda item ***Closed Session*** *(Video 01:25:40 to 01:26:00).* Mr. Peercy stated that, following consultation with Mr. Board, Executive Director of the Office of Legal Services, it was determined that a closed session was not necessary.

15. 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 meeting held on September 25, 2025, 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 September 25, 2025, were approved on December 4, 2025.

Keith Peercy

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the September 25, 2025, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services