MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
QUARTERLY BOARD MEETING
VIA LIVE VIDEO TELECONFERENCE
SEPTMEBER 26, 2024, AT 10:00 AM EST

At the meeting of the Kentucky Public Pensions Authority held on September 26, 2024, the following Members were present: Jerry Powell, Keith Peercy, George Cheatham, Prewitt Lane, William O'Mara, Dr. Merl Hackbart, Lynn Hampton, and William Summers, V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, Ryan Barrow, Rebecca Adkins, Michael Board, Leigh Ann Davis, Victoria Hale, Steve Willer, Brian Caldwell, Michael Lamb, Connie Davis, Kristen Coffey, Jessica Beaubien, Carrie Bass, Shaun Case, 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.

4. Mr. Powell introduced agenda item ***Public Comment*** *(Video 00:07:20 to 00:10:04).* 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."

5. Mr. Powell introduced agenda item ***Approval of Minutes –KPPA Board for June 27, 2024, and August 23, 2024*** *(Video 00:10:04 to 00:10:50)*. Ms. Hampton made a motion and was seconded by Mr. Cheatham to approve both minutes as presented. The motion passed unanimously.

6. Mr. Powell introduced agenda item ***KPPA Audit Committee Report*** *(Video 00:10:50 to 00:13:35).* Ms. Kristen Coffey presented the summary of the August 27, 2024, KPPA Audit Committee Meeting. Ms. Coffey reviewed the Audit Plan and gave an Internal Audit staffing update. Ms. Coffey also reported that for the fiscal year 2024, Internal Audit worked on 25 projects. Five (5) remained open on June 30, 2024; however, four (4) of these were closed in

July or August.

Next, Ms. Coffey noted the Internal Audit Committee reviewed and approved the Annual Risk Assessment and Audit Plan, and they also approved the internal audits that were completed since the prior Audit Committee.

Mr. Lane made a motion to ratify 1.a.) the Annual Risk Assessment and Audit Plan as approved by the Audit Committee and 1.b.) the acceptance of the issued internal audits/open audit findings and to authorize KPPA staff to implement any required corrective action, as approved by the Audit Committee. Dr. Hackbart seconded the motion, and the motion passed unanimously.

7. Mr. Powell introduced agenda item ***Memo on Outstanding Employer Invoices*** *(Video 00:13:35 to 00:28:26).* Mr. Mike Lamb presented the memo regarding interest on employer invoices. Mr. Lamb reviewed the findings and recommendations made by the KPPA team who researched available options for charging interest on delinquent employer contributions and employer past due invoices. From their extensive research, the KPPA legal staff created eight categories for evaluation. Mr. Lamb then discussed interest on delinquent employer contributions. Mr. Lamb presented four recommendations related to interest on delinquent employer contributions and employer past due invoices with one of the recommendations being to form a taskforce to continue to evaluate all open and outstanding invoices and report their findings to the CERS Finance Committee, the KRS Board, and the KPPA Board. Mr. Lamb, Ms. Coffey, and Ms. Rebecca Adkins answered questions.

   Mr. Cheatham made a motion to adopt the recommendations relating to the interest on delinquent employer contributions and employer past invoices as presented. Mr. O'Mara seconded the motion, and the motion passed unanimously.

8. Mr. Powell introduced agenda item ***Administrative Budget to Actual*** *(Video 00:28:26 to 00:34:19).* Mr. Lamb presented the KPPA Administrative Budget-to-Actual Summary Analysis for the fiscal year ending June 30, 2024. Mr. Lamb pointed out the changes related

to the new ACFRs. Mr. Lamb also reviewed the JP Morgan Chase Credit Earnings and Fees for the fiscal year ending June 30, 2024.

**** Mr. Summers left the meeting ****

9. Mr. Powell introduced agenda item ***Investment Department Update*** *(Video 00:34:19 to 00:41:58).* Mr. Steve Willer, KPPA Chief Investment Officer, provided a detailed summary of the CERS and KRS Investment Committee meetings and the recommendations that were unanimously passed. Mr. Willer stated that the CERS Investment Committee held a Special Called Meeting on August 15, 2024. The KRS Investment Committee held a regularly scheduled meeting on August 21, 2024. No recommendations were made that required approval by the Investment Committees, and no actions were taken that required ratification by the CERS or KRS Boards of Trustees.

   The County Employees Retirement System Investment Committee held a regularly scheduled meeting on August 28, 2024. The CERS Board of Trustees unanimously approved staff and Wilshire's recommendation to adopt the proposed Asset Class ranges for Section III Asset Allocation Guidelines of the CERS Investment Policy Statement with an effective start date of July 1, 2024.

   The KRS Investment Committee held a Special Called Meeting on September 6, 2024. The KRS Board of Trustees unanimously approved staff's recommendation to invest up to $35 million in the Strategic Value Partners Continuation Vehicle for Project Spurs subject to successful contract negotiations. This investment would be part of the Real Return asset allocation and would be allocated proportionally across all Pension and Insurance Portfolios.

   The CERS Investment Committee held a Special Called Meeting on September 17, 2024, and the CERS Board of Trustees unanimously approved staff's recommendation to invest up to $60 million in the Strategic Value Partners Continuation Vehicle for Project Spurs subject to successful contract negotiations. This investment would be part of the Real Return asset allocation and would be allocated proportionally across all Pension and Insurance Portfolios.

Mr. Willer then provided a detailed summary of the quarterly and fiscal year reports.

10. Mr. Powell introduced agenda item ***Ad Hoc Regulations Committee Report*** *(Video 00:41:58 to 00:45:17).*

    a. Ms. Beaubien presented the amended administrative regulation 105 KAR 1:445, Trustee Elections with the Office of the Regulations Compiler at the Legislative Research Commission.

    Mr. Peercy made a motion to approve the amendments to regulation 105 KAR 1:445 as presented, regarding Trustee Elections, and to authorize staff to file the amended regulation with the Office of Regulations Compiler at the Legislative Research Commission. Ms. Hampton seconded the motion, and the motion passed unanimously.

    b. Next, Ms. Beaubien presented the amended regulation 105 KAR 1:130, Hazardous Position Coverage with the Office of the Regulations Compiler at the Legislative Research Commission.

    Ms. Hampton made a motion to approve the amendments to regulation 105 KAR 1:130, as presented, regarding Hazardous Position Coverage and to authorize staff to file the amended regulation with the Office of Regulations Compiler at the Legislative Research Commission. Mr. Peercy seconded the motion, and the motion passed unanimously.

11. Mr. Powell introduced agenda item ***KPPA Meeting Calendar 2025*** *(Video 00:45:17 to 00:48:13).* Mr. Powell then presented the drafted 2025 KPPA Board and Committee Meeting Calendar.

    Mr. Peercy made a motion to approve the 2025 KPPA Board and Committee Meeting Calendar as recommended. Ms. Hampton seconded the motion, and the motion passed unanimously.

12. Mr. Powell introduced agenda item ***KPPA Update*** *(Video 00:48:13 to 0052:35).* Mr. Barrow provided a written KPPA Update. Mr. Barrow reviewed highlights from his meetings with Fitch Ratings in August and Moody's Investors Service in September. On September 18, Moody's upgraded the Commonwealth of Kentucky's issuer rating to Aa2 from Aa3 and revised the outlook to stable from positive. Mr. Barrow also reported that on August 27, he and Erin Surratt presented at the Public Pension Oversight Board (PPOB) meeting and provided an overview of the Investment Returns, Asset Allocations, and Cash Flows as of June 30.

13. Mr. Powell introduced agenda item ***New Business*** *(Video 0:52:35 to 00:52:53).* Mr. Powell called for additional business, and none was brought forth.

14. Mr. Powell introduced agenda item ***Closed Session*** *(Video 00:52:53 to 00:54:11).* Mr. Prewitt 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.

    All other attendees exited the meeting.

    Closed Session *(Video - Part 2 - 00:00:35 to 00:01:11).* 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.

15. 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 September 26, 2024, except documents provided during a closed session conducted pursuant to the Open Meetings Act and exempt under the Open Records Act.

The remainder of this page is left blank intentionally.

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 September 26, 2024, were approved on December 5, 2024.

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the September 26, 2024, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services