

**Kentucky Retirement Systems
Investment Committee Meeting
Special Called
January, 12, 2026, at 10:00 a.m. ET (9:00 a.m. CT)
Via Video Teleconference and Facebook Live**

AGENDA

1. Call to Order	Prewitt Lane
2. Opening Legal Statement	Victoria Hale
3. Roll Call	Sherry Rankin
4. Public Comment	Sherry Rankin
5. Approval of Minutes* - November 20, 2025	Prewitt Lane
6. Performance Benchmark Recommendation*	Investment Staff Wilshire
7. Adjourn*	Prewitt Lane

** Committee Action May be Taken*

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
INVESTMENT COMMITTEE MEETING
NOVEMBER 20, 2025, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the November 20, 2025, Regular Meeting of the Kentucky Retirement Systems' (KRS) Investment Committee, the following Committee members were present: Prewitt Lane (Chair), David Adkins, Ramsey Bova, and Pamela Thompson. Staff members present were Erin Surratt, Michael Lamb, Victoria Hale, Nathan Goodrich, Carrie Bass, Anthony Chiu, Brian Caldwell, Joe Gilbert, Ian Blaiklock, Phillip Cook, Sherry Rankin, and Sandy Hardin. Others in attendance included KRS CEO John Chilton as well as David Lindberg, Chris Tessman, and Craig Morton, with Wilshire Advisors, LLC.

1. Mr. Lane called the meeting to order.
2. Ms. Hale read the Opening Statement.
3. Ms. Hardin took Roll Call.
4. Ms. Hardin reported there were no ***Public Comments***.
5. Mr. Lane introduced agenda item ***Approval of Minutes – August 20, 2025, and September 11, 2025.*** (*Video 00:07:48 to 00:08:14*). Mr. Adkins made a motion to approve the minutes of the Investment Committee meetings held on August 20, 2025, and September 11, 2025, as presented. Ms. Bova seconded the motion. The minutes were approved by acclamation.
6. Mr. Lane introduced agenda item ***Special Credit Recommendation*** (*Video 00:08:14 to 00:20:32*). Brian Caldwell presented a recommendation from KPPA staff and Wilshire to replace Shenkman Capital with Oaktree Capital Management as the bank loan manager for the KERS and SPRS portfolios. These portfolios fall under the specialty credit allocation, and the proposed investment structure would allocate up to 25% to Oaktree, while maintaining the overall sizing of the specialty credit asset class during the transition. The change is intended to

preserve exposure to the bank loan asset class while enhancing performance consistency and risk management.

Mr. Caldwell then discussed implementation and portfolio sizing, noting that the recommended structure is a separate account managed by Oaktree. He also reviewed the manager search process that led to the recommendation.

Following this, Mr. Blaiklock presented analytics supporting the recommendation. He emphasized that the search focused on identifying managers capable of delivering strong, consistent absolute and risk-adjusted returns, with particular attention to performance in down markets and minimizing drawdowns. He outlined the process used to select the three finalists and reviewed Oaktree's performance relative to volatility across various time periods within the bank loan universe of managers.

Mr. Blaiklock also presented data comparing the information ratio of each of the eight candidates to the broader bank loan universe. He noted that excluding the current manager, the remaining candidates ranked in the top half, with finalists Oaktree, Ares, and UBS consistently placing in the top quartile across three evaluated time periods. He concluded with a chart illustrating each manager's ability to deliver consistent performance across varying market environments, with a focus on relative performance during down markets.

Mr. Caldwell added that due diligence meetings and team interviews were conducted. Following further evaluation, Oaktree emerged as the preferred manager based on its risk discipline, performance history, team structure, alignment with KPPA's objectives, and cost efficiency.

In line with KRS gating practices, staff requested Oaktree to complete required transparency documentation. No placement agents were involved or compensated in connection with this recommendation.

Mr. Lane inquired about the recent sale of the remaining ownership stake in Oaktree to Brookfield. Mr. Caldwell responded that Brookfield already owned 75% of Oaktree, and the final 25% was acquired a few months ago, with no concerns arising from the transaction. Mr. Morton added that the finalist firms in the manager search were selected based on high qualitative rankings, all within the second decile, representing a slight improvement over the current manager. He emphasized the thoroughness of the six-month search process, which included reviewing eight RFIs, conducting quantitative and qualitative assessments, narrowing the pool to three finalists, and completing multiple interviews with staff and Investment Committee members. Mr. Adkins asked whether economies of scale could be achieved if the CERS Board participated. Mr. Caldwell explained that the proposed fee structure was based on a combined allocation across pension and insurance plans, and a split structure would result in different fees, and the proposed fee is lower than Shenkman's. Mr. Morton noted that the fee reduction—over 10 basis points—was significant given the expected alpha of 50 to 100 basis points in this asset class, making the negotiated fee a meaningful improvement.

Following the discussion, Mr. Lane made a motion to approve the KPPA Investment staff's recommendation to replace Shenkman Capital with Oaktree Capital Management as presented, subject to successful contract negotiations. Mr. Adkins inquired whether the Committee's action would be binding or a recommendation to the full Board. Ms. Hale clarified that, per the Board bylaws, the Investment Committee's action is not binding and must be ratified by the full Board. Mr. Adkins confirmed that the Committee was forwarding the staff recommendation favorably to the full Board and seconded the motion. Upon roll call vote, the motion passed unanimously.

7. Mr. Lane introduced agenda item ***Performance Benchmark Recommendation*** (*Video 00:08:14 to 00:48:11*). Mr. Lindberg outlined challenges in benchmarking private equity within total fund performance, noting two main concerns: (1) integrating private market returns into overall reporting, and (2) measuring success appropriately. He explained that while IRR is the best measure for private equity, its irregular cash flows make integration with time-weighted public market returns difficult.

Kentucky currently benchmarks private equity against the Russell 3000 Index plus 3%, which can distort total fund results during public market volatility. To address this, Mr. Lindberg recommended a neutralizing approach—aligning the private equity benchmark with actual performance for time-weighted calculations, while continuing to evaluate private equity rigorously through IRR and Public Market Equivalent (PME) analysis.

Mr. Lane acknowledged the merit of the recommendation but suggested tabling the discussion until a special meeting after the first of the year, when the Committee can review the proposal in detail before presenting it to the full Board.

Mr. Adkins received confirmation that the same recommendation was being made to the CERS Board, and he stressed the importance of alignment across all boards, especially with future reforms. He recommended that CEOs confirm whether all boards are willing to adopt the approach.

Mr. Lane concluded by reaffirming that the topic will be revisited sometime in January and that the Investment Committee will prepare a recommendation for the full Board.

8. Mr. Lane introduced agenda item ***Investment Review and Update*** (*Video 00:48:11 to 00:53:57*). Mr. Chiu reported that the third quarter was a strong, with plan performance over 4%. While private equity lagged, credit, fixed income, real estate, and real assets showed consistent strength, particularly MLPs despite a brief October dip. Allocations remain within ranges. Peer group analysis showed KERS plans achieving top-quartile returns and top-decile Sharpe ratios over five years, reflecting strong risk-adjusted performance. Mr. Gilbert emphasized that despite lower risk, portfolios are delivering excellent efficiency and value.
9. Mr. Lane introduced agenda item ***Investment Compliance Review*** (*Video 00:48:11 to 00:55:03*). Ms. Bass presented the Compliance Report for the quarter ending September 30, 2025. She confirmed that all 19 investment guidelines were in compliance, with no exceptions noted. The proxy voting reports are on the website, in compliance with statute.

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

Copies of all documents presented are incorporated as part of the minutes of the Kentucky Retirement Systems' Investment Committee meeting held on November 20, 2025.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee 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 connection with this meeting.

Recording Secretary

I, as Chair of the Kentucky Retirement Systems Investment Committee, do certify that the Minutes of the meeting held on November 20, 2025, were approved by the Kentucky Retirement Systems Investment Committee on January 12, 2026.

Committee Chair

I have reviewed the Minutes of the Kentucky Retirement Systems Investment Committee Meeting on November 20, 2025, for form, content, and legality.

Office of Legal Services

Wilshire

Private Equity Benchmarking – KRS Investment Committee

January 2026

Benchmarking Private Investments

Two areas of challenge

- Integration of Private Market investment returns into Total Fund performance reporting
- Appropriate measures of success for Private Market investments

Total Fund performance reporting relies on time-weighted returns for individual asset classes to contribute to the Total Fund performance

- Time-weighted returns are only relevant for Public Market investments
- Private Market investments require a different measurement process using dollar-weighted returns
 - Internal Rate of Return (IRR) measurement is necessary to address the large and infrequent cash flows and the lack of liquidity and trading

Problem

- IRR measurements do not “roll up” into a Total Fund time-weighted return methodology

Benchmarking Private Investments

Solutions

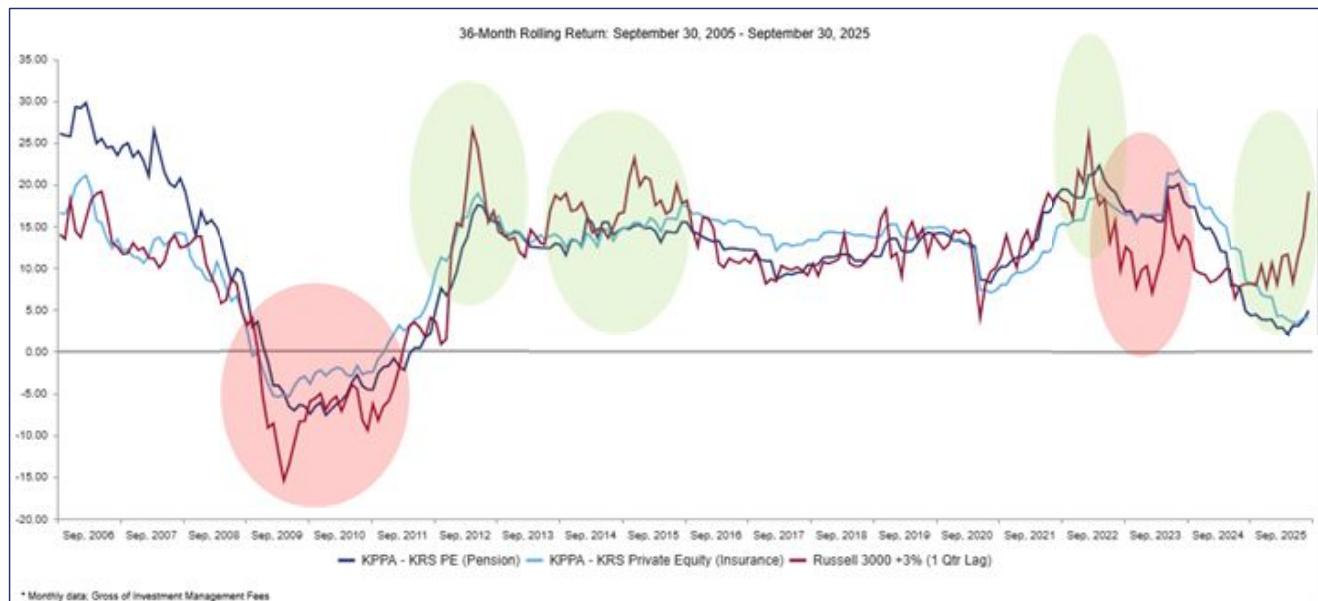
- Use a time-weighted benchmark anyway and deal with the consequences
 - Total Fund “relative” performance is often heavily impacted, positively or negatively, but more importantly, is misleading – sends an inaccurate message
 - Governance/Board reporting, Press, other oversight bodies
 - Attribution of Total Fund returns is similarly affected
 - Short term impact of Private Market asset classes often overwhelms the true impact of other asset classes
- Neutralize the impact of Private Market investments on the Total Fund performance measurement and focus on IRR evaluations of Private Market investments with IRR-type benchmarking – provides a clear and accurate measure of success

Benchmarking Private Investments

Options	Pros	Cons
Time-weighted – Use Public Market Index + Premium	<ul style="list-style-type: none"> Available on a timely basis Reflects objective of private investment 	<ul style="list-style-type: none"> Not investible Public Market volatility leads to exaggerated over/under performance Only somewhat meaningful over very long periods
Time-weighted – Use Private Market Benchmarks available by providers (Preqin, Burgiss, Refinitive)	<ul style="list-style-type: none"> Reflects the broad opportunity set by aggregating the private market returns of others into a universe 	<ul style="list-style-type: none"> Not investible Has limited connection to the characteristics of your program – vintages, market exposures, style exposures
Time-weighted but Neutralize by using “actual” Private Market performance as benchmark for “roll up” plus separate focus on IRR	<ul style="list-style-type: none"> Neutralizes Total Fund relative performance and attribution impact 	<ul style="list-style-type: none"> Purpose should be understood in conjunction with Private Market IRR reporting

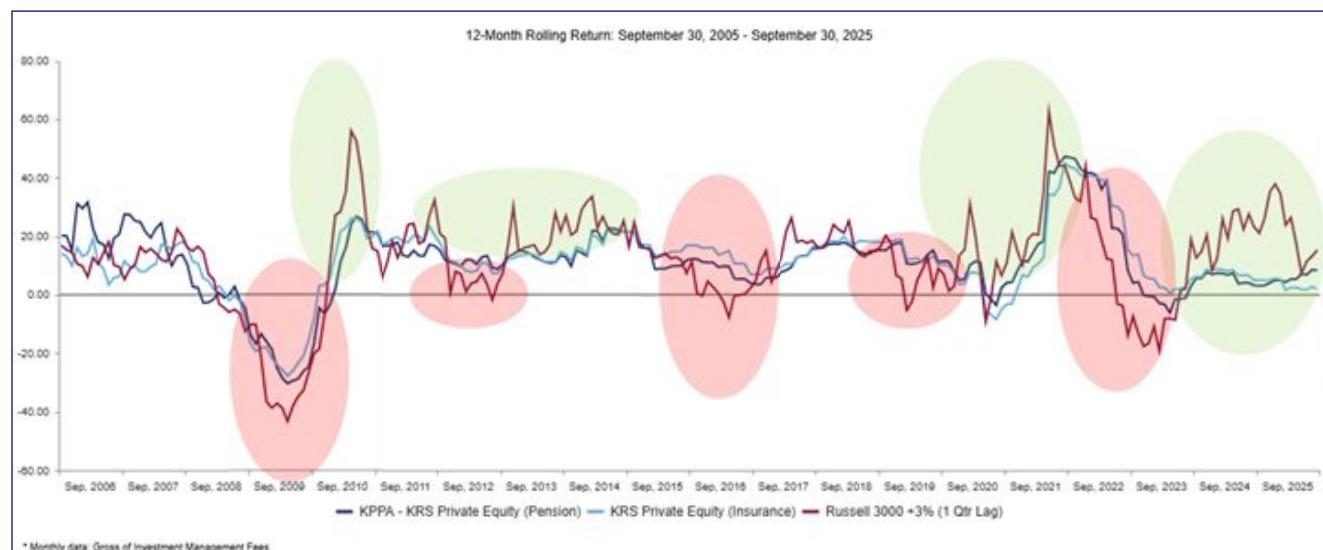
Shortcoming of a Public Market + Premium Benchmark

- Periods of extreme public market performance can lead to wider reported excess returns for the Private Market Composite



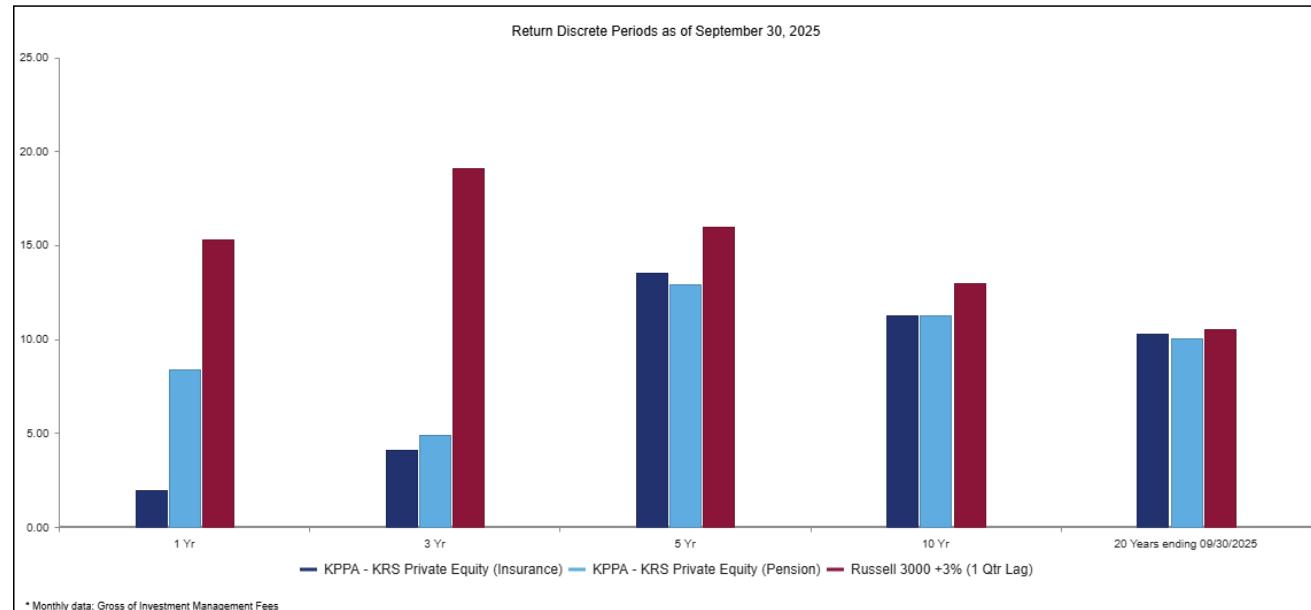
Time Period Sensitivity

- On a rolling 12-month basis, the divergence between the composite and the public benchmark plus a premium look to happen with a higher frequency



Annualized Return Analysis

- Shorter time periods tend to exacerbate the performance gap when public markets have extreme performance
- Only the long and ultra-long periods tend to bring composite and benchmark performance in line



Wilshire Clients - Private Equity Benchmarking

Each of the approaches to Time-Weighted Private Equity benchmarking has pros and cons - becomes a client decision as to which consideration is most important

- Wilshire clients similar to Kentucky (public pension plans, assets of at least \$1 billion, target allocations to Private Equity)
 - 56% use a time-weighted Public Equity Index (most add a premium)
 - 13% use an available time-weighted Private Equity benchmark such as Preqlin or Refinitiv
 - 31% adopt the neutralizing approach by using the actual Private Equity time-weighted performance as the benchmark

Kentucky - Private Equity Benchmarking

Private Equity IRRs can be compared to a PME (Public Market Equivalent), a dollar-weighted measure of having invested all the same cash flows into a public market index such as the S&P 500 Index – provides a true measure of success when evaluating the difference between the IRR and PME

- Wilshire and Staff maintain an IRR-PME report and will add this report to quarterly materials to provide an IRR comparison of the Private Equity program to its Public Equity Equivalent
- Wilshire's Private Equity reporting for Kentucky also includes a deeper layer of performance and portfolio attributes

Recommendation for KRS Investment Committee:

- Consider adopting the neutralizing approach for benchmarking Private Equity as follows:
 - Use the actual time-weighted Private Equity performance as the benchmark for Private Equity where it "rolls up" and contributes to the Total Fund benchmark
 - Use the dollar-weighted IRRs for Private Equity and compare those to a dollar-weighted PME calculation on a quarterly basis and report in quarterly Investment Committee materials to provide transparency and greater insight into the success of the Private Equity program

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