

**Kentucky Public Pensions Authority
Quarterly Meeting
June 25, 2026, at 10:00 a.m. EST
Live Video Conference/Facebook Live
AGENDA**

- | | |
|---|------------------------|
| 1. Call to Order | George Cheatham |
| 2. Legal Opening Statement | Michael Board |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Approval of Minutes – April 22, 2025* | George Cheatham |
| 6. KPPA Audit Committee Recommendations* | Kristen Coffey |
| 7. FY27 Administrative Budget* | Michael Lamb |
| 8. Investment Department Update*
a. FY27 Investment Budget | Steve Willer |
| 9. KPPA Update | Ryan Barrow |
| 10. KPPA Strategic Plan Update - FY27 Business Plan* | Erin Surratt |
| 11. Closed Session** | George Cheatham |
| 12. Adjourn | George Cheatham |

**Board Action Required*

***Board Action May Be Required*

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
ANNUAL BOARD MEETING
VIA LIVE VIDEO TELECONFERENCE
APRIL 22, 2026, AT 10:00 AM EST**

At the annual meeting of the Kentucky Public Pensions Authority held on April 22, 2026, the following Board members were present: Keith Percy (Chair), Dr. Patricia Carver, George Cheatham, Dr. Merl Hackbart, Lynn Hampton, Prewitt Lane, Jim Tony Fulkerson, and Larry Totten. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Lori Casey, Victoria Hale, Leigh Ann Davis, Steve Willer, Phillip Cook, Ashley Gabbard, and Mary Hill.

1. Mr. Percy called the meeting to order.
2. Mr. Board read the *Legal Opening Statement*.
3. Ms. Hill *called roll*.
4. Mr. Percy introduced agenda item *Public Comment*. Ms. Hill indicated there were no public comments.
5. Mr. Percy introduced agenda item *Approval of Minutes – March 13, 2025 and March 19, 2026*. (Video 00:09:04 to 00:10:02). Dr. Hackbart made a motion to approve the minutes from the meetings held on March 13, 2025 and March 19, 2026. Mr. Lane seconded the motion. During the discussion period, it was confirmed that the first set of minutes were indeed from 2025, as they were never approved last year and the error was recently caught. A vote to approve was held and the motion carried unanimously.
6. Mr. Percy introduced agenda item *Election of Chair*. (Video 00:10:06 to 00:19:25). At this time, Mr. Percy handed control of the meeting to Ryan Barrow to facilitate the election of a new chair. Mr. Barrow requested nominations for KPPA Chair. Ms. Hampton noted that there was a discussion early on that the custom would be to alternate between a KRS Trustee and a

CERS Trustee as KPPA Chair, but she had a question about a Trustee being the Chair of both Boards at once. It was determined that Mr. Percy had previously been the Chair of both the KRS and KPPA Boards concurrently. Ms. Hampton stated that in the interest of separation, she would like to nominate Dr. Patricia Carver. Dr. Hackbart then nominated Mr. Cheatham and this was seconded by Mr. Fulkerson. There were some technical difficulties and Dr. Carver logged out of the meeting, in her absence, it was noted that she had also nominated Mr. Cheatham for Chair.

While waiting for Mr. Totten to log on and for Dr. Carver to reconnect, Mr. Barrow noted there was a first and second to nominate Mr. Cheatham and a first to nominate Dr. Carver. Mr. Lane seconded Dr. Carver's nomination. Dr. Carver rejoined the meeting and Mr. Barrow informed her of her nomination. He then asked both Dr. Carver and Mr. Cheatham if they accepted and were willing to serve as KPPA Chair. Dr. Carver declined. There were no further nominations and Mr. Barrow asked for a vote. Mr. Cheatham was unanimously elected as the new KPPA Chair.

7. Mr. Cheatham introduced agenda item ***Election of Vice Chair and Committee Assignments.*** (Video 00:19:25 to 00:21:58). Mr. Cheatham again noted the tradition of alternating between CERS and KRS Trustee representatives and asked for nominations for Vice Chair. Ms. Hampton nominated Keith Percy and Mr. Lane seconded the nomination. There were no further nominations, and Mr. Cheatham requested a motion to approve Mr. Percy as KPPA Vice Chair by acclamation. Dr. Hackbart made a motion and it was seconded by Mr. Fulkerson. A vote was held and Mr. Percy was unanimously elected as KPPA Vice Chair.

Regarding committee assignments, Mr. Cheatham said he would confer with Mr. Percy to make the assignments and Trustees would be notified by email in the coming days. ***Mr. Totten joined the meeting at this time.***

8. Mr. Cheatham introduced agenda item ***KPPA Service Recognition Awards.*** (Video 00:22:00 to 00:25:09). Lori Casey highlighted several KPPA employees who reached service milestones this year. Employees were recognized for five (5), ten (10), fifteen (15), twenty

(20), twenty-five (25), thirty (30), and thirty-five (35) years of service with KPPA. Ms. Casey thanked them for their years of service and stated a reception would be held later in the day to celebrate these significant milestones. Mr. Lane and Mr. Cheatham both expressed gratitude for these employees' commitment to KPPA service.

9. Mr. Cheatham introduced agenda item ***New Business***. (Video 00:25:14 to 00:25:47). There was no new business, but Mr. Barrow reiterated thanks and recognition for the employees who reached service milestones this year.

10. Mr. Cheatham introduced agenda item ***Closed Session***. (Video 00:25:52 to 00:28:38). Mr. Cheatham requested a motion to move into closed session to discuss litigation and personnel issues. Mr. Fulkerson made the motion and Mr. Lane seconded. Before moving into closed session, Ms. Hampton inquired about any new developments regarding the Louisville office. Mr. Barrow stated the project was moving forward and he thanked the Finance Cabinet for their responsiveness.

Following this discussion, the vote to move into executive session to discuss litigation and personnel was held and the motion carried unanimously. Before going into closed session, Mr. Cheatham read the following statement:

A motion having been made in open session to move into 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). Closed session is necessary because of the necessity of protecting the confidentiality of the KPPA's litigation strategy and preserving any available attorney-client privilege.

Mr. Board stated that it should also be noted for the record that the closed session is necessary for the discussion of personnel matters including those that may lead to the appointment/discipline/dismissal of an employee, pursuant to KRS 61.810(1)(f).

Mr. Cheatham requested a motion to come out of executive session. (Video 2 00:00:28 to 00:02:31). Mr. Fulkerson made the motion and Mr. Lane seconded. The motion carried

unanimously, and the Board came back into open, public session. Mr. Cheatham noted for the record that no votes were held within executive session and he requested a motion to accept, as amended, the proposed contract with the Executive Director, Ryan Barrow. Mr. Fulkerson made a motion and it was seconded by Mr. Totten. The motion carried unanimously and Mr. Cheatham congratulated Mr. Barrow on being reappointed as Executive Director for another two (2) year term. Mr. Barrow expressed his gratitude for the continued opportunity.

11. There being no further business, Mr. Cheatham requested a motion to *adjourn* the meeting. Dr. Carver made the motion and Mr. Fulkerson seconded. The motion carried unanimously, and the meeting was adjourned.

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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 April 22, 2026, were approved on June 25, 2026.

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the April 22, 2026, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services



Kentucky Public Pensions Authority

Division of Internal Audit



Kentucky Public
Pensions Authority

To: Kentucky Public Pensions Authority Board

From: William Summers V, Chair
KPPA Audit Committee

Kristen N. Coffey, CICA
KPPA Chief Auditor

Date: June 25, 2026

Subject: Summary of KPPA Audit Committee Meeting

The KPPA Audit Committee held a Special Called meeting on June 10, 2026.

1. Requested actions by the Authority*

- a. Ratify approval of the budget for the Division of Internal Audit.
- b. Ratify acceptance of the issued internal audits/open audit findings. Authorize KPPA staff to implement corrective action.
 - i. 2026-9 Review of Post-Retirement Audit Process
 - ii. 2026-16 Administrative Regulation Update Process

2. The following other items were also discussed during the Audit Committee meeting. These were presented for informational purposes only.

- a. Information disclosures – *14 disclosures identified, effecting 14 members. Another 8 potential disclosures identified, effecting 8 members.*
- b. Anonymous Tips – *5 open cases.*
- c. Update on Retirement Allowance Account Research
- d. Update on Office Space Utilization Project
- e. Auditor Independence Statements.
- f. Internal Audit Budget – *30.88% of budget remaining.*
- g. Status of current internal audits – *34 of current projects and 19 of completed projects. Two projects from approved Fiscal Year 2027 plan will be started prior to 2026 fiscal year end.*

***Authority action may be required**



Kentucky Public Pensions Authority



Kentucky Public Pensions Authority

Division of Internal Audit

To: Members of the KPPA Audit Committee

From: Kristen N. Coffey, CICA
Chief Auditor

Date: May 28, 2026

Subject: Fiscal Year 2026 Internal Audit Budget as of March 31, 2026

Proposed FY 2027 Budget

Account Number	Account Name	Estimated 2026 Expenses	FYE 2027 Requested Budget	Percentage Change from 2026 Estimated Expenses
111	Salaries	\$ 359,971.24	\$ 375,000.00	4%
121	Employer Paid FICA	\$ 25,936.39	28,687.50	11%
122	Employer Paid Retirement ¹	\$ 154,104.05	167,550.00	9%
123	Employer Paid Health Insurance ²	\$ 63,426.00	71,000.00	12%
124	Employer Paid Life Insurance	\$ 59.00	60.00	2%
259T	Conference Expenses ³	\$ 825.00	3,000.00	264%
361T	Travel - In State ³	\$ 22.36	2,000.00	8845%
362T	Travel - Out State ⁴	\$ 833.46	-	-100%
381T	Dues & Subscriptions	\$ 1,013.50	1,500.00	48%
399T	Miscellaneous	\$ -	-	-
847T	Computer Equipment ⁵	\$ 30,236.55	19,904.90	26%
	Total	\$ 636,427.55	\$ 668,702.40	5%

1. Retirement rate increased from 42.76% to 44.68% for KERS nonhazardous employees.
2. Increase is to adjust to match the anticipated actual health insurance cost for the rest of calendar year 2026. Additionally, KPPA is anticipating significant increase in health insurance during calendar year 2027.
3. Increase is based on anticipated fiscal year 2027 conference attendance. All employees will be attending conference in Louisville during November 2026.
4. No out of state travel is anticipated during fiscal year 2027.
5. Difference is based only on 2026 to 2027 amounts. Increase includes upgrade to new package that includes unlimited storage.



KPPA

Kentucky Public Pensions Authority

2026-9

Review of Post-Retirement Audit Process

Audit Report

Lead Auditor: Madeline Evans

Issue Date: March 18, 2026

Acronyms

The following acronyms will be used throughout the report:

1. KPPA – Kentucky Public Pensions Authority
2. CERS – County Employees Retirement System
3. KRS – Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO – Chief Executive Officer
6. CFO – Chief Financial Officer
7. KPPA Executive Management Team – KPPA Executive Director, KPPA Deputy Executive Director, and
8. KPPA CFO
9. Quality Assurance – KPPA Division of Quality Assurance
10. Retiree Payroll – KPPA Division of Retiree Payroll
11. LOB – Line of Business

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Overall Opinion

The process generally complies with relevant laws, regulations, policies and procedures. Internal controls are established and working effectively and efficiently.

Strategic Risk Addressed (Objective)

Review the post-retirement audit process and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure post-retirement audits are completed timely and accurately.

Audit Scope

The Review of Post-Retirement Audit Process audit was conducted from December 15, 2025 to February 27, 2026. The scope of the audit was benefit recalculations completed in fiscal year 2025.

Summary of Findings, Observations, and Opportunities for Improvement

No findings, observations, or opportunities for improvement were noted as a result of this audit.

Commendations

We would like to thank Quality Assurance and Retiree Payroll staff for their assistance and cooperation during this audit. As a part of the audit, we ensured the following processes were operating in compliance with statutes, regulations, policies, and procedures. We also reviewed the processes to ensure they were operating effectively and efficiently.

1. Benefit recalculations were made when needed and were properly supported.
2. Benefit recalculations were prepared by one Quality Assurance staff member and reviewed by another.
3. Side-by-side comparison that is automatically generated after the recalculation properly matched the Account Details screen in LOB.
4. The new benefit amount and any related over or under payment was reviewed by Retiree Payroll staff.
5. The over or under payment was properly calculated.
6. Underpayments were paid to members during the next payroll after the recalculation.
7. Overpayments were properly collected in a timely manner.
8. Overpayments on refunds were properly invoiced.

We also reviewed the adjustment letters sent to members to ensure the information in the letter accurately reflected the adjustment made to the members' account. We found two instances where the letter did not correctly communicate the change made to the member's account. Immediately upon learning about these discrepancies, Retiree Payroll staff took corrective action to ensure these discrepancies do not occur in the future. Since corrective action has already been taken, an issue is not being reported in this audit because no additional action is needed by staff. We commend staff for their quick response to address the discrepancy reported during the audit.

Recommendations for Future Audits

Based on work conducted during this audit, the following items have been recommended for review during future audits:

- Qualified Domestic Order processing for initial benefits and recalculations
- Legacy recalculations
- Pension Spiking
- Offset Calculations
- Disability Reinstatements
- Survivor Benefit adjustment notification
- Review of member invoices. There are approximately 47 open invoices going back at least to 2009 totaling \$196,455. This review would also ensure that these are presented to trustees like outstanding employer invoices.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Divisions of Quality Assurance and Retiree Payroll. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Control Matrix

Internal Audit requested a list of all recalculations completed in fiscal year 2025. The original population was \$6,402,534 for 4,607 calculations. Recalculations were removed that met at least one of the following criteria: deceased member, approved for Worker’s Compensation or Social Security Disability and needing an offset calculation, disability benefits reinstated, members with a Qualified Domestic Order on file, Pension Spiking and Legacy recalculations (members with retirement dates before August 2011). All these recalculation types will be reviewed in separate audits. The remaining testable population was \$4,263,850 for 3,263 calculations. All 13 calculations with manual adjustments were judgmentally selected and 62 other calculations were randomly selected to ensure proportional representation of each employer type that makes up the original population. A total of 75 calculations were selected for testing.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Policies/procedures/internal controls are not established, documented, effective or efficient	Procedures are reviewed and updated as needed	<p>Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.</p> <p>Control Activity: Management implements control activities through policies.</p> <p>Information and Communication: Management uses quality information to achieve the organization’s objectives.</p>	Quality Assurance branch managers are expected to review procedures posted to SharePoint periodically to ensure they are up to date. There is no scheduled time to review for updates aside from after a legislative session to make sure any changes to how benefits are calculated are captured. Quality Assurance staff are also encouraged to let management know that procedures are outdated if an issue is found while performing the procedures.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures are up to date on SharePoint for both Quality Assurance and Retiree Payroll.
2.	Post-retirement audits may not be completed	LOB automatically launches audits two months after effective retirement cate	<p>Control Activity: Management designs control activities to achieve objectives and respond to risks.</p> <p>Information and Communication: Management uses quality information to achieve the organization’s objectives.</p> <p>Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.</p>	LOB automatically runs a Non-Zero Balance (NZB) batch on all retirements two months after the member's retirement date unless the member is retiring from a school board agency. School board retirement audits are launched at year end after the averaging batch has run to ensure the last year of service is valid. If the NZB detects any difference at all, then a work item is created and assigned by the Quality Assurance branch manager to a post-retirement counselor. A recalculation request may also be launched manually by member request or by a sperate process completed by other divisions requiring a recalculation. If everything used in the initial calculation was correct and there are no updates to wages, sick leave or anything else that impacts the monthly benefit, no work item is launched to prompt further review.	<ol style="list-style-type: none"> 1. Compared the initial calculation against the recalculation and source documentation to ensure everything that needed to be updated was captured in the recalculation. 2. Confirmed that all changes made in the recalculation were supported by documentation on file. 	<ol style="list-style-type: none"> 1. All 75 sampled recalculations had updates made when needed. 2. All 75 sampled recalculations were properly supported.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
3.	Retiree payments use outdated information	A journal comment documents details of the audit	<p>Control Activity: Management implements control activities through policies.</p> <p>Information and Communication: Management uses quality information to achieve the organization's objectives.</p>	<p>The Branch Manager assigns calculations based on employer. For example, if there are two members from the same employer, those two members will go to the same post-retirement counselor because it is likely that both members have the same problem with their calculation. This also cuts down on emails to the reporting official if additional information or clarification is needed because the one post-retirement counselor can ask about both people at the same time.</p> <p>During the post-retirement audit, the assigned counselor compares all data used in the initial calculation with the finalized information reported by the employer through the monthly reporting process. Any discrepancies between the projected and actual reported information that result in differences in the monthly benefit or health insurance coverage—and cannot be explained by trailing wages, approved bonuses, approved sick leave programs, or other existing documentation—will be documented by the counselor. This documentation will include uploading relevant email correspondence or other records from the reporting official to library manager.</p> <p>The preparer of the post-retirement audit makes a journal comment stating what caused the benefit to change. If the member selected a refund or Partial Lump Sum Option, the original and new amounts are stated along with what is due to the member (underpayment) or what the member owes (overpayment).</p> <p>A second post-retirement auditor follows the same review process as the preparer and reviews the journal comment left by the preparer. If the reviewer agrees, then the audit is approved, and a journal comment is left stating approval. If something needs to be fixed, that is stated as well in the journal comment of the post-retirement audit thread.</p>	<ol style="list-style-type: none"> 1. Reviewed Quality Assurance journal comments to ensure all updated elements of the benefit calculation were documented. 2. Compared the user ID of the preparer and reviewer of each sampled calculation and ensured preparation and review were performed by two different individuals. 	<ol style="list-style-type: none"> 1. For the 75 sampled members, all elements of the benefit calculation that changed were documented in the journal comment left by Quality Assurance staff. 2. All 75 sampled recalculations were prepared and checked by two different Quality Assurance counselors.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
4.	Manual adjustments are made inappropriately	Only Quality Assurance management can prepare and approve manual adjustments	<p>Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.</p> <p>Control Activity: Management designs control activities to achieve objectives and respond to risks.</p>	<p>Occasionally, LOB does not zero out a retiree's account after a recalculation has been completed and approved. Post-retirement audit counselors escalate these cases to the Quality Assurance Post-Retirement Audit Branch Manager who then adjusts the account balance shown on the summary tab to \$0 by entering the opposite value (positive or negative) of contributions LOB is retaining in error. A comment must be made explaining what was updated. Once the approver reviews work completed and enters the adjustment, a comment is automatically posted to the journal with the preparer's comment but the approver's username. Only branch managers and above have the capability to manually adjust an account.</p> <p>Manual adjustments are common for members who participate in two systems, have pension spiking issues, and rounding issues during refunds. There are other reasons why a manual adjustment is needed but these are expected cases.</p>	Reviewed LOB and confirmed that only the Quality Assurance Division Director, Assistant Director and/or Post-Retirement Branch Manager approved manual adjustments.	Of the 3,263 testable recalculations completed in fiscal year 2025, only 13 had manual adjustments and all 13 adjustments were approved by the Quality Assurance Division Director, Assistant Director and/or Post-Retirement Branch Manager.
5.	Future monthly payments do not match the approved recalculation	Retiree Payroll compares the side-by-side calculation against the account details screen	<p>Control Activity: Management implements control activities through policies.</p> <p>Information and Communication: Management uses quality information to achieve the organization's objectives.</p>	<p>After the post-retirement audit is completed and checked, the associated work item is assigned in work manager to Retiree Payroll counselors who review the journal comment left by Quality Assurance staff and the side-by-side comparison that is automatically created in the post-retirement process.</p> <p>The assigned Retiree Payroll counselor ensures that the details on the side-by-side comparison match details in the Account Info screen and that the amount due to the member or owed by the member documented in the Quality Assurance journal comment was calculated correctly.</p> <p>If all is correct, the Retiree Payroll approval will indicate this in a journal comment. If something does not match or the under/over payment was calculated incorrectly, the Retiree Payroll counselor will ask for clarification or correction to be documented in the journal comment.</p> <p>This work is checked by a second Retiree Payroll counselor.</p>	<ol style="list-style-type: none"> 1. Compared the side-by-side comparison to the account details screen and ensured the information matched. 2. Compared the user ID of preparer and reviewer of each sampled calculation and ensured preparation and review were performed by two different individuals. 	<ol style="list-style-type: none"> 1. The following was noted related to the 75 sampled side-by-side comparisons: <ol style="list-style-type: none"> a. 67 side-by-side comparisons matched the account details screen. b. 7 recalculations did not have to be adjusted because the difference between the initial and recalculated benefit was less than \$2 for non-refund options or less than \$100 for refund options. c. One benefit had to be manually adjusted by Quality Assurance, which did not create a side-by-side benefit to test, but the account details screen shows the correct information. 2. Correspondence for all 75 sampled recalculations were prepared and approved by two separate Retiree Payroll counselors.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
6.	Members and beneficiaries are not notified of changes appropriately	Templated letters explaining adjustments with pre-approved language are sent to members	<p>Control Activity: Management implements control activities through policies.</p> <p>Information and Communication: Management uses quality information to achieve the organization's objectives. Management communicates necessary information externally.</p>	The assigned Retiree Payroll counselor generates an adjustment letter in the correspondence module and selects each templated bullet point to explain why changes were made to the member's monthly benefit. Portions of the templated language are updated to match the member's information. It is then reviewed and approved by a second Retiree Payroll counselor. This can be mailed or sent to the member via Instant Messaging Center.	Compared the Quality Assurance journal comment documenting what changed about a member's benefit to the adjustment letter sent to member and ensured the letter properly reflected the information that was updated.	<p>Of the 75 sampled members, two adjustment letters did not correctly notify the members of what caused the change to their benefit payment. Staff took immediate corrective action upon being notified of these discrepancies.</p> <p>Additional recommendations are not needed, so an issue will not be created. (see Commendations Section of report).</p>
7.	Retirement eligible refunds are not invoiced correctly	Overpayments on refunds are invoiced	<p>Control Activity: Management implements control activities through policies.</p>	<p>If a post-retirement audit reveals that a member was overpaid and selected the retirement eligible refund option, the difference will be invoiced when the correspondence about the change is approved by the second Retiree Payroll counselor.</p> <p>The approving Retiree Payroll counselor creates the invoice on the same day they approve the adjustment letter to ensure that both pieces of correspondence are sent together to the member. The preparer of the letter then checks the invoice created by the checker. Payment is due 30 days after the invoice date.</p> <p>The processes to monitor invoices and escalate unpaid invoices to the Office of Legal Services will be reviewed in a future audit.</p>	Confirmed that invoices created by Retiree Payroll matched the amount owed calculated during the post-retirement audit process.	Of the 70 refunds reviewed, only three members had an overpayment. All three overpayments were invoiced for the correct amount.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
8.	Overpayments and underpayments are not recovered or dispersed	LOB automatically calculates the next payment	Control Activity: Management designs the entity's information system and control activities.	<p>Most members are found to have been underpaid during a post-retirement audit because initial calculations are conservative. If the member was underpaid, the difference between what they should have been paid for months before the recalculation, and the new monthly benefit will be added to the next monthly benefit.</p> <p>If the member was overpaid and the difference between what was paid before the recalculation and the new monthly benefit is 20% or less of the gross payment, a one-time lump sum will be withheld from the payment issued 60 days after the recalculation is approved. This gives the member time to appeal or to financially prepare to pay the difference. If the difference owed is more than 20% of the gross monthly payment, a reduce remainder or recurring monthly withholding will be set up to recover the total owed. The reduced remainder and beginning date are automatically set by LOB which can be seen on the payee tab of the maintain benefits screen. The Retiree Payroll counselor assigned to the adjustment letter work item reviews these automated details to determine how many months are needed to recover the total owed by dividing the total by 2, 3, etc. until each month has the same value withheld to ensure clarity for the member. The adjusted reduce remainder is keyed into the maintain payee module and LOB will automatically cease the monthly withholding when the total amount owed has been recovered. The adjusted reduce remainder and recovery period are keyed into the adjustment letter and checked by a second retiree payroll counselor.</p> <p>If a member contacts KPPA stating that they cannot afford the monthly reduction, the call center launches a work item notifying Retiree Payroll that an adjustment is needed. The assigned Retiree Payroll counselor will call the member to determine what is affordable. The details of the call and what the member can manage are documented in a journal comment. The manual adjustment is made in the payee tab, and an adjustment letter is prepared to show the new payment plan. A second retiree payroll counselor reviews the manual adjustment and letter.</p> <p>If the account type is a retirement eligible refund, the amount due to the member is paid by check to the mailing address on file. If an amount is owed the invoice is sent to the mailing address on file.</p> <p>If the member chooses a refund option and the difference is \$100 or less, or if the member chooses a non-refund option and the difference is \$2 or less then the difference is written off.</p>	Auditor recalculated amount over or under paid to the member and ensured this agreed to the amount calculated by LOB.	All 75 over/under payments were calculated correctly by LOB.



KPPA

Kentucky Public Pensions Authority

2026-16

Administrative Regulation Update Process

Audit Report

Lead Auditor: Kristen Coffey

Issue Date: April 1, 2026

Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO - Chief Executive Officer
6. CFO - Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA CFO, and KPPA Executive Director of Legal Services
8. Legal Services – KPPA Office of Legal Services
9. Internal Audit – KPPA Division of Internal Audit
10. LRC – Legislative Research Committee

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Overall Opinion

The process generally complies with relevant laws, regulations, policies and procedures. Internal controls are established and working effectively and efficiently.

Strategic Risk Addressed (Objective)

Review the process to update administrative regulations. Confirm controls are established to ensure regulations comply with statutes and are not expired.

Audit Scope

The Administrative Regulation Update Process audit was conducted from March 4, 2026 to March 16, 2026. The scope of the audit was administrative regulations active as of March 1, 2026.

Summary of Findings, Observations, and Opportunities for Improvement

No findings, observations, or opportunities for improvement were noted as a result of this audit.

Commendations

This process is well documented. Legal Services staff provided responses to questions on the same day the questions were received. The quick responses, good documentation, and efficient process resulted in this audit being completed in twelve calendar days. We appreciate staff's diligent work on this process and their willingness to assist the audit team on this review.

As a part of this audit, Internal Audit staff ensured the following were operating in compliance with statutes, regulations, policies, and procedures. We also reviewed the process to ensure it was operating effectively and efficiently.

1. Administrative regulations were approved by the appropriate Board.
2. Administrative regulations were created/amended when necessary.
3. Administrative regulations were not expired.
4. Administrative regulations were filed with LRC after approval by the appropriate Board.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the KPPA Office of Legal Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Control Matrix

Sampling was not used. All active administrative regulations were tested.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Trustees do not receive accurate, complete, or timely information	Information is presented quarterly to Board of Trustees	<p>Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.</p> <p>Control Activity: Management designs control activities to achieve objectives and respond to risks.</p> <p>Information and Communication: Management uses quality information to achieve the organization's objectives.</p>	<p>KPPA administrative regulations are presented for approval to the KPPA Ad-hoc Regulation Committee and to the KPPA Board for ratification. CERS-only administrative regulations are presented to the CERS Board of Trustees for review and approval. KRS-only administrative regulations are presented to the KRS Board of Trustees for review and approval.</p> <p>The Policy Specialist contacts the KPPA Executive Director's Executive Assistant to schedule a KPPA Ad-hoc Committee meeting or get added to the agenda for the upcoming CERS or KRS Board meeting. The Policy Specialist prepares the memorandum for the KPPA Ad-hoc Committee or CERS/KRS Board meeting and emails the memo and related materials to the KPPA Executive Director's Staff Assistant. After approval (or ratification) by the KPPA, CERS, or KRS Board, the KPPA Executive Director then signs the regulation. Governor signature is also needed for an emergency regulation.</p>	Reviewed applicable meeting minutes and ensured administrative regulations were approved.	<p>No exceptions noted.</p> <ul style="list-style-type: none"> • 36 of 46 Administrative Regulations were approved by the appropriate the Board. • 6 of 46 Administrative Regulations are in the process of being reviewed. These will be presented for approval at a later date. • 1 of 46 Administrative Regulations is scheduled to be repealed. • 1 of 46 Administrative Regulations is no longer needed and will be allowed to expire. • 2 of 46 Administrative Regulations were recertifications, which do not require Board approval.
2.	Policies/procedures/internal controls are not established, documented, effective or efficient	Procedures are reviewed and updated as needed	<p>Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.</p> <p>Control Activity: Management implements control activities through policies.</p> <p>Information and Communication: Management uses quality information to achieve the organization's objectives.</p>	Procedures are updated as changes are made to Kentucky Revised Statutes 13A. Since staff are not always notified of changes to 13A in a timely manner, the procedures do not include specific deadlines and templates, instead there is a reference to Kentucky Revised Statutes 13A. This ensures the most current information is documented in the procedures.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures are up-to-date and available to staff.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
3.	Administrative Regulations may not be created or updated when necessary	Compensating: Agency staff follow-up with Legal Services staff if a regulation is not created or updated as needed	<p>Control Activity: Management designs control activities to achieve objectives and respond to risks.</p> <p>Information and Communication: Management uses quality information to achieve the organization's objectives.</p> <p>Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.</p>	<p>Office of Legal Services staff are made aware of the need for a new regulation or an update to a regulation in a couple of ways:</p> <ol style="list-style-type: none"> 1. Statute change. 2. Staff have run into an issue, and they need an update to the regulation. For example, a division requests a legal opinion on a process or situation that warrants an update to the regulation. <p>When a regulation needs to be created or amended, the Staff Attorney Supervisor (Non-advocacy) assigns the regulation and completes the following:</p> <ol style="list-style-type: none"> 1. Documents details on the subject matter that need to be included in the regulation. 2. Adds the anticipated date to present to KPPA Board and add this to the Regulation Tracking spreadsheet. 3. Updates Regulation Tracking spreadsheet throughout the process. <p>For new regulations, the Policy Specialist drafts an outline of the regulations and requests a regulation number from LRC. For amendments, the Policy Specialists download the engrossed regulations from the LRC website. In both cases, the current statutes, regulations, and recent legislation are reviewed to determine the parameters of the draft regulation/amendment. Templates provided by LRC are used for the drafts to ensure adherence to LRC guidelines. The Policy Specialists will make known changes to the draft – grammar changes, legislative changes, etc. Once the draft is prepared, it is sent to the Staff Attorney Supervisor for feedback. Sometimes the details of the process can get lost in language updates, so the Staff Attorney Supervisor reviews to make sure the draft does not have any unintentional changes to the process.</p> <p>After the Staff Attorney Supervisor has completed his review of the regulation, the Policy Specialist sends the draft to the KPPA division that owns the process and other division directors as directed by agency management related to the new/amended regulation. The Policy Specialist will schedule meetings with this team as needed. During this meeting, the Policy Specialist gathers additional information and/or obtains answers to questions posed during drafting stage. Staff from the KPPA division are allowed to make edits/comments/suggestions on the draft regulation. Policy Specialist updates the draft based on feedback received during the meeting. The updated draft is sent to the impacted KPPA divisions for review. If additional feedback is received, the update and review process continues until all questions/comments/suggestions from the impacted KPPA divisions are addressed. The regulation is then sent to the Staff Attorney Supervisor for an additional review. Once the Staff Attorney Supervisor approves the draft, it is shared with Legal Services staff and the KPPA executives for review and comment. If there are major changes, the draft is sent back to the impacted division for review.</p> <p>Policy Specialist creates the Regulatory Impact Analysis and Tiering Statement which is a nine-question form that must be attached to all filed regulations. As part of this process, Policy Specialist schedules a public hearing date and reserves the Hearing Room.</p>	Reviewed the Regulation Tracking spreadsheet maintained by the Office of Legal Services and ensured all administrative regulations were being tracked, including new regulations and those that needed to be amended.	<p>No exceptions noted.</p> <p>Office of Legal Services is tracking all administrative regulations, including new regulations and those that need to be amended.</p>

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
4.	KPPA Administrative Regulations may be expired	Staff Attorney Supervisor ensures amendment or recertification is filed prior to expiration date	<p>Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.</p> <p>Control Activity: Management designs control activities to achieve objectives and respond to risks.</p>	The Regulation Tracking spreadsheet is used to track the status of all KPPA related administrative regulations. The LRC expiration date is one of the items tracked. Regulations that are within a year of their expiration date are highlighted. The Staff Attorney Supervisor notifies the Policy Specialist who determines if an update is needed or if the regulation only needs to be recertified. If a recertification is all that is needed, the respective Board is notified of the recertification, and a Recertification Letter is filed with LRC.	<ol style="list-style-type: none"> Recalculated expiration date and ensure it matched the expiration date posted on the LRC website. Determined if any Administrative Regulations had expired and, if so, ensured an updated regulation was filed prior to the expiration date. 	<p>No exceptions noted.</p> <ul style="list-style-type: none"> 46 of 46 auditor calculated expiration dates matched the LRC stated expiration date. 41 of 46 Administrative Regulations have not yet reached their expiration date. Nine expire within a year. 5 of 46 Administrative Regulations expired on March 5, 2026. However, an updated regulation was filed with LRC prior to the expiration date.
5.	Administrative Regulation may not be filed with LRC	Staff Attorney Supervisor ensures Policy Specialist files regulation timely	<p>Control Activity: Management designs control activities to achieve objectives and respond to risks.</p>	<p>After the Board approves the regulation, the Policy Specialist files the administrative regulation with the LRC; it must be filed prior to noon on the 15th day of the month. The regulation is added to the LRC register for the following month and assigned to the agenda of the Administrative Regulation Subcommittee meeting approximately three months later. Simultaneously, a two-month comment period is opened to the public. The 60-day public comment period begins on the 1st day of the month following filing with LRC and ends on the last day of the 2nd month. If comments are received, KPPA notifies LRC that comments were received and the regulation is removed from the Subcommittee's agenda and placed on the next month's agenda. KPPA then determines if the administrative regulation needs to be updated in response to the comments. The KPPA Executive Director makes this decision with input from Legal Services and the management team.</p> <p>Once comment period closes and the regulation is updated (or statement provided on why comments will not be addressed in regulation), if needed, the regulation appears on the agenda for the next Administrative Regulation Review Subcommittee meeting. If approved by that Subcommittee, the update is referred to a second committee for review (either an interim or standing committee). The second committee has 90 days to either place the regulation on an agenda of that committee for consideration (and after the adjournment of the meeting the regulation becomes effective), or the regulation becomes effective after the expiration of the 90 days.</p>	Reviewed Legislative Research Committee website and applicable Board meeting minutes and ensured all regulations were filed with LRC, after obtaining Board approval.	<p>No exceptions noted.</p> <ul style="list-style-type: none"> 36 of 46 Administrative Regulations were filed with LRC and approved by the appropriate Board before being filed. 8 of 46 Administrative Regulations are in the process of being reviewed. These will be filed with LRC at a later date. Two have already been approved by the appropriate Board. 1 of 46 Administrative Regulations is scheduled to be repealed. 1 of 46 Administrative Regulations is no longer needed and will be allowed to expire.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

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To: Kentucky Public Pensions Authority (KPPA) Board

From: Mike Lamb, KPPA, Executive Director Office of Operations and Chief Financial Officer

Date: June 25, 2026

Subject: FY 2027 KPPA Administrative Budget

The FY 2027 KPPA Administrative budget has been finalized, and the memo includes the following recommendations for the KPPA Board to review and consider for approval.

RECOMMENDATIONS:

1. Approve the FY 2027 KPPA administrative budget of \$49,811,000 as presented.

ADMINISTRATIVE EXPENSES (RESTRICTED FUNDS)	Current KPPA Approved ADMIN BUDGET	Projected Actual	ADMIN BUDGET RECOMMENDATION	Budget Difference Year to Year	% Change Budget vs Budget	Difference between Projected FY 2026 Actual and FY 2027 Proposed Budget	% Change
	FY 2026	FY 2026	FY 2027				
	\$ 50,115,600	\$ 45,566,545	\$ 49,811,000	\$ (304,600)	(0.6%)	\$ 4,244,455	9.3%
PERSONNEL							
PERSONNEL (Salaries, FICA, Retirement, Health, Life)	\$ 38,803,000	\$ 37,701,314	\$ 39,707,800	\$ 904,800	2.3%	\$ 2,006,486	5.3%
LEGAL CONTRACTS	1,820,000	756,800	1,340,000	(480,000)	(26.4%)	583,200	77.1%
AUDITING	250,000	222,581	201,000	(49,000)	(19.6%)	(21,581)	(9.7%)
ACTUARIAL SERVICES	550,000	340,898	550,000	-	0.0%	209,102	61.3%
MEDICAL EXAMINERS / HEARING OFFICERS	1,800,000	1,186,936	1,600,000	(200,000)	(11.1%)	413,064	34.8%
PERSONNEL TOTAL	\$ 43,223,000	\$ 40,208,529	\$ 43,398,800	\$ 175,800	0.4%	\$ 3,190,271	7.9%
OPERATIONAL							
RENTALS - BUILDING & EQUIPMENT	1,210,000	1,056,529	1,172,000	(38,000)	(3.1%)	115,471	10.9%
INFORMATION TECHNOLOGY	4,005,000	3,336,095	4,010,500	5,500	0.1%	674,405	20.2%
OTHER OPERATIONAL	1,509,000	965,392	1,229,700	(279,300)	(18.5%)	264,308	27.4%
OPERATIONAL TOTAL	\$ 6,724,000	\$ 5,358,016	\$ 6,412,200	\$ (311,800)	(4.6%)	\$ 1,054,184	19.7%
Unallocated Reserve	168,600		-	(168,600)	(100.0%)	-	#DIV/0!
ADMINISTRATIVE BUDGET AMOUNT	\$ 50,115,600	\$ 45,566,545	\$ 49,811,000	\$ (304,600)	(0.6%)	\$ 4,244,455	9.3%

FY 2027 KPPA ADMINISTRATIVE BUDGET

The KPPA administrative budget is funded with restricted funds, meaning it is not a General Fund appropriation. The restricted funds used for the administrative budget come from the pension trusts administered by KPPA, and not the insurance trust fund. The administrative expenses are allocated among pension funds based on the KPPA Board approved Hybrid %.

The FY 2027 Hybrid % was approved by the KPPA Board during the March 19, 2026, KPPA Board meeting at the following allocation: CERS 64.38% and KRS 35.62%. Furthermore, the CERS Board approved their individual plans breakdown during their June 8th, 2026, board meeting, and the KRS Board approved their individual plans breakdown during their June 16th, 2026, board meeting as follows:

HYBRID %	FY2027
CERS	64.38%
CERS NH	59.17%
CERS HAZ	5.21%
KRS	35.62%
KERS NH	31.202%
KERS HAZ	3.729%
SPRS	0.689%
TOTAL	100.00%

Despite the administrative budget being funded with restricted funds, KRS 61.505(11)(b), KRS 78.782(13) and KRS 61.645(13) require all KPPA, CERS and KRS administrative expenses be included in the Commonwealth's biennial budget. Before October 1st of odd years, Executive Branch agencies submit a two-year budget request to the Office of the State Budget Director (OSBD) and to the Legislative Research Commission (LRC). Prior to this submission the KPPA Board shall approve the biennial budget request (KRS 61.505(11)(b)).

OSBD assists the Governor's Office in developing a budget bill. Simultaneously, LRC assists the legislature in developing a budget bill, and during the General Assembly's session in even years, a biennial budget is passed. OSBD, LRC and the legislature can add to or subtract from the KPPA biennial budget request as the legislature deems necessary. For example, since KPPA staff are under the state's personnel system, OSBD may add funds to the request to allow for a raise for state employees, and in some cases, due to budget cuts, all agencies budget submissions may be reduced.

Historical Administrative Budget Amounts	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
KPPA Budget Amount Requested	\$ 47,613,500	\$ 48,327,600	\$ 47,702,500	\$ 47,702,500	\$ 48,255,100	\$ 48,801,700	\$ 52,478,300	\$ 53,504,154	\$ 50,865,600
Budget Bill Approved Amount	\$ 47,307,300	\$ 47,702,500	\$ 48,888,200	\$ 48,005,500	\$ 50,184,500	\$ 50,440,800	\$ 48,981,500	\$ 49,969,700	\$ 49,811,000
Difference	\$ (306,200)	\$ (625,100)	\$ 1,185,700	\$ 303,000	\$ 1,929,400	\$ 1,639,100	\$ (3,496,800)	\$ (3,534,454)	\$ (1,054,600)

The proposed FY 2027 administrative budget total amount of \$49,811,000 has already been approved by the Commonwealth through this Biennium process, in this past session via HB500.

KPPA management has reviewed historical spending by budget line item from FY 2019 through FY 2026; had multiple discussions on anticipated changes to existing expenditures and potential new expenditures; and performed detailed analysis on various line items in creating the FY 2027 administrative budget.

Below are the detailed line items as well as summarized explanations for significant changes:

ADMINISTRATIVE BUDGET (Page 1 of 2)

ADMINISTRATIVE EXPENSES	FY 2026 KPPA BOARD APPROVED ADMIN BUDGET	"Projected Actual" for FY 2026	FY 2027 KPPA Proposed ADMIN BUDGET	Difference FY 2027 Budget vs FY 2026 Budget	% Change (Budget to Budget)	Difference FY 2027 Budget vs FY 2026 "Projected Actual"	% Change (FY 2027 Budget vs. PY Actual)
PERSONNEL							
Salaries	\$ 22,400,000	\$ 21,547,396	\$ 21,913,066	\$ (486,934)	(2.2%)	\$ 365,670	1.7%
Wages(Overtime)	280,000	209,783	200,000	(80,000)	(28.6)	(9,783)	(4.7)
Locality Premium	-	462,376	475,000	475,000		12,624	2.7
Wages(Block50)	40,000	16,367	-	(40,000)	(100.0)	(16,367)	(100.0)
Emp Paid FICA	1,740,000	1,601,540	1,727,987	(12,013)	(0.7)	126,447	7.9
Emp Paid Retirement	9,730,000	9,473,239	9,752,339	22,339	0.2	279,100	2.9
Emp Paid Health Ins	3,200,000	3,599,455	4,104,000	904,000	28.3	504,545	14.0
Emp Paid Life Ins	3,000	3,214	3,408	408	13.6	194	6.0
Emp Paid Sick Leave	250,000	-	200,000	(50,000)	(20.0)	200,000	
Workers Compensation	20,000	12,485	15,000	(5,000)	(25.0)	2,515	20.1
Unemployment	10,000	-	5,000	(5,000)	(50.0)	5,000	
Employee Training	25,000	12,578	12,000	(13,000)	(52.0)	(578)	(4.6)
Other Personnel costs/benefits (Escrow for Admin, adoption, tuition, bonds)	20,000	-	20,000	-	0.0	20,000	
Escrow for Actuary Fees	-	(10,909)	-	-		10,909	(100.0)
Miscellaneous Contracts	1,000,000	720,728	1,195,000	195,000	19.5	474,272	65.8
Human Resources Consulting	10,000	-	10,000	-	0.0	10,000	
Facility Security Charges	75,000	53,062	75,000	-	0.0	21,938	41.3
Subtotal	\$ 38,803,000	\$ 37,701,313	\$ 39,707,800	\$ 904,800	2.3%	\$ 2,006,487	5.3%
LEGAL CONTRACTS							
Legal Hearing Officers	\$ 270,000	\$ 142,814	\$ 90,000	\$ (180,000)	(66.7%)	\$ (52,814)	(37.0%)
Legal (SKO)	125,000	11,709	100,000	(25,000)	(20.0)	88,291	754.1
Legal (FBT)	600,000	285,757	400,000	(200,000)	(33.3)	114,243	40.0
Legal (Ice Miller)	500,000	168,654	300,000	(200,000)	(40.0)	131,346	77.9
Legal (Branco)	150,000	72,745	150,000	-	0.0	77,255	106.2
Legal (Dentons)	50,000	39,393	75,000	25,000	50.0	35,607	90.4
Legal (Kellerman)	100,000	35,464	100,000	-	0.0	64,536	182.0
Legal (STB), New			100,000	100,000		100,000	
Legal Expense	25,000	264	25,000	-	0.0	24,736	9369.7
Subtotal	\$ 1,820,000	\$ 756,800	\$ 1,340,000	\$ (480,000)	(26.4%)	\$ 583,200	77.1%
Auditing	\$ 250,000	\$ 222,581	\$ 201,000	\$ (49,000)	(19.6%)	\$ (21,581)	(9.7%)
Actuarial Services	\$ 550,000	\$ 340,898	\$ 550,000	\$ -	0.0%	\$ 209,102	61.3%
Medical Reviewers	\$ 1,800,000	\$ 1,186,936	\$ 1,600,000	\$ (200,000)	(11.1%)	\$ 413,064	34.8%
PERSONNEL TOTAL	\$ 43,223,000	\$ 40,208,529	\$ 43,398,800	\$ 175,800	0.4%	\$ 3,190,271	7.9%

ADMINISTRATIVE BUDGET (Page 2 of 2)

ADMINISTRATIVE EXPENSES	FY 2026 KPPA BOARD APPROVED ADMIN BUDGET	"Projected Actual" for FY 2026	FY 2027 KPPA Proposed ADMIN BUDGET	Difference FY 2027 Budget vs FY 2026 Budget	% Change (Budget to Budget)	Difference FY 2027 Budget vs FY 2026 "Projected Actual"	% Change (FY 2027 Budget vs. PY Actual)
OPERATIONAL							
RENTALS - BUILDING & EQUIPMENT							
Rent-Non-state Building	\$ 105,000	\$ -	\$ 92,000	\$ (13,000)	(12.4%)	\$ 92,000	
Building Rental - PPW	1,000,000	961,968	1,000,000	-	0.0	38,032	4.0
Copier Rental	100,000	88,620	75,000	(25,000)	(25.0)	(13,620)	(15.4)
Rental Carpool	5,000	5,941	5,000	-	0.0	(941)	(15.8)
Subtotal	\$ 1,210,000	\$ 1,056,529	\$ 1,172,000	\$ (38,000)	(3.1%)	\$ 115,471	10.9%
INFORMATION TECHNOLOGY							
eMARS Usage	\$ 65,000	\$ 59,040	\$ 65,000	\$ -	0.0%	\$ 5,960	10.1%
COT Charges	40,000	18,228	40,000	-	0.0	21,772	119.4
Computer Equip./Software	3,900,000	3,258,827	3,905,500	5,500	0.1	646,673	19.8
Subtotal	\$ 4,005,000	\$ 3,336,095	\$ 4,010,500	\$ 5,500	0.1%	\$ 674,405	20.2%
OTHER OPERATIONAL							
Natural Gas	\$ 50,000	\$ 41,312	\$ 35,000	\$ (15,000)	(30.0%)	\$ (6,312)	(15.3%)
Electric	140,000	92,422	115,000	(25,000)	(17.9)	22,578	24.4
Vehicle/Equip. Maintenance	1,500	1,510	1,500	-	0.0	(10)	(0.7)
Postage	480,000	334,396	400,000	(80,000)	(16.7)	65,604	19.6
Freight	500	71	500	-	0.0	429	605.1
Printing (State & non-state)	100,000	115,337	75,000	(25,000)	(25.0)	(40,337)	(35.0)
Insurance	7,500	12,692	12,700	5,200	69.3	8	0.1
Garbage Collection	8,000	3,099	8,000	-	0.0	4,901	158.1
Conference Expense	50,000	44,638	35,000	(15,000)	(30.0)	(9,638)	(21.6)
Office Supplies	100,000	51,641	50,000	(50,000)	(50.0)	(1,641)	(3.2)
Furniture & Office Equipment	50,000	36	100,000	50,000	100.0	99,964	277677.8
Travel (In-State)	16,500	9,584	12,000	(4,500)	(27.3)	2,416	25.2
Travel (Out of State)	215,000	44,713	125,000	(90,000)	(41.9)	80,287	179.6
Dues & Subscriptions	85,000	90,044	85,000	-	0.0	(5,044)	(5.6)
Miscellaneous	55,000	20,385	25,000	(30,000)	(54.5)	4,615	22.6
Telephone & Video Conference	150,000	103,512	150,000	-	0.0	46,488	44.9
Subtotal	\$ 1,509,000	\$ 965,392	\$ 1,229,700	\$ (279,300)	(18.5%)	\$ 264,308	27.4%
OPERATIONAL TOTAL	\$ 6,724,000	\$ 5,358,016	\$ 6,412,200	\$ (311,800)	(4.6%)	\$ 1,054,184	19.7%
Unallocated Reserve	\$ 168,600			\$ (168,600)	(100.0%)	\$ -	
ADMINISTRATIVE TOTAL	\$ 50,115,600	\$ 45,566,545	\$ 49,811,000	\$ (304,600)	(0.6%)	\$ 4,244,455	9.3%
BUDGETED AMOUNT	\$ 50,115,600	\$ 50,115,600	\$ 49,811,000	\$ (304,600)	(0.6%)	\$ (304,600)	(0.6%)
% of Budget Expended	100%	91%	100%				

SALARIES, OVERTIME, LOCALITY PREMIUM ¹

Overall, the FY 2027 budget for these three line items combined is \$91 thousand less than the FY 2026 budget amount, and approximately \$370 thousand higher than the FY 2026 projected actual.

- KPPA has 307 approved positions: 284 full time (FT) and 23 Interim, Intern, or part-time positions,
 - a. All full-time positions have a 2% statewide increase being accounted for effective 7/1/2026, which accounts for approximately \$450 thousand.
 - b. This 2027 budget accounts for full employment of our entire full-time headcount of 284 full-time positions, less 11 positions expected to turn-over based on KPPA's average turn-over rate, (273 positions totaling \$22 million + the 2% statewide raise)
 - c. This 2027 budget accounts for approximately \$600 thousand in 16 positions for interns, Interims, and part-time employees.
 - d. This FY 2027 total budget amount has been strategically reduced by approximately 5% (or \$1.2 million) to allow KPPA to stay within the HB500 approved budget amount of \$49,811,000,
 - i. KPPA Management estimates that these three line items would be approximately 5% (or \$1.2 million) higher than what is being budgeted.
 - ii. Therefore, KPPA management will need to manage employee salaries, headcount, and turnover strategically during FY 2027 to ensure that these three lines items do not exceed the approved budget amount.
 - iii. In addition, any savings within other administrative line items or categories will be utilized by management to assist these three line items, where appropriate, and upon KPPA Board approval.

EMPLOYER PAID FICA ²

FY 2027 FICA budget is \$126 thousand higher than FY 2026 projected actual in line with the increase in Salaries/Overtime/Locality Premium.

EMPLOYER PAID RETIREMENT ³

FY 2027 employer paid retirement is \$279 thousand higher than the FY 2026 projected actual in line with the increase in Salaries/Overtime/Locality Premium, and the increase to the employer contribution rate for KERS nonhazardous plan participants in the executive branch for FY 2027 from 42.76% to 44.68% based on the OSBD memo dated April 30, 2026.

EMPLOYER PAID HEALTH INSURANCE ⁴

The prior year budget amount was underestimated resulting in approximately \$400 thousand overspend on this line item for FY 2026. Therefore, the proposed FY 2027 budget has been increased to align more with FY 2026 actual costs, plus an 8% increase projected to occur with the new calendar year, and accounting for additional KPPA headcount discussed in salaries above.

EMPLOYER PAID SICK LEAVE ⁵

This amount is the amount that the retirement system invoices KPPA when one of KPPA's employees retires and converts their sick leave balance. We have a list of known employees who have turned in their retirement and have budgeted the known amount, plus room for unknowns.

MISCELLANEOUS CONTRACTS ⁶

This line item includes the following: \$750 thousand for the additional Budget Request (ABR) approved as part of HB500 for KPPA to plan for the outcome of the IT modernization assessment; \$300 thousand for the completion of the IT modernization assessment; \$65 thousand for CEM benchmarking and other survey services. As well as \$80 thousand for other known and unknown services.

LEGAL CONTRACTS ⁷

KPPA legal staff have reduced use of outside legal hearing officers, and have closely examined estimated costs for on-going, pending, and resolving cases, resulting in the proposed budget for FY 2027, which is overall 26% less than the budgeted amount for FY 2026.

RENT-NON-STATE BUILDING ⁸

FY 2027 budget reflects lease amount for the Louisville Office to be occupied in the Fall.

COMPUTER EQUIPMENT / SOFTWARE ⁹

The overall information technology budget remains consistent with the prior year budget amount but is significantly higher than the FY 2026 projected actual spend. KPPA budgets for all known/required items and projects, as well as anticipated needs. Items not completed in FY 2026 have been rolled into FY 2027.

This line item includes:

- Approximately \$1.2 million in multiple software products for licenses, support, and maintenance, including Microsoft, FileNet components, Workiva, VMware, BoardBooks(onBoard), GreatPlains, Zoom, Adobe; etc.
- Approximately \$1.2 million for IT contractors that KPPA utilizes through Commonwealth master agreements to supplement our own internal staff.
- Approximately \$900 thousand in identified projects that meet strategic initiatives or necessary hardware replacements, as well as other ancillary IT related costs
- Nearly \$550 thousand for IT security external assessments, cyber insurance, and other security measures,

POSTAGE ¹⁰

Postage costs have fluctuated over past few years, and KPPA has budgeted conservatively in the past, and can confidently reduce the budget due to savings incurred as part of the paperless project.

OFFICE SUPPLIES ¹¹

Historical trends have allowed us to reduce this budget from \$100 thousand to \$50 thousand to be more in line with actual spending.

FURNITURE & OFFICE EQUIPMENT ¹²

Budgeting for furnishing the Louisville Office.

TRAVEL ¹³

Historical spending trends and strategic oversight of necessary travel have allowed KPPA to reduce this budget amount.

UNALLOCATED RESERVE ¹⁴

The unallocated reserve amount represents the difference between the Commonwealth's already approved FY 2027 biennial budget amount of \$49,811,000 and KPPA staff's best estimate of expenditures by line item for FY 2027.

This practice of separately identifying an unallocated reserve amount was initiated in FY 2021. For that year the unallocated reserve amount was \$7.7 million and was referred to as "Major Legislation Implementation". The FY 2022 unallocated reserve amount was \$3.7 million, the FY 2023 amount was \$4.1 million, the FY 2024 amount was \$4.9 million, the FY 2025 amount was \$216 thousand, and the FY 2026 amount was \$22.7 thousand and later increased to \$168.6 thousand after additional funds were provided for IT positions assessments.

For Fiscal Year 2027, we have accounted for all HB500 funds, with an unallocated reserve amount of \$0.00.

ADMINISTRATIVE BUDGET OVERSPEND

During the FY, if an administrative expenses sub-category exceeds or is likely to exceed the approved budget amount (e.g., personnel, or legal contracts, etc.), KPPA staff will obtain KPPA Board approval to reclassify the appropriate amount from the unallocated reserve (or another sub-category). If, however, an individual line item within a sub-category exceeds or is likely to exceed the approved budget amount (e.g., employer paid sick leave, or office supplies, etc.), KPPA staff will notify the KPPA Board of the line item that is over budget at the next regularly scheduled quarterly meeting.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

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To: Kentucky Public Pensions Authority

From: Steve Willer, CIO
Office of Investments

Date: June 25, 2026

Subject: Summary of Investment Committee Meetings

The Kentucky Retirement Systems Investment Committee held a Special Called meeting on June 3, 2026.

1. The following action was taken by the Investment Committee and is being forwarded to the Kentucky Retirement Systems Board of Trustees for ratification.*

Unanimously approved the Compliance Officer's recommendation to approve the Kentucky Retirement Systems' Statement of Investment Objectives & Policies as presented and to recommend its adoption by the full Kentucky Retirement Systems Board. The approved recommendation included the repeal of the following policies which have been merged into or otherwise addressed by the Kentucky Retirement Systems' Statement of Investment Objectives & Policies.

- Investment Policy Statement;
- Investment Securities Lending Guidelines;
- Brokerage Policy;
- Manager and Placement Agent Statement of Disclosure Policy;
- Investment Proxy Voting Policy;
- Investment Transaction Procedures Policy;
- Real Estate Policy; and,
- Investment Procurement Policy.

The Kentucky Retirement Systems Investment Committee held a regularly scheduled meeting on May 21, 2026.

- 1. No recommendations were made that required approval by the Investment Committee.**
- 2. No actions were taken that required ratification by the Kentucky Retirement Systems Board of Trustees.**

The County Employees Retirement System Investment Committee held a Special Called meeting on May 29, 2026.

The following actions were taken by the Investment Committee and were forwarded to the County Employees Retirement System Board of Trustees for ratification.

1. No recommendations were made that required approval by the Investment Committee.
2. No actions were taken that required ratification by the Kentucky Retirement Systems Board of Trustees.

Investment Staff and Wilshire presented material* and discussed the following items during the Regular Investment Committee meetings.

- a. Review of Economic Conditions, Market Activity, Outlooks
- b. Absolute and Relative Performance and Asset Allocations for the Pension and Insurance Portfolios for the Quarter ending March 31, 2026

Quarter Ending March 31, 2026

Pension Composite -0.79% vs Pension Composite Benchmark **-1.24%**

Insurance Composite -0.95% vs Insurance Composite Benchmark **-1.31%**

Fiscal-Year-To-Date

Pension Composite 5.65% vs Pension Composite Benchmark 5.00%

Insurance Composite 5.42% vs Insurance Composite Benchmark 4.91%

Quarter Ending March 31, 2026:

KERS Pension -0.44%
Benchmark -0.89%

KERSH Pension -0.81%
Benchmark -1.25%

SPRS Pension -0.62%
Benchmark -0.93%

KERS Insurance -0.95%
Benchmark -1.31%

KERSH Insurance -0.80%
Benchmark -1.19%

SPRS Insurance -0.76%
Benchmark -1.18%

CERS Pension -0.97%
CERSH Pension -0.98%
Benchmark -1.38%

CERS Insurance -1.04%
Benchmark -1.33%

CERSH Insurance -0.95%
Benchmark -1.32%

2026 FYTD:

KERS Pension 5.77%
Benchmark 4.74%

KERSH Pension 5.72%
Benchmark 4.92%

SPRS Pension 5.50%
Benchmark 4.64%

KERS Insurance 5.37%
Benchmark 4.77%

KERSH Insurance 5.51%
Benchmark 4.72%

SPRS Insurance 5.54%
Benchmark 4.75%

CERS Pension 5.48%
Benchmark 5.10%

CERSH Pension 5.44%
Benchmark 5.10%

CERS Insurance 5.31%
Benchmark 4.98%

CERSH Insurance 5.30%
Benchmark 4.98%

- a. **Performance Attribution** – During the quarter the largest contributors to relative performance were the outperformance in the Real Return and Specialty Credit portfolios. The overall Specialty Credit portfolio outperformed the benchmark by 94bps with 15 of the 17 portfolios outperforming their respective benchmarks led by the Opportunistic Credit Strategy that outperformed its benchmark by 240bps during the quarter and by 217bps FYTD. The Real Return portfolio outperformed the benchmark by 450bps during the quarter with exceptionally strong performance in the MLP, Toll Roads and Infrastructure strategies. FYTD the portfolio has produced 811bps of outperformance. Relative underperformance in the Public Equity portfolio was the largest detractor from performance during the quarter as active managers struggled to keep up with their performance benchmarks. FYTD the Public Equity portfolio has trailed its benchmark by 152bps.
- b. **Asset Class Performance** - For the quarter, the US Equity portfolios produced a return of -4.12% vs the Russell 3000's return of -3.96% while the NonUS Equity portfolio returned -1.20% vs its benchmark return of -0.68%. The Core Fixed Income Portfolio produced a return of 0.04%, outperforming the benchmark by 9bps. The Specialty Credit Portfolio produced a return of 0.42%, outperforming the benchmark's return of -0.52%. The Real Estate Portfolio produced a return of 0.20% trailing the 0.70% return of the benchmark. The Real Return Portfolio produced a return of 6.07% outperforming the 1.55% return of the benchmark. The Private Equity Portfolio produced a return of -0.73.
- c. **Internal Portfolios** – An update was provided on the performance of the internally managed passive and proxy portfolios. The portfolios performed in line with expectations and consistent with their mandates. The Real Return portfolios produced notable strong performance, outperforming the benchmark by 827bps. The Real Estate portfolio outperformed its benchmark by 43bps.
- d. **Portfolio Asset Class Performance** – Dispersion of returns across individual portfolio asset class allocations remained tight. The notable exception was in the Private Equity asset class where larger dispersions are driven by the different vintage profiles among the portfolios.
- e. **Peer Universe** – All of the Pension and Insurance portfolios have produced exceptional, top or near top decile risk adjusted performance over the reported 1, 3 and 5 year time periods based on Wilshire's All Public Plans universe and in fact all portfolios have produced Sharpe ratios in the top 5% of Wilshire's peer universe over the 5 year time period.
- f. **Asset Allocations** – Staff provided an update on the rebalancing activity and noted that as of the end of the quarter, all asset classes were within their specified IPS allocation ranges with most asset classes within 1% of their Target Allocations. The largest underweight remained in Private Equity as staff has viewed the asset class as having limited value from a relative risk/reward basis with better opportunities available in other asset classes.
- g. **Additional Updates** -
 - i. Successfully renegotiated management fees with Public High Yield manager, lowering fees by 12% saving the Systems an estimated \$500,000 a year.
 - ii. The majority of assets were transferred in kind to the new Oaktree managed Public Leverage Loan accounts.
 - iii. Based on the continued attractive risk/reward profile, compelling market opportunity, and current Real Return allocations, additional commitments were made the ITE Rail Fund.
 - iv. Following an extensive review, Staff transferred asset management responsibilities of the MSCI ACWI Ex-US Public Equity mandate from Franklin Templeton to ClearBridge (a Franklin Templeton Company). This change is expected to improve the quality of the overall international portfolio.

- h. Staff provided an update on the Investment Budget. Fiscal Year-To-Date, overall investment expenses were running below budget with a total of \$4.95MM spent during the year which was only 42% of the amount budgeted. The difference was largely driven by the legal and auditing expenses where only 6% of the amount budgeted has been spent FYTD. All other expense categories were running in line with the amounts budgeted. At the total pension level FYTD, Investment Fees and Expenses decreased by \$5.2MM or 4% compared to the prior fiscal year despite a 13% increase in total assets. The decrease was primarily driven by decline in performance-based fees in the Private Equity and Specialty Credit portfolios.

- i. Quarterly Investment Compliance Report – As of the end of the Fiscal Year there were no compliance violations reported.

*All material presented is available in Board Books and was reviewed at the Investment Committee meetings.

Pension Portfolios Performance

KERS, KERS-HAZ, & SPRS - PENSION FUND - PLAN NET RETURNS - 03/31/26											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS	5,616,223,032.18	-3.24	-0.44	5.77	11.38	9.66	6.58	7.78	6.30	7.28	8.75
KY Ret. KERS Plan IPS Index		-2.67	-0.89	4.74	9.80	8.43	5.85	7.19	6.17	7.18	8.71
KERS- H	1,209,640,590.85	-3.79	-0.81	5.72	12.37	10.61	7.37	8.48	6.65	7.51	8.92
KY Ret. KERS Haz Plan IPS Index		-3.15	-1.25	4.92	11.07	9.71	7.15	8.25	6.65	7.51	8.94
SPRS	791,515,737.49	-3.33	-0.62	5.50	11.14	9.48	6.66	7.83	6.26	7.25	8.73
KY Ret. SPRS Plan IPS Index		-2.72	-0.93	4.64	9.70	8.49	6.00	7.32	6.19	7.20	8.72
KPPA PENSION FUND UNIT - NET RETURNS - 03/31/2026 - PROXY PLAN ASSET PERFORMANCE											
Structure		Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY		-7.24	-3.02	6.57	19.39	15.21	8.34	10.87	7.49	8.40	10.48
MSCI ACWI		-7.29	-2.75	8.09	20.64	16.24	8.82	11.08	7.43	8.27	10.38
PRIVATE EQUITY		-1.47	-0.73	3.09	5.66	5.74	10.08	11.10	9.28		11.02
Custom Private Equity BM		-1.47	-0.73	3.09	5.66	5.74	10.08	13.31	11.60		11.56
SPECIALTY CREDIT		0.05	0.42	5.08	7.38	9.60	7.58				6.96
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		-0.32	-0.52	2.91	5.91	8.32	5.11				5.10
CORE FIXED INCOME		-1.77	0.04	3.29	4.70	4.83	2.17	2.80			3.02
Bloomberg US Aggregate		-1.76	-0.05	3.10	4.35	3.63	0.31	1.70			2.11
CASH		0.31	0.92	3.06	4.21	4.76	3.35	2.42	2.03	2.68	3.42
FTSE Treasury Bill-3 Month		0.32	0.93	3.09	4.22	4.97	3.49	2.32	1.69	2.35	3.06
REAL ESTATE		-1.10	0.20	1.36	3.53	-2.24	4.54	6.91	6.53	6.04	6.08
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.70	0.70	2.05	2.92	-4.25	2.51	3.88	4.71	6.89	5.79
REAL RETURN		0.01	6.07	12.00	13.93	14.95	12.66	8.89			6.72
US CPI +3%		0.71	1.55	3.89	5.41	5.80	7.36	5.71			4.42

Pension Portfolios Performance

CERS & CERS-HAZ - PENSION FUND PLAN NET RETURNS - 03/31/26

Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
CERS	10,962,395,554.50	-3.80	-0.97	5.48	12.14	10.73	7.57	8.65	6.71	7.55	8.96
KY Ret. CKERS Plan IPS Index		-3.55	-1.38	5.10	11.63	10.38	7.48	8.42	6.73	7.56	8.98
CERS- H	3,986,458,511.31	-3.79	-0.98	5.44	12.16	10.78	7.56	8.62	6.71	7.55	8.95
KY Ret. CERS Haz Plan IPS Index		-3.56	-1.38	5.10	11.66	10.41	7.48	8.42	6.73	7.56	8.98

KPPA PENSION FUND UNIT - NET RETURNS - 03/31/26 - PROXY PLAN ASSET PERFORMANCE

Structure	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY	-7.24	-3.02	6.57	19.39	15.21	8.34	10.87	7.49	8.40	10.48
MSCI ACWI	-7.29	-2.75	8.09	20.64	16.24	8.82	11.08	7.43	8.27	10.38
PRIVATE EQUITY	-1.47	-0.73	3.09	5.66	5.74	10.08	11.10	9.28		11.02
Custom Private Equity BM	-1.47	-0.73	3.09	5.66	5.74	10.08	13.31	11.60		11.56
SPECIALTY CREDIT	0.05	0.42	5.08	7.38	9.60	7.58				6.96
50% BB US HY / 50% Morningstar LSTA Lev'd Ln	-0.32	-0.52	2.91	5.91	8.32	5.11				5.10
CORE FIXED INCOME	-1.77	0.04	3.29	4.70	4.83	2.17	2.80			3.02
Bloomberg US Aggregate	-1.76	-0.05	3.10	4.35	3.63	0.31	1.70			2.11
CASH	0.31	0.92	3.06	4.21	4.76	3.35	2.42	2.03	2.68	3.42
FTSE Treasury Bill-3 Month	0.32	0.93	3.09	4.22	4.97	3.49	2.32	1.69	2.35	3.06
REAL ESTATE	-1.10	0.20	1.36	3.53	-2.24	4.54	6.91	6.53	6.04	6.08
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^	0.70	0.70	2.05	2.92	-4.25	2.51	3.88	4.71	6.89	5.79
REAL RETURN	0.01	6.07	12.00	13.93	14.95	12.66	8.89			6.72
US CPI +3%	0.71	1.55	3.89	5.41	5.80	7.36	5.71			4.42

Insurance Portfolios Performance

KERS INS, KERS-HAZ INS, SPRS INS - INSURANCE FUND - PLAN NET RETURNS - 03/31/26											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS INS	1,890,074,437.90	-3.73	-0.95	5.37	12.01	10.47	7.24	8.34	6.10	6.85	7.47
KY Ins. KERS Plan IPS Index		-3.18	-1.31	4.77	10.93	9.69	7.36	8.38	6.37	7.22	7.77
KERS - H INS	750,470,090.48	-3.67	-0.80	5.51	11.87	10.28	7.46	8.50	6.24	6.95	7.55
KY Ins. KERS Haz Plan IPS Index		-3.13	-1.19	4.72	10.62	9.47	7.02	8.16	6.28	7.16	7.72
SPRS INS	293,679,143.72	-3.62	-0.76	5.54	11.98	10.30	7.50	8.65	6.33	7.01	7.59
KY Ins. SPRS Plan IPS Index		-3.12	-1.18	4.75	10.71	9.51	7.06	8.17	6.30	7.18	7.73
KPPA INSURANCE FUND UNIT - NET RETURNS - 03/31/26 - PROXY PLAN ASSET PERFORMANCE											
Structure		Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY		-7.28	-3.05	6.51	19.33	15.08	8.29	10.84	7.41		9.03
MSCI ACWI		-7.29	-2.75	8.09	20.64	16.24	8.81	11.06	7.36		8.91
PRIVATE EQUITY		-1.53	-0.18	0.91	1.84	3.97	10.11	10.83	9.84		10.06
Custom Private Equity BM		-1.53	-0.18	0.91	1.84	3.97	10.11	13.37	11.28		11.19
SPECIALTY CREDIT		0.10	0.58	5.28	7.63	9.82	7.77				6.93
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		-0.32	-0.52	2.91	5.91	8.32	5.11				5.10
CORE FIXED INCOME		-1.77	0.04	3.28	4.64	4.73	2.06	2.69			2.77
Bloomberg US Aggregate		-1.76	-0.05	3.10	4.35	3.63	0.31	1.70			2.11
CASH		0.31	0.92	3.05	4.20	4.76	3.35	2.28	1.84		2.64
FTSE Treasury Bill-3 Month		0.32	0.93	3.09	4.22	4.97	3.49	2.32	1.69		2.56
REAL ESTATE		-0.94	0.12	1.32	3.43	-2.32	4.36	6.90			7.68
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.70	0.70	2.05	2.92	-4.25	2.51	3.88			4.56
REAL RETURN		0.53	5.13	10.00	11.41	13.24	11.06	8.15			6.18
US CPI +3%		0.71	1.55	3.89	5.41	5.80	7.01	5.68			4.45

Insurance Portfolios Performance

CERS INS & CERS HAZ INS - INSURANCE FUND - PLAN NET RETURNS - 03/31/26											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
CERS INS	4,014,759,326.03	-3.80	-1.04	5.31	11.93	10.59	7.54	8.59	6.30	6.99	7.58
KY Ins. CERS Plan IPS Index		-3.55	-1.33	4.98	11.38	10.28	7.42	8.35	6.39	7.24	7.78
CERS - H INS	1,865,839,109.28	-3.76	-0.95	5.30	11.84	10.53	7.57	8.62	6.32	7.00	7.59
KY Ins. CERS Haz Plan IPS Index		-3.55	-1.32	4.98	11.38	10.27	7.42	8.35	6.39	7.23	7.78
KPPA INSURANCE FUND UNIT - NET RETURNS - 03/31/26 - PROXY PLAN ASSET PERFORMANCE											
Structure		Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY		-7.28	-3.05	6.51	19.33	15.08	8.29	10.84	7.41		9.03
MSCI ACWI		-7.29	-2.75	8.09	20.64	16.24	8.81	11.06	7.36		8.91
PRIVATE EQUITY		-1.53	-0.18	0.91	1.84	3.97	10.11	10.83	9.84		10.06
Custom Private Equity BM		-1.53	-0.18	0.91	1.84	3.97	10.11	13.37	11.28		11.19
SPECIALTY CREDIT		0.10	0.58	5.28	7.63	9.82	7.77				6.93
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		-0.32	-0.52	2.91	5.91	8.32	5.11				5.10
CORE FIXED INCOME		-1.77	0.04	3.28	4.64	4.73	2.06	2.69			2.77
Bloomberg US Aggregate		-1.76	-0.05	3.10	4.35	3.63	0.31	1.70			2.11
CASH		0.31	0.92	3.05	4.20	4.76	3.35	2.28	1.84		2.64
FTSE Treasury Bill-3 Month		0.32	0.93	3.09	4.22	4.97	3.49	2.32	1.69		2.56
REAL ESTATE		-0.94	0.12	1.32	3.43	-2.32	4.36	6.90			7.68
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		0.70	0.70	2.05	2.92	-4.25	2.51	3.88			4.56
REAL RETURN		0.53	5.13	10.00	11.41	13.24	11.06	8.15			6.18
US CPI +3%		0.71	1.55	3.89	5.41	5.80	7.01	5.68			4.45

Internal Portfolio Performance



Internal Portfolio Performance (Net of Fees)

As of Date: 03/31/26

Structure	Market Value	% of Total	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	ITD	Inception Date
PUBLIC EQUITY												
Russell 500 Index	3,523,512,704.90	15.61	-4.93	-4.61	5.64	17.73	18.32	12.07	14.30	10.69	9.37	2001-07-01
KY Ret. S&P/Russell Blend			-4.99	-4.74	5.26	17.02	18.06	11.92	14.08	10.58	9.26	
Internal US Mid Cap	296,809,529.30	1.32	-5.30	2.59	10.15	17.62	12.74	7.42	11.15		10.21	2014-08-01
S&P MidCap 400 Index			-5.39	2.50	9.97	17.35	12.09	6.92	10.58		9.75	
PRIVATE EQUITY												
INTERNAL PRIVATE EQ	96,254,366.60	0.43	-3.33	-2.64	4.97	12.73					12.12	2023-12-01
CORE FI												
INTERNAL CORE FI	1,166,604,357.26	5.17	-1.79	0.03	3.05	4.34					4.95	2023-09-01
Bloomberg US Aggregate Bond Index			-1.76	-0.05	3.10	4.35					4.86	
REAL ESTATE												
INTERNAL REAL ESTATE	55,719,104.21	0.25	-7.08	1.13	0.95	2.18					4.88	2023-12-01
NCREIF NFI ODCE Net 1Qtr in Arrears Index^			0.70	0.70	2.05	2.92					-2.82	
REAL RETURN												
INTERNAL REAL RETURN	180,985,401.15	0.80	-7.00	9.82	32.08	42.17					25.07	2023-12-01
KRS CPI + 300 bpts			0.71	1.55	3.89	5.41					5.62	
INTERNAL TIPS	151,732.72	0.00	0.31	0.92	3.06	4.21	4.89	3.47	2.61	3.64	4.25	2002-05-01
KR2 Internal US TIPS Blend			-0.68	0.64	2.90	3.97	4.19	2.66	3.05	3.79	4.37	
CASH ACCOUNT	544,596,128.77	2.41	0.31	0.92	3.06	4.21	4.76	3.35	2.42	2.03	3.42	1988-01-01
FTSE Treasury Bill-3 Month			0.32	0.93	3.09	4.22	4.97	3.49	2.32	1.69	3.06	

Investment Budget Update

KENTUCKY PUBLIC PENSIONS AUTHORITY								
Investment Budget								
Account Name	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget	FY 2026 Budget	FYTD 2026*	FY 2027 Proposed Budget	Difference	Percentage Change
CONSULTING SERVICES								
Wilshire Associates	\$ 1,190,000	\$ 1,200,000	\$ 1,250,000	\$ 1,250,000	\$ 895,006	\$ 1,280,000	\$ 30,000	2%
Albourne	270,000	275,000	275,000	270,000	202,500	270,000	-	0%
MercerInsight	160,000	165,000	165,000	160,000	120,000	160,000	-	0%
New Private Markets Consultant			250,000	250,000	-	250,000	-	0%
SUBTOTAL	1,620,000	1,640,000	1,940,000	1,930,000	1,217,506	1,960,000	30,000	2%
LEGAL & AUDITING SERVICES								
Faegre Drinker	375,000	100,000	375,000	500,000	6,158	300,000	(200,000)	-40%
Intelligent Management Solutions (IMS)	75,000	350,000	700,000	-	-	-	-	-
McClain Law	25,000	100,000	25,000	25,000	72	25,000	-	0%
Reinhart	437,500	2,500,000	3,000,000	1,600,000	5,848	500,000	(1,100,000)	-69%
Stoll-Keenon-Ogden	250,000	750,000	875,000	875,000	95,503	1,000,000	125,000	14%
Haystack	140,000	100,000	200,000	200,000	152,203	250,000	50,000	25%
Umberg Zipser	360,000	850,000	750,000	1,400,000	9,741	1,000,000	(400,000)	-29%
Frost Brown Todd	50,000	-	-	-	-	-	-	-
Fiduciary Legal Expenses		150,000	850,000	1,000,000	47,276	1,000,000	-	0%
Miscellaneous	200,000	50,000	50,000	50,000	-	-	(50,000)	-100%
SUBTOTAL	1,912,500	4,950,000	6,825,000	5,650,000	316,802	4,075,000	(1,575,000)	-28%
CONTRACTURAL SERVICES								
Bloomberg	150,000	150,000	160,000	160,000	88,690	160,000	-	0%
BNYM Custodial Fees	4,000,000	2,600,000	2,700,000	3,000,000	2,660,066	3,600,000	600,000	20%
eVestment (Solovis RMS)	35,000	35,000	35,000	35,000	-	45,000	10,000	29%
Solovis (Reporting & Analytics)	265,000	275,000	300,000	320,000	319,847	320,000	-	0%
FactSet	150,000	150,000	150,000	140,000	103,781	140,000	-	0%
Russell Index Subscription	1,500	1,500	30,000	30,000	-	30,000	-	0%
S&P Global	75,000	75,000	47,500	47,500	-	-	(47,500)	-100%
TradeWeb	7,500	7,500	-	-	-	-	-	-
State Street/Elkins McSherry	10,000	10,000	10,000	10,000	-	10,000	-	0%
ISS	37,000	60,000	60,000	60,000	54,375	100,000	40,000	67%
MSCI	1,000	1,000	1,000	2,500	2,500	2,500	-	0%
KPMG Tax Guarantor Services	7,500	7,500	10,000	10,000	9,450	10,000	-	0%
Jayant Ghevaria and CO	55,000	55,000	55,000	55,000	143,114	55,000	-	0%
India Renewal Fee (SEBI)	3,000	3,000	3,000	3,000	-	3,000	-	0%
With Intelligence			10000	10,150	10,850	11,000	850	8%
SUBTOTAL	4,797,500	3,430,500	3,571,500	3,883,150	3,392,672	4,486,500	603,350	16%

KENTUCKY PUBLIC PENSIONS AUTHORITY								
Investment Budget								
Account Name	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget	FY 2026 Budget	FYTD 2026*	FY 2027 Proposed Budget	Difference	Percentage Change
MISCELLANEOUS SERVICES								
Miscellaneous & New Services & Subscriptions	250,000	250,000	250,000	250,000	-	200,000	(50,000)	-20%
Morningstar			2500	2,625	2,625	2,625	-	0%
McLagan Compensation Survey for US Public Funds			0	8,750	-	-	(8,750)	-100%
Fin/News			0	1,350	-	1,350	-	
Oxford Economics			20000	21,500	21,500	21,500	-	0%
Perscient Pro				-	-	2,950	2,950	
Pension Real Estate Association			350	350	330	350	-	0%
Reimbursement of Pzena				15,000	-	15,000	-	0%
SUBTOTAL	250,000	250,000	272,850	299,575	24,455	243,775	(55,800)	-19%
TOTAL	8,580,000	10,270,500	12,609,350	\$ 11,762,725	\$ 4,951,435	\$ 10,765,275	\$ (997,450)	-8%

* Through March 31, 2026

INVESTMENT BUDGET	
CONSULTING SERVICES	
Wilshire Associates	General Investment Consultanting Services, Manager Research and Due Dilligence, Reporting, Asset Allocation
Albourne	Investment Consultant Research database - Private Markets Manager Research, Private Markets Research, Pension Markets Research
MercerInsight	Investment Consultant Research database - Public Markets Manager Research, Public Markets Research, Pension Markets Research
LEGAL & AUDITING SERVICES	
Faegre Drinker	Delaware litigation counsel
Intelligent Management Solutions (IMS)	IMS is an expert witness in the Bay Hills case.
McClain/Goldberg	Blackstone litigation counsel for the Trustees and Officers
Reinhart	Bay Hills counsel and investment counsel for contract negotiations
Stoll-Keenon-Ogden	Mayberry counsel
Haystack	Conduct Mayberry eDiscovery
Umberg Zipser	PAAMCO-Prisma (California litigation)
Frost Brown Todd	Currently has no investment-related cases
Swansburg & Smith	Reimbursement of Fiduciary Legal Expenses (KKR)
Eddins Domine	Reimbursement of Fiduciary Legal Expenses (KKR)
Taft	Reimbursement of Fiduciary Legal Expenses (Calcaterra Pollack)
CONTRACTURAL SERVICES	
Bloomberg	Bloomberg Professional Services, Data Analytics and Tools, Market Information and News, Research Portal
BNYM Custodial Fees	Full Service Custodial Services, Investment Accounting, Investment Operations, Transaction Services, Performance and Attribution, Reporting
eVestment (Solovis RMS)	Research Management Program organizing internal and exteranl research
Solovis (Reporting & Analytics)	Portfolio and Risk Analytics, Perfomance Measurement and Attribution, Reporting
FactSet	Workstation and Quant/Risk Applications for managing Public Equity Portfolios
Russell Index Subscription	Access to Russell Indexes for Portfolio Management, Reporting and Performance
S&P Global	Data on the S & P US Index / License to 10,000 Identifiers for Portfolio Management, Reporting and Performance
TradeWeb	Electronic Trading Platform for Internal Management
State Street/Elkins McSherry	Public Equity Trade Cost Analysis
ISS	Portfolio Monitoring and Proxy Voting Services
MSCI	International Public Equity Data Package
KPMG Tax Guarantor Services	Tax Accounting Services - Taiwan
Jayant Ghevaria and CO	Tax Accounting Services - India
India Renewal Fee (SEBI)	Registration of India Local Market Accounts
Oxford Economics	Global macroeconomics and markets research
Fin/News	Subscription to institutional investment news hub
Morningstar	Access to Morningstar Indexes for Portfolio Management, Reporting and Performance
Pension Real Estate Association	Industry Association for News and Research
With Intelligence	Portfolio Management Research provider



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

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To: KPPA, CERS & KRS Board
From: Ryan Barrow
Date: June 2026
Subject: KPPA Update

I. ADMINISTRATIVE & STAFFING UPDATE:

- **The Team Kentucky Internship Program (TKIP)**, coordinated by the Personnel Cabinet, provides meaningful internship experiences and professional development opportunities for students across state government. This year, our agency is hosting five interns in the areas of Legal Advocacy, Executive, Enterprise & Technology Services, Investments, and Accounting. We are proud to support this program and hope their experience with our agency contributes to their continued growth and future success.
- **KPPA Management Essentials – Leadership as a Superpower:** The Management Essentials course continues with 10 participants providing focused leadership development designed to strengthen the skills needed for effective management. Through interactive sessions, participants will have opportunities to discuss workplace challenges, share experiences, and learn from one another. The program also fosters cross-agency connections, creating a network of peer support among managers. Course topics were selected based on Division Director feedback and frequently addressed HR issues.
- KPPA had two employees participate in the **Governor’s Leadership Program for Emerging Leaders**. Participants engaged in a transformative program designed to cultivate the next generation of leaders in KY. The program focused on communication, inclusion, leading by example, managing a team and self-care. They heard from various speakers, engaged in volunteerism, and presented a capstone project at the conclusion of the program. The program began in August 2025, and participants graduated in May 2026.
- KPPA also have two employees participating in the **Governor’s Leadership Program for Executive Leaders**. The program began in August 2025 and is scheduled to wrap up in the next couple of months. This program is designed for upper-level leadership positions and provides career growth so that participants can drive change, foster innovation, and enhance interactions with employees in their agencies.

- Mike and I presented at the **NCPERS Annual Conference and Exhibition**. We were honored to be selected to open the learning portion of the conference on the kickoff evening. Along with GRS, the presentation selected by KPPA is “Staying the Course when It’s Hard: Lessons in Pension Funding Discipline.”

II. STRATEGIC PLAN & IMPLEMENTATION UPDATE:

- **Fiscal Year 2027 Business Plan:** The 2027 Business Plan will be presented to the KPPA Board for approval at its June 25, 2026 meeting.

III. 2026 TRUSTEE IMPACT FORUM:

- We are excited to tentatively announce the **2nd Trustee IMPACT Forum** (Investments, Management, Pensions, Advisory, Compliance, and Training) so please hold **October 22nd and 23rd**. We plan to focus on key areas including fiduciary responsibility, investments, benefits, and legal compliance. If anyone has a request or suggestion for any program ideas or topics, please submit those to Sherry. We are looking forward to another great round of educational sessions and discussion.

IV. LEGISLATIVE UPDATE:

- Erin and I presented information on Reemployment after Retirement to the **Public Pension Oversight Board (PPOB)** June 1st and the **Interim Joint Committee Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement** on June 3rd.

V. LOUISVILLE INVESTMENT OFFICE UPDATE:

- All state and local approvals have been obtained, and the construction piece of the project has officially begun, and Finance Facilities estimates we will take occupancy this fall.

VI. KPPA KUDOS:

- **Kristen Coffey** achieved a first-time 100% participation rate on the most recent Internal Audit Risk Assessment Survey. KPPA is appreciative of everyone who contributed to the success of this important process. Also, **Kristen Coffey and Madeline Evans** led an engaging Lunch and Learn on understanding the Internal Audit process and how it benefits the agency for Division Directors on April 29th, providing valuable insights and fostering meaningful discussion among leadership.
- The KPPA Legal Department recognizes **Carrie Cosby**, Branch Manager in the Division of Quality Assurance, for her invaluable assistance with the member pension-spiking backlog project. Her expertise and thorough understanding of the post-retirement audit process were instrumental in completing the project efficiently and on schedule.

- Version two of Between Bites continued April 29th with an informal quarterly breakfast series designed to strengthen employee engagement and connection in a hybrid work environment. Thank you to **Lori Casey** and **Amy Fields** for their efforts in organizing and preparing for our sessions.
- Our **Member Outreach Division** received recognition from the Kentucky State Police Academy Branch for its support of the Kentucky State Police Financial Wellness classes. These classes help Troopers, Officers, and Detectives prepare for retirement and the next chapter of their lives.
- Thank you to **Lori Casey, Kim Leet, and Lori Wells** for their work and support in coordinating activities for Public Service Recognition Week. Through their efforts, KPPA staff enjoyed special treats and events that celebrated the dedication and service of our employees.
- **Stephanie Harrod and Alice Ashburn** were recognized by a member for providing exceptional customer service. The member shared that the experience—from arrival at the front desk through the completion of the counseling session—was outstanding.
- **Joe Gilbert**, like all members of the investment team, continues to work to improve the quality of the KPPA investment portfolio in terms of both performance and efficiency. Recently, renegotiated fee agreements resulted in over \$4 million in annualized savings across the pension and insurance funds, with 13 of 14 external mandates now ranking in the lowest quartile of associated universe data.
- **James Isaacs and Tara Harris** received a kudos from Mike Riley, KRS Trustee, for their participation in the Kentucky Public Human Resources Association Conference. Their willingness to answer questions and provide thoughtful feedback was greatly appreciated by attendees.
- **Jack Medlar and Team** were recognized by a member for their expedited service and exceptional professionalism in resolving an issue. Their responsiveness and commitment to excellent customer service made a lasting impression.

Many thanks to everyone involved in maintaining and improving KPPA operations!



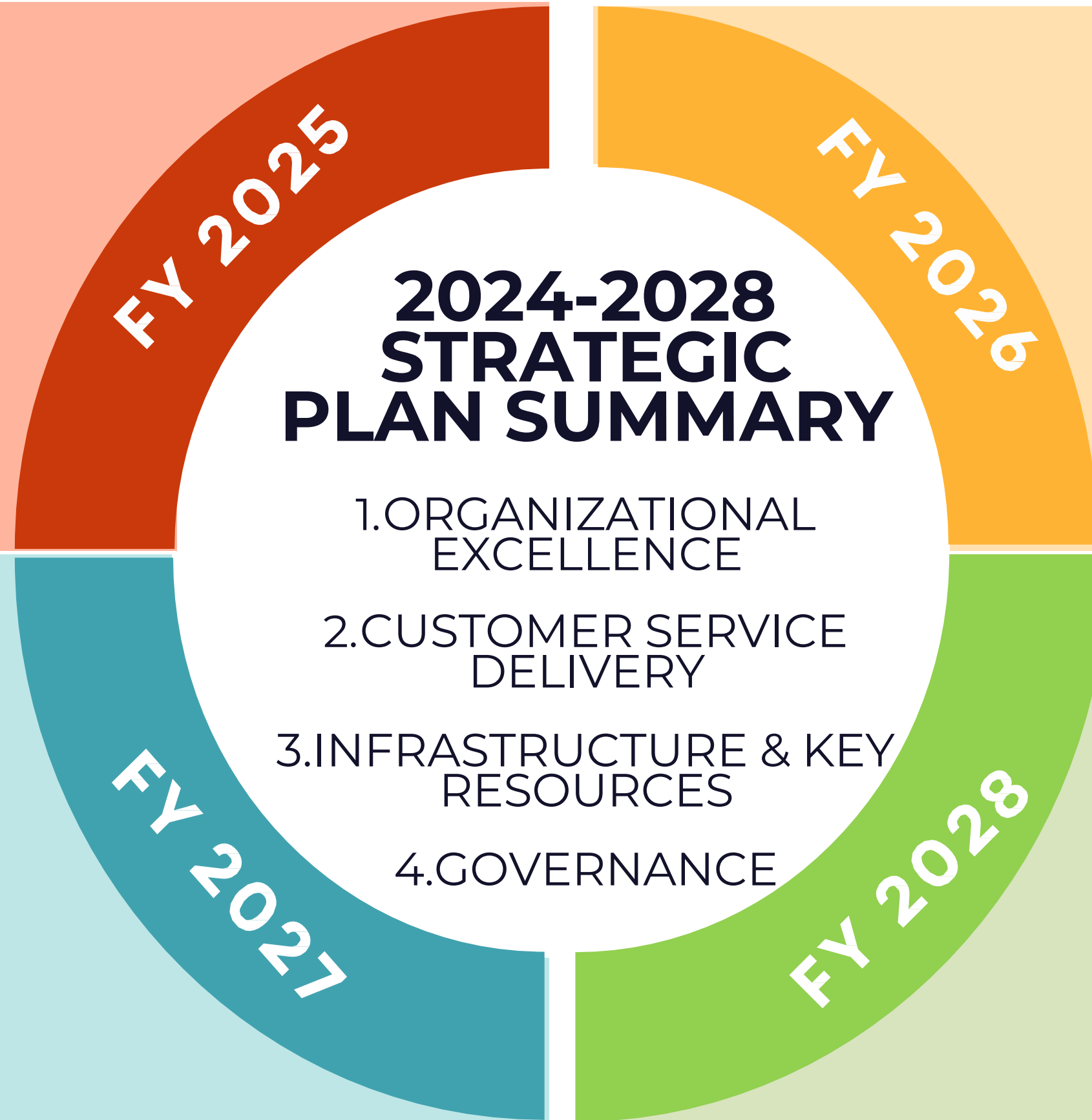
KPPA staff collaborated with Provaliant to gather data on internal processes and explore potential enhancements. The Executive Staff utilized the findings presented by Provaliant to develop KPPA's Strategic Plan Summary, which received KPPA Board approval in the summer of 2024 and structured for implementation over a four-year period.

IMPLEMENTATION DESIGN

KPPA worked with Provaliant to translate strategic goals into clear, actionable initiatives by setting priorities and timelines, securing resources, and establishing metrics to guide execution for each initiative.

STRATEGIC IMPLEMENTATION CONTINUES

KPPA leadership and the Strategic Planning Committee evaluate ongoing and new initiatives to develop the annual Business Plan.

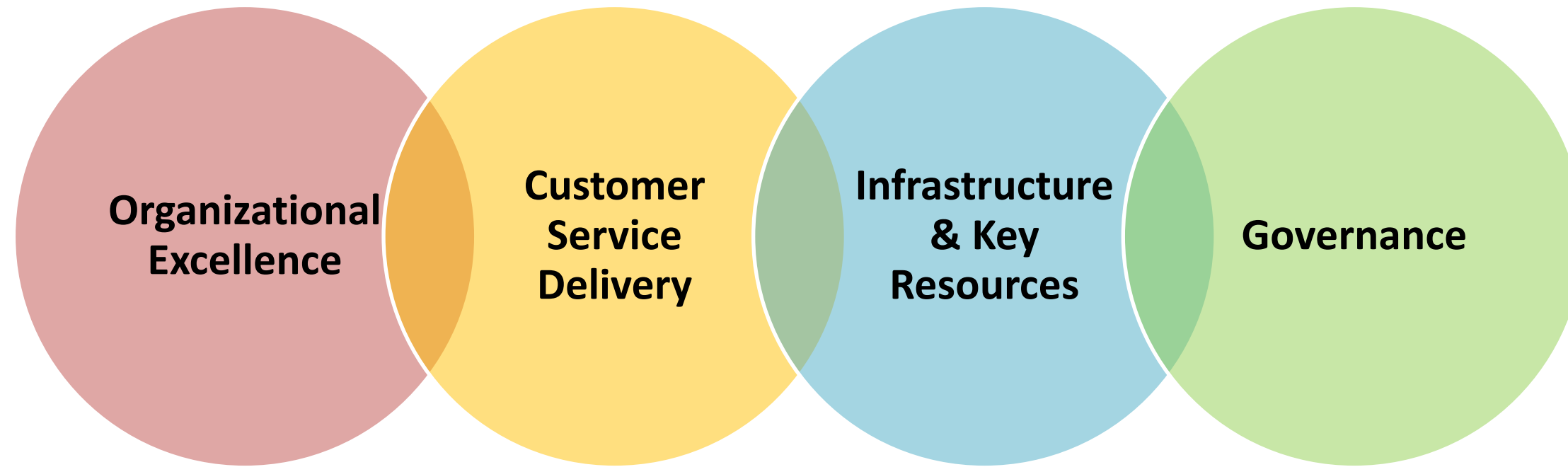


ANNUAL BUSINESS PLAN

Staff presents the annual Business Plan to the KPPA Board at its June meeting. The business plan details the strategic initiatives for the fiscal year that align with the Strategic Plan Summary.

STRATEGIC IMPLEMENTATION CONTINUES

KPPA leadership and the Strategic Planning Committee evaluate ongoing and new initiatives to develop the annual Business Plan.



ORGANIZATIONAL EXCELLENCE

Benchmarking and Best Practices

- Develop ongoing/periodic review of all in-house policies



Service Delivery Programs

- Ongoing three-member teams work in three-month cycles to develop process analysis recommendations and service enhancement proposals
- Paper check reduction
- Member Self Service enhancements

Targeted Communication and Programs

- Reevaluate current service model for membership
- Employer Self Service redesign



Succession Plan

- Develop ongoing staff training on M365 collaborative tools

Key Performance Indicators (KPI)

- Expand KPIs to include all functional areas

Web Content Accessibility

- Establish framework for sustained conformance with Web Content Accessibility Guidelines (WCAG)



Technology

- Conduct technology assessment and roadmap
- Technology assessment identified project 1
- Develop Artificial Intelligence (AI) policy
- Identity verification
- Phone system upgrade
- Consolidate/update accounting software
- Integrate Software Development Life Cycle (SDLC)



Capital Project Phases

Planning Phase FY 27-28

- KPPA works with the vendor to develop a phased modernization plan based on the completed technology assessment.
- This plan will align identified needs with the agency's strategic goals and include obtaining necessary board approvals.

Implementation Phase FY 29-30

- Significant modernization or full replacement of KPPA's current PAS.
- Includes system design, development, testing, data migration, integration with existing platforms, and phased deployment across the agency.

Closure Phase FY 31-32

- System stabilization, performance validation, documentation, staff training, and formal project closeout.
- This phase ensures a smooth transition to ongoing operations.

GOVERNANCE

KPPA Board

- Evaluate Board and Committee document process

Operational Resources

- Evaluate By-Law(s) compliance
- Compliance Officer duties
- Policy and procedure solution





KPPA

Kentucky Public Pensions Authority

2027 Business Plan
of the
2024 – 2028 Strategic Plan Summary

06/25/2026

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SECTION 1
REVISION HISTORY

REVISION HISTORY

Version	Updated By	Date	Description Of Changes
0.1	Erin Surratt	06/25/26	Initial draft

SECTION 2

PURPOSE OF DOCUMENT

The purpose of this document is to outline the strategic initiatives to be implemented in part or whole during fiscal year 2027 (FY2027) which runs from July 1, 2026, through June 30, 2027. It is intended to provide detail and direction specific to FY2027 while staying in alignment with the overall plans defined by the 2024-2028 KPPA Strategic Plan Summary that was approved by the KPPA Board June 27, 2024, and updated to reflect Core Values September 25, 2025. It is important to align strategic planning and project execution with the fiscal year and biennial budget cycle so that staff, KPPA management, and the KPPA Board are apprised in advance of resources that may be required in upcoming budget cycles. See Appendix B for an overview of the strategic plan against the budget cycles.

SECTION 3

STRATEGIC AREAS OF FOCUS

The following are KPPA's strategic areas of focus which help continually improve service and execution as the agency adapts to evolving customer needs and changing internal and external environments. These were adopted as part of the 2024-2028 Strategic Plan Summary.

ORGANIZATIONAL EXCELLENCE

CREATE KPPA ORGANIZATIONAL EXCELLENCE MODEL

- ◆ **Support the Core Values** - Enhance and support the KPPA core values by using organizational excellence best practices and continuous improvement programs for business operations to create and follow an ongoing KPPA organizational excellence model.
- ◆ **Benchmarking & Best Practices** - Use benchmarking and best practices programs for customer service delivery and related continuous improvement services to compare KPPA performance to other organizations.

CUSTOMER SERVICE DELIVERY

MODERNIZE, ENHANCE, AND SUSTAIN HIGH QUALITY SERVICES

- ◆ **Targeted Communication & Programs** - Enhance member experience across career stages and age groups through more targeted communications and programs.
- ◆ **Service Delivery Programs** - Evaluate service delivery programs regularly to take advantage of changing societal trends and performance benchmarks.
- ◆ **Satisfaction Surveys** - Use timely satisfaction surveys to fine tune and/or redesign future programs.

INFRASTRUCTURE & KEY RESOURCES

MODERNIZE AND SUSTAIN HIGH QUALITY RESOURCES

- ◆ **Succession Plan** - Reinforce KPPA's early-stage leadership and ongoing succession plan activities with additional proven best practices.
- ◆ **Productivity Monitoring** - Continue to monitor and measure the effectiveness of the evolving hybrid working arrangements during 2024 and update plans accordingly for 2025 and beyond.
- ◆ **Technology** - Conduct a comprehensive review of current technology against current and future needs and develop an overall roadmap with specific steps for addressing KPPA needs and consistent with societal trends in technology use.
- ◆ **Investments** - Expand in-house investments staff and management capabilities.

GOVERNANCE

CONFIRM, IMPROVE, AND MONITOR OPERATIONS

- ◆ **Board Support** - Refine and enhance staff support for Board and Committee function.
 - ◆ **Policy Governance** - Apply best practices for management policy governance.
 - ◆ **Operational Decisions** - Develop a Business Plan for each fiscal year of the Strategic Plan that defines specific projects/tasks to be accomplished in whole or in part during the fiscal year. Monitor and adjust as necessary to allow for timely and effective implementation of statutory changes and the fulfillment of significant requests from the Board(s) while ensuring continued progress on the Strategic Plan.
-

-
- ◆ **Operational Resources** - Ensure that KPPA operational resources are controlled and monitored by the KPPA executive director to meet the needs of day-to-day operations, the strategic plan, and the boards and committees.
-

SECTION 4

FY2027 STRATEGIC INITIATIVES AND APPROACH

The following provides an overview of activities for all strategic initiatives defined for FY2027 grouped by the strategic areas of focus. The purpose of this overview is to further define high-level activities required to execute strategic initiatives. Detailed project plan tasks in the FY 2027 Business Plan will support each of the high-level tasks below, include target start and finish dates, and be specifically assigned to individuals responsible for executing tasks. Frequent updates on the activities are reported so that team participants and leaders are proactively monitoring the execution of the strategic initiatives. Planning and monitoring progress in detail is the responsibility of the Strategic Planning Committee.

Organizational Excellence

◆ Benchmarking and Best Practices

Develop Ongoing/Periodic Review of all In-House Policies

Set up and maintain regular review and modification process for internal management policies.

Task	Timeframe
Identify "ownership" of Management Policies not consistently being reviewed annually, determine if policy is still applicable, and ensure all follow a regular schedule for review and approval by the appropriate leadership	Jul 2026 – Mar 2027
Update the HIPAA Policy	Nov 2024 – Dec 2026

Customer Service Delivery

◆ Service Delivery Programs

Deliver Service and Process Enhancements to Stakeholders (Members, Retirees, Employers)

Delivery of business process analysis recommendations and other service-related enhancements identified by the Strategic Planning Committee or KPPA leadership utilizing small and focused teams (3 – 4 member teams for 3 months).

Task	Timeframe
Form an implementation team for Member Presentations, recommendations, and define implementation activities and schedule	Oct 2024 – Dec 2026

Paper Check Reduction

Evaluate the business need for paper checks versus the utilization of Electronic Funds Transfer (EFT)/Automated Clearing House (ACH).

	Timeframe
Allow supplemental payments to be direct deposited	Apr 2026 – Jul 2026
Launch a communication campaign	Aug 2026 – Jan 2027
Enroll anyone who gets a monthly paper check into the Prepaid Debit Card program	Jan 2027 – Jun 2027
Reduce the number of paper checks being sent to Deferred Compensation	Jul 2026 – Jun 2027
Require ACH/EFT for new vendor contracts	Jul 2026 – Jun 2027
Direct debit a members banking account to collect on an overpayment	Jul 2026 – Jun 2027

Self-Service Enhancements

Add or improve existing web functionality for KPPA members and retirees.

	Timeframe
Self Service Mirroring	Feb 2026 – Dec 2026
Add/Delete/Update Beneficiary	Apr 2026 – Dec 2026
Online appointment scheduling	Jul 2026 – Jun 2027

◆ Targeted Communication & Programs

Re-evaluate Current Service Model

KPPA Benefits leadership will evaluate the effectiveness of the current service model for membership against best practices of other public pension plans.

Task	Timeframe
Evaluate current services being provided (in-person, virtual, phone counseling, webinars, newsletters).	Jul 2026 – Jun 2027
Evaluate KPPA website	Jul 2026 – Jun 2027
Evaluate career-stage specific communications	Jul 2026 – Jun 2027
Develop roadmap to update service model over time	Jul 2026 - Jun 2027
Explore targeted communication for Member Annual Statement notification to members	Mar 2027 – Aug 2027

Employer Self Service Redesign

Enhance Employer Self Service to offer additional features for a better user experience and to support employer reporting officials with statutory compliance.

Task	Timeframe
Centralized messaging center	Jul 2026 – Jun 2027
Annual Self-Audit for employers	Jul 2026 – Jun 2027

Infrastructure and Key Resources

◆ Succession Plan

Develop ongoing staff training on M365 collaborative tools

Establish training videos series on M365 for staff reference.

Task	Timeframe
Establish training videos on M365	May 2026 – Jul 2026

◆ Key Performance Indicators (KPI)

Expand KPIs to include all functional areas.

Expand existing KPIs to include adequate reporting to monitor productivity and to identify any backlogs.

Task	Timeframe
Review and expand KPIs to better evaluate effectiveness and identify opportunities for improvement and refine policies	Jul 2025 – Jun 2027
Develop reporting mechanisms to capture and report visually using a dashboard	Jul 2025 – Jun 2027
Review KPIs quarterly with KPPA management	Ongoing

◆ Website Content Accessibility

Establish framework for sustained conformance with Web Content Accessibility Guidelines (WCAG)

Prepares KPPA for the April 2027 federal accessibility deadline and the development of an agency-wide framework for continuous monitoring and long-term compliance for both the KPPA website and Self Service portal.

Task	Timeframe
Define WCAG 2.1 requirements, inventory all website content, and remediate non-compliant materials across all formats	September 2025 - April 2027
Evaluate tools, develop staff expertise in accessibility requirements and update process documentation	July 2026 - June 2027
Train staff across the agency to create and maintain WCAG-compliant content	August 2026 - June 2027
Determine method and implement long-term accessibility monitoring, process to track evolving standards, and set the framework to sustain agency-wide conformance over time	July 2026 - June 2027

◆ Technology

Conduct Technology Assessment and Roadmap

The Technology Assessment activities assume completing the assessment in time to include any technology-related budget requests (may or may not be needed) in the upcoming biennial budget or capital project requests.

Task	Timeframe
Conduct technology Gap assessment and Future State recommendations	Jul 2025 – Jan 2027
Determine approach to implementation, strategic plan, and budget implications based on assessment	Jan 2027 – Jun 2027

Technology Assessment Identified Project 1

Based on the results of the technology assessment, KPPA will prioritize and begin modernizing its technology systems as appropriate. It's expected that there will be some easier changes ("quick wins") along with other items that may be multiple-year projects. This is a place holder for the first project selected from the prioritized list.

Task	Timeframe
TBD	
TBD	

Develop AI Policy

Development of an overarching AI policy to govern the use of AI at KPPA including approved uses for staff and vendors, approach for evaluating AI initiatives, and identifying approved AI tools.

Task	Timeframe
Assess the current landscape of organizational AI policies and current best practices	Jan 2026 – Aug 2026
Develop and implement a policy based on assessment and KPPA needs	Sep 2026 – Mar 2027
Incorporate review of AI policy into KPPA's in-house policy review process	Apr 2027 – Jun 2027

Identity Verification

Implement an identity proofing solution to enhance the login and registration security for Member and Retiree Self Service.

Task	Timeframe
Procurement of services for identity proofing solution	May 2026- Jun 2026
Develop communication campaign	Jun 2026 – Dec 2026
Design and develop changes for Self Service to accommodate identity proofing solution.	Jun 2026 – Jan 2027

Phone System Upgrade

Upgrade the phone system to improve call quality, reliability, and overall efficiency while adding enhanced features and user support.

Task	Timeframe
Evaluate current needs and requested enhanced features for call center	Jun 2026 – Jul 2026
Selection and procurement of phone services	Aug 2026 – Dec 2026
Design and plan implementation of phone system	Jan 2026 – Jun 2027

Consolidate/Update Accounting Software

In FY 2026 beginning with the technology assessment, KPPA will evaluate potential solutions to replace Microsoft Great Plains and integrate with eMars and/or START.

Task	Timeframe
Evaluate solutions to replace Microsoft Great Plains	See Tech Assessment timeline

Integrate Software Development Life Cycle (SDLC)

Process of consolidating the current SDLC process and prioritization into strategic planning and budget process.

Task	Timeframe
Formalize the strategic planning process to include the SDLC prioritization process	Jul 2025 – Jun 2027
Communicate the new process and prioritization to the organization	Dec 2025 - Jun 2027
Reinforce and support the new process within the organization	Ongoing

Governance

◆ KPPA Board

Evaluate Board and Committee Document Process

Evaluate all aspects of board and committee documentation to ensure availability, efficient archiving, and periodic policy review.

Task	Timeframe
Confirm process for redaction of public facing board materials	Jan 2026 – Jun 2027
Convert historical documents to electronic	Jan 2026 – Jun 2027
Periodic review procedures for Board Policies	Jul 2026 – Mar 2027
Ensure appropriate policies and procedures in place for annual submission of required trustee forms - conflict of interest, ethics, etc.	Jul 2026 – Mar 2027

◆ Operational Resources

Evaluate By-Law(s) Compliance

Develop a process to ensure KPPA staff implements all necessary items from By-Laws.

Task	Timeframe
Develop process to ensure implementation items from By-Laws	Jul 2025 – June 2027
Confirm process for consistent periodic review of By-Laws and necessary changes due to state or federal changes	Jul 2025 – June 2027

Compliance Officer Duties

Redefining Compliance Officer duties to encompass all KPPA Business areas.

Task	Timeframe
Document all processes	Jun 2026 – Jun 2028
Annual/periodic review of Board policies	Jun 2026 – Jun 2028
Annual/periodic review of Management Policies	Jun 2026 – Jun 2028
Annual/periodic review of Website documents	Jun 2026 – Jun 2028
Annual submission of required trustee forms - conflict of interest, ethics, etc.	Jun 2026 – Jun 2028

Policy and Procedure Solution

Investigate a comprehensive Policy and Procedure solution for KPPA. Such solution will help create, manage, distribute, and update internal policies (including Board, Management, Division) and procedures in a centralized, secure and digital environment, as well as relevant regulations KPPA is responsible for.

Task	Timeframe
Identify current solutions being used at KPPA (Wiki), Shared Drive, SharePoint, Excel, Teams, etc.	May 2026- Aug 2026
Identify the GAPS in current processes being used	May 2026 – Aug 2026
Review & evaluate internal and external solutions and make recommendation(s) to KPPA management	May 2026 - Aug 2026
Ensure centralized location	May 2026 – Aug 2026

SECTION 5

STRATEGIC PLANNING CONTROLS AND GOVERNANCE

The chart below illustrates key participants currently providing governance to the strategic plan activities. Other leaders from the organization may also be involved at various times and milestones throughout the project. The strategic planning and continuous improvement activities included in KPPA’s 2024-2028 strategic plan will require proactive project management and widely communicated information to fully accomplish the goals of the strategic plan. To accomplish these goals, it will likely require fully dedicated individuals beyond the governance model below to keep strategic initiatives moving on a daily basis.

KPPA Strategic Planning Governance



SECTION 6

BUDGET IMPACT

Most tasks related to strategic planning initiatives will be accomplished with current staff and within the administrative budgets for the period covered by the 2024-2028 Strategic Plan Summary. Strategic initiatives are intended to provide consistent direction and focused purpose to ongoing work within the agency to optimally utilize the available resources for the best benefit to stakeholders.

KPPA leadership acted in the last biennium to align available resources with the goals of the 2024 – 2028 Strategic Plan Summary. These actions include requesting and receiving an increase in our staffing CAP from 270 to 284. The KPPA Board approved this request in June 2024. It is important to note that staff reallocations are anticipated as process improvements are identified. This will allow for the delivery of additional services to members and employers without the addition of staff beyond 284.

The upcoming technology modernization initiative is anticipated to require funding outside of the normal administrative budget. The Commonwealth has provided budgetary guidelines known as Capital Project Planning for technology projects whose total cost will exceed a \$1,000,000 threshold. Capital Project Planning is defined in KRS 7A. The Commonwealth’s Capital Project Plan is a six-year plan that must be adopted in the budget bill. The current plan is for 2026 – 2032. As a requirement of KRS 7A, all technology capital projects are reviewed first by the Commonwealth Office of Technology (COT) and then by the legislative statutory committee, Capital Planning Advisory Board (CPAB). Because the details of the KPPA Modernization Project are still unknown, staff worked with a budget analyst at the Finance Cabinet to submit an estimated capital project request. Details will be expanded based on data provided through the Technology Assessment initiative.

Phase	Budget Requested
Planning Phase (FY 2028)	\$15,000,000 (Approved)
Implementation Phase (FY 2029 and FY 2030)	\$50,000,000
Closure Phase (FY 2031 and FY 2032)	\$10,000,000

The planning phase funding was approved in the 2027-2028 biennial budget during the 2026 Regular Session of the KY General Assembly. These funds will come from the trusts and not from a general fund appropriation. Special reporting to Finance and to the legislature is required once an agency has an approved capital project. Actual expenditures are based on need as identified through the project. Spending is capped at the approved amount but having an approved capital project does not commit an agency to spend the entirety of the approved funds. The Capital Project approval process simply provides the KPPA Board with permission to spend trust funds for the technology modernization project.

APPENDIX A

COMPLETED INITIATIVES FROM 2024-2028 STRATEGIC PLAN

Organizational Excellence

Task	Accomplished By	Date Complete
2023 - 2024 Leadership Academy (Imaging)	HR conducted this for Imaging and Mail Room staff	2024
Review organizational mandates, policies and operational guidelines to identify refinement opportunities for alignment with KPPA's current strategic direction	Leadership Academy participants	2025
Set up and maintain training for KPPA directors which focuses on operational efficiency, continuous improvement, and how to drive long-term success	HR	2025
Update the Record Retention Policy with KDLA	Records Retention Officer	Sep 2025
Formally establish a strategic planning committee to provide oversight to strategic planning activities and foster engagement across KPPA	Executive	Nov 2025
Provide Six Sigma Training to select KPPA staff	DETS	Apr 2026
Conduct Operations Benchmarking Survey	Executives	Jun 2026

Customer Service Delivery

Task	Accomplished By	Date Complete
Created Permanent Survey Team	Benefits/Operations	Jan 2025
Eliminate Workaround to Update Membership Status through Pre-Retirement Audit when a Death Date Exists – Fixed Issue in the Eligibility Screen	DISB, DETS, QA	Feb 2025
Remove Manual Creation of Non-Member Memberships through Pre-Retirement Audit- Created Automated Omitted billings from the Averaging batch	QA, ERCE, DETS	Apr 2025
Proactively use Customer Feedback from Surveys to Enhance Member Engagement	Survey Team	Jun 2025
Form an implementation team for AI Use in the Call Center Recommendations and define implementation activities and schedule	DETS, MSUP, Security	Jun 2025

Real Time Banking Verification	Payroll, Accounting, DETS	Nov 2025
Form an implementation team for Quality Assurance (QA) recommendations and define implementation activities and schedule	ERCE, DETS, QA	Dec 2025
Modify Pre-Note Process for paper check reduction	Payroll, DETS	Feb 2026

Infrastructure and Key Resources

Task	Accomplished By	Date Complete
Track HR KPIs	HR and KPI team	2024
Conduct an RFP for a Technology Assessment	DETS, Procurement	Jun 2025
Define best storage and retrieval methodology (KDLA)	Executive, Procurement and Office Services	Sep 2025
Continued development of KPPA Leadership Academy to help keep an inclusive work environment that promotes employee effectiveness, morale and retention	HR	Dec 2025
Replace Gravity software with Workiva to provide a more complete reporting solution for the Annual Comprehensive Financial Report (ACFR) and for Board reporting	Accounting	Dec 2025
Internships – Team KY Internships	HR	May 2026
Eliminate the use of Microfiche	Procurement and Office Services	Jun 2026

Governance

Task	Accomplished By	Date Complete
Document all processes (Board and Committee)	Exec Staff Assistant	Jul 2024
KDLA archive of Board minutes and agendas	Exec Staff Assistant	Dec 2024
Evaluate statutory reporting compliance	Operations	Dec 2024
Split ACFR into two – CERS ACFR and KRS ACFR	CFO, Accounting	Dec 2024
Employer Invoice Process Review: Provide information and follow up to all employers with overdue invoices	ERCE, DETS	Mar 2025
Legislative Tracking: Implement and utilize enhanced legislative tracking to efficiently monitor relevant legislation to KPPA.	Communications	Apr 2025
Employer Invoice Process Review: Evaluate the current process of tracking and seeking remittance of employer invoice payments	ERCE, DETS	May 2025

Pull Board/committee videos from Facebook to archive on premises	Exec Staff Assistant	Jun 2025
Expand Compliance Officer duties to include traditional Investment Compliance as well as overall agency compliance.	CFO	Jun 2025
Evaluate statutory reporting compliance	Legal	Jun 2025
Employer Invoice Process Review: Design improvements to the process	ERCE, DETS	Jul 2025
Link videos from YouTube instead of Facebook due to retention changes	Communications, MSVC	Aug 2025
Employer Invoice Process Review: Enhance reporting of outstanding employer invoices	ERCE, DETS	Sep 2025
Employer Invoice Process Review: Evaluate the need for administrative regulation changes	ERCE, DETS	Dec 2025
Employer Invoice Process Review: Change the timing of assessing monthly reporting late penalties	ERCE, DETS	Feb 2026
Employer Invoice Process Review: Develop and implement the design changes	ERCE, DETS	Mar 2026
Define self-insurance certificate	Executive, Legal	Jun 2026