

**Kentucky Retirement Systems Board of Trustees
Quarterly Board Meeting
September 12, 2024, 10:00 a.m. ET
Live Video Conference/Facebook Live
AGENDA**

- | | |
|--|--|
| 1. Call to Order | Lynn Hampton |
| 2. Legal Public Statement | Office of Legal Services |
| 3. Roll Call/Public Comment | Sherry Rankin |
| 4. Approval of Minutes – June 18, 2024* | Lynn Hampton |
| 5. Joint Retiree Health Plan Committee Report* | Dr. Crystal Miller
Connie Pettyjohn |
| a. 2025 KEHP Plan | |
| b. 2025 Humana Medicare Plan | |
| 6. Quarterly Financial Reports | Michael Lamb |
| 7. Memo on Outstanding Employer Invoices | Michael Lamb |
| 8. Investment Committee Report* | Prewitt Lane
Steve Willer |
| 9. CEO Report | John Chilton |
| 10. 2025 Board and Committee Meeting Calendar* | Lynn Hampton |
| 11. KPPA Update | Ryan Barrow |
| 12. New Business | Lynn Hampton |
| 13. Closed Session** - Litigation | Lynn Hampton |
| 14. Adjourn* | Lynn Hampton |

**Board Action Required*

***Board Action May Be Required*

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES ANNUAL MEETING
JUNE 18, 2024, AT 10:00 AM, E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the Kentucky Retirement Systems Board of Trustees held on June 18, 2024 the following members were present: Lynn Hampton, Ramsey Bova, Mary Eaves, Prewitt Lane, Keith Percy, William Summers, V, and Pamela Thompson. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Ryan Barrow, Erin Surratt, Michael Board, Leigh Ann Davis, Michael Lamb, Steve Willer, Brian Caldwell, Anthony Chiu, Victoria Hale, Jessica Beaubien, Jillian Hall, Carrie Bass, D’Juan Surratt, Connie Davis, Connie Pettyjohn, Ashley Gabbard, Shaun Case, and Sherry Rankin. Others in attendance included Robert Kellerman, Outside Counsel; Craig Morton with Wilshire; Tracy Garrison, Larry Loew, and Carla Whaley with Humana; and Ryan Graham with Blue & Co.

Ms. Hampton called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

Ms. Hampton introduced agenda item **Public Comment** (*Video 00:05:00 to 00:05:39*) and Ms. Rankin indicated that one comment had been received from Douglas Lee Jordan, and read as follows:

“I want to see the pension spike problem fixed! This is totally unacceptable and ridiculous!!!! Also the two tier 1 systems. Insurance for the family needs added back immediately!!”

Ms. Hampton introduced agenda item **Approval of Minutes – April 9, 2024** (*Video 00:05:40 to 00:06:04*). A motion was made by Mr. Summers and seconded by Mr. Lane to approve the minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item ***Introduction of Ryan Barrow, Executive Director of KPPA*** (Video 00:06:05 to 00:08:28). Mr. Eager introduced Ryan Barrow as the new Executive Director and indicated that this is his first Board meeting as his first official day was June 17, 2024. He stated that as a part of the onboarding process, Mr. Barrow will be attending meetings with a wide range of people, both internal and external to KPPA, through July 31, 2024, which is Mr. Eager's last day prior to his retirement date. Mr. Barrow expressed his gratitude to Mr. Eager for the introduction and stated that he is looking forward to working with staff and the Boards. Mr. Eager commended the KPPA Ad Hoc Executive Director Search Committee for their time and efforts in the hiring process for his replacement.

Ms. Hampton introduced the ***FYS 6/30/2024 – KRS ACFR – Planning letter*** (Video 00:08:29 to 00:10:54). Mr. Michael Lamb introduced Mr. Ryan Graham with Blue & Co. who is the director in charge of the Audit of the Annual Comprehensive Financial Report (ACFR) for the KRS System. Mr. Graham reviewed the planning letter for the upcoming Audit which he expects to begin in August 2024 and concluding with an issued report in November 2024.

Ms. Hampton introduced agenda item ***Administrative Budget – Hybrid Percentage and KRS Allocation*** (Video 00:10:55 to 00:13:48). Mr. Michael Lamb presented a memo detailing the KPPA Ad Hoc Budget Committee's determination of the Fiscal Year 2025 hybrid percentage as follows: CERS 64.16% and KRS 35.84%. The KRS Board is being charged with determining the approved the Fiscal Year 2025 allocation between the KRS Hazardous, KRS Nonhazardous and State Police plans. Mr. Lamb indication that historically this was based on membership and provided the following percentages using that application: KRS Nonhazardous 31.514%, KRS Hazardous 3.617% and State Police 0.709%. Ms. Hampton commended Mr. Lane and Mr. Chilton for their participation and work involved with this recommendation coming from the KPPA Ad Hoc Budget Committee. Mr. Lane expressed his gratitude to Mr. Lamb and his staff on their work regarding the budget process. Mr. Percy made a motion to approve the Fiscal Year 2025 allocation of the KRS Hybrid percentage between the KERS Non-hazardous, the KERS Hazardous, and the SPRS funds. Ms. Bova seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***Quarterly Financial Reports*** (Video 00:13:49 to 00:26:26). Mr. Lamb reviewed the following Quarterly Financial Reports with the KRS Board of Trustees: Combining Statements of Fiduciary Net Position of the Pension Funds and Insurance Funds as of

March 31, 2024, the Combining Statements of Changes in the Fiduciary Net Position of the Pension Funds and Insurance Funds as of March 31, 2024, the Pension Funds and Insurance Funds Contribution Reports for the period ending March 31, 2024, the KRS Outstanding Invoices by Type and Employer as of March 31, 2024, and the KRS Penalty Invoices Report as of March 31, 2024.

Next, Mr. Lamb reviewed the KPPA Administrative Budget for Fiscal Year 2023 – 2024 Budget-to-Actual Summary Analysis for the nine months ending March 31, 2024. Lastly, Mr. Lamb briefly reviewed the separation/plan-specific expenses and the JP Morgan Chase Credit Earnings/Fees and Hard Interest Earned for the fiscal year ending June 30, 2024.

Ms. Hampton introduced agenda item ***Hazardous Duty Requests*** (Video 00:26:27 to 00:28:54). Mr. D’Juan Surratt stated that two (2) agencies are requesting hazardous duty coverage for five (5) positions. Four (4) are related to Mine Safety within the Department of Natural Resources and one (1) is a State Park Ranger within the Department of Parks. Mr. Surratt indicated that KPPA staff has reviewed the requests and has determined that they meet the statutory guidelines for hazardous coverage, therefore recommending approval by the Board. Mr. Peercy made a motion to approve the hazardous duty requests as presented. Mr. Summers seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***Amendment to 105 KAR 1:451, Quasi-Governmental Employer Reports on Independent Contractors and Leased Employees*** (Video 00:28:55 to 00:30:47) Ms. Jessica Beaubien presented the memorandum surrounding this amendment to the administrative regulation which outlines the information that, pursuant to KRS 61.5991, must be provided by certain quasi-government employers in the Kentucky Employees Retirement System for some independent contractors, leased employees and other persons providing services for the quasi-governmental employer under similar arrangements. She stated that this amendment achieves the following:

- Updates the language throughout the regulation to be consistent with the language used in all KPPA regulations and the definitions found in 105 KAR 1:001.
- Clarifies which persons are reported and what additional documentation is required.
- Details exemptions from reporting to how to handle any applicable exemption.
- Incorporates by reference the Contractor Wizard, which is an electronic interactive form that guides employers through the process of reporting as required by KRS

61.5991.

Ms. Beaubien stated that the Office of Legal Services is requesting approval and authorization to file this regulation with the Regulations Compiler. Mr. Peercy made a motion to approve the amendment to 105 KAR 1:451 and to authorize staff to file an amended administrative regulation with the Office of the Regulations Compiler at the Legislative Research Commission as presented. Mr. Summers seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***KRS Bylaws Amendments*** (Video 00:30:48 to 00:38:50) Ms. Hampton explained that the amendment to the KRS Bylaws pertains to the section related to the Actuarial Subcommittee. She stated that this is a subcommittee of the Investment Committee and reviewed the duties of the committee which included a yearly review of the actuarial assumptions, funding methods and other information proposed by the actuary for each of the systems. Mr. Board reviewed the suggested language of the amendments to the KRS Bylaws. Ms. Bova made a motion to approve the amendments to the Bylaws as discussed. Ms. Thompson seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***Investment Committee Report*** (Video 00:38:51 to 00:53:50). Mr. Willer stated that the KRS Investment Committee met on May 16, 2024 and reported that no recommendations were made that required approval by the Investment Committee and that no actions were taken that required ratification by the KRS Board of Trustees.

Mr. Willer indicated that the KPPA Investment Staff advised the Committee of the change to the benchmark index for the US Public Equity large cap internally managed passive portfolio from the S&P 500 Index to the Russel 500 Index. Therefore, resulting in a better alignment across the Public Equity asset allocation, with a cost savings of approximately \$130,000 per year with no impact to performance or volatility.

Then, Mr. Willer provided the highlights discussed at the Investment Committee meeting, including a review of economic conditions, market activity and outlook; absolute and relative performance and asset allocation for the pension and insurance portfolios for the quarter ending March 31, 2024; asset allocations; and a compliance review. Mr. Willer also provided an update on the Investment Budget.

Ms. Hampton introduced agenda item ***Joint Retiree Health Plan Committee Report*** (Video 00:53:51 to 01:02:28) Ms. Connie Pettyjohn reported that the Joint Retiree Health Plan Committee met on May 8, 2024. The first order of business was the election of the Committee Chair and Vice-Chair. Ms. Pettyjohn indicated that Mr. Jerry Powell, CERS Trustee, was elected as Committee Chair, while Dr. Crystal Miller, KRS Trustee, was elected as Vice-Chair.

Ms. Pettyjohn stated that Humana provided a presentation on Plan Performance for 2023, the Inflation Reduction Act (IRA) impact for 2025, the Centers for Medicare and Medicaid Services (CMS) Final Notice for 2025 plan year and introduced Personify Health. She reminded the Board that that Humana has exited from the Employer Group Commercial Medical Products and has subcontracted with Personify Health who will continue to provide coverage for the KPPA Medical Only and Medicare Advantage Mirror self-funded plans. Mr. Larry Loew and Ms. Tracy Garrison, with Humana, provided details on the topics discussed at the Committee level.

Ms. Hampton introduced agenda item ***CEO Update*** (Video 01:02:29 to 01:05:30) Mr. John Chilton provided an update regarding the multiple meetings for the past few months surrounding the budget process which he and Mr. Lane were participants. He stated that he, along with Ms. Hampton, met with Mr. Ed Owens and Mr. George Cheatham, the CERS CEO and CERS Board Chair respectively, and discussed various topics and issues. He reported that the meeting went well and looking forward to good working relationship.

Ms. Hampton introduced agenda item ***KPPA Update*** (Video 01:05:31 to 01:18:39). Ms. Hampton expressed her appreciation to Trustee David Adkins and Michael Board for their work as she read the Resolution Acknowledging the Contributions of David Eager to the Kentucky Retirement Systems/Kentucky Public Pensions Authority. Various Trustees, Mr. Chilton, and Mr. Barrow provided comments and congratulated Mr. Eager on his accomplishments and upcoming retirement. Ms. Eaves made a motion to approve a resolution in honor of David Eager. Ms. Bova seconded the motion and the motion passed unanimously.

Mr. Eager stated that there are three important words in the resolution, and those are, “and KPPA Staff”. He commended the work of all KPPA staff and stated that the work performed by each staff member is important to the overall success of the agency as a whole.

There being no *New Business*, Ms. Hampton introduced agenda item *Closed Session* (Video 01:18:40 to 01:19:45) and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Ms. Bova and seconded by Mr. Peercy. The motion passed unanimously.

Ms. Hampton read the following statement and the meeting moved into closed session: “A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to discuss pending litigation, pursuant to KRS 61.810(1)(c)”

All public attendees exited the meeting.

*** Ms. Hampton exited the meeting ***

Closed Session (Video - Part 2 - 00:00:22 to 00:02:02).

Mr. Lane called the meeting back to open session. Mr. Board stated that a motion would be needed to potentially initiate legal action in Franklin Circuit Court as discussed in Closed Session. Mr. Peercy made the motion as stated and Mr. Summers seconded the motion. The motion passed unanimously.

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

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held June 18, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees 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

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on June 18, 2024, were approved on September 12, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the June 18, 2024, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

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TO: Members of the KRS Board of Trustees

FROM: Joint CERS & KRS Retiree Health Plan Committee

DATE: September 12, 2024

SUBJECT: Joint CERS & KRS Retiree Health Plan Committee Report

The Joint CERS & KRS Retiree Health Plan (RHP) Committee met on Tuesday, September 03, 2024, to discuss and make recommendations regarding the non-Medicare and Medicare eligible health plans for retirees of the systems operated by the Kentucky Public Pensions Authority (KPPA) for the 2025 plan year. The recommendations of the RHP Committee are documented below in the bolded red font.

Non Medicare-Eligible Retirees (KEHP Plan)

NOTE: See the KPPA KEHP 2025 Presentation in the RHP Diligent Board Books which contains the information for Board Decision Points:

1. Recommendations for:

- The 2025 Percentage Contribution Plan
 - **RHP Committee recommends that the Board select the KEHP LivingWell PPO plan option as the contribution plan.**
- The monthly maximum contribution amount for the Non-Medicare Eligible plan including the contribution for the hazardous Duty Spouse/Dependents
 - **RHP Committee recommends setting the contribution rate (at the single level) as the 100% contribution the Trust will pay for a retiree with a service credit of 240 months of service or greater and a participation date prior to July 1, 2003. Hazardous rates will also be tied to the rates for the LivingWell PPO Couple, Parent Plus and Family plans.**
- Tobacco Use Fee
 - **RHP Committee recommends the Tobacco Use Fee (\$40 single level; \$80 couple, family, parent plus) remain unchanged for 2025 Retirees (including spouses and dependents) who are tobacco users.**
- Access to the Consumer Directed Health Plans with embedded HRA
 - **RHP Committee recommends allowing access to the Consumer Directed Health Plans with embedded HRA.**
- Proposed LivingWell Promise incentive

- **RHP Committee recommends Retirees or Planholders that failed to complete the LivingWell promise for plan year 2025 will not be entitled to the discount (\$40) for 2026. The fee/discount remains unchanged for 2025.**
2. Recommendation to set the default plan for retirees for 2025 and allow retirees/beneficiaries and dependents enrolled in the KEHP plan to rollover into the same plan at the same level of coverage if an application is not submitted during Open Enrollment. Also, recommend the same for a New Retiree that fails to submit an application or a waiver of health insurance.
- **RHP Committee recommends the default plan to be the LivingWell Basic (CDHP) plan.**
 - **RHP Committee recommends that the Board allow retirees/beneficiaries and dependents that do not to complete a health insurance application during a mandatory open enrollment be rolled over to the same plan they were enrolled in for 2025 at the same level of coverage.**
 - **RHP Committee recommends that the Board allow new retirees that fail to submit a health insurance enrollment form be defaulted into this plan.**
3. Recommendation for Cross Reference Retirees with Active Employee Spouse: KRS 78.5536 (4)(a)3 provides the employer's contribution for the working member or spouse to be applied toward the premium, and the KPPA insurance trust fund shall pay the balance not to exceed the monthly contribution. The Cross Reference plan is a Family plan. Unless, amended by the Board, the Cross Reference contribution will equal the monthly maximum contribution determined above.
- **RHP Committee recommends that the Board allows retirees described in 3 above the option to select the Cross Reference plans if they selected Cross Reference during Open Enrollment. DEI has advised that the Cross Reference option is sunseting beginning in 2025.**
4. Recommendation to set contribution rate for KEHP Medicare Secondary Payer Plan – This plan is for retirees who are Medicare eligible and affected by the Medicare Secondary Payer Act due to reemployment with an employer that participates with the systems operated by KPPA. This group of retirees may be rated separately from the other KEHP population.
- **RHP Committee recommends the same plan that is referenced in number 1 above as the contribution plan at the same contribution rate for this benefit.**

Medicare-Eligible Retirees

NOTE: See the KPPA Medicare Eligible presentation in the Retiree Health Plan Diligent Board Books, with information from Humana and Gabriel, Roeder, Smith Consulting (GRS).

1. Recommendation as to what the contribution rate should be for the Medicare-Eligible plan for 2025.

- **RHP Committee recommend the Medical Only plan premium of \$191.95 be set as the Monthly Contribution Rate amount for 2025, as the 100% contribution the Trust will pay for a retiree with a service credit of 240 months of service or greater and a participation date prior to July 1, 2003.**
- **RHP Committee recommends setting the contribution rate for the KPPA Premium Plan as the 100% contribution the Trust will pay for a hazardous duty spouse and/or an eligible dependent.**
- **RHP Committee approves the premium for the KPPA Premium Plan at the rate of \$144.91 (the premium paid to Humana will be \$144.91).**
- **RHP Committee approves the premium for the KPPA Essential Plan be set at a rate of \$0.00 (the amount paid to Humana will be \$0.00).**
- **The Committee recommends the Medical Only Plan premium at \$191.95, and the Medicare Advantage Mirror Premium Plan is \$341.90, and the dental plan administrative fee (\$5.29) is added to this premium for a total of \$346.88. The Medicare Advantage Mirror Essential Plan is \$202.69 and the dental plan administrative fee (\$5.29) is added to this for a total of \$207.98.**

2. Recommendation to pay for the additional administrative fees for retirees who are required to enroll in one of the Mirror plans and who fall under certain exceptions. Recommendation for individuals without Medicare Part B to enroll in the Mirror Plans and the individual would be responsible for the additional cost above the contribution amount. When the individual obtains Part B, KPPA will transition them to the Medicare Advantage Plan they choose on the Insurance Application.

Upon implementation of the Medicare Advantage plans, the Boards have approved payment for administrative fees (estimated \$154.93 per month for 2025) for individuals who need to be enrolled in one of the Mirror Plans for several reasons enumerated below (administrative exceptions):

- Individual is scheduled for a transplant or surgery at a hospital that Humana confirms will not accept Humana Medicare Advantage for said procedure for said individual.
- Individual is undergoing treatment by a specialist that Humana confirms will not accept Humana Medicare Advantage for said treatment for said individual.

- Individual resides outside Humana's Filed and Approved MA-PPO network service area where Humana affirms there are provider access issues (e.g., non-acceptance of Humana Medicare Advantage

Note: There are (2) retirees that meets this criterion.

- **RHP Committee recommends that administrative fees continue to be paid for administrative exceptions in 2025, under the circumstances set forth in the three bullet points above.**
 - **RHP Committee recommends that an individual without Medicare Part B be allowed to enroll in the Medicare Advantage Mirror Plans and they will be responsible for paying the additional cost above the contribution amount.**
3. Recommendation to set the default plan for retirees and their dependents for 2025.
- **RHP Committee recommends that that the default plan for Medicare eligible retirees be the KPPA Medical Only Plan.**

RECOMMENDATION: The RHP Committee recommends ratification of the above decisions by the KRS Board.

Combining Statement of Fiduciary Net Position									
For the twelve month period ending June 30, 2024, with Comparative Totals for the twelve month period ending June 30, 2023 (\$ in Thousands) (Unaudited)									
	Pension			Insurance			KRS Total		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS	2024	2023	
ASSETS									
CASH AND SHORT-TERM INVESTMENTS									
Cash Deposits	\$268	\$27	\$29	\$100	\$24	\$18	\$466	\$673	(30.77)% 1
Short-term Investments	254,633	49,952	38,006	68,261	20,702	9,876	441,429	1,082,568	(59.22)% 2
Total Cash and Short-term Investments	254,901	49,979	38,035	68,361	20,726	9,894	441,895	1,083,241	
RECEIVABLES									
Accounts Receivable	93,357	4,965	2,498	14,426	462	918	116,626	111,452	4.64%
Accounts Receivable - Investments	30,542	5,671	4,925	10,444	3,303	1,492	56,378	61,505	(8.34)%
Total Receivables	123,899	10,636	7,423	24,870	3,765	2,410	173,004	172,957	
INVESTMENTS, AT FAIR VALUE									
Core Fixed Income	1,096,029	115,244	166,303	189,154	75,625	29,762	1,672,116	1,204,981	38.77% 3
Public Equities	1,347,282	431,606	205,635	708,372	284,693	114,446	3,092,035	2,762,942	11.91% 4
Private Equities	194,862	66,044	31,411	111,418	48,804	21,728	474,267	411,810	15.17% 5
Specialty Credit	785,092	229,560	123,774	375,074	151,346	61,598	1,726,443	1,353,965	27.51% 6
Derivatives	(73)	9	(9)	10	(3)	3	(63)	(3,450)	(98.17)% 7
Real Return	349,425	79,738	56,205	135,580	45,489	18,475	684,912	163,460	319.01% 8
Real Estate	217,911	58,902	35,155	95,993	42,344	16,169	466,474	374,676	24.50% 9
Total Investments, at Fair Value	3,990,529	981,103	618,474	1,615,601	648,298	262,181	8,116,183	6,268,384	29.48%
Securities Lending Collateral Invested	109,246	26,629	16,923	33,811	13,516	5,449	205,574	144,290	42.47% 10
CAPITAL/INTANGIBLE ASSETS									
Capital Assets	929	91	11	-	-	-	1,031	1,031	(0.00)%
Intangible Assets	5,920	494	100	-	-	-	6,513	6,513	0.00%
Accumulated Depreciation	(929)	(91)	(11)	-	-	-	(1,031)	(1,031)	(0.00)%
Accumulated Amortization	(5,920)	(494)	(100)	-	-	-	(6,513)	(6,513)	(0.00)%
Total Capital Assets	-	-	-	-	-	-	-	-	
Total Assets	4,478,574	1,068,347	680,855	1,742,643	686,305	279,934	8,936,656	7,668,872	

Combining Statement of Fiduciary Net Position Continued									
For the twelve month period ending June 30, 2024, with Comparative Totals for the twelve month period ending June 30, 2023 (\$ in Thousands) (Unaudited)									
	Pension			Insurance			KRS Total		
	KERS	KERS	SPRS	KERS	KERS	SPRS	2024	2023	
	Nonhazardous	Hazardous		Nonhazardous	Hazardous				
LIABILITIES									
Accounts Payable	4,456	988	113	132	2	1	5,693	3,339	70.46% 11
Investment Accounts Payable	67,301	10,809	10,603	16,606	4,870	2,393	112,582	90,035	25.04% 12
Securities Lending Collateral	109,246	26,629	16,923	33,811	13,516	5,449	205,574	144,290	42.47% 13
Total Liabilities	181,003	38,426	27,639	50,549	18,388	7,843	323,849	237,664	
Total Fiduciary Net Position Restricted for Pension Benefits	\$4,297,571	\$1,029,921	\$653,216	\$1,692,094	\$667,917	\$272,091	\$8,612,807	\$7,431,208	

NOTE - Variance Explanation *Differences due to rounding*

- 1) The variance is a result of continuous fluctuation of deposits and transactions that flow through the cash account. As a result of an Internal Audit finding, we continue to evaluate the optimum cash balances at JP Morgan Chase.
- 2) Short term investments are primarily comprised of cash on hand at the custodial bank, the variance in the balance is a result of the cash flows of each plan.
- 3) The increase in Core Fixed Income is a result of additional funding and favorable market conditions.
- 4) The increase in Public Equities is the result of favorable market conditions resulting in an increase in gains/losses and additional funding.
- 5) The increase in Private Equities is the result of additional funding and favorable market conditions
- 6) The increase in Specialty Credit is the result of favorable market conditions resulting in an increase in gains/losses and additional funding.
- 7) The variance in Derivatives is a result of hedging and arbitration of risk within the portfolios.
- 8) The increase in Real Return is a result of additional funding of new managers and favorable market conditions.
- 9) The increase in Real Estate is due to additional funding and partnership income.
- 10) The variance is a result of the demand of the Securities Lending Program.
- 11) The variance in Accounts Payable is due to an increase in the payroll and leave liability accrual as well as the fiscal year end return of unused cash accrual (Admin).
- 12) The variance in Investment Accounts Payable is due to pending trades.
- 13) The variance is a result of the demand of the Securities Lending Program.

Combining Statement of Changes In Fiduciary Net Position

For the twelve month period ending June 30, 2024, with Comparative Totals for the twelve month period ending June 30, 2023 (\$ in Thousands) (Unaudited)

	Pension			Insurance			KRS Total			
	KERS	KERS	SPRS	KERS	KERS	SPRS	2024	2023		
	Nonhazardous	Hazardous		Nonhazardous	Hazardous					
ADDITIONS										
Member Contributions	\$96,615	\$21,568	\$5,703	\$-	\$-	\$-	\$123,886	\$107,287	15.47%	1
Employer Contributions	156,007	89,897	61,998	41,362	45	10,158	359,468	312,219	15.13%	2
Actuarially Accrued Liability Contributions	899,663	-	-	87,782	-	-	987,446	986,220	0.12%	
General Fund Appropriations	240,000	-	-	-	-	-	240,000	240,000	0.00%	
Pension Spiking Contributions	25	1	-	-	-	-	26	44	(41.88)%	3
Health Insurance Contributions (HB1)	(18)	(8)	(12)	10,603	2,094	408	13,066	10,291	26.98%	4
Humana Gain Share Payment	-	-	-	8,440	651	390	9,481	5,444	74.16%	5
Medicare Drug Reimbursement	-	-	-	4	-	-	4	4	0.00%	
Insurance Premiums	-	-	-	79	(24)	(13)	42	(227)	118.60%	6
Retired Reemployed Healthcare	-	-	-	7,484	1,865	5	9,353	7,336	27.49%	7
Total Contributions	1,392,292	111,458	67,689	155,754	4,631	10,948	1,742,773	1,668,618		
INVESTMENT INCOME										
From Investing Activities										
Net Appreciation (Depreciation) in FV of Investments	243,619	76,073	38,384	123,287	51,738	20,311	553,412	368,787	50.06%	8
Interest/Dividends	137,373	33,477	21,885	55,349	21,974	8,932	278,991	213,720	30.54%	9
Total Investing Activities Income (loss)	380,992	109,550	60,270	178,636	73,712	29,243	832,403	582,507		
Less: Investment Expense	19,430	5,801	2,672	9,251	4,577	1,819	43,550	35,304	23.36%	10
Less: Performance Fees	5,970	1,720	614	2,852	1,763	615	13,533	7,100	90.61%	11
Net Income (loss) from Investing Activities	355,592	102,029	56,984	166,533	67,372	26,809	775,320	540,103		
From Securities Lending Activities										
Securities Lending Income	4,235	1,169	744	1,583	551	242	8,523	6,053		
Less: Securities Lending Borrower Rebates (Income)/Expense	3,733	1,040	658	1,370	476	209	7,486	5,244		
Less: Securities Lending Agent Fees	75	19	13	32	11	5	156	121		
Net Income from Securities Lending	426	110	73	181	64	28	882	687	28.28%	12
Net Investment Income (loss)	356,018	102,139	57,058	166,714	67,436	26,836	776,201	540,790		
Total Additions	1,748,310	213,598	124,747	322,468	72,067	37,784	2,518,974	2,209,409	14.01%	

Combining Statement of Changes In Fiduciary Net Position Continued



For the twelve month period ending June 30, 2024, with Comparative Totals for the twelve month period ending June 30, 2023 (\$ in Thousands) (Unaudited)



	Pension			Insurance			KRS Total		
	KERS	KERS	SPRS	KERS	KERS	SPRS	2024	2023	
	Nonhazardous	Hazardous		Nonhazardous	Hazardous				
DEDUCTIONS									
Benefit Payments	1,032,124	80,529	63,823	-	-	-	1,176,476	1,166,143	0.89%
Refunds	11,693	4,133	221	-	-	-	16,046	16,054	(0.05)%
Administrative Expenses	14,128	1,583	314	727	117	71	16,940	16,591	2.10%
Healthcare Premiums Subsidies	-	-	-	93,751	20,260	12,412	126,424	137,991	(8.38)%
Self Funded Healthcare	-	-	-	1,378	94	8	1,480	1,766	(16.22)%
Excise Tax	-	-	-	7	-	-	7	-	
Total Deductions	1,057,945	86,244	64,358	95,863	20,472	12,491	1,337,372	1,338,546	
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	690,366	127,353	60,389	226,605	51,595	25,293	1,181,602	870,863	
Total Fiduciary Net Position Restricted for Pension Benefits									
Beginning of Period	3,607,205	902,568	592,826	1,465,489	616,322	246,797	7,431,208	6,560,345	
End of Period	\$4,297,571	\$1,029,921	\$653,216	\$1,692,094	\$667,917	\$272,090	\$8,612,809	\$7,431,208	15.90%

NOTE - Variance Explanation **Differences due to rounding.**

- 1) The increase in Member Contributions is due to an increase in covered payroll across all plans.
- 2) The increase in Employer Contributions is due to an increase in covered payroll across all plans.
- 3) Pension Spiking contributions decreased due to a decrease in pension spiking billed to employers.
- 4) Health Insurance Contributions continue to increase as Tier 2 and Tier 3 members increase.
- 5) The Humana Gain Share payment will fluctuate year to year based on claims paid.
- 6) Insurance Premiums increased due to fewer refunds processed to hazardous retirees for overpayment of premiums.
- 7) Retired Reemployed contributions increased due to an increase in retired reemployed members across all plans.
- 8) The increase in Net Appreciation in Fair Value of Investments is the result of gains largely from Public Equities and Specialty Credit.
- 9) The increase in Interest/Dividend Income is primarily the result of increased Dividends/Interest from Specialty Credit, Private Equity and Cash.
- 10) The increase in Investment Expense is primarily the result of increased market value due to favorable performance and additional funding.
- 11) The increase in performance fees is the result of more favorable market conditions creating higher performance fees for Private Equity and Specialty Credit.
- 12) The variance is a result of the demand of the Securities Lending Program.
- 13) Self-Funded Healthcare decreased due to a decrease in claims paid for KERS nonhaz and SPRS retirees.

KRS Contribution Report
 For the fiscal year ending June 30, 2024, with comparative totals for the fiscal year ending June 30, 2023 (\$ in Millions)

 	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous		Pension	
	FY24	FY23	FY24	FY23	FY24	FY23
Member Contributions	\$96.6	\$84.6	\$21.6	\$17.5	\$5.7	\$5.2
Employer Contributions	156.0	136.5	89.9	72.8	62.0	58.1
AALC	899.7	898.5	-	-	-	-
General Fund Appropriations	240.0	240.0	-	-	-	-
Net Investment Income	112.4	85.5	26.1	20.7	18.7	15.5
Total Inflows	1,504.7	1,445.1	137.6	111.0	86.4	78.8
Benefit Payments/Refund	1,043.8	1,035.6	84.7	82.7	64.0	64.0
Administrative Expenses	14.1	13.8	1.6	1.5	0.3	0.3
Total Outflows	1,057.9	1,049.4	86.3	84.2	64.3	64.3
NET Contributions	446.8	395.7	51.3	26.8	22.1	14.5
Realized Gain/(Loss)	(4.6)	(18.7)	11.1	(1.4)	0.9	(4.1)
Unrealized Gain/(Loss)	248.2	153.5	64.9	58.0	37.4	29.5
Change in Net Position	690.4	530.5	127.3	83.4	60.4	39.9
Beginning of Period	3,607.2	3,076.7	902.6	819.2	592.8	552.9
End of Period	\$4,297.6	\$3,607.2	\$1,029.9	\$902.6	\$653.2	\$592.8
Net Contributions less Net Investment Income	\$334.4	\$310.2	\$25.2	\$6.1	\$3.4	\$(1.0)
Cash Flow as % of Net Assets	7.78%	8.60%	2.45%	0.67%	0.53%	(0.17)%
Net Investment Income	\$112.4	\$85.5	\$26.1	\$20.7	\$18.7	\$15.5
Yield as % of Net Assets	2.62%	2.37%	2.53%	2.29%	2.86%	2.61%

 	Kentucky Employees Retirement System				State Police Retirement System	
	Nonhazardous		Hazardous		Insurance	
	FY24	FY23	FY24	FY23	FY24	FY23
Employer Contributions	\$41.4	\$35.5	\$-	\$-	\$10.2	\$9.3
AALC	87.8	87.7	-	-	-	-
Insurance Premiums	0.1	-	-	(0.1)	-	(0.1)
Humana Gain Share	8.4	4.9	0.7	0.4	0.4	0.2
Retired Reemployed Healthcare	7.5	5.9	1.8	1.5	-	-
Health Insurance Contributions	10.6	8.4	2.1	1.6	0.4	0.4
Net Investment Income	43.3	32.1	15.7	13.1	6.5	5.3
Total Inflows	199.1	174.5	20.3	16.5	17.5	15.1
Healthcare Premiums	95.1	105.6	20.4	19.8	12.4	14.3
Administrative Expenses	0.7	0.8	0.1	0.1	0.1	0.1
Total Outflows	95.8	106.4	20.5	19.9	12.5	14.4
NET Contributions	103.3	68.1	(0.2)	(3.4)	5.0	0.7
Realized Gain/(Loss)	27.7	(7.2)	10.9	0.1	4.6	(0.1)
Unrealized Gain/(Loss)	95.6	103.1	40.9	39.7	15.7	16.2
Change in Net Position	226.6	164.0	51.6	36.4	25.3	16.8
Beginning of Period	1,465.5	1,301.5	616.3	579.9	246.8	230.0
End of Period	\$1,692.1	\$1,465.5	\$667.9	\$616.3	\$272.1	\$246.8
Net Contributions less Net Investment Income	\$60.0	\$36.0	\$(15.9)	\$(16.5)	\$(1.5)	\$(4.6)
Cash Flow as % of Net Assets	3.55%	2.46%	(2.37)%	(2.68)%	(0.56)%	(1.88)%
Net Investment Income	\$43.3	\$32.1	\$15.7	\$13.1	\$6.5	\$5.3
Yield as % of Net Assets	2.56%	2.19%	2.35%	2.12%	2.40%	2.16%



KRS Outstanding Invoices by Type and Employer

Invoice Type	6/30/2024	3/31/2024	Change H/(L)
Actuarially Accrued Liability Contribution	\$4,474,880	\$4,106,581	9%
Employer Free Military and Decompression Service	224,012	224,012	0%
Member Pension Spiking Refund	(25,045)	(27,381)	(9)%
Monthly Reporting Invoice	(212,923)	(248,897)	(14)%
Penalty – Monthly Reporting	53,000	52,000	2%
Reinstatement	10,716	10,642	1%
Other Invoices**	(170,660)	(148,477)	15%
Total	4,353,980	4,116,958	
Health Insurance Reimbursement	999,560	939,716	6%
Omitted Employer	194,267	203,137	(4)%
Employer Pension Spiking*	208,082	205,940	1%
Standard Sick Leave	1,206,208	1,640,012	(26)%
USERRA Protected Military	35,030	35,030	0%
Total	2,643,147	3,023,835	-13%
Grand Total	\$6,997,128	\$7,140,793	(2)%

*Pension Spiking invoices on this report are Employer Pension Spiking. By statute these invoices are due 12 months from the invoice date. Employer Pension Spiking is in effect only for retirements prior to July 1, 2018, therefore, unless there has been a recently created invoice for a backdated retirement, all of these invoices are greater than 12 months old.

**Other Invoices include Expense Allowance; Expired Post Pending; IPS Employer Refund; Penalty EOY Reporting; Personnel Adjustment; and, Refunded Member Contributions Due.

Employer Name (Top Ten)	6/30/2024	3/31/2024	Change H/(L)
Kentucky River Community Care Inc.***	\$4,352,034	\$3,989,278	9%
Dept for Highways	1,138,225	659,360	73%
Dept. for Behavioral Health Dev. Intell. Disabilities	226,943	150,467	51%
Department for Community Based Services	184,361	308,180	(40)%
Seven County Services, Inc.***	150,839	148,937	1%
Unified Prosecutorial System	98,394	95,789	3%
Department of Vehicle Regulation	96,424	57,958	66%
Office of Dementia Services	73,465	13,783	433%
Municipal Electric Power Association of Kentucky	68,922	45,948	50%
Master Commissioner Clark County	\$65,505	\$65,505	0%

***Indicates invoices turned over to Legal for further action

	Total Unpaid Balance	Invoice Count
KERS	6,844,444	1,126
KERH	152,684	26
SPRS	-	-
Grand Total:	\$6,997,128	1,152



KENTUCKY PUBLIC PENSIONS AUTHORITY

Penalty Invoices Report
From: 4/1/2024 To: 6/30/2024

Note: Delinquent Interest amounts are included in the totals for the invoice

Invoice Amount	Invoice Remaining Balance	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
	\$-	\$-					
Total	\$-	\$-			CANC		
	\$1,000	\$1,000		4/2/2024	5/2/2024	CRTD	Master Commissioner
Total	\$1,000	\$1,000					
	\$1,000	\$-		4/11/2024	5/2/2024	PAID	Universities
	1,000	-		4/9/2024	5/3/2024	PAID	County Attorneys
	1,155	-		5/9/2024	5/16/2024	PAID	Universities
Total	\$3,155	\$-					

Notes:
Invoice Status:
 CANC - Cancelled
 CRTD - Created
 PAID - Paid

KPPA ADMINISTRATIVE BUDGET FY 2023-2024						
BUDGET-TO-ACTUAL SUMMARY ANALYSIS						
FOR THE FISCAL YEAR ENDING JUNE 30, 2024, WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDING JUNE 30, 2023						
CATEGORY	BUDGETED	FY 2024 EXPENSE	REMAINING	PERCENT REMAINING	FY 2023 EXPENSE	PERCENT DIFFERENCE
PERSONNEL	\$34,520,287	\$35,052,431	\$(532,144)	(1.54)%	\$32,985,635	6.27%
LEGAL CONTRACTS	1,210,000	1,192,804	17,196	1.42%	1,007,495	18.39%
AUDITING	300,000	234,246	65,754	21.92%	109,510	113.90%
ACTUARIAL SERVICES	500,000	411,539	88,461	17.69%	523,627	(21.41)%
MEDICAL REVIEWERS	1,800,000	1,400,955	399,045	22.17%	1,413,350	(0.88)%
OTHER PERSONNEL	500,000	298,446	201,554	40.31%	98,140	204.10%
PERSONNEL TOTAL	\$38,830,287	\$38,590,421	\$239,866	0.62%	\$36,137,757	6.79%
RENTALS - BUILDING & EQUIPMENT	1,166,500	1,030,360	136,140	11.67%	1,090,796	(5.54)%
INFORMATION TECHNOLOGY	4,190,000	3,327,635	862,365	20.58%	2,749,563	21.02%
OTHER OPERATIONAL	1,371,200	1,194,989	176,211	12.85%	1,006,311	18.75%
OPERATIONAL TOTAL	\$6,727,700	\$5,552,984	\$1,174,716	17.46%	\$4,846,670	14.57%
RESERVE	4,882,813	-	4,882,813	100.00%	-	0.00%
ADMINISTRATIVE BUDGETED AMOUNT	\$50,440,800	\$44,143,405	\$6,297,395	12.48%	\$40,984,427	7.71%

Administrative Budget Summary Notes

PERSONNEL (Staffing):	KPPA spent just over \$35m this fiscal year. This was \$532k above budget and 6.27% or \$2M higher than the prior year. This was due to increased staffing, lower than expected turnover, and salary adjustments in various employee categories.
LEGAL	Overall, KPPA was slightly under budget by \$17k, and spent 18.39% or \$188k more than the prior year. Within this category KPPA overspent in the hearing officer line item by \$106k due to increased pay rates and efforts to clear the backlog of cases.
AUDITING	All other personnel categories were under budget, bringing the total personnel category to \$38.6M for the fiscal year. This was 6.79% or \$2.5m higher than the prior year.
ACTUARIAL, MEDICAL, AND OTHER	KPPA spent \$5.5M in the operations category which was \$1.2M below budget for the fiscal year. This was 14.57% or \$700k higher than the prior year. Within this category KPPA was over budget by \$173k in the postage line item; however, KPPA was under budget by \$150k in travel, and \$817k in IT related costs.
OPERATIONAL TOTAL	The total administrative expenses were \$44.1M which was \$1.4M below budget. In addition, KPPA did not have to allocate any of the \$4.8M unallocated reserve amount. Overall, costs this fiscal year were 7.71% or \$3.1M higher than the prior year.

KPPA ADMINISTRATIVE BUDGET FY 2023-2024						
BUDGET-TO-ACTUAL ANALYSIS						
FOR THE FISCAL YEAR ENDING JUNE 30, 2024, WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDING JUNE 30, 2023						
Account Name	Budgeted	FY 2024 Expense	Remaining	Percent Remaining	FY 2023 Expense	Percent Difference
PERSONNEL						
Staff						
Salaries/Wages	\$17,900,000	\$18,477,475	\$(577,475)	(3.23)%	\$16,431,880	12.45%
Wages (Overtime)	285,000	265,809	19,191	6.73%	209,522	26.86%
Emp Paid FICA	1,294,772	1,352,988	(58,216)	(4.50)%	1,210,689	11.75%
Emp Paid Retirement	12,033,015	12,081,328	(48,313)	(0.40)%	12,503,955	(3.38)%
Emp Paid Health Ins	2,687,500	2,801,896	(114,396)	(4.26)%	2,382,370	17.61%
Emp Paid Sick Leave	250,000	40,221	209,779	83.91%	213,594	(81.17)%
Adoption Assistance Benefit	10,000	-	10,000	100.00%	-	0.00%
Escrow for Admin Fees	-	(1,000)	1,000	(100.00)%	-	(100.00)%
Workers Compensation	12,000	11,116	884	7.36%	11,116	0.00%
Unemployment	10,000	8,691	1,309	13.09%	8,834	0.00%
Emp Paid Life Ins	3,000	3,034	(34)	(1.13)%	2,953	2.74%
Employee Training	25,000	10,872	14,128	56.51%	10,722	1.40%
Tuition Assistance	10,000	-	10,000	100.00%	-	0.00%
Bonds	-	-	-	0.00%	-	0.00%
Staff Subtotal	34,520,287	35,052,431	(532,143)	(1.54)%	32,985,635	6.27%
LEGAL & AUDITING SERVICES						
Legal Hearing Officers	150,000	256,571	(106,571)	(71.05)%	197,202	30.11%
Legal (Stoll, Keenon)	250,000	8,201	241,799	96.72%	74,994	(89.06)%
Frost Brown	300,000	492,500	(192,500)	(64.17)%	344,263	43.06%
Reinhart	50,000	-	50,000	100.00%	276	0.00%
Ice Miller	300,000	320,852	(20,852)	(6.95)%	239,921	33.73%
Johnson, Bowman, Branco LLC	100,000	85,391	14,609	14.61%	108,718	(21.46)%
Dentons Bingham & Greenebaum	50,000	11,586	38,414	76.83%	42,099	(72.48)%
Legal Expense	10,000	17,702	(7,702)	(77.02)%	23	76865.22%
Auditing	300,000	234,246	65,754	21.92%	109,510	113.90%
Total Legal & Auditing Services	1,510,000	1,427,050	82,950	5.49%	1,117,005	27.76%
CONSULTING SERVICES						
Medical Reviewers	1,800,000	1,400,955	399,045	22.17%	1,413,350	(0.88)%
Escrow for Actuary Fees	-	(500)	500	(100.00)%	(32,866)	0.00%
Total Consulting Services	1,800,000	1,400,455	399,545	22.20%	1,380,484	1.45%
CONTRACTUAL SERVICES						
Miscellaneous Contracts	390,000	254,374	135,626	34.78%	97,223	161.64%
Human Resources Consulting	10,000	-	10,000	100.00%	-	0.00%
Actuarial Services	500,000	411,539	88,461	17.69%	523,627	(21.41)%
Facility Security Charges	100,000	44,573	55,427	55.43%	33,782	31.94%
Contractual Subtotal	1,000,000	710,485	289,515	28.95%	654,632	8.53%
PERSONNEL SUBTOTAL	\$38,830,287	\$38,590,420	\$239,866	0.62%	\$36,137,757	6.79%
OPERATIONAL						
Natural Gas	42,000	25,984	16,016	38.13%	35,685	(27.19)%
Electric	133,000	108,533	24,467	18.40%	110,404	(1.69)%
Rent-Non State Building	56,000	-	56,000	100.00%	37,982	(100.00)%
Building Rental - PPW	1,000,000	961,969	38,031	3.80%	962,097	(0.01)%
Copier Rental	105,000	62,701	42,299	40.28%	85,173	(26.38)%
Rental Carpool	5,500	4,443	1,057	19.22%	4,421	0.50%
Vehicle/Equip. Maint.	1,000	1,247	(247)	(24.70)%	1,123	0.00%

KPPA ADMINISTRATIVE BUDGET 2023-24						
BUDGET-TO-ACTUAL ANALYSIS						
FOR THE FISCAL YEAR ENDING JUNE 30, 2024, WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDING JUNE 30, 2023						
Account Name	Budgeted	FY 2024 Expense	Remaining	Percent Remaining	FY 2023 Expense	Percent Difference
Postage	420,000	592,352	(172,352)	(41.04)%	351,762	68.40%
Freight	200	-	200	100.00%	41	(100.00)%
Printing (State)	15,000	400	14,600	97.33%	1,045	(61.72)%
Printing (non-state)	85,000	87,682	(2,682)	(3.15)%	67,376	30.14%
Insurance	10,000	5,090	4,910	49.10%	5,572	(8.65)%
Garbage Collection	6,500	6,684	(184)	(2.83)%	6,716	(0.48)%
Conference Expense	45,000	38,819	6,181	13.74%	21,532	80.29%
Conference Exp. Investment	2,000	-	2,000	0.00%	64	(100.00)%
Conference Exp. Audit	3,000	-	3,000	100.00%	-	0.00%
MARS Usage	50,000	27,100	22,900	45.80%	27,100	0.00%
COVID-19 Expenses	-	-	-	0.00%	4,836	0.00%
Office Supplies	100,000	40,563	59,437	59.44%	70,638	(42.58)%
Furniture & Office Equipment	12,000	-	12,000	100.00%	654	(100.00)%
Travel (In-State)	15,000	12,482	2,518	16.78%	14,317	(12.82)%
Travel (In-State) Investment	1,000	191	809	80.90%	412	0.00%
Travel (In-State) Audit	500	-	500	100.00%	-	0.00%
Travel (Out of State)	79,000	53,911	25,089	31.76%	71,515	(24.62)%
Travel (Out of State) Investment	135,000	15,176	119,824	88.76%	21,412	(29.12)%
Travel (Out of State) Audit	1,000	-	1,000	100.00%	1,077	(100.00)%
Dues & Subscriptions	69,000	64,005	4,995	7.24%	61,001	4.92%
Dues & Subscriptions Invest	15,000	14,321	679	4.53%	13,243	8.14%
Dues & Subscriptions Audit	1,000	380	620	62.00%	400	(5.00)%
Miscellaneous	55,000	18,088	36,912	67.11%	56,021	(67.71)%
Miscellaneous Investment	-	90	(90)	0.00%	-	100.00%
Miscellaneous Audit	-	-	-	0.00%	-	0.00%
COT Charges	40,000	23,796	16,204	40.51%	26,373	(9.77)%
Telephone - Wireless	8,500	8,086	414	4.87%	7,336	10.22%
Telephone - Other	105,500	93,919	11,581	10.98%	100,524	(6.57)%
Telephone - Video Conference	11,000	8,233	2,767	25.15%	-	100.00%
Computer Equip./Software	4,080,000	3,262,371	817,629	20.04%	2,671,684	22.11%
Comp. Equip./Software Invest	-	-	-	0.00%	-	0.00%
Comp. Equip./Software Audit	20,000	14,368	5,632	28.16%	24,407	(41.13)%
OPERATIONAL SUBTOTAL	\$6,727,700	\$5,552,984	\$1,174,716	17.46%	\$4,846,670	14.57%
SUB-TOTAL	\$45,557,987	\$44,143,404	\$1,414,582	3.11%	\$40,984,427	7.71%
Reserve	4,882,813	-	4,882,813	100.00%	-	0.00%
TOTAL	\$50,440,800	\$44,143,405	\$6,297,395	12.48%	\$40,984,427	7.71%

Differences due to rounding

Plan	Budgeted	FY 2024 Expense	% of Total KPPA FY 2024 Expense
CERS Nonhazardous	\$29,825,645	\$26,101,995	59.13%
CERS Hazardous	2,627,966	2,299,871	5.21%
KERS Nonhazardous	15,855,561	13,876,038	31.434%
KERS Hazardous	1,774,003	1,552,524	3.517%
SPRS	357,625	312,977	0.709%
TOTAL	\$50,440,800	\$44,143,405	

Plan - Specific Expenses	CERS	CERS Hazardous	KERS	KERS Hazardous	SPRS	Total
FY 2024 Expense	\$26,101,995	\$2,299,871	\$13,876,038	\$1,552,524	\$312,977	\$44,143,405
Plan-Specific Adjustment - Hybrid Percent	(518,939)	(45,724)	(275,872)	(30,866)	(6,222)	(877,624)
Plan Specific Adjustment	178,890	15,767	262,035	29,342	-	486,034
Separation Expense Adjustment	359,872	31,718	-	-	-	391,590
Total Expenses	\$26,121,818	\$2,301,633	\$13,862,200	\$1,550,999	\$306,755	\$44,143,405

JP MORGAN CHASE CREDIT EARNINGS AND FEES

FOR THE FISCAL YEAR ENDING JUNE 30, 2024

	Earnings	Fees	Net Earnings
July-23	\$3,297	\$(7,049)	\$(3,751)
August-23	4,612	(7,230)	(2,618)
September-23	26,588	(8,157)	18,432
October-23	-	(7,228)	(7,228)
November-23	-	(7,672)	(7,672)
December-23	-	(7,498)	(7,498)
January-24	-	(7,999)	(7,999)
February-24	-	(6,897)	(6,897)
March-24	-	(12,518)	(12,518)
April-24	-	(10,694)	(10,694)
May-24	-	(7,018)	(7,018)
June-24	-	(7,284)	(7,284)
Total	\$34,498	\$(72,248)	\$(37,750)

JP MORGAN CHASE HARD INTEREST EARNED

FOR THE FISCAL YEAR ENDING JUNE 30, 2024

	Clearing Account	CERS	KERS	SPRS	Total
July-23	\$36,566	\$6,578	\$5,007	\$-	\$48,151
August-23	36,787	9,041	6,066	-	51,894
September-23	44,123	10,919	7,794	-	62,836
October-23	20,461	16,034	15,960	260	52,715
November-23	36,941	19,518	11,393	356	68,209
December-23	28,937	19,758	11,661	262	60,618
January-24	28,423	27,976	14,574	244	71,217
February-24	29,268	24,398	14,391	238	68,295
March-24	41,147	44,619	31,420	1,525	118,711
April-24	41,986	22,915	15,408	1,074	81,385
May-24	15,797	16,037	7,882	290	40,007
June-24	27,727	15,908	8,710	418	52,764
Total	\$388,164	\$233,703	\$150,267	\$4,669	\$776,803



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
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To: Kentucky Public Pensions Authority (KPPA) Board
From: Mike Lamb, KPPA, Chief Financial Officer
Date: September 26, 2024
Subject: Interest on employer invoices

DRAFT

BACKGROUND:

Originating with a February 2023 request from the Finance Committee of the Board of Trustees of the County Employees Retirement System (CERS), the Kentucky Public Pensions Authority (KPPA) created a team of KPPA staff across various divisions (the team) to research available options for charging interest on delinquent employer contributions and employer past due invoices.

On behalf of the team, KPPA legal performed extensive research regarding the statutory authority for charging interest, fees, or penalties on delinquent employer contributions. From this research the team created the following (8) eight categories for evaluation.

- 1) Standard monthly (employer and employee) contributions.
- 2) Omitted employer contributions.
- 3) Active-duty military and “decompression” employer contributions.
- 4) Contributions associated with reinstatements of employment.
- 5) Employer contributions on retired members who are reemployed in a regular full-time position.
- 6) Unused sick leave payments, contributions, and employer pay credits.
- 7) Employer pension spiking.
- 8) End of year invoices.

While KPPA may charge interest on the delinquent employer contributions in many of these (8) eight categories, the team has concluded that if the employer fails to pay the related “interest” invoice on delinquent employer contributions there is little to no statutory authority for charging interest on the past due “interest” or related invoice.

The team has also concluded that when interest is charged it is at the actuarial rate, adopted by the Board(s), currently at 7.5%.

RECOMMENDATIONS:

The team recommends the KPPA board approve the following recommendations related to interest on delinquent employer contributions and employer past due invoices.

1. Authorize KPPA staff to utilize, where applicable, the interest rate of 7.5%, currently in place.
2. Authorize KPPA staff to create an administrative regulation to comprehensively address interest on delinquent employer contributions and past due invoices that encompass KPPA's legal research, statutory and regulatory authority, and Board approved application of such interest.
3. While the administrative regulation is being drafted, approve the following **recommendations** for each of the above eight (8) categories as follows:

- 1) Standard monthly (employer and employee) contributions.

The team recommends: no changes to current process, and that KPPA continue to calculate and apply the interest (not less than \$1,000) to each applicable employer that submits monthly contributions late and continue to only do so on the initial month the contributions are late. The team also recommends continuing to utilize the internal policy to waive interest (or the penalty invoice) when applicable and appropriate.

- 2) Omitted employer contributions.

The team recommends: that KPPA charge interest on all new omitted cases (not just systemic cases) with an effective date retroactive to July 1, 2024. This recommendation is on the initial invoice only.

- 3) Active-duty military and "decompression" employer contributions.

The team recommends: no changes to current process and that KPPA not assess interest on these types of employer invoices.

- 4) Contributions associated with reinstatements of employment.

The team recommends: no changes to current process and that KPPA continue to charge interest to employers in accordance with administrative regulation 105 KAR 1:140.

- 5) Employer contributions on retired members who are reemployed in a regular full-time position.

The team recommends: that KPPA treat such instances as omitted employer contributions and charge interest as discussed in (2) above.

- 6) Unused sick leave payments, contributions, and employer pay credits.

The team recommends: no changes to the current process, and that KPPA continue to not charge interest on these invoices due to lack of statutory authority.

- 7) Employer pension spiking.

The team recommends: no changes to the current process of charging interest on employer pension spiking invoices that are unpaid after one year and

continue to compound the interest on the un-paid balance, plus the unpaid interest, monthly after the initial one-year period.

8) End of year invoices.

The team recommends: no changes to the current process, as after July 1 neither statute nor administrative regulation authorize interest or penalties to be charged on untimely submitted end of year reports related to noncertified school board employees.

DRAFT

APPENDIX

1) Standard monthly (employer and employee) contributions

All CERS employers and KERS employers (who are not an integral part of the executive branch) are required to report on and submit monthly contributions by the 10th of the following month being reported. (For example: January 2024 contributions are to be reported and paid by February 10th, 2024). If contributions are not paid by the 10th, interest (not less than \$1,000) is to be charged on the balance owed.

Currently, KPPA staff does calculate and apply this interest to each applicable employer that submits monthly contributions late and refers to these invoices as a “**penalty invoice**”. There are circumstances, following a well-established internal policy, where KPPA may waive this interest (or penalty invoice).

The team noted, that currently the “penalty invoice” is not created immediately, when late, but rather the penalty invoice is created when the report and contributions are received.

For example: This below invoice relates to the September 2023 reporting month, meaning the reports and payments were due October 10, 2023, yet the penalty invoice was not generated until the contributions, summary, and detailed reports were received on January 8, 2024. Once a penalty invoice has been created, it is issued to the employer with a due date of 30 days from issuance of the invoice (in this case 2/7/2024).

Kentucky Public Pensions Authority
 1260 Louisville Rd. | Frankfort KY 40601-6124
 Phone: (502) 696-8800 | Fax: (502) 696-8822 | kyret.ky.gov

Penalty Invoice

Employer Information

Employer Name:		Employer Code:	
Address:	City:	State: KY	Zip Code:

Invoice Details

Invoice Number:	438937	Amount Due:	1000.00
Due Date:	2/7/2024		
Report Month:	09/01/2023		
Summary Received:	01/08/2024		
Contributions Received:	01/08/2024		
Detail Received:	01/08/2024		

Payment Instructions

In accordance with Kentucky Revised Statutes 61.675 and 76.625, retirement contributions and accompanying reports(s) are due at Kentucky Public Pensions Authority on, or before, the 10th day of the month following the period being reported. When the retirement contributions and accompanying report(s) fail to reach us by the due date, a minimum penalty of \$1,000 is assessed. Your agency has been assessed this penalty.

ERCE is working with DETS to systematically generate a “penalty invoice” immediately (within the same month) when it is known that the employer has not reported and/or paid their monthly contributions by the 10th of the following month being reported.

During FY 2024, there were 254 new penalty invoices created totaling \$757,651.57, with 127 of them being paid (\$618,536.38), 40 being waived (\$52,115.19), and 87 still open as of 7/31/2024 totaling \$87,000.

These totals above include a large metro government that had several months of reporting issues during FY 2023 and FY 2024, and if we remove them from the numbers FY 2024 was as follows:

248 new penalty invoices totaling \$273,047.33 with 121 of them being paid (\$133,932.14), 40 being waived (\$52,115.19), and 87 still open as of 7/31/2024 totaling \$87,000.

The example invoice from above is included in these FY 2024 numbers and is still outstanding, despite being due 2/7/2024. Statutes would allow for KPPA to not only charge interest (not less than \$1,000) for the month that was late (October 2023), but also for November 2023, and December 2023, as the contributions were not received until January 2024. This would have resulted in a \$3,000 penalty invoice for this employer, which would likely still be outstanding as of 7/31/2024.

The chart below shows that as of 7/31/2024, there were 302 outstanding past due “penalty invoices”, from 56 different employers, totaling \$302,100.23 (average = \$1000.33). This includes 114 invoices totaling \$114,000 that are over 3 years past due.

Despite the age of these past due invoices, the team has concluded that there is no statutory authority to charge interest, fees, or penalties on these outstanding “penalty invoices.”

The team’s analysis indicates that the monthly contributions associated with these 302 outstanding past due “penalty invoices” have been paid by the employer. In addition, when “penalty invoices” are issued, they are typically paid timely (especially by large employers), and that these outstanding past due invoices are related to smaller employers who struggle to pay the \$1,000 minimum amount. The team concluded that if KPPA were to charge a penalty invoice for each month the contributions remain outstanding (as allowed by statute) it would likely become an undue burden on the smaller employers resulting in more outstanding and past due penalty invoices.

Therefore, **the team recommends** that KPPA continue to calculate and apply the interest (not less than \$1,000) to each applicable employer that submits monthly contributions late and continue to only do so on the initial month the contributions are late. The team also recommends continuing to utilize the internal policy to waive interest (or the penalty invoice) when applicable and appropriate (no changes to the current process). However, the team does encourage ERCE to continue working with DETS to systematically generate a “penalty invoice” immediately (within the same month).

KRS Board Meeting - Memo on Outstanding Employer Invoices

Invoice Type	Penalty – Monthly Reporting		
not-Current			
Row Labels	Sum of PASTDUETOTAL	Count of Invoice #	
K032 - ELLIOTT COUNTY AMBULANCE SERVICE	\$ 41,000.00	41	
W016 - BUTLER COUNTY ATTORNEY	\$ 40,000.00	40	
W005 - BARREN COUNTY ATTORNEY	\$ 20,000.00	20	
V026 - CLAY COUNTY FISCAL COURT	\$ 17,100.23	17	
W040 - GARRARD COUNTY ATTORNEY	\$ 17,000.00	17	
V398 - CITY OF ELKHORN CITY	\$ 10,000.00	10	
K141 - GRANT COUNTY PLANNING COMMISSION	\$ 10,000.00	10	
K095 - OWSLEY COUNTY PUBLIC LIBRARY	\$ 9,000.00	9	
K077 - MAGOFFIN COUNTY LIBRARY	\$ 9,000.00	9	
M080 - MARTIN COUNTY HOUSING AUTHORITY	\$ 8,000.00	8	
W095 - OWSLEY COUNTY ATTORNEY	\$ 8,000.00	8	
M013 - BREATHITT COUNTY SOIL CONSERVATION DISTRICT	\$ 8,000.00	8	
W108 - SPENCER COUNTY ATTORNEY	\$ 7,000.00	7	
V024 - CHRISTIAN COUNTY FISCAL COURT	\$ 6,000.00	6	
K101 - CITY OF MOUNT OLIVET	\$ 6,000.00	6	
N069 - CITY OF CRAB ORCHARD	\$ 5,000.00	5	
W029 - CUMBERLAND COUNTY ATTORNEY	\$ 5,000.00	5	
J610 - BOYD COUNTY CONSERVATION DISTRICT	\$ 5,000.00	5	
N115 - WASHINGTON COUNTY CONSERVATION DISTRICT	\$ 4,000.00	4	
P115 - HOUSING AUTHORITY OF SPRINGFIELD	\$ 4,000.00	4	
7794 - OWEN COUNTY MASTER COMMISSIONER	\$ 4,000.00	4	
V207 - BELL COUNTY PUBLIC LIBRARY	\$ 4,000.00	4	
N009 - CITY OF MILLERSBURG	\$ 4,000.00	4	
L103 - MOREHEAD UTILITY PLANT BOARD	\$ 3,000.00	3	
N044 - HOUSING AUTHORITY OF GREENSBURG	\$ 3,000.00	3	
M060 - CITY OF HINDMAN	\$ 3,000.00	3	
P018 - MURRAY CALLOWAY COUNTY TRANSIT AUTHORITY	\$ 3,000.00	3	
7416 - KENTUCKY OFFICE OF BAR ADMISSIONS	\$ 2,000.00	2	
R118 - WILLIAMSBURG INDEPENDENT SCHOOLS	\$ 2,000.00	2	
W069 - LINCOLN COUNTY ATTORNEY	\$ 2,000.00	2	
P077 - SALYERSVILLE MAGOFFIN COUNTY JOINT HOUSING AUTHORITY	\$ 2,000.00	2	
M027 - HOUSING AUTHORITY OF ALBANY	\$ 2,000.00	2	
P110 - TODD COUNTY CONSERVATION DISTRICT	\$ 2,000.00	2	
L050 - CITY OF MUNFORDVILLE	\$ 2,000.00	2	
R015 - CITY OF SHEPHERDSVILLE	\$ 2,000.00	2	
R041 - CITY OF CRITTENDEN	\$ 2,000.00	2	
P010 - REGIONAL PUBLIC SAFETY	\$ 2,000.00	2	
W070 - LIVINGSTON COUNTY ATTORNEY	\$ 1,000.00	1	
W050 - HART COUNTY ATTORNEY	\$ 1,000.00	1	
B109 - CAMPBELLSVILLE-TAYLOR COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY	\$ 1,000.00	1	
V125 - LOUISVILLE MEMORIAL COMMISSION	\$ 1,000.00	1	
W055 - JACKSON COUNTY ATTORNEY	\$ 1,000.00	1	
7798 - PIKE COUNTY MASTER COMMISSIONER	\$ 1,000.00	1	
V048 - HARLAN COUNTY FISCAL COURT	\$ 1,000.00	1	
B097 - KENTUCKY RIVER REGIONAL JAIL	\$ 1,000.00	1	
N112 - TRIMBLE CO WATER DISTRICT #1	\$ 1,000.00	1	
V007 - BELL COUNTY FISCAL COURT	\$ 1,000.00	1	
W052 - HENRY COUNTY ATTORNEY	\$ 1,000.00	1	
V576 - SOUTHERN MADISON WATER DISTRICT	\$ 1,000.00	1	
7720 - MASTER COMMISSIONER CAMPBELL COUNTY	\$ 1,000.00	1	
W003 - ANDERSON COUNTY ATTORNEY	\$ 1,000.00	1	
W080 - MARTIN COUNTY ATTORNEY	\$ 1,000.00	1	
K319 - CITY OF SILVER GROVE	\$ 1,000.00	1	
K519 - CITY OF MELBOURNE	\$ 1,000.00	1	
M091 - NICHOLAS COUNTY WATER DISTRICT	\$ 1,000.00	1	
V508 - CITY OF UNION	\$ 1,000.00	1	
Grand Total	\$ 302,100.23	302	

The team further noted that ERCE, through their monthly qualification process will reconcile the monthly report from the employer with the payment from the employer, and if there is an out-of-balance, ERCE will create a “**monthly reporting invoice**” (or credit) to get the report to balance. A “monthly reporting or contribution invoice” is not created if the employer report and related payment are balanced without any discrepancies.

“**Monthly reporting invoices**” are only created if the employer submitted report does not match the monies being reported and ERCE needs to create an invoice to get those two things to balance as part of

their qualification process. Employers are encouraged to pay these monthly reporting invoices (or take their credit) as part of the next monthly reporting cycle, and since the reports and contributions, were balanced with one of these invoices, the employer is not issued a penalty invoice for the month.

As of 7/31/2024, there were 823 these “monthly reporting invoices” that were past due, with a net balance of \$337,424.51, consisting of 521 negative invoices totaling -\$748,171.23 (average = \$-1,436.03) and 302 positive invoices totaling \$1,085,595.74 (average = \$3,494.69).

As with the “penalty invoices” despite the age of some of these past due “monthly reporting invoices”, the team has concluded that there is little statutory authority to charge interest, fees, or penalties on these outstanding “monthly reporting invoices”, and the team recommends not pursuing interest on these outstanding balances.

2) Omitted employer contributions.

Statutes state that these contributions shall be considered delinquent from the date the employee should have been reported and received service credit, and the employee shall not be credited the service until the employer contributions due, and any interest or penalties on the delinquent employer contributions are received by the pension system.

Currently, for systemic issues and cases, KPPA calculates and invoices employers for omitted contributions plus interest. Typically, these are for employers that are being worked by KPPA legal and this calculation is performed manually.

The team recommends that KPPA charge interest on all new omitted cases (not just systemic cases) with an effective date retroactive to July 1, 2024. This recommendation is on the initial invoice only. Once the invoice is issued, and if it becomes past due or delinquent, the statutory language is vague, at best, as to whether interest can be calculated and charged on the balance of the past due invoice itself. Therefore, **the team does not recommend** charging interest on past due or delinquent “omitted” invoices.

EXAMPLE (Current Invoice)

Omitted Service Period						
Period of Service	Months of Service	Salary	Contribution Rate	Employer Contribution		
8/1/2019 - 6/30/2020	11	\$17,030.14	24.06			\$4,097.41
7/1/2020 - 6/30/2021	12	\$21,407.02	24.06			\$5,150.52
7/1/2021 - 10/31/2021	4	\$6,277.60	26.95			\$1,691.80
Total Cost:						\$10,939.73

NEW EXAMPLE (Recommended to capture interest) for all new (July 1, 2024) omitted cases.

Omitted Service Period		Invoice Date: 11/14/2023		Invoice Due Date: 12/31/2023			
Period of Service	Months of Service	Salary	Contribution Rate	Employer Contribution	Interest on Omitted		Total Cost
8/1/2019-6/30/2020	11	\$ 17,030.14	24.06	\$ 4,097.41	\$ 281.70		
7/1/2020-6/30/2021	12	\$ 21,407.02	24.06	\$ 5,150.52	\$ 386.29		\$ 11,650.01
7/1/2021-10/31/2021	4	\$ 6,277.60	26.95	\$ 1,691.80	\$ 42.30		

We currently do not have the data to calculate what the “uncharged” interest would have been on all the initial omitted service credit invoices that are still outstanding, as each specific invoice would need to be examined and calculated like in the example provided and we recommend initiating this on a prospective basis (new omitted invoices issues on or after July 1, 2024).

The chart below shows that as of 7/31/2024, there were 144 outstanding past due “omitted employer invoices” from 45 different employers, totaling \$1,447,425.87 (average = \$8,318.54). This includes 76 invoices totaling \$1,066,923.21 that are over 3 years past due.

These totals above include employers in litigation and if we remove them from the numbers: there were 68 outstanding past due “omitted employer invoices” from 43 different employers, totaling \$467,697.92 (average = \$6,877.91). This includes 15 invoices totaling \$1,66,466.46 that are over 3 years past due.

Invoice Type	Omitted Employer		
not-Current			
Row Labels	Sum of PASTDUETOTAL	Count of Invoice #	
B097 - KENTUCKY RIVER REGIONAL JAIL	\$ 972,170.00	65	
8220 - LIFESKILLS INC.	\$ 91,065.12	1	
L077 - CITY OF SALYERSVILLE	\$ 84,256.08	1	
7725 - MASTER COMM CLARK CO	\$ 74,130.60	1	
K120 - CITY OF VERSAILLES	\$ 39,009.49	1	
B048 - CITY OF HARLAN	\$ 35,824.85	2	
V373 - PADUCAH MCCracken COUNTY TOURIST COMMISSION	\$ 21,077.99	2	
M030 - DAVIess COUNTY BOARD OF EDUCATION	\$ 20,545.88	7	
W111 - TRIGG COUNTY ATTORNEY	\$ 13,813.05	1	
V004 - BALLARD COUNTY FISCAL COURT	\$ 12,535.68	1	
K005 - BARREN COUNTY BOARD OF EDUCATION	\$ 10,939.73	1	
J060 - KNOTT CO BOARD OF EDUCATION	\$ 8,096.58	12	
J856 - LOUISVILLE WATER COMPANY	\$ 7,729.83	1	
8024 - SEVEN COUNTY SERVICES INC	\$ 7,557.95	11	
L141 - CORINTH WATER DISTRICT	\$ 5,989.04	1	
7751 - MASTER COMMISSIONER HENDERSON COUNTY	\$ 5,767.96	1	
V023 - CASEY COUNTY FISCAL COURT	\$ 4,376.68	2	
M059 - KENTON COUNTY FISCAL COURT	\$ 3,452.55	1	
V071 - LOGAN COUNTY FISCAL COURT	\$ 3,423.18	1	
M080 - MARTIN COUNTY HOUSING AUTHORITY	\$ 3,340.54	1	
N118 - CITY OF WILLIAMSBURG	\$ 3,226.88	2	
B756 - LEGAL AID SOCIETY INC	\$ 2,715.69	1	
V207 - BELL COUNTY PUBLIC LIBRARY	\$ 1,971.13	1	
K032 - ELLIOTT COUNTY AMBULANCE SERVICE	\$ 1,775.46	3	
V398 - CITY OF ELKHORN CITY	\$ 1,684.02	1	
J105 - SCOTT COUNTY BOARD OF EDUCATION	\$ 1,445.43	1	
V108 - SPENCER COUNTY FISCAL COURT	\$ 1,403.85	1	
J037 - CITY OF FRANKFORT	\$ 1,137.61	2	
V100 - PULASKI COUNTY FISCAL COURT	\$ 845.12	1	
J039 - GALLATIN COUNTY BOARD OF EDUCATION	\$ 802.44	2	
53736 - DEPARTMENT FOR COMMUNITY BASED SERVICES	\$ 715.31	1	
N081 - BUFFALO TRACE AREA DEVELOPMENT DISTRICT	\$ 662.82	1	
35625 - DEPARTMENT OF HIGHWAYS	\$ 568.85	1	
K038 - FULTON CITY SCHOOLS	\$ 567.02	1	
M034 - FAYETTE COUNTY BOARD OF EDUCATION	\$ 503.28	1	
J016 - BUTLER COUNTY BOARD OF EDUCATION	\$ 467.64	1	
31030 - UNIFIED PROSECUTORIAL SYSTEM	\$ 465.90	1	
V107 - SIMPSON COUNTY FISCAL COURT	\$ 333.34	1	
J111 - TRIGG COUNTY BOARD OF EDUCATION	\$ 297.35	1	
W025 - CLARK COUNTY ATTORNEY	\$ 182.26	1	
J093 - OLDHAM COUNTY BOARD OF EDUCATION	\$ 178.39	1	
V024 - CHRISTIAN COUNTY FISCAL COURT	\$ 134.04	1	
V130 - ANCHORAGE BOARD OF EDUCATION	\$ 114.24	1	
K002 - ALLEN COUNTY BOARD OF EDUCATION	\$ 105.02	1	
L114 - WARREN COUNTY BOARD OF EDUCATION	\$ 20.00	1	
Grand Total	\$ 1,447,425.87	144	

3) Active-duty military and “decompression” employer contributions.

During the 2024 fiscal year, KPPA issued two employer invoices related to this service. One for the Franklin County Fiscal Court for \$235,216.35 and one for Kentucky State Police for \$319,086.20. Both invoices were paid timely by both employers. There is however, one outstanding invoice for \$35,030.92 dated 2/27/2023 for the Department for Behavioral Health Development Intellectual Disabilities and as of 6/30/24 was 490 days past due but is actively being worked by ERCE for collection. Had KPPA charged

interest (or penalty) on this past due invoice under the “late reporting” statute, every month the additional amount owed would be \$3,284 or \$15,000 (depending on how statute is interpreted).

The team concluded that there is limited statutory support for charging interest on employee contributions for active-duty military service and decompression. In addition, KPPA has had minimal issues regarding the collection of employer invoices related to this service, and therefore, **the team recommends** that KPPA not assess interest on these types of employer invoices at this time.

4) Contributions associated with reinstatements of employment.

Administrative regulation 105 KAR 1:140 states that employers are required to pay interest at the rate adopted by the relevant board related to any creditable compensation paid as a result of an order by or settlement of an action before the Personnel Board, a court with jurisdiction, or the Human Rights Commission. Currently, KPPA performs this calculation manually upon notification and reporting of the reinstatement of the employee by the participating employer. **The team recommends** that KPPA continue to charge interest to employers when applicable.

As of 7/31/2024 there were 10 invoices from 5 employers totaling \$186,008.79 past due.

Invoice Type	Reinstatement	
not-Current		
Row Labels	Sum of PASTDUETOTAL	Count of Invoice #
V959 - CITY OF COVINGTON	\$ 171,357.58	1
54527 - DEPARTMENT OF CORRECTIONS	\$ 6,687.27	1
V071 - LOGAN COUNTY FISCAL COURT	\$ 3,934.80	1
35625 - DEPARTMENT OF HIGHWAYS	\$ 2,245.09	3
54523 - DEPARTMENT OF JUVENILE JUSTICE	\$ 1,784.05	4
Grand Total	\$ 186,008.79	10

5) Employer contributions on retired members who are reemployed in a regular full-time position.

Employers who re-hire a retired member to a full-time position are required to pay the employer portion of the pension contribution. These employees are typically reported as part of the standard monthly contributions discussed in item (1) above, and if reported late are addressed there.

However, there are times where these employees are misclassified by employers (such as the employee classified as a contractor). In such cases, when the misclassification is corrected, these employees should be treated as omitted (see 2 above) versus a simple prior period adjustment, which would not incorporate interest.

The team recommends that KPPA treat such instances as omitted employer contributions and charge interest as discussed in (2) above.

6) Unused sick leave payments, contributions, and employer pay credits.

There is no statutory authority to charge interest or penalties on sick leave service payments or employee contributions for sick leave payments for CERS members, nor is there statutory authority to charge interest on unused sick leave that is added to the members service credit for KERS or SPRS members. Currently, KPPA does not charge interest on these unpaid invoices, and **the team recommends** that KPPA not pursue any changes.

As of 7/31/2024 there were 143 past due invoices for 39 different employers totaling \$1,314,670.68.

Invoice Type	Standard Sick Leave	
not-Current		
Row Labels	Sum of PASTDUETOTAL	Count of Invoice #
35625 - DEPARTMENT OF HIGHWAYS	\$ 620,066.25	34
53729 - DEPT FOR BEHAVIORAL HEALTH DEVELOPMENTAL INTELLECTUAL DISABILITIES	\$ 99,553.33	15
53736 - DEPARTMENT FOR COMMUNITY BASED SERVICES	\$ 94,278.12	12
31030 - UNIFIED PROSECUTORIAL SYSTEM	\$ 65,049.35	14
J037 - CITY OF FRANKFORT	\$ 60,753.82	1
53725 - OFFICE OF DEMENTIA SERVICES	\$ 59,029.32	3
8024 - SEVEN COUNTY SERVICES INC	\$ 36,798.06	12
31045 - AUDITOR OF PUBLIC ACCOUNTS	\$ 35,464.47	2
54523 - DEPARTMENT OF JUVENILE JUSTICE	\$ 24,669.05	6
35630 - DEPARTMENT OF VEHICLE REGULATION	\$ 23,363.19	2
31150 - BOARD OF ACCOUNTANCY	\$ 21,918.70	1
L025 - CITY OF WINCHESTER	\$ 19,184.41	3
53739 - OFFICE OF HEALTH DATA AND ANALYTICS	\$ 16,120.80	2
50670 - DEPARTMENT OF PARKS	\$ 15,884.00	2
58685 - DEPARTMENT OF FINANCIAL INSTITUTIONS	\$ 15,495.46	1
36635 - CABINET FOR ECONOMIC DEVELOPMENT	\$ 12,985.98	3
V130 - ANCHORAGE BOARD OF EDUCATION	\$ 12,543.03	1
53728 - DEPARTMENT FOR PUBLIC HEALTH	\$ 10,993.23	1
35615 - DEPARTMENT OF AVIATION	\$ 9,680.37	1
35605 - TRANSPORTATION OFFICE OF THE SECRETARY	\$ 8,776.20	3
35618 - OFFICE OF AUDITS	\$ 6,365.76	1
31260 - BOARD OF OPTOMETRIC EXAMINERS	\$ 5,359.93	1
V018 - CALLOWAY COUNTY FISCAL COURT	\$ 5,242.13	1
31190 - BOARD OF EMBALMERS AND FUNERAL HOME DIRECTORS	\$ 5,062.70	1
V047 - HARDIN COUNTY FISCAL COURT	\$ 4,847.68	1
58681 - DEPARTMENT OF CHARITABLE GAMING	\$ 4,054.94	1
53727 - DEPARTMENT FOR INCOME SUPPORT	\$ 3,867.28	2
J022 - CARTER COUNTY BOARD OF EDUCATION	\$ 2,990.57	2
53723 - OFFICE OF THE INSPECTOR GENERAL	\$ 2,833.94	1
53767 - OFFICE FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS	\$ 2,706.25	4
N110 - LOGAN/TODD REGIONAL WATER COMMISSION	\$ 1,758.10	1
0660 - DEPARTMENT OF FISH AND WILDLIFE	\$ 1,585.62	1
57129 - ENVIRONMENTAL PROTECTION	\$ 1,075.83	1
1030 - UNIFIED PROSECUTORIAL SYSTEM	\$ 1,023.47	1
V530 - AUDUBON AREA COMMUNITY SERVICES	\$ 996.99	1
58680 - ALCOHOL BEVERAGE CONTROL	\$ 775.03	1
8201 - KENTUCKY RIVER COMMUNITY CARE INC.	\$ 711.35	1
51531 - DEPARTMENT OF WORKFORCE INVESTMENT	\$ 660.28	1
K005 - BARREN COUNTY BOARD OF EDUCATION	\$ 145.69	1
Grand Total	\$ 1,314,670.68	143

7) Employer pension spiking.

There is statutory authority to charge interest on pension spiking invoices that remain unpaid for one year, and that interest can continue to accrue after the one-year period (compound). Currently, KPPA charges interest on employer pension spiking invoices that are unpaid after one year, and compounds the interest

on the unpaid balance, plus the unpaid interest, monthly after the initial one-year period. **The team recommends** no changes to the current KPPA process.

As of 7/31/2024 there were 194 invoices for 31 different employers totaling \$1,509,937.65 past due.

Invoice Type	Pension Spiking	
not-Current		
Row Labels	Sum of PASTDUETOTAL	Count of Invoice #
J059 - KENTON COUNTY AIRPORT BOARD	\$ 335,744.78	8
J619 - CITY OF FORT THOMAS	\$ 274,282.25	8
V959 - CITY OF COVINGTON	\$ 231,897.53	12
V129 - TARC TRANSIT AUTHORITY OF RIVER CITY	\$ 220,894.42	48
J156 - CITY OF JEFFERSONTOWN	\$ 121,897.82	13
8024 - SEVEN COUNTY SERVICES INC	\$ 121,206.96	34
31030 - UNIFIED PROSECUTORIAL SYSTEM	\$ 46,567.80	15
50670 - DEPARTMENT OF PARKS	\$ 29,754.76	14
L009 - CITY OF PARIS	\$ 27,371.92	2
V048 - HARLAN COUNTY FISCAL COURT	\$ 19,612.74	1
V095 - OWSLEY COUNTY FISCAL COURT	\$ 18,225.66	2
K315 - MOUNT WASHINGTON FIRE PROTECTION DISTRICT	\$ 17,570.31	1
35625 - DEPARTMENT OF HIGHWAYS	\$ 12,666.94	8
V018 - CALLOWAY COUNTY FISCAL COURT	\$ 10,130.25	1
39938 - FAYETTE COUNTY SHERIFF	\$ 9,935.02	3
W026 - CLAY COUNTY ATTORNEY	\$ 8,075.81	1
3027 - GREEN RIVER DISTRICT HEALTH DEPARTMENT	\$ 5,060.94	6
N118 - CITY OF WILLIAMSBURG	\$ 4,281.04	2
R057 - CITY OF WILMORE	\$ 2,197.13	1
K214 - GREEN RIVER REGIONAL EDUCATIONAL COOPERATIVE	\$ 1,419.65	1
53736 - DEPARTMENT FOR COMMUNITY BASED SERVICES	\$ 702.74	1
K032 - ELLIOTT COUNTY AMBULANCE SERVICE	\$ 424.05	1
W088 - MORGAN COUNTY ATTORNEY	\$ 234.86	1
7763 - MASTER COMMISSION LAUREL COUNTY	\$ 185.11	1
V019 - CAMPBELL COUNTY FISCAL COURT	\$ 149.89	1
53728 - DEPARTMENT FOR PUBLIC HEALTH	\$ 3.60	1
53725 - OFFICE OF DEMENTIA SERVICES	\$ 1.89	1
8201 - KENTUCKY RIVER COMMUNITY CARE INC.	\$ (373.29)	3
3043 - LITTLE SANDY DISTRICT HEALTH DEPARTMENT	\$ (709.12)	1
53767 - OFFICE FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS	\$ (4,603.58)	1
8210 - NEW VISTA OF THE BLUEGRASS, INC	\$ (4,872.23)	1
Grand Total	\$ 1,509,937.65	194

8) End of year invoices.

After July 1, 2000, neither statute nor administrative regulation authorize interest or penalties to be charged on untimely submitted end of year reports related to noncertified school board employees. Currently, KPPA is not charging interest on end of year reports, and the **team recommends** no changes to the current KPPA process.



KRS
Kentucky Retirement Systems



SPRS
State Police Retirement System

MEMORANDUM

To: Kentucky Retirement Systems Board of Trustees

From: C. Prewitt Lane, Chair
Investment Committee

Date: September 12, 2024

Subject: Summary of Investment Committee Meeting

The Kentucky Retirement Systems Investment Committee held a Special Called meeting on September 6, 2024.

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

Approved Staff's recommendation to invest up to \$35 million in the Strategic Value Partners Continuation Vehicle for Project Spurs subject to successful contract negotiations. This investment would be part of the Real Return asset allocation and would be allocated proportionally across all Pension and Insurance portfolios.

RECOMMENDATION: The Investment Committee requests the Kentucky Retirement Systems Board of Trustees ratify the actions taken by the Investment Committee.

The Kentucky Retirement Systems Investment Committee held a regularly scheduled meeting on August 21, 2024.

- 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 Investment Committee meetings.
 - Review of Economic Conditions, Market Activity and Outlook.
 - Absolute and Relative Performance and Asset Allocations for the Pension and Insurance Portfolios for the Quarter and Fiscal Year ending June 30, 2024.

Quarter Ending June 30, 2024:

KERS Pension 1.17%
SPRS Pension 1.06%
Benchmark 1.92%

KERSH Pension 1.24%
KERS Insurance 1.22%
KERSH Insurance 1.34%
SPRS Insurance 1.27%
Benchmark 2.40%

Fiscal Year Ending June 30, 2024:

KERS Pension 9.50%
SPRS Pension 9.62%
Benchmark 10.11%

KERSH Pension 11.12%
KERS Insurance 11.07%
KERSH Insurance 11.15%
SPRS Insurance 11.02%
Benchmark 12.40%

- c. Performance Attribution – The underperformance of the Private Equity portfolio relative to its stated benchmark was identified as the main driver of relative overall performance, responsible for between 150bps and 200bps of underperformance for the Fiscal Year. Underperformance in the Public Equity portfolio was also identified as a significant driver of relative performance. Despite delivering a 17.01% return for the Fiscal Year the Public Equity portfolio trailed its benchmark return by 237bps. For the Fiscal Year, the Core Fixed Income and Specialty Credit portfolios performed well, outpacing their benchmarks by 246 bps and 109bps respectively. Staff provided additional information on allocations and performance of the Public and Private Equity portfolios that led to their underperformance.
- d. Internal Portfolios - An update was provided on the performance of the internally managed passive and proxy portfolios. Despite the elevated market volatility, the portfolios have performed in line with expectations and consistent with their mandates.
- e. Peer Universe – All portfolios have continued to produce top decile or top quartile risk adjusted performance over 3 and 5-year time periods.
- f. Asset Allocations – Staff provided an update on the rebalancing activity and noted that as of the end of the Fiscal Year, all asset classes were within their respective IPS allocation range with the majority within 1.5% of their Target Allocations.

- g. Compliance Review – As of the end of the Fiscal year there were no compliance violations reported.
4. Staff provided an update on the Investment Budget. For the Fiscal Year, expenditures totaled only 71% of the amount budgeted or \$10.3MM. While Consulting and Contractual services were in line with the amounts budgeted, expenses for Legal and Auditing Services were only 45% of the amount budgeted. Staff highlighted the reduction in Core Fixed Income Advisory fees of \$350k despite the 25% increase in the market value of the asset class driven by moving management of a portion of the asset allocation in-house and noted the expected full year savings of \$1.5MM to \$2.00MM. The approved budget for Fiscal Year 2025 was also presented with the increase for Legal Expenses noted as the driver of the overall increase of \$2.3MM or 23%.

*Board of Trustees Action Required

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

Kentucky Retirement Systems

Investment Review and Update

Quarter Ending: June 30, 2024

Pension Portfolios Performance

KERS, KERS-HAZ, & SPRS - PENSION FUND - PLAN NET RETURNS - 06/30/24

Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS	4,208,402,115.09	0.92	1.17	9.50	9.50	3.55	6.86	6.08	6.43	7.80	8.71
KY Ret. KERS Plan IPS Index		1.19	1.92	10.11	10.11	3.91	6.48	5.98	6.41	7.79	8.77
KERS- H	1,025,916,370.85	0.95	1.24	11.12	11.12	4.58	7.65	6.71	6.75	8.02	8.88
KY Ret. KERS Haz Plan IPS Index		1.29	2.40	12.40	12.40	5.01	7.84	6.70	6.79	8.04	8.96
SPRS	650,802,261.02	0.94	1.06	9.62	9.62	3.99	6.95	6.04	6.41	7.79	8.70
KY Ret. SPRS Plan IPS Index		1.19	1.92	10.11	10.11	3.91	6.48	5.92	6.39	7.77	8.76

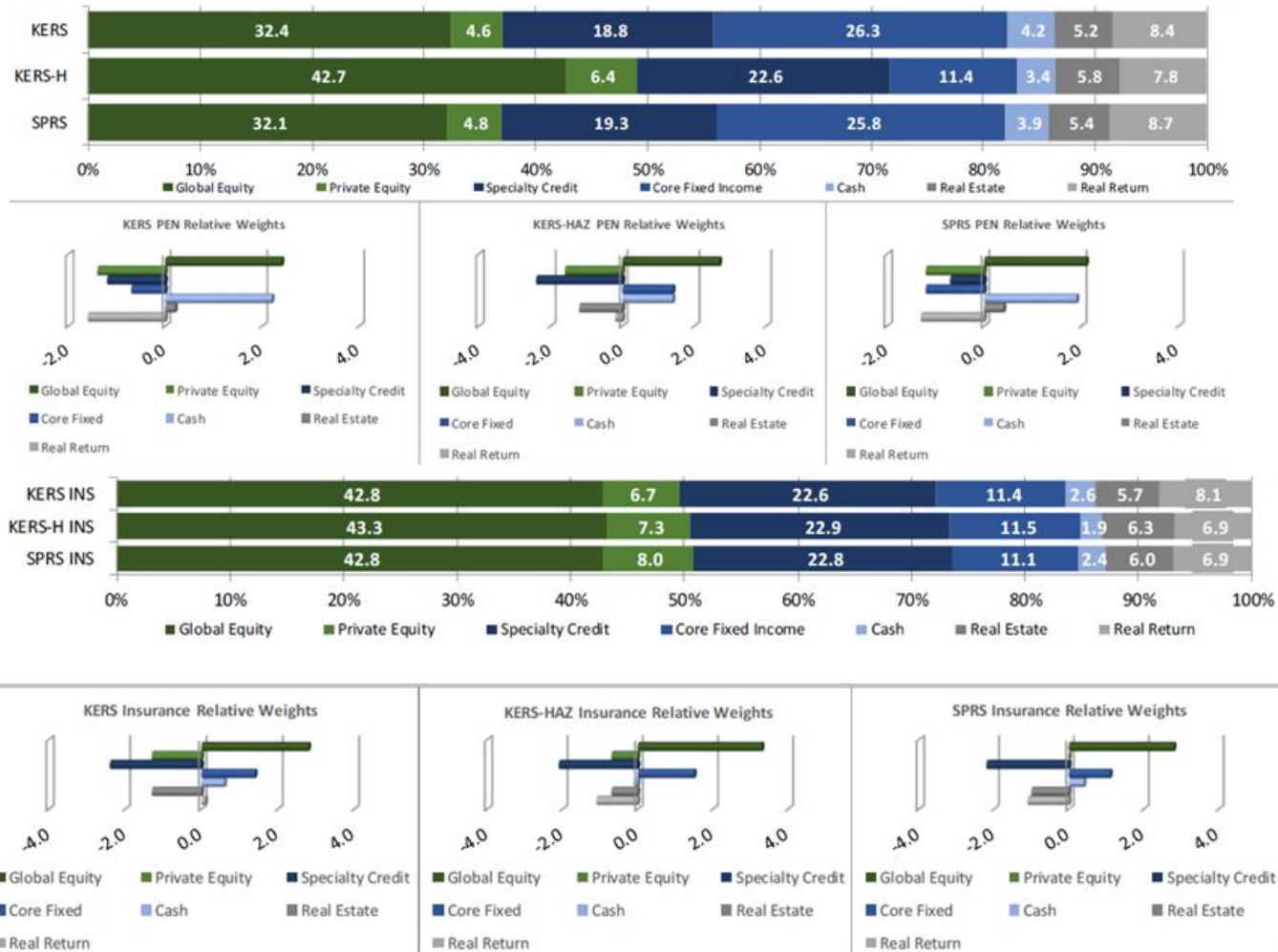
KPPA PENSION FUND UNIT - NET RETURNS - 06/30/24 - PROXY PLAN ASSET PERFORMANCE

Structure	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
PUBLIC EQUITY	1.23	1.36	17.01	17.01	4.13	10.10	8.08	7.62	9.15	10.37
MSCI ACWI	2.23	2.87	19.38	19.38	4.91	10.39	8.14	7.59	9.00	10.27
PRIVATE EQUITY	0.02	-0.27	3.77	3.77	7.82	12.28	11.50	11.15		11.44
Russell 3000 + 3%(Qtr Lag)	3.58	10.82	32.29	32.29	12.81	17.41	15.46	12.69		12.69
SPECIALTY CREDIT	1.62	2.72	11.90	11.90	6.66	6.65				6.56
50% BB US HY / 50% Morningstar LSTA Lev'd Ln	0.65	1.50	10.81	10.81	3.92	4.76				4.71
CORE FIXED INCOME	1.17	0.30	5.09	5.09	0.20	1.84	2.41			2.64
Bloomberg US Aggregate	0.95	0.07	2.63	2.63	-3.02	-0.23	1.35			1.62
CASH	0.44	1.33	5.33	5.33	2.96	2.18	1.67	1.90	2.76	3.37
FTSE Treasury Bill-3 Month	0.45	1.37	5.64	5.64	3.17	2.22	1.53	1.54	2.40	2.99
REAL ESTATE	-0.98	-1.09	-9.92	-9.92	3.93	6.29	7.83	7.07	6.07	6.19
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^	-2.58	-2.58	-12.00	-12.00	2.47	2.56	5.82	6.00	7.12	5.96
REAL RETURN	1.16	2.56	14.21	14.21	9.68	8.22	5.20			5.52
US CPI +3%	0.40	1.92	6.27	6.27	7.11	6.70	4.12			4.30

Insurance Portfolios Performance

KERS INS, KERS-HAZ INS, SPRS INS - INSURANCE FUND - PLAN NET RETURNS - 06/30/24											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
KERS INS	1,677,700,164.73	1.02	1.22	11.07	11.07	4.63	7.68	6.54	6.38	7.09	7.36
KY Ins. KERS Plan IPS Index		1.29	2.40	12.40	12.40	5.15	7.72	6.70	6.61	7.49	7.71
KERS - H INS	667,433,895.29	1.00	1.34	11.15	11.15	5.06	7.75	6.79	6.55	7.20	7.45
KY Ins. KERS Haz Plan IPS Index		1.29	2.40	12.40	12.40	5.15	7.63	6.68	6.61	7.48	7.70
SPRS INS	271,155,861.34	0.94	1.27	11.02	11.02	5.09	7.92	6.97	6.63	7.25	7.50
KY Ins. SPRS Plan IPS Index		1.29	2.40	12.40	12.40	5.15	7.63	6.70	6.62	7.49	7.71
KPPA INSURANCE FUND UNIT - NET RETURNS - 06/30/24 - 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		1.19	1.31	16.88	16.88	4.09	10.07	8.13	7.53		8.82
MSCI ACWI		2.23	2.87	19.38	19.38	4.90	10.36	8.14	7.43		8.70
PRIVATE EQUITY		0.77	0.57	6.61	6.61	12.30	12.36	12.88	10.90		10.76
Russell 3000 + 3%(Qtr Lag)		3.58	10.82	32.29	32.29	12.81	17.41	15.46	12.37		12.26
SPECIALTY CREDIT		1.63	2.77	12.12	12.12	6.87	6.66				6.48
50% BB US HY / 50% Morningstar LSTA Lev'd Ln		0.65	1.50	10.81	10.81	3.92	4.76				4.71
CORE FIXED INCOME		1.17	0.29	4.93	4.93	0.04	1.65	2.12			2.36
Bloomberg US Aggregate		0.95	0.07	2.63	2.63	-3.02	-0.23	1.35			1.62
CASH		0.44	1.34	5.35	5.35	2.96	2.08	1.54	1.74		2.54
FTSE Treasury Bill-3 Month		0.45	1.37	5.64	5.64	3.17	2.22	1.53	1.54		2.46
REAL ESTATE		-1.16	-1.35	-9.90	-9.90	3.65	6.18	7.88			8.19
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^		-2.58	-2.58	-12.00	-12.00	2.47	2.56	5.82			4.87
REAL RETURN		0.85	2.08	11.99	11.99	8.36	7.67	4.87			5.15
US CPI +3%		0.40	1.92	6.27	6.27	6.77	6.72	4.18			4.34

Allocations



Investment Highlights

- The KRS Pension Composite produced a return of 1.17% for the quarter compared to the benchmark return of 2.00% while the KRS Insurance returned 1.25% for the quarter versus a benchmark return of 2.40%

KERS Pension 1.17%
SPRS Pension 1.06%
 Benchmark 1.92%

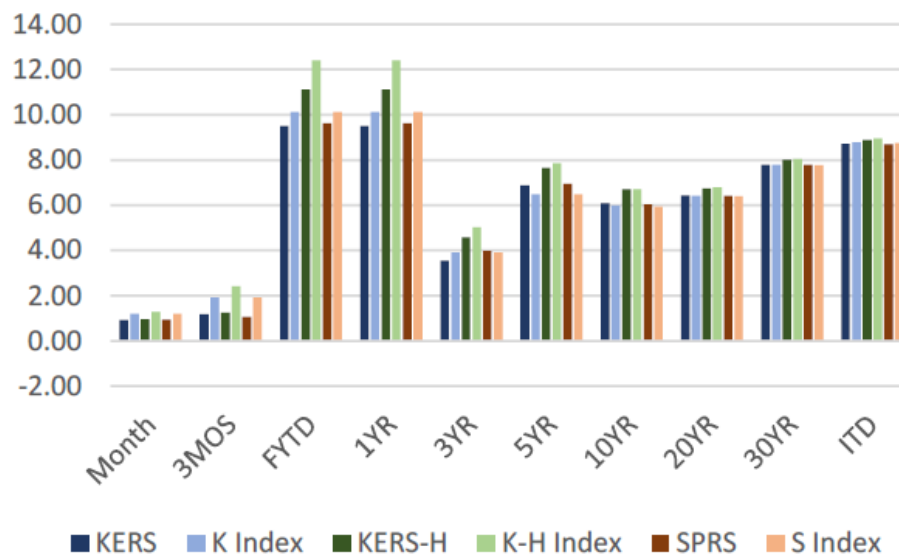
KERSH Pension 4.30%
KERS Insurance 1.22%
KERSH Insurance 1.34%
SPRS Insurance 1.27%
 Benchmark 2.40%

- For Fiscal Year 2024 the KRS Pension Composite produced a return of 9.80% compared to the benchmark return of 10.51% while the KRS Insurance Composite returned 11.08% versus a benchmark return of 12.40%

KERS Pension 9.50%
SPRS Pension 9.62%
 Benchmark 10.11%

KERSH Pension 11.12%
KERS Insurance 11.07%
KERSH Insurance 11.15%
SPRS Insurance 11.02%
 Benchmark 12.40%


K,KH,S Pension Performance - 06/30/24



Investment Highlights

- Across portfolios, for the quarter the largest contributor to relative outperformance was the strong performance in the Specialty Credit allocation which outperformed the benchmark by 122 bps for the quarter. Within the allocation, fourteen of the seventeen portfolios outperformed the overall blended benchmark.
- The most significant detractors of relative performance during the quarter were the Public Equity and Private Equity portfolios. While the Public Equity portfolio produced a return of 1.36% for the quarter it trailed the benchmark by 149 bps driven by allocation and style biases. The Private Equity portfolio underperformed its stated benchmark by 11.09% during the quarter with the underperformance attributable to the mismatch with the benchmark which has been exacerbated in recent quarters.
- For the Fiscal Year, the Core Fixed Income and Specialty Credit portfolios performed well, outpacing their benchmarks by 246 bps and 109bps respectively. The underweight to Real Estate, which was the only asset class with negative performance, also bolstered relative performance.
- The Private Equity portfolio's underperformance relative to its public market benchmark the Russell 3000 +3% lagged 1 Quarter, was responsible for between 150bps -200bps of underperformance at the Plan level as the Private Equity portfolio underperformed this benchmark by over 28.5% for the year.
- The Public Equity portfolio produced a return of 17.01% for the year but trailed the benchmark by 237bps as it failed to keep pace with the rally in the broader public equity markets driven significantly by a handful of mega cap technology stocks.
- During the quarter Staff continued to opportunistically rebalance the portfolios consistent with the recently revised Asset Allocation targets. As of the end of the Fiscal Year no asset allocations were outside of their prescribed ranges and all allocations were within 3% of their specified IPS target.

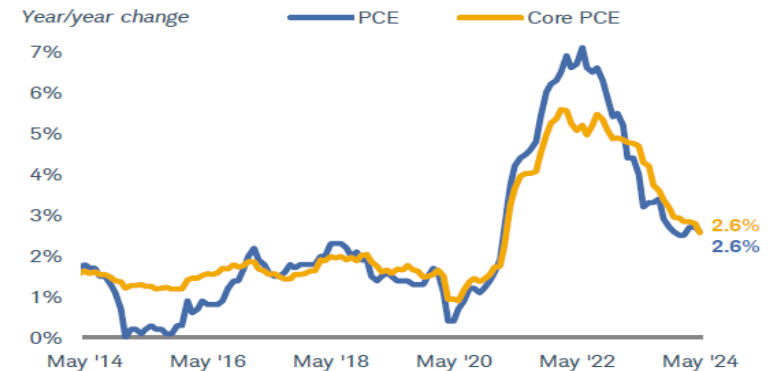
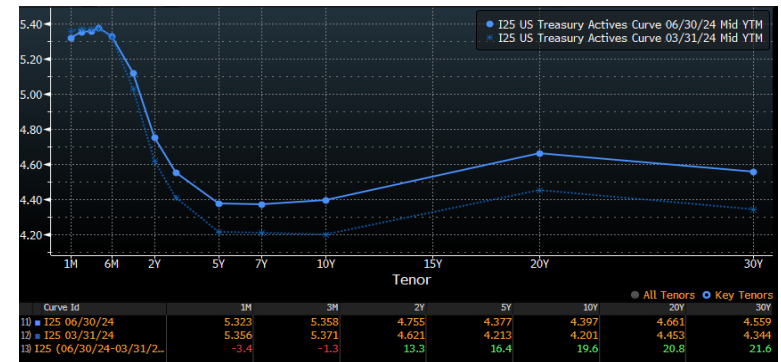
- Despite the elevated volatility across markets, the internally managed passive and proxy portfolios performed in line with expectations fulfilling their objectives and mandates

	Kentucky Retirement Systems Pension	Reporting Currency: BASE
	Monthly Investment Manager Performance (Net of Fee)	
	As of Date: 6/30/2024	

Structure	Account/Security Id	Market Value	% of Total	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	ITD	Inception Date
PUBLIC EQUITY													
S&P 500 INDEX	KR2F19020002	3,464,596,326.09	18.31	3.59	4.26	24.57	24.57	10.05	15.26	12.98	10.55	9.15	7/1/2001
KY Ret. S&P Blend	KR2GX00SP500			3.59	4.28	24.56	24.56	10.01	15.05	12.86	10.47	9.07	7/1/2001
Internal US Mid Cap	KR2F10100002	252,097,797.24	1.33	-1.63	-3.26	14.84	14.84	5.18	10.98			10.19	8/1/2014
S&P MidCap 400 Index	IX1F0000180C			-1.58	-3.45	13.57	13.57	4.47	10.27			9.70	8/1/2014
Scientific Beta	KR2F10110002	362,693,696.07	1.92	0.75	-0.89	15.41	15.41	5.08	9.63			10.54	7/1/2016
S&P 500 - Total Return Index	IX1F00079488			3.59	4.28	24.56	24.56	10.01	15.05			14.72	7/1/2016
PRIVATE EQUITY													
INTERNAL PRIVATE EQ	KR2F48100002	86,562,663.64	0.46	2.24	2.57							10.82	12/1/2023
CORE FI													
INTERNAL CORE FI	KR2F30250002	871,016,631.37	4.60	0.88	0.07							3.57	9/1/2023
Bloomberg U.S. Aggregate Bond Index	IX1F00003848			0.95	0.07							3.36	9/1/2023
REAL ESTATE													
INTERNAL REAL ESTATE	KR2F48200002	45,348,428.48	0.24	1.96	-1.85							-1.42	12/1/2023
NCREIF NFI ODCE Net 1Qtr in Arrears Index^	IX1G00369207			-2.58	-2.58								
REAL RETURN													
INTERNAL REAL RETURN	KR2F36130002	240,490,896.19	1.27	-3.79	0.25							4.87	12/1/2023
KRS CPI + 300 bpts	KR2GX005CPI3			0.40	1.92							3.79	12/1/2023
INTERNAL TIPS	KR2F39010002	140,475.09	0.00	0.44	1.32	5.52	5.52	3.17	2.33	1.94	3.59	4.23	5/1/2002
KR2 Internal US TIPS Blend	KR2GX000TIPS			0.72	1.15	4.33	4.33	0.44	2.72	2.07	3.64	4.27	5/1/2002
CASH ACCOUNT	KR2F90010002	492,804,958.52	2.60	0.44	1.33	5.33	5.33	2.96	2.18	1.67	1.90	3.37	1/1/1988
FTSE Treasury Bill-3 Month	IX1F0003127C			0.45	1.37	5.64	5.64	3.17	2.22	1.53	1.54	2.99	1/1/1988

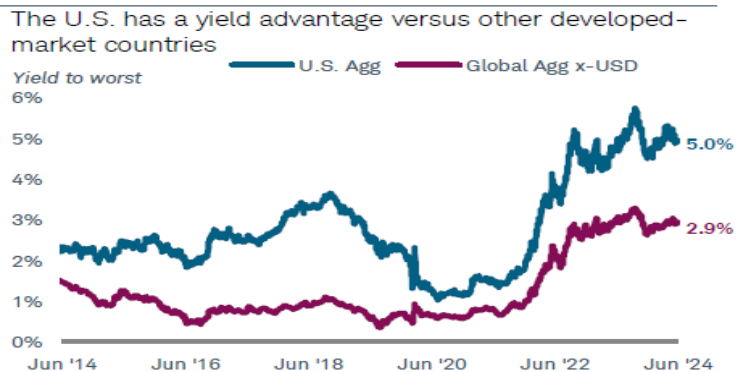
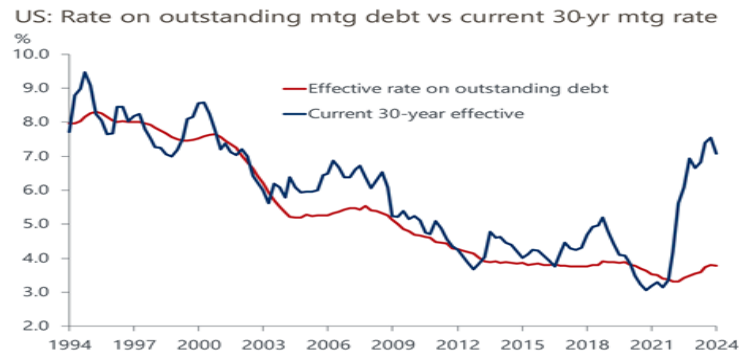
Core Fixed Income

- US Treasury yields rose across the curve over the quarter as the curve slightly steepened from 2YR to 10YR. However, the curve remains inverted with the 2s10s curve at -36 basis points
- The 2YR and 5YR US Treasury yields rose 13 basis points and 16 basis points to close at 4.76% and 4.38%, respectively. The 10YR yield was 20 basis points higher to close at 4.40%. The 20YR and 30YR yields rose 21 basis points and 22 basis points to finish the quarter at 4.66% and 4.56%, respectively
- As expected, the Fed left policy rates unchanged at their June meeting and signaled they were closely watching inflation data to determine when it would be appropriate to ease monetary policy
- As of June 30, there was a 75% market implied probability of 44 basis points worth of cuts by December
- The quarter ended on a positive note when May Core PCE registered at 2.6% year-over-year, a welcomed decline



Core Fixed Income

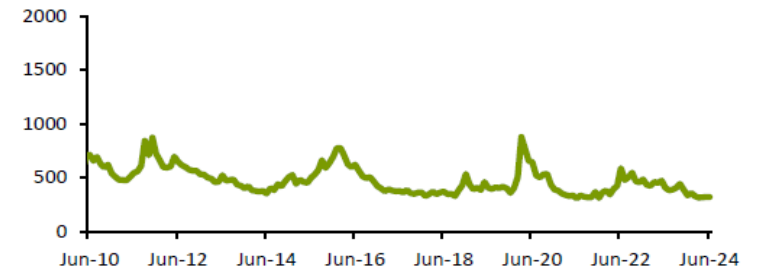
- The Core Fixed Income Portfolio produced a return of 0.30% for the quarter, outperforming the benchmark's return of 0.07%
- The portfolio's relative outperformance was driven by its allocation to corporate and securitized product, specifically, CMBS and ABS sectors compared to the benchmark
- For the Fiscal Year, the portfolio continued to deliver strong relative performance producing a return of 5.09% and outperforming the Bloomberg Aggregate Index by 246 basis points
- The main driver for Fiscal Year outperformance was duration management over the twelve months as rates rose during the first 4 months of the year
- The Corporate sector was the best performing sector for the Fiscal Year producing 3.72% in excess returns
- Within the Securitized sector, CMBS led the way with 2.80% in excess returns followed by ABS producing 1.41% in excess returns



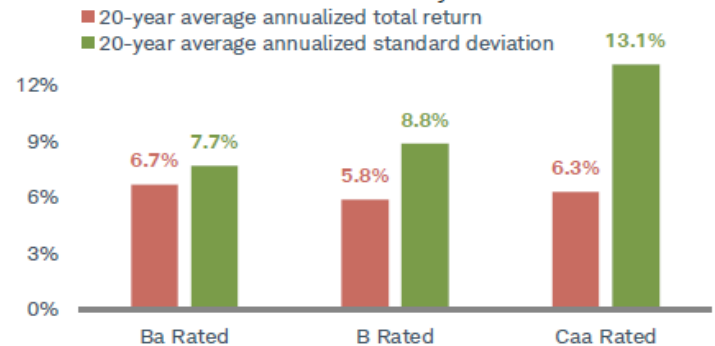
Specialty Credit Fixed Income

- The Specialty Credit portfolio produced a return of 2.72% for the quarter, outperforming the blended benchmark which returned 1.50%. For the Fiscal Year, the portfolio has continued to perform well, returning 11.90% compared to the benchmark's return of 10.81%
- Performance diverged across ratings categories as higher-quality issues outperformed, with Ba spreads 7 basis points tighter and Caa spreads 91 basis points wider
- Ba and B spreads remain at extremely tight levels relative to history, while Caa spreads are closer to its long-term average as investors remain cautious on lower-quality credits in higher-rate environment
- Over longer periods the portfolio has contributed significant outperformance, beating the benchmark by 274 and 189 basis points over three- and five-year periods respectively
- The High Yield option adjusted spread (OAS) widened 10 basis points for the quarter but for the Fiscal Year, tightened 81 basis points to 309

HIGH-YIELD BOND SPREADS (OAS BPS)



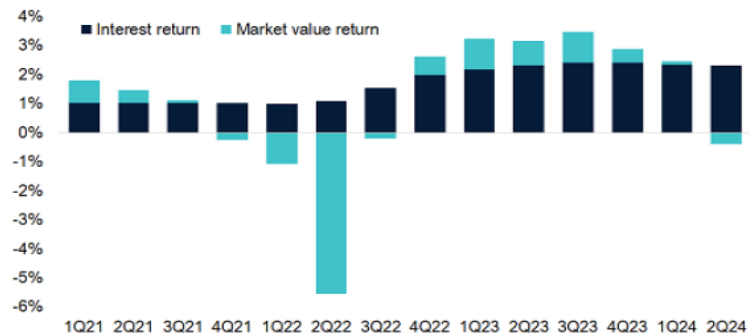
“Ba” rated bonds have generally outperformed lower rated bonds over time, with less volatility



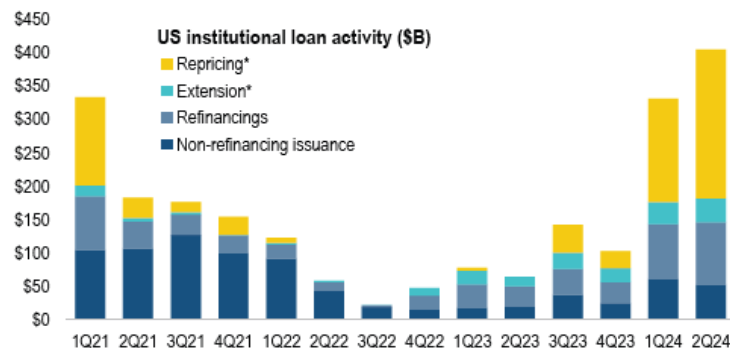
Specialty Credit Fixed Income

- The index gained 1.90% during the quarter, the weakest performance since Q3 2022, down from 2.46% in the first three months of the calendar year
- On average, loans have gained 0.10% per month on a market-value basis and 0.88% on a total return basis over the last twelve months
- Loans continue to benefit from higher base rates. The interest return, which reflects the base rate and nominal coupon on the loan, is 4.69 as of June, a record high, up from 4.58% at the same time in 2023. For reference, this metric averaged 2.43% for comparable time periods between 2013 and 2022
- Overall US loan activity, including issuance of new deals and the repricing of existing credits, set a record in the quarter totaling \$405 billion
- Issuance of new loans to refinance existing debt by riskier, B-minus rated companies hit a record high
- The trailing twelve-month par-weighted default rates for high yield bonds and leveraged loans ended the quarter at 1.67% and 1.77%, respectively, well below historical averages of approximately 3%

US leveraged loan returns, quarterly

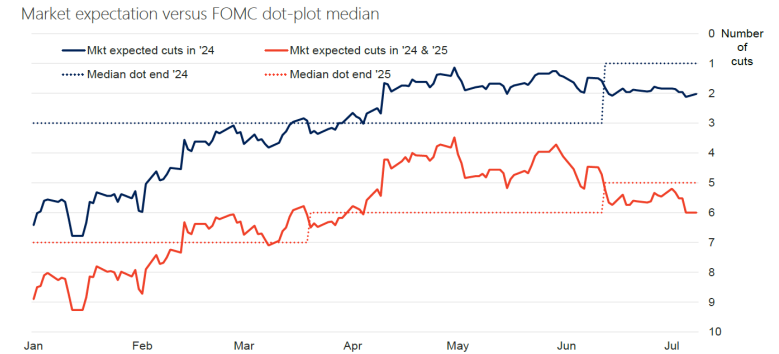


Repricings and refinancings make Q2 the busiest quarter ever.



Liquidity

- In the latest version of their Summary of Economic Projections (SEP), the Fed’s forecasted median policy rate at year-end increased compared to March projections. The median forecast now estimates only one rate cut to occur in 2024 followed by five rate cuts in 2025
- Cash produced a return of 1.33% for the 3-month period ending June 30th, slightly underperforming the 3-Month Treasury Bill benchmark which returned 1.37%
- For the Fiscal Year, cash has earned 5.33% underperforming the benchmark by 31 basis points as market rates (T-Bills) yielded more than deposit rates (Fed funds)
- The FOMC maintained the range for the federal funds target rate at 5.25% to 5.50% during the quarter as it continued to cautiously assess the effects of its policy firming
- The ongoing resiliency of the economy – despite the aggressive actions of the Fed over the last two years – has led to discussions within the FOMC that the longer-run neutral fed funds rate may be higher than previously assumed



How long has the Fed “paused at the peak” historically?

Not very long...

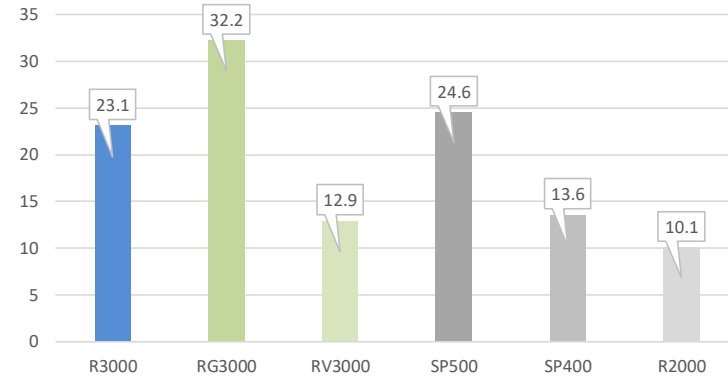


Equity Markets

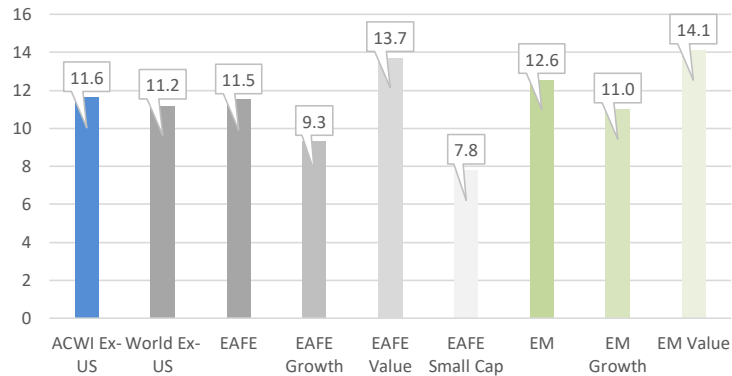
Domestic

- Narrow market driven by mega cap tech
 - Market concentration at record levels
 - Historically have been mean reverting
- Growth outpaced value by nearly 20%
- Large caps roughly doubled both midcaps and small caps
- Large caps at high valuations / small caps at a steep discount
- Earnings gap between large and small caps is forecasted to narrow
- Points to a broadening of the market

FY24 US Equity Performance



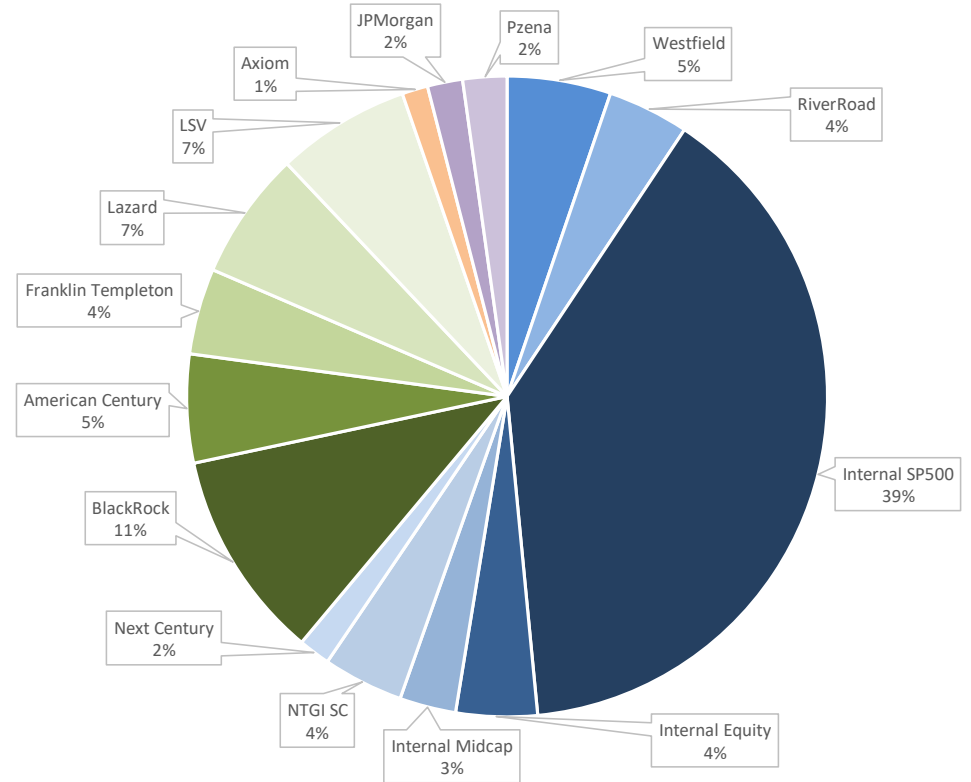
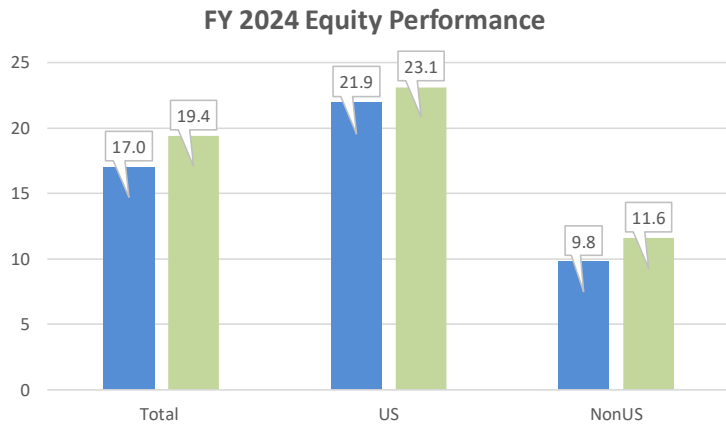
FY24 NonUS Equity Performance



International

- Recent market appreciation a function of equal parts multiples and earnings
- Correlation between earnings and stock prices improving though still on the lower end
- Emerging markets outperformed developed
- Large caps outpaced small
- Value outperformed growth

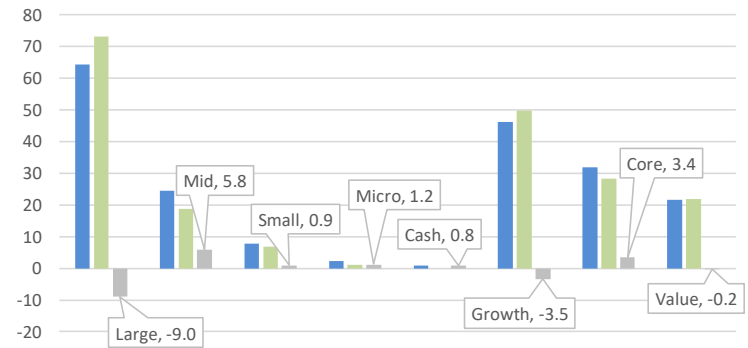
Equity Exposure – 06/30/24



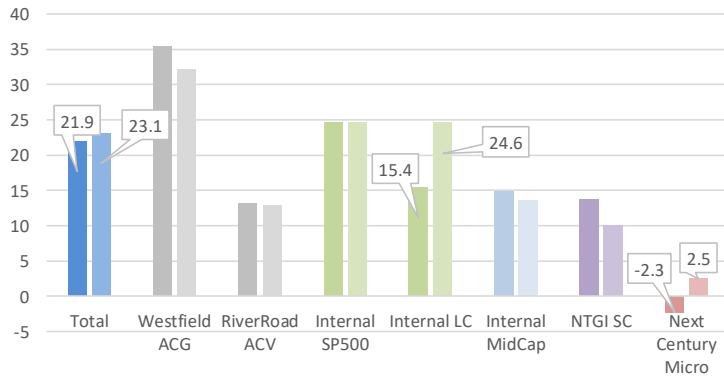
US Equity Attribution

- Strength
 - Solid performance from most individual mandates
- Weakness
 - Allocation
 - Large cap and growth underweights proved to be performance headwinds
 - Relative weakness in the Internal Large Cap portfolio (smaller tilt & value bias detracted from relative performance)
 - Micro-cap relative weakness

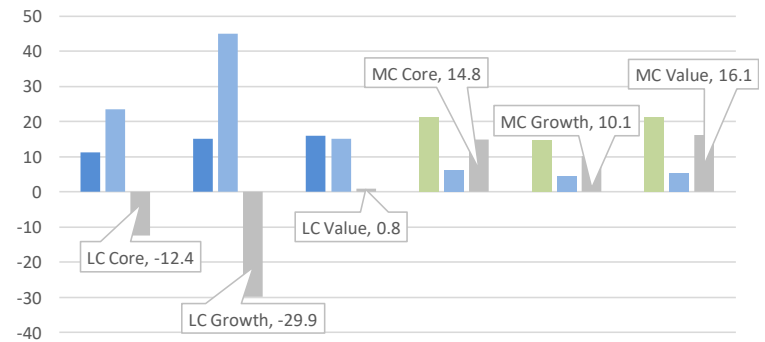
US Equity Exposure - Market Cap and Style
06/30/24



FY24 US vs Benchmark



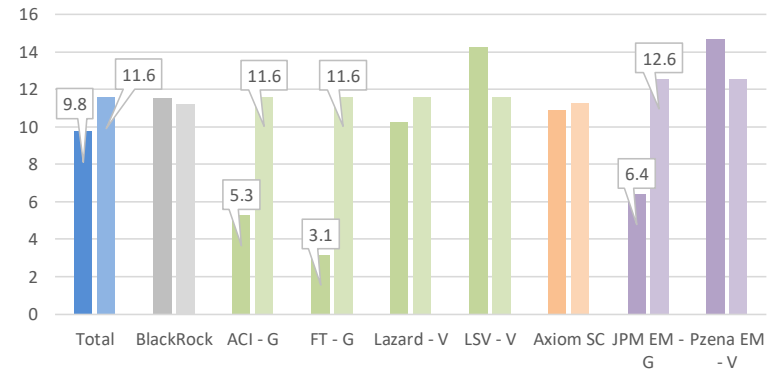
Internal Equity vs SP500 Market Cap and Style
06/30/24



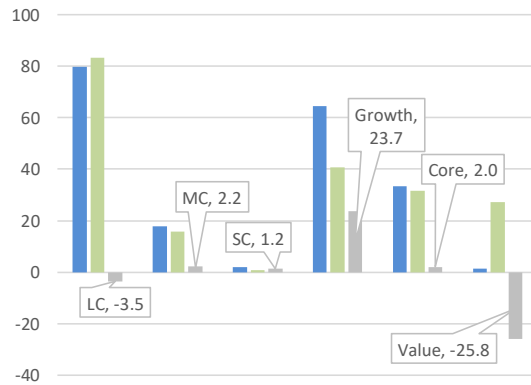
NonUS Equity Attribution

- Weakness
 - 5 of 7 external managers underperformed
 - Value driven markets have been a headwind for ACI, FT, and JPM
 - FT also plagued by size bent
 - Market narrowness has led to a correlation breakdown between earnings and stock prices
- Strength
 - Value oriented mandates performed well

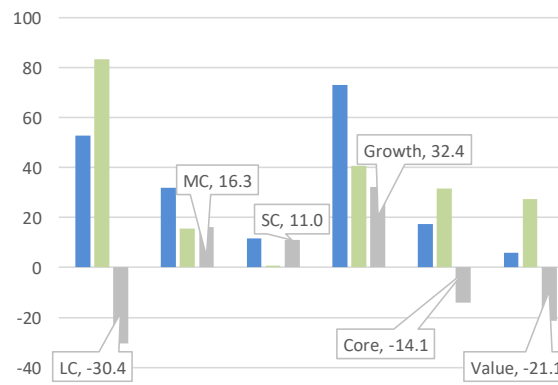
FY24 NonUS vs Benchmark



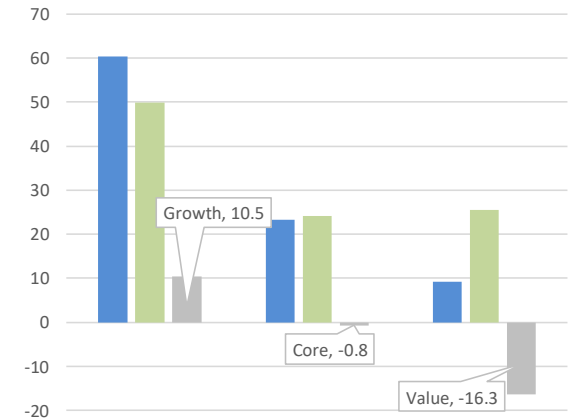
ACI vs MSCI ACWI Ex-US Market Cap and Style 06/30/24



FT vs MSCI ACWI Ex-US Market Cap and Style 06/30/24

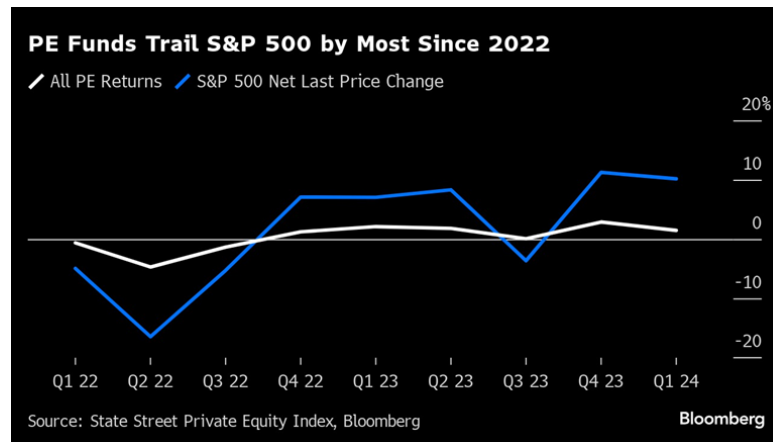


JPM vs MSCI EM Style 06/30/24



Private Equity Returns Lag Public Markets as Deal Flow Slows

- Distributions from private equity funds in 2023 were the lowest since the financial crisis
 - 2023 distributions totaled just 11.2% of new asset value, the lowest since 2009 and well below the 25% median figure for the last 25 years
 - “Higher borrowing costs, volatile markets and economic uncertainty have made it more difficult for private equity firms to exit their existing investments through sales or initial public offerings”
 - The median holding period for a buyout asset is now 5.6 years compared to around 4 years normally
- Private equity return 1.5% in Q1 according to data from State Street, compared to the S&P 500 return of over 10%
 - This was the widest gap observed in the past two years, but continued a trend seen since stocks rebounded late in 2022



Sources: *Buyout Funds Caught in Deal Slump Lag S&P by Most in Two Years* (Bloomberg, 8/8/24) & *Private Equity Returns Plunge to Global Financial Crisis Levels* (Bloomberg 2/12/24)

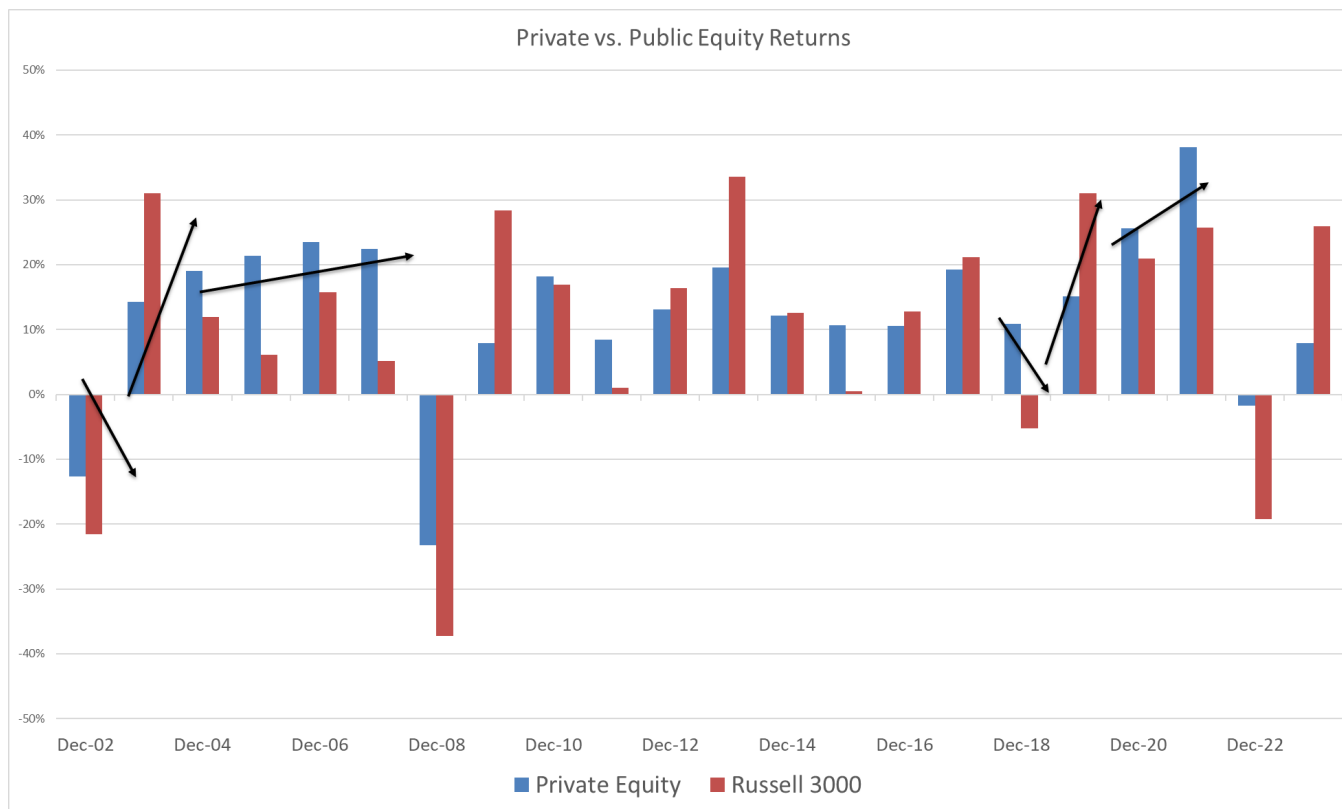
Benchmarking Private Investments

- Performance reports typically use time-weighted returns, which is the relevant comparison for public, liquid investments
 - In order to show total composite returns and attribution on a time-weighted basis we need to choose a benchmark for private assets such as private equity from a list of imperfect options, such as:

	Pros	Cons
Public Index + Premium	<ul style="list-style-type: none"> • Available on a timely basis • Reflects objective of private investment 	<ul style="list-style-type: none"> • Not investible • Market volatility can lead to periods of exaggerated over/underperformance
Private Market Benchmark	<ul style="list-style-type: none"> • Reflects the broad opportunity set 	<ul style="list-style-type: none"> • May not reflect the type and maturity of the program being evaluated
Composite Performance	<ul style="list-style-type: none"> • Removes benchmark impact on attribution and reporting 	

Past Trends in Public vs Private Equity Returns

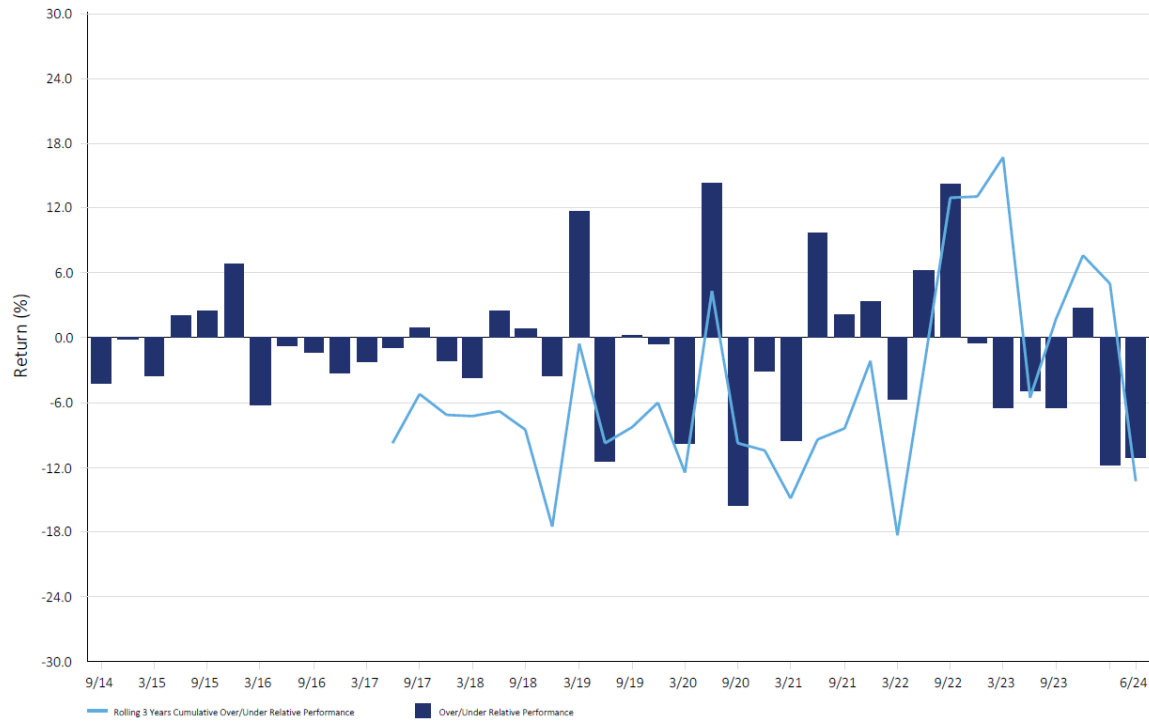
- In 2002-2007 and 2018-2021 PE outperformed as public markets sold off, then lagged during the rebound before once again adding value
- This trend played out after the GFC but PE trailed in 2012-2017 with the exception of 2015



Private Equity represented by the Prequin Quarterly Index (rebased to 12/31/2000)

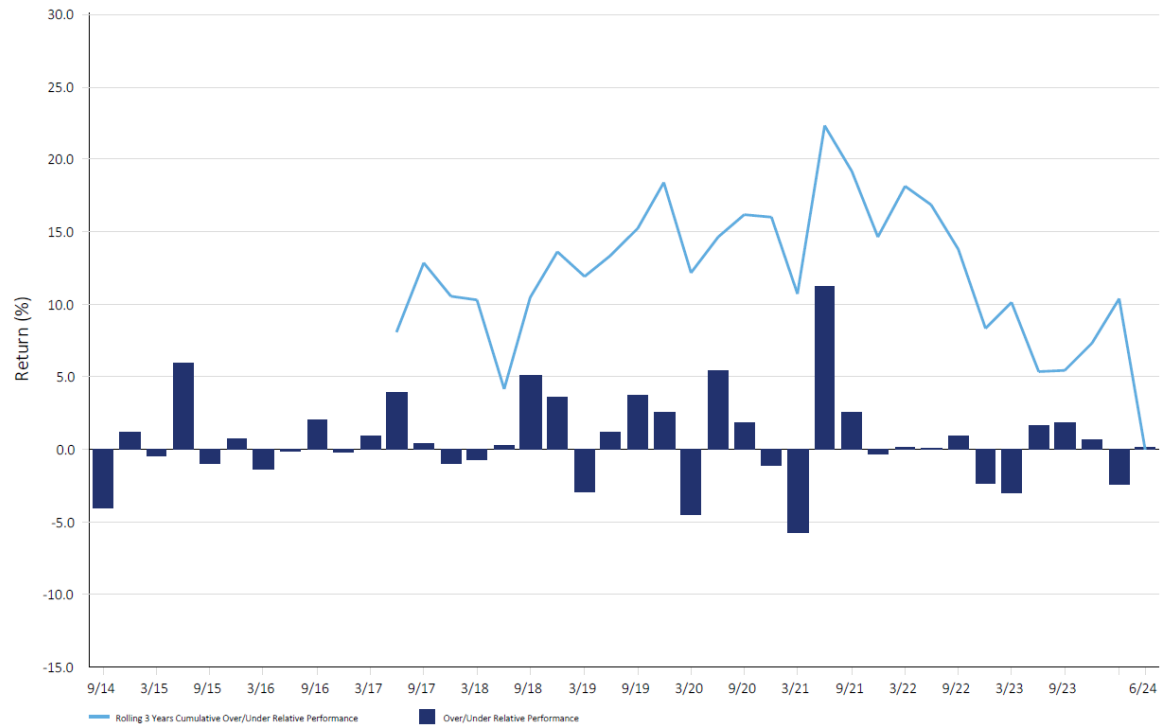
Kentucky Performance – Time-Weighted

Private Equity Composite vs. Russell 3000 +3% 1 Quarter Lag
 Periods Ended 10 Years Ending June 30, 2024



Kentucky Performance – Time-Weighted

Private Equity Composite vs. Refinitive Buyout Benchmark
 Periods Ended 10 Years Ending June 30, 2024



Kentucky Performance – Dollar-Weighted (IRR)

- Private Equity is better evaluated by looking at IRR, which is a dollar-weighted performance measure
- The PE program has exceeded the IRR of the Russell 3000 index by 2.32% in total when examining the partnerships entered since 2002

PERFORMANCE BY VINTAGE YEAR									
Vintage Year	Partnership	Commitment	Performance Ratios				Since Inception IRR pa	Benchmark IRR	Excess/ (Deficit)
			PIC	DPI	RVPI	TVPI			
2002	1	\$36,000,000	0.97	1.99	0.00	1.99	15.78%	5.51%	10.27%
2003	3	\$148,500,000	0.94	1.79	0.00	1.79	13.42%	4.81%	8.62%
2004	1	\$45,000,000	1.48	0.57	0.00	0.57	(19.42%)	9.91%	(29.33%)
2005	7	\$282,000,000	1.31	1.58	0.02	1.60	9.15%	3.14%	6.01%
2006	5	\$187,000,000	1.29	1.29	0.02	1.32	5.19%	6.30%	(1.12%)
2007	11	\$486,250,000	1.30	1.75	0.01	1.76	12.43%	9.01%	3.42%
2008	6	\$279,000,000	1.06	1.44	0.16	1.60	8.74%	11.66%	(2.92%)
2009	2	\$135,000,000	0.94	1.71	1.93	3.64	19.31%	11.34%	7.97%
2010	4	\$103,070,089	0.91	0.79	0.26	1.04	0.59%	11.10%	(10.51%)
2011	4	\$108,500,000	1.07	1.48	0.37	1.85	12.84%	11.07%	1.77%
2012	2	\$60,400,000	1.14	1.41	0.60	2.00	16.49%	11.62%	4.87%
2013	6	\$240,741,510	0.93	1.41	0.39	1.80	14.43%	11.21%	3.22%
2014	3	\$84,267,778	0.99	1.35	0.40	1.75	15.35%	11.43%	3.92%
2015	3	\$100,772,000	1.15	0.67	0.94	1.61	11.16%	11.60%	(0.44%)
2016	5	\$121,266,225	1.04	0.83	0.76	1.59	11.96%	12.60%	(0.64%)
2017	3	\$105,800,000	1.08	0.53	1.19	1.71	16.65%	12.40%	4.25%
2019	1	\$50,000,000	1.43	0.90	0.66	1.56	22.37%	12.53%	9.84%
2021	3	\$92,500,000	0.92	0.06	1.07	1.14	9.57%	14.16%	(4.59%)
Total	70	\$2,666,067,603	1.13	1.36	0.34	1.70	10.64%	8.32%	2.32%

Data shown is for the Pension trust, benchmark is the Russell 3000 Index

Private Equity – Historic Allocations by Plan

Pension

Unit	KERS	KERS Haz	SPRS	CERS	CERS Haz
KRS PE 2010 UNIT	36%	5%	2%	43%	13%
KRS PE 2011 UNIT	-	5%	-	64%	31%
KRS PE 2012 A UNIT	-	6%	1%	73%	20%
KRS PE 2012 B UNIT	-	6%	1%	73%	20%
KRS PE 2013 UNIT	-	6%	2%	68%	23%
KRS PE 2014 UNIT	-	6%	2%	68%	23%
KRS DB PRIVATE EQ UNIT	-	-	-	78%	22%
KRS PE 2015 UNIT	-	6%	2%	68%	23%
KRS PE 2016 UNIT	-	6%	-	72%	22%
KRS PE 2017 UNIT	-	6%	-	72%	22%
KRS PE 2018 UNIT	-	6%	-	72%	22%
KRS PE 2019 UNIT	-	6%	-	72%	22%
KRS PE 2021 UNIT	19%	6%	2%	55%	19%

Insurance

Unit	KERS INS	KERS Haz INS	SPRS INS	CERS INS	CERS Haz INS
KRS INS PE 2010 UNIT	23%	11%	5%	40%	22%
KRS INS PE 2011 UNIT	-	8%	4%	55%	33%
KRS INS PE 2012 A UNIT	-	8%	5%	57%	31%
KRS INS PE 2012 B UNIT	-	7%	5%	57%	30%
KRS INS PE 2013 UNIT	-	8%	5%	57%	31%
KRS INS PE 2014 UNIT	-	8%	5%	57%	31%
KRS DB PRIVATE EQ UNIT	14%	12%	3%	47%	25%
KRS INS PE 2015 UNIT	-	8%	5%	57%	31%
KRS INS PE 2016 UNIT	18%	11%	4%	41%	25%
KRS INS PE 2017 UNIT	18%	11%	4%	41%	25%
KRS INS PE 2018 UNIT	38%	11%	3%	31%	17%
KRS INS PE 2019 UNIT	70%	5%	2%	15%	8%
KRS INS PE 2021 UNIT	19%	9%	4%	45%	23%

- Due to liquidity concerns, KERS PEN, SPRS PEN, and KERS INS did not invest in PE for several years and did not benefit from the performance of those vintage years investments
- ~60% of Pension and 45% of Insurance PE assets are in funds whose original terms have expired (>10 years old)

KRS PE vs Public Equity – 6/30/24 (1 quarter lag)

Pension

Fund	% PE		
	Portfolio	1 yr	5 yr
Bay Hills II	8%	-10%	13%
Horsley Bridge V	7%	-5%	14%
Bay Hills II-B	5%	-8%	17%
Black Diamond IV	5%	12%	21%
MiddleGround II	5%	11%	n/a
Strategic Value Partners V	5%	21%	n/a
Bay Hills III	4%	10%	19%
MiddleGround I	4%	-5%	n/a
Strategic Value Partners IV	4%	13%	14%
Levine Leichtman VI	4%	20%	16%
Top 10 Funds	52%		
Benchmark (R3000 + 3%)		32%	17%

Insurance

Fund	% PE		
	Portfolio	1 yr	5 yr
Levine Leichtman VI	8%	20%	16%
Bay Hills III	7%	10%	19%
Black Diamond IV	7%	12%	21%
MiddleGround II	5%	11%	n/a
Kayne Anderson Energy VII	5%	29%	-8%
Leonard Green VI	5%	9%	10%
Harvest VII	5%	-12%	25%
Vista VI	5%	-1%	15%
MiddleGround I	4%	-5%	n/a
Strategic Value Partners IV	4%	13%	14%
Top 10 Funds	54%		
Benchmark (R3000 + 3%)		32%	17%

- Short term comparisons not meaningful for these long-lived assets, which will lag mathematically when compared to a public benchmark that goes up over 30% in a year

Kentucky Retirement Systems

Compliance Report









Quarter Ending: June 30, 2024



KRS
Kentucky Retirement Systems



SPRS
State Police Retirement System

Compliance Guideline Review Period Ended June 30, 2024	Compliance Status	Legend
Total assets assigned to the selected manager shall not exceed 25% of that firm's total assets under management and shall not exceed 25% of a firm's total assets under management in a commingled product.		<p> In Compliance</p> <p> To be determined</p> <p> Not In Compliance</p>
The assets managed by any one active or passive investment manager shall not exceed 15% of the overall assets in the Pension and Insurance funds.	 ¹	
No more than 20% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.		
An investment in any single domestic or international equity allocation in any single corporation cannot exceed 5% of the market value of total assets.		
The systems in aggregate shall not hold in excess of 3% of the outstanding shares of any single corporation.		

The amount of stock in any one industry in the domestic equity allocation shall not exceed 10% of the aggregate market value of the System's assets.



Investment in "frontier" markets shall not exceed 5% of the System's international equity assets.



The duration of the total fixed income portfolio shall not deviate from the Barclays Aggregate Index by more than 25%.



The amount invested in the debt of a single corporation shall not exceed 5% of the total market value of the System's Assets.



50% of the fixed income assets must have liquidity that is T+3 (trade date plus three days) or better.



No public fixed income manager shall invest more than 5% of the total market value of assets held in any single issue, short-term instruments, with the exception of U.S. Government issued, guaranteed, or agency obligations.



No more than 50% of the total net assets of the Real Return portfolio may be invested in any one registered investment vehicle, mutual fund, or separately managed account.



No more than 20% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.



Derivatives Applications not Permitted: Derivatives may not be used for any activity for which the primary purpose is speculation or cause the portfolio to be leveraged beyond a 100% invested position.



All instruments in the Liquidity allocation shall have a maturity at the time of purchase that does not exceed 397 days.



-
- 1. Interpretation that this restrictions only applies to external manager and not assets managed by KPPA Investment Staff.*

Kentucky Retirement Systems

Investment Budget Update

Quarter Ending: June 30, 2024

KRS Board Meeting - Investment Committee Report

KENTUCKY PUBLIC PENSIONS AUTHORITY									
Investment Budget									
For the twelve month period ending June 30, 2024									
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trust Budget FY 2024	FY24 Expenditures	Percentage Spent	Trust Budget FY 2025
CONSULTING SERVICES									
Wilshire Associates	\$ 1,021,799	\$ 1,238,170	\$ 1,225,671	\$ 1,021,175	\$ 838,172	\$ 1,200,000	\$ 1,130,417	94%	\$ 1,250,000
Albourne	-	-	-	-	306,750	275,000	270,000	98%	275,000
MercerInsight	-	-	-	-	153,548	165,000	160,000	97%	165,000
New Private Markets Consultant	-	-	-	-	-	-	-	-	250,000
SUBTOTAL	1,021,799	1,238,170	1,225,671	1,021,175	1,298,471	1,640,000	1,560,417	95%	1,940,000
LEGAL & AUDITING SERVICES									
Faegre Drinker			96,039	202,502	16,428	100,000	18,519	19%	375,000
Intelligent Management Solutions (IMS)	620,001	202,140	155,700	69,884	81,880	350,000	8,061	2%	700,000
McClain/Goldberg			891	-	-	100,000	312	0%	25,000
Reinhart	317,909	671,269	663,689	619,509	109,508	2,500,000	619,420	25%	3,000,000
Stoll-Keenon-Ogden	10,314	135,353	254,211	463,560	750,438	750,000	210,475	28%	875,000
Haystack			-	-	120,175	100,000	209,490	209%	200,000
Umberg Zipser			289,100	498,058	606,701	850,000	738,483	87%	750,000
Trustees & Officers Counsel	-	-	-	-	5,288	150,000	400,872	267%	850,000
Miscellaneous			-	-	-	50,000	3,160	6%	50,000
SUBTOTAL	948,225	1,008,762	1,459,630	1,853,513	1,690,417	4,950,000	2,208,791	45%	6,825,000
CONTRACTURAL SERVICES									
Bloomberg	68,722	71,810	98,163	102,243	104,153	150,000	110,823	74%	160,000
BNYM Custodial Fees	2,056,390	2,088,475	2,379,838	2,565,169	2,333,981	2,600,000	2,752,592	106%	2,700,000
eVestment (Solovis RMS)			-	30,000	33,800	35,000	39,422	113%	35,000
Solovis (Reporting & Analytics)			-	245,000	266,017	275,000	306,319	111%	300,000
FactSet	222,476	162,295	109,662	140,098	146,411	150,000	151,431	101%	150,000
Russell Index Subscription	1,075	1,250	1,000	1,000	750	1,500	1,000	67%	30,000
S&P Global		94,500	26,250	68,250	27,563	75,000		0%	47,500
TradeWeb			-	6,000	7,700	7,500	2,800	37%	-
State Street/Elkins McSherry	10,000	5,000	15,000	10,000	10,000	10,000		0%	10,000
ISS	32,050	32,050	28,288	35,813	39,875	60,000	62,875	105%	60,000
MSCI	1,000	1,000	1,000	1,000	1,000	1,000	1,000	100%	1,000
KPMG Tax Guarantor Services		7,606	22,050	7,350	-	7,500	9,450	126%	10,000
Jayant Ghevaria and CO		10,050	-	52,085	-	55,000		0%	55,000
India Renewal Fee (SEBI)			-	3,000	-	3,000	2,950	98%	3,000
With Intelligence	-	-	-	-	9,520	9,520	9,520	100%	10,000
Morningstar							2,500		2,500
Oxford Economics							19,500		20,000
Pension Real Estate Association							330		350
Reimbursemetn of Pzena	-	-	-	-	-	-	12,923		-
Miscellaneous & New Services & Subscription						250,000			250,000
SUBTOTAL	2,391,713	2,474,036	2,681,251	3,267,008	2,980,769	3,690,020	3,485,435	94%	3,844,350

KRS Board Meeting - Investment Committee Report

KENTUCKY PUBLIC PENSIONS AUTHORITY									
Investment Budget									
For the twelve month period ending June 30, 2024									
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Trust Budget FY 2024	FY24 Expenditures	Percentage Spent	Trust Budget FY 2025
INACTIVE CONTRACTURAL SERVICES									
Dean Dorton	9,719		-	-	250	-	-		
Hirschler		4,794	-	-		-	-		
INFORMA	12,904		-	-		-	-		
Lighthouse Solutions	3,093		-	-		-	-		
London Stock Exchange GBP (GREAT BRITISH POUNDS)	6,467	3,544	-	-		-	-		
Deutsche Bank Trust	3,000		3,000	-		-	-		
Morris James LLP	94,192	20,154	-	-		-	-		
Calcaterra Pollack			1,200,000	-		-	-		
Manatt		90,798	30,757	-		-	-		
ORG	162,344		-	-		-	-		
SUBTOTAL	291,718	119,290	1,233,757	-	250	-	-	-	-
TOTAL	\$ 4,653,455	\$ 4,840,258	\$ 6,600,309	\$ 6,141,696	\$ 5,969,907	\$ 10,280,020	\$ 7,254,644	71%	\$ 12,609,350

KRS Board Meeting - Investment Committee Report

INVESTMENT BUDGET	
CONSULTING SERVICES	
Wilshire Associates	General Investment Consulting 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 external research
Solovis (Reporting & Analytics)	Portfolio and Risk Analytics, Performance 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
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

KRS Board Meeting - Investment Committee Report

KENTUCKY PUBLIC PENSIONS AUTHORITY Investment Fees and Expenses For the twelve month periods ending June 30th Pension								
	2024		2023		2022		2021	
	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	1,949,104	2,699,078,049	2,810,843	2,157,082,914	2,679,056	2,126,730,865	2,648,483	2,380,760,174
<i>Investment Advisory Fees</i>	1,817,614		2,161,526		2,284,025		2,579,704	
<i>Performance Fees</i>	92,418		597,736		327,140		-	
<i>Miscellaneous Fees and Expenses</i>	39,073		51,580		67,891		68,779	
Public Equity	14,330,178	8,857,531,079	13,439,395	7,675,481,712	14,055,871	6,283,684,703	12,690,120	6,952,113,563
<i>Investment Advisory Fees</i>	14,089,234		13,221,493		13,773,772		12,466,655	
<i>Miscellaneous Fees and Expenses</i>	240,944		217,902		282,099		223,465	
Specialty Credit Fixed Income	95,679,306	3,743,374,371	65,560,653	3,232,557,049	50,984,092	3,140,978,211	44,112,571	3,048,523,710
<i>Investment Advisory Fees</i>	19,917,912		18,967,582		18,167,989		15,415,716	
<i>Performance Fees</i>	35,457,002		18,303,365		23,790,103		24,234,258	
<i>Miscellaneous Fees and Expenses</i>	40,304,392		28,289,706		9,025,999		4,462,596	
Real Estate	6,975,957	982,170,683	6,077,555	970,705,137	34,875,097	882,758,681	9,191,005	610,213,834
<i>Investment Advisory Fees</i>	7,599,522		7,666,218		5,759,527		4,772,617	
<i>Performance Fees</i>	(5,262,915)		(3,012,939)		25,779,317		2,414,707	
<i>Miscellaneous Fees and Expenses</i>	4,639,350		1,424,277		3,336,253		2,003,680	
Real Return	6,837,222	1,023,460,825	6,438,573	477,175,149	4,923,027	560,575,289	8,313,392	1,033,884,979
<i>Investment Advisory Fees</i>	5,376,710		3,643,650		3,237,685		4,663,221	
<i>Performance Fees</i>	(552,218)		1,787,354		1,326,636		3,021,470	
<i>Miscellaneous Fees and Expenses</i>	2,012,730		1,007,569		358,707		628,701	
Private Equity	12,963,162	1,127,259,314	10,690,392	1,158,434,650	59,843,619	1,289,931,630	58,785,850	1,236,163,938
<i>Investment Advisory Fees</i>	5,347,292		6,858,327		7,269,395		8,081,476	
<i>Performance Fees</i>	3,357,570		(206,420)		47,992,035		48,458,818	
<i>Miscellaneous Fees and Expenses</i>	4,258,299		4,038,484		4,582,189		2,245,555	
Administrative Expense/Cash	4,951,114	492,340,367	3,907,558	1,037,039,063	4,288,007	718,023,703	4,248,561	526,326,268
Total Investment Mgmt Fees	143,686,043	18,925,214,688	108,924,969	16,708,475,674	171,648,769	15,002,683,082	139,989,981	15,787,986,466

KRS Board Meeting - Investment Committee Report

KENTUCKY PUBLIC PENSIONS AUTHORITY Investment Fees and Expenses For the twelve month periods ending June 30th Insurance								
	2024		2023		2022		2021	
	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	648,731	824,149,794	1,045,453	767,203,724	1,025,837	783,771,227	1,050,510	865,995,148
<i>Investment Advisory Fees</i>	601,745		815,621		884,381		995,622	
<i>Performance Fees</i>	33,662		212,206		117,337		28,448	
<i>Miscellaneous Fees and Expenses</i>	13,324		17,626		24,118		26,440	
Public Equity	6,555,994	3,921,171,952	6,213,291	3,502,969,757	6,254,311	2,913,823,466	5,708,928	3,116,599,040
<i>Investment Advisory Fees</i>	6,448,715		6,114,797		6,151,291		5,612,577	
<i>Miscellaneous Fees and Expenses</i>	107,279		98,493		103,020		96,351	
Specialty Credit Fixed Income	42,660,725	1,649,911,387	29,502,537	1,450,421,603	22,623,007	1,417,059,844	19,174,439	1,383,567,012
<i>Investment Advisory Fees</i>	17,943,502		8,250,969		9,031,968		6,978,722	
<i>Performance Fees</i>	6,868,097		8,673,066		9,702,493		10,392,111	
<i>Miscellaneous Fees and Expenses</i>	17,849,127		12,578,501		3,888,546		1,803,605	
Real Estate	3,365,738	439,013,490	2,906,175	428,207,724	14,379,286	372,994,823	3,945,135	258,214,840
<i>Investment Advisory Fees</i>	1,515,699		3,467,712		2,491,508		2,048,449	
<i>Performance Fees</i>	(138,338)		(1,172,536)		10,457,273		1,043,274	
<i>Miscellaneous Fees and Expenses</i>	1,988,377		610,998		1,430,505		853,412	
Real Return	2,995,206	396,544,988	2,958,987	185,474,384	2,154,305	218,958,241	3,278,267	435,909,260
<i>Investment Advisory Fees</i>	2,355,028		1,645,581		1,456,997		2,005,961	
<i>Performance Fees</i>	(256,032)		809,344		526,052		91,499	
<i>Miscellaneous Fees and Expenses</i>	896,210		504,062		171,255		1,180,807	
Private Equity	8,847,151	567,479,490	7,312,492	591,148,154	35,364,269	625,456,058	35,821,138	585,420,005
<i>Investment Advisory Fees</i>	3,357,844		4,438,736		4,821,382		5,232,127	
<i>Performance Fees</i>	2,906,861		959,666		28,808,835		29,557,732	
<i>Miscellaneous Fees and Expenses</i>	2,582,446		1,914,090		1,734,052		1,031,279	
Administrative Expense/Cash	2,456,266	126,189,693	1,938,475	269,624,118	2,171,197	277,962,758	2,183,105	291,596,737
Total Investment Mgmt Fees	\$ 67,529,811	\$ 7,924,460,794	\$ 51,877,408	\$ 7,195,049,465	\$ 83,972,211	\$ 6,610,026,417	\$ 71,161,521	\$ 6,937,302,042

KENTUCKY PUBLIC PENSIONS AUTHORITY						
Investment Fees and Expenses						
For the twelve month period ending June 30, 2024						
Pension						
	KERS		KERS Hazardous		SPRS	
	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	711,461	1,108,019,439	93,440	116,505,296	114,440	168,121,937
<i>Investment Advisory Fees</i>	625,977		83,099		101,002	
<i>Performance Fees</i>	33,533		4,452		5,411	
<i>Miscellaneous Fees and Expenses</i>	51,951		5,889		8,028	
Public Equity	2,176,078	1,365,159,160	743,511	437,656,123	387,826	208,715,277
<i>Investment Advisory Fees</i>	2,136,855		731,015		381,718	
<i>Miscellaneous Fees and Expenses</i>	39,223		12,495		6,108	
Specialty Credit Fixed Income	17,640,280	792,754,016	5,091,653	231,540,527	2,097,057	125,291,575
<i>Investment Advisory Fees</i>	3,882,660		1,110,313		525,041	
<i>Performance Fees</i>	6,524,441		1,807,056		738,507	
<i>Miscellaneous Fees and Expenses</i>	7,233,179		2,174,284		833,509	
Real Estate	1,291,141	218,208,969	348,293	59,021,143	209,253	35,194,490
<i>Investment Advisory Fees</i>	1,416,705		379,734		222,726	
<i>Performance Fees</i>	(979,771)		(269,090)		(113,676)	
<i>Miscellaneous Fees and Expenses</i>	854,207		237,649		100,204	
Real Return	1,198,988	352,022,882	257,434	80,315,187	252,466	56,582,275
<i>Investment Advisory Fees</i>	873,231		201,861		208,705	
<i>Performance Fees</i>	(66,044)		(9,361)		(36,432)	
<i>Miscellaneous Fees and Expenses</i>	391,801		64,934		80,193	
Private Equity	1,385,697	195,285,954	736,791	66,129,729	161,814	31,552,151
<i>Investment Advisory Fees</i>	388,579		305,965		67,908	
<i>Performance Fees</i>	490,910		191,265		25,486	
<i>Miscellaneous Fees and Expenses</i>	506,208		239,561		68,420	
Administrative Expenses/Cash	996,338	176,951,697	249,424	34,748,367	62,594	25,344,556
Total Investment Mgmt Fees	25,399,982	4,208,402,117	7,520,545	1,025,916,372	3,285,450	650,802,261

KENTUCKY PUBLIC PENSIONS AUTHORITY						
Investment Fees and Expenses						
For the twelve month period ending June 30, 2024						
Insurance						
	KERS		KERS Hazardous		SPRS	
	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	150,614	191,909,483	61,081	76,726,459	23,680	30,195,597
<i>Investment Advisory Fees</i>	131,875		53,511		20,730	
<i>Performance Fees</i>	7,814		3,171		1,228	
<i>Miscellaneous Fees and Expenses</i>	10,924		4,399		1,722	
Public Equity	1,306,920	718,838,310	509,262	288,761,900	210,548	116,123,934
<i>Investment Advisory Fees</i>	1,286,272		500,924		207,159	
<i>Miscellaneous Fees and Expenses</i>	20,648		8,338		3,389	
Specialty Credit Fixed Income	7,682,864	379,231,029	4,080,626	152,513,750	1,539,137	61,910,432
<i>Investment Advisory Fees</i>	1,733,391		827,881		312,777	
<i>Performance Fees</i>	2,752,909		1,640,711		594,997	
<i>Miscellaneous Fees and Expenses</i>	3,196,564		1,612,033		631,363	
Real Estate	567,111	96,198,756	345,678	42,344,215	131,820	16,169,004
<i>Investment Advisory Fees</i>	580,299		355,535		135,601	
<i>Performance Fees</i>	(295,530)		(221,024)		(84,492)	
<i>Miscellaneous Fees and Expenses</i>	282,342		211,167		80,711	
Real Return	643,995	136,552,006	202,548	45,860,233	84,668	18,614,653
<i>Investment Advisory Fees</i>	504,608		155,327		65,564	
<i>Performance Fees</i>	(53,112)		(6,046)		(4,778)	
<i>Miscellaneous Fees and Expenses</i>	192,499		53,267		23,882	
Private Equity	1,364,152	111,769,760	873,368	48,804,075	343,415	21,728,078
<i>Investment Advisory Fees</i>	478,226		313,962		135,471	
<i>Performance Fees</i>	447,737		349,532		109,146	
<i>Miscellaneous Fees and Expenses</i>	438,189		209,874		98,798	
Administrative Expenses/Cash	387,722	43,200,821	267,164	12,423,263	100,851	6,414,163
Total Investment Mgmt Fees	\$ 12,103,378	\$ 1,677,700,165	\$ 6,339,726	\$ 667,433,896	\$ 2,434,118	\$ 271,155,862



KPPA
Kentucky Public Pensions Authority

KRS Investment Committee

Real Assets Recommendation

September 6, 2024



KENTUCKY PUBLIC PENSIONS AUTHORITY



INVESTMENTS

To: KRS Investment Committee

From: Anthony Chiu, Deputy CIO

Date: September 6, 2024

Subject: Investment Recommendation – Project Spurs

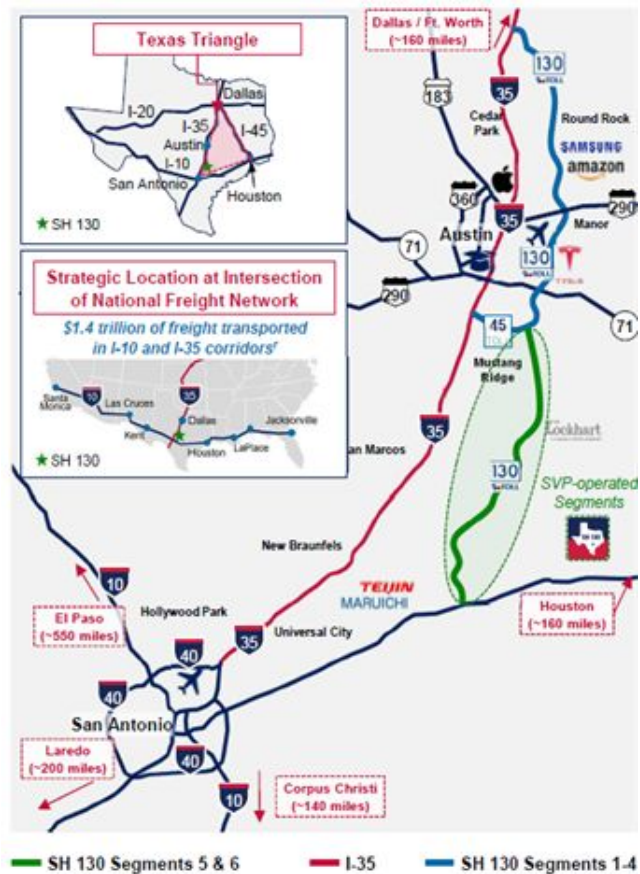
KPPA Investment Staff is proposing an investment with Strategic Value Partners (“SVP” or the “Firm”) in a continuation vehicle (“CV”) for Project Spurs (“Spurs”). As of 2Q 2024, Spurs is a 9% position in Strategic Value Special Situations IV (“SVSS IV” or “Fund IV”), a 2017 vintage fund with \$2.85 billion of committed capital. This includes \$65 million from KPPA, which was less than the approved \$75 million due to the fund being oversubscribed.

Spurs is a 41-mile toll road asset in Texas between Austin and San Antonio that SVP acquired directly from lenders in a 2017 restructuring. Today the Firm controls 65%, with the remainder held by the US Department of Transportation through its Build America program.

SVP has created a CV structure as they see compelling value in owning Spurs for several years beyond Fund IV’s term, which expires in 2025. They believe Spurs remains well-positioned for growth because of Texas’s continuing economic expansion; Spurs’ market share gains from the more congested and less reliable I-35; and proposed development initiatives that could significantly boost Spurs’ earnings and extend the current concession (which has 38 years remaining) by an additional 20 years.

This investment opportunity is a time-sensitive one that is expected to have significant investor demand. Two large investors have committed to anchor the CV with \$500 million of the \$1.45 billion that SVP is raising. SVP’s Partners are also rolling their Fund IV proceeds from Spurs into the new CV and contributing new capital for a total internal investment of approximately \$100 million, further aligning their interests.

Staff believes Spurs will provide an attractive risk-adjusted return with low correlation to KRS’ existing overall portfolio and provide complementary exposure within the Real Return allocation. Following the recent asset allocation update, KRS’ target portfolio weight for Real Return is 8% or 10% depending on



the individual plan. This proposed investment would help the plans continue moving toward the target weight and will be fully invested during the 4th quarter of 2024.

Investment Process and History:

Spurs was originally constructed by a subsidiary of Spanish company Ferrovial, who was awarded a 50-year concession from the Texas Department of Transportation (TxDOT) in 2006. Ferrovial’s subsidiary Cintra partnered with Texas-based Zachry American Infrastructure to construct the road, which opened for traffic in October 2012.

However, a combination of overly optimistic traffic projections, excessive leverage, and an ill-fated interest rate swap caused Spurs to file for bankruptcy in March 2016. Road construction flaws also appeared shortly after opening, for which Ferrovial and Zachry were sued and resulted in a settlement.




Through its direct sourcing relationships with European banks, SVP was able to buy enough of Spurs’ discounted debt to become its control owner, restructure the debt, and bring the company out of bankruptcy in June 2017. After taking control, SVP replaced the Spurs management team and board; remediated the road construction flaws; recovered proceeds through litigation from Spurs’ original contractors; and repaired relations with key stakeholders like TxDOT and local chambers of commerce and foundations where Spurs passes.

Spurs has benefited from Austin and Texas’s recent economic and population growth, which is expected to continue through the duration of this investment. Combined with SVP’s execution of its value creation plan, Spurs’ revenue and EBITDA have both doubled from 2019 to 2023 - even amidst the COVID pandemic. Traffic grew more than 60% over the same timeframe, even as toll rates also increased nearly 30%, suggesting low demand elasticity and a significant value placed on the reliability of transit time on Spurs compared to the increasingly clogged I-35.

Business / People:

As Spurs exited bankruptcy in 2017, SVP engaged transportation facility management specialist Louis Berger Services to operate and manage the asset. The CEO and COO also had previous experience as Deputy Commissioners of two states’ Departments of Transportation. Additionally, a former chairperson of the Texas Transportation Commission as well as two infrastructure investors with experience from Abertis and Global Infrastructure Partners were named as independent directors.

Over SVP’s 7+ year investment, management and board members have cycled through and now feature several executives with experience at Transurban, a \$40+ billion Australia-listed operator of toll roads in the US, Canada, and Australia. As shown below, the executive team continues to have construction and government relations experience which should aid Spurs’ continued operations, growth, and potential additional concession.

 25+ years experience	<p>Jenn Aument Board Co-Chair</p> <ul style="list-style-type: none"> Current CEO of The New Terminal One at JFK Airport Former AECOM Global Chief Executive for Transportation Former President and CEO of North America at Transurban Former Commissioner at the Port of Virginia 	
 20+ years experience	<p>Tyler Duvall Board Co-Chair</p> <ul style="list-style-type: none"> Appointed Co-Chair in 2020; previously Chief Executive Officer at SH 130 Current Chief Executive Officer and Co-Founder of Cavnue, a leading smart road company Former Number 3 Official and Assistant Secretary for Transportation Policy at USDOT 	

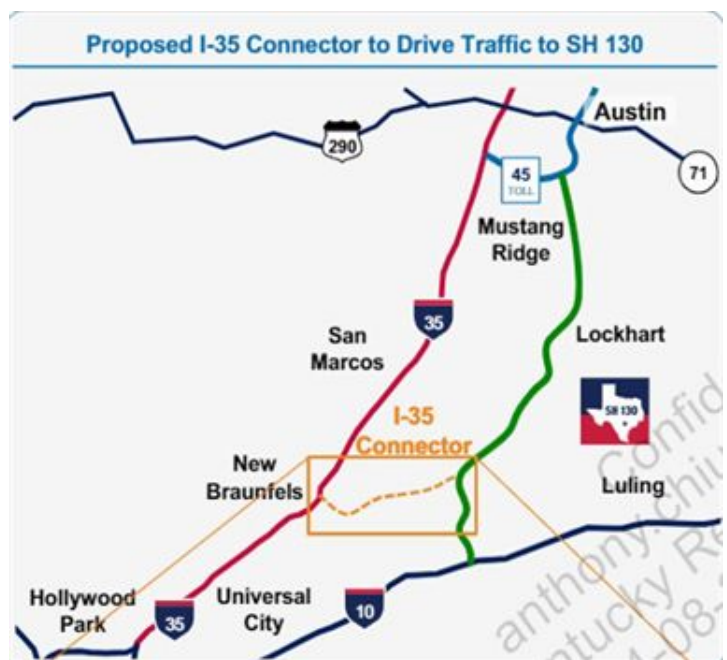
 20+ years experience	<p>Adam Hesketh Chief Executive Officer</p> <ul style="list-style-type: none"> Joined SH 130 as CFO and subsequently appointed CEO Former Managing Director at KPMG's Infrastructure Advisory Practice Former CFO, North America and Vice President: Development at Transurban 	
 20+ years experience	<p>Manish Jain Senior VP, Revenue and Analytics</p> <ul style="list-style-type: none"> Currently leads the traffic, revenue, and data analytics functions Former Specialist Leader at Deloitte Former Principal and Senior Manager at Transurban 	

After investing over \$160 million to remediate and repave Spurs from 2017-22, Spurs is well-positioned to maintain and even grow margins with minimal capex needs until 2031.

Besides additional population growth and economic development, a potentially significant return driver for Spurs is a non-tolled connector road to I-35 that could drive additional traffic and gain a 20-year extension of Spurs' concession to 2082.

This would require state-level legislation and has broad support that helped it pass the Texas House in 2023. SVP is hopeful the bill will pass during the next legislative session in 1H 2025 and projects that the additional concession would boost net multiple and IRR by [REDACTED] respectively.

Notably, this is not incorporated in SVP's original base case projected returns of [REDACTED]. Subsequently, Spurs' performance in the first half of 2024 has been above forecast across the board and has increased SVP's base case to [REDACTED].



While this growth would of course be welcome, Staff is viewing Spurs as an attractive infrastructure asset that will likely (1) have steady cash flows that grow with inflation and (2) retain value as a scarce, essential, and difficult to replicate asset.

Even in Wilshire's low scenario that discounts SVP's traffic volume growth by 50% and assumes a below-market exit multiple of 20x EBITDA, Spurs' expected return would be [REDACTED] at the end of the investment's term in 2032. For reference, one of KPPA's managers who has also previously invested in Spurs' debt viewed typical toll road valuations to be in the 30-45x range. Additionally, the Northwest Parkway toll road near Denver with slower growth dynamics than Spurs traded at over 65x in May.

Performance:

SH-130 in Fund IV	Invested (\$ MM)	Realized (\$ MM)	Unrealized (\$ MM)	Total Value (\$ MM)	Gross Multiple	Gross IRR
1Q 2024	\$ 152	\$ 93	\$ 316	\$ 409	2.7x	22%

*Exiting Fund IV investor returns expected to be [REDACTED]

Source: Strategic Value Partners

Conclusion: Given the attractive asset, compelling market opportunity and current Real Return allocations, Staff is recommending an investment of up to \$35 million to be shared among all KRS and SPRS plans pending successful legal negotiations. When fully funded, this would represent an additional ~0.35% of plan assets (depending on fluctuations in market value). It is anticipated this investment would be funded by existing cash or the unwinding of proxy positions based on the specific needs of each plan.

Investment and Terms Summary

Type of Investment: Real Return

Structure: Continuation Vehicle

Term: 8 years, with 3 one-year extensions (2 at GP discretion, 1 with Advisory Committee consent)

Management Fee: 1% on invested cost

Profit Sharing: 10% of profits above a 10% compounded annual return
12.5% of profits above a 12.5% compounded annual return
20% of profits above a 15% compounded annual return

Purpose: Provide KRS and SPRS with exposure to a unique, long-lived real asset with steady and growing cash flows, a return stream that is not highly correlated with traditional assets and meaningful diversification protecting against inflation risks

Risks: Inaccurate traffic and revenue projections, leverage, regulatory / legal, illiquidity

Exp. Net Return: 7% - 10%

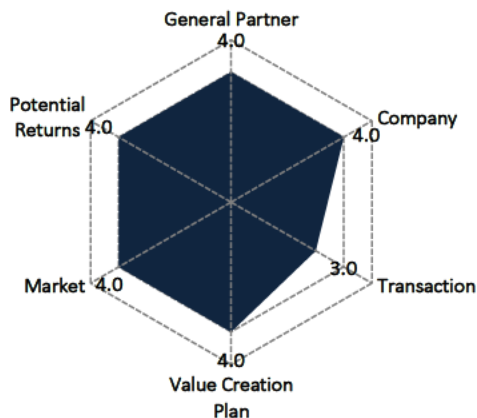
*No placement agents have been involved or will be compensated as a result of this recommendation.

Project Spurs

Final Diligence

General Partner	SVP
Vintage Year	2024
Timing	August 2024
Strategy	Core-Plus Infrastructure
Sector	Generalist
Investment Structure	Continuation Vehicle
Region	North America
Purchase Price (EV, \$M)	██████████
Capital Structure	74% Equity, 26% Debt
Fund/LP Co-Inv. Equity (\$M)	\$1,220
LTM Revenue (2023A)	\$72.7M
LTM Adj. EBITDA (2023A)	\$60.5M
Base Case Returns	██████████
Base Case Hold	8 years
Fee / Carry* / Hurdle*	1% / 10% / 10%

*Tiered carry/hurdle = 10%/10%, 12.5%/12.5%, 20%/15%



Key: 5 = Top Decile; 4 = Top Quartile; 3 = Average; 2 = Bottom Half; 1 = Bottom Decile; 0 = No Information

Past performance is not indicative of future results.

General Partner	Founded in 2001 by Viktor Khosla, Strategic Value Partners (“SVP” or the “Firm”) is a global investment manager specializing in opportunistic credit, distressed debt, and special situations. The Firm currently manages \$18.4 billion in AUM across asset classes through a combination of both open-end and closed-end investment vehicles. Known for its expertise in stressed and distressed investments, SVP also has an established real asset track record, including \$3.5 billion of invested capital in infrastructure assets, which includes 11 toll road investments. Notably, Wilshire has a longstanding relationship with the Firm, including allocations to various SVP strategies, the most recent being the Strategic Value Capital Solutions Fund II in 2023.
Company & Transaction	State Highway 130 (“SH 130” or the “Asset”) is a toll road servicing the fast-growing Austin-San Antonio corridor in Texas. The Asset was originally built by Spanish transportation infrastructure company Cintra and opened in 2012. Despite SH 130 performing well since opening, in 2017 the Asset became over-levered and was struggling to service the \$1.6 billion of debt on its balance sheet, which SVP acquired for ~50% of face value from two European commercial banks. SVP ultimately led SH 130’s restructuring and emerged as the control equity owner in 2017, allocating \$348 million across its Special Situations Fund III and Special Situations Fund IV and \$452 million across two SMAs (the “Existing Funds”). SH 130 is currently owned by SVP (~65%), U.S. Department of Transportation (~32%), and others (~4%).

Currently, SVP is seeking to transfer its ~65% ownership interest in SH 130 Concession Company, LLC (the “Company”), which owns and operates the Asset, from the Existing Funds to a single-asset continuation vehicle (“CV”) that will be managed by SVP. The transaction is taking place at 97.6% of NAV as of March 31, 2024, which implies total equity for the CV of approximately \$1.22 billion. The proposed entry enterprise value for the Asset is ██████████, which implies a valuation of ██████████ EV/2024E EBITDA. Anchor investors for the CV are ██████████ who are responsible for setting the entry price and terms.

Value Creation Plan	SVP’s anticipated value creation plan for the Asset includes various growth drivers, including government-mandated toll escalations, organic traffic volume growth, existing excess road capacity to absorb additional demand, I-35 connector development and associated 20-year concession extension, industrial development along the traffic corridor, and trucking partnerships
Track Record	Since the strategy’s inception in 2008, SVP has raised approximately \$10.2 billion in total commitments across five Strategic Value Special Situations Funds (“SVSS”). Funds I-IV have generated strong returns and Fund V, while relatively early, is tracking well.

Fund	Vintage	Size (\$M)	Net ROI	Net IRR
SVSS V	2021	5,089	1.3x	16.0%
SVSS IV	2017	2,500	1.8x	15.2%
SVSS III	2013	1,310	2.3x	13.7%
SVSS II	2010	918	1.9x	12.6%
SVSS I	2008	346	1.9x	15.0%


Source: Strategic Value Partners as of May 31, 2024.

- ### Investment Merits
- Marquee, difficult to replicate toll road asset
 - High-quality general partner and management team, both with an extensive history in the space
 - Attractive risk-adjusted return profile

- ### Investment Concerns
- Traffic volume risk
 - Elevated entry multiple
 - Management fees and carried interest

State Highway 130 Overview

Vital toll road providing a high-speed, congestion-free route in the heart of the Texas Triangle

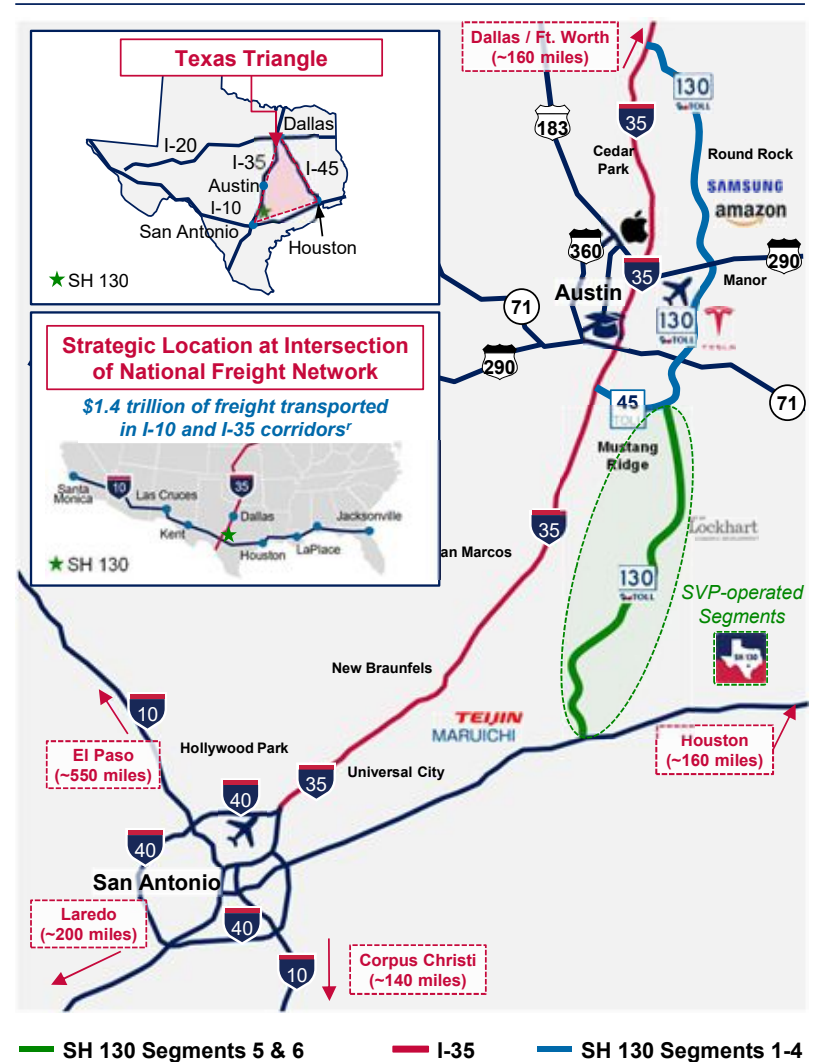
 SH 130 segments 5 & 6 is a 41-mile, 4 lane toll road in Texas serving as critical link between Austin and San Antonio metropolitan areas, facilitating local and long-distance travel

- SH 130 manages, operates and maintains SH 130 Segments 5 & 6 under a 50-year concession agreement (~39 years remaining) with Texas Department of Transportation (“TxDOT”)
- Significant customer value proposition, allowing users to bypass heavily congested traffic on I-35 providing meaningful time savings and reliability^k
 - ▶ Substantial unutilized capacity to absorb demand growth in the corridor and continue taking share from capacity constrained competing route (I-35)^w
 - ▶ 99% of trips with on-time arrivals on SH 130 compared to 20% of trips with on-time arrivals on I-35^l
- Vital asset connecting two of the fastest growing MSAs in the country^c and situated strategically in a corridor experiencing rapid commercial and industrial investment (over \$50bn capital projects currently being executed)^c
 - ▶ Austin and San Antonio expected to continue growing at multiples of U.S. growth rates^c as the region converges to a single mega MSA
- Located at the intersection of I-10 and I-35, SH 130 serves as an essential link in the prominent Texas Triangle freight network
- United States-Mexico-Canada Agreement trade route corridor via the Laredo border crossing (#1 U.S. inland port by trade value)^m
- Attractive toll escalation regime providing an embedded inflation hedge and direct GDP-linkage, with no requirement to lower tolls

SH 130 Segments 5 & 6: Key Facts

Asset	<ul style="list-style-type: none"> ■ 41 miles; 2x2 lanes; 2 mainline gantries (each direction) and 12 ramp gantries; fully electronic tolling system ■ 85 mph posted speed limit
Concession	<ul style="list-style-type: none"> ■ 50-year concession with 39 years remaining (2062 expiry)
Toll Regime	<ul style="list-style-type: none"> ■ Annual escalation based on Nominal Gross State Product per Capita for Texas, with no requirement to lower tolls ■ Current Full Length Toll Rate (Class A / D): \$9.49 / \$37.87ⁿ
Revenue	<ul style="list-style-type: none"> ■ 2023 revenue ~93% above 2019 revenue (pre-COVID) ■ ~38% light vehicles; ~62% heavy vehicles^o

Critical Artery in Highly Congested Corridor

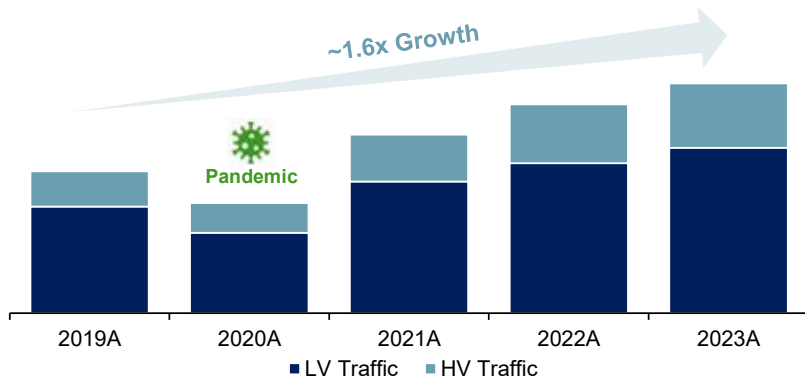


Compelling Traffic Growth and Financial Trends

Attractive historical double-digit volume and EBITDA^s growth

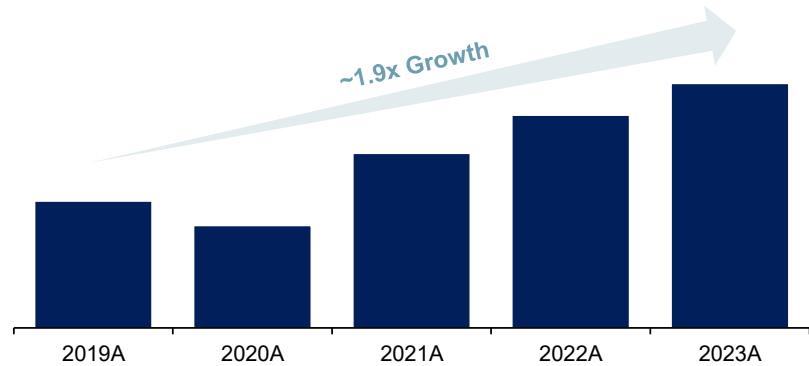
Robust Historical Traffic Growth¹

~13% CAGR since 2019^g



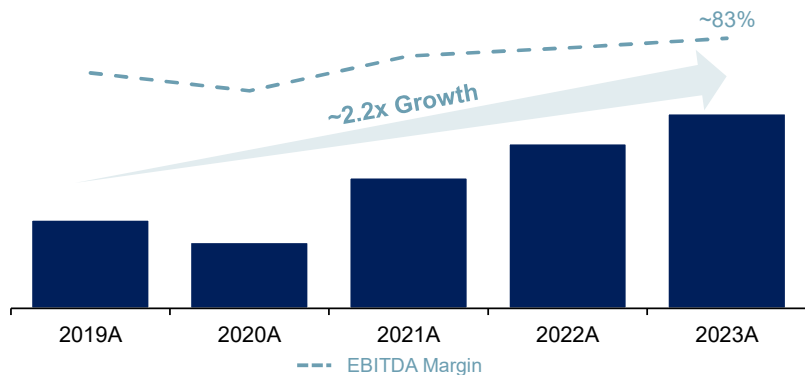
Significant Revenue Growth driven by Volume and Price²

~18% CAGR since 2019^g



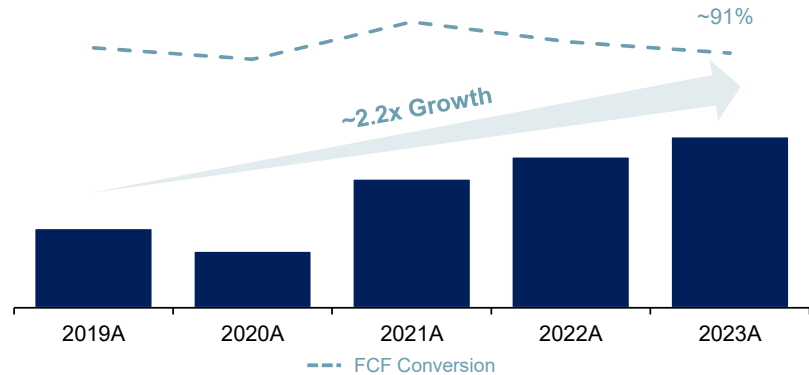
High and Growing EBITDA^s Margins

~22% CAGR since 2019^g



Strong FCF Profile Driven by Low Maintenance Capex³

~89%+ average FCF conversion since 2019^g



Note: Past financial performance is not indicative of future results. There can be no assurance that any expected trends or developments presented herein will continue

1. Growth rates based on number of transactions
2. Reflects toll revenue after revenue adjustments and TxDOT revenue share
3. Reflects EBITDA less recurring capex; Please refer to Endnote S on page 15 for further detail on EBITDA

SH 130 Key Investment Highlights

	<p>Well Located in Booming Economic and Demographic Corridor</p> <ul style="list-style-type: none"> Link between two of the fastest growing MSAs in the U.S.: Austin and San Antonio^c Essential route for US-Mexico freight movement, with 10% of all domestic truck freight^e passing through the corridor Significant corporate investment adjacent to SH 130 (e.g., Tesla, Amazon, Samsung, Lockhart industrial park)^h 	
	<p>Positioned for Continued Market Share Growth by Offering Significant Value Proposition</p> <ul style="list-style-type: none"> SH 130 offers time savings and greater reliability, which we believe is poised to increase from potentially worsening I-35 congestion^k SH 130 has taken share from I-35¹ over time, with headroom to continue capturing rapid growth due to available capacity I-35 is expected to remain congested despite planned expansion² 	
	<p>Long-Dated Concession Agreement with Favorable Toll Regime</p> <ul style="list-style-type: none"> ~39-years remaining concession life subject to annual toll escalation with embedded inflation hedge Significant outperformance of toll regime relative to competing toll roadsⁱ Favorable concession agreement terms 	
	<p>Well-Maintained Asset with Efficient Operating Model</p> <ul style="list-style-type: none"> Substantial remediation of prior roadway issues with minimal near-term capex expected^j Independent operator with focus on optimizing for efficiency and value maximization Efficient operations with fully electronic, open road tolling with no collection risk exposure^p 	
	<p>Compelling Traffic Growth and Financial Trends</p> <ul style="list-style-type: none"> Strong historical growth in revenue and EBITDA^q (~18% and ~22% CAGR between 2019-2023, respectively) Economic shock resiliency, with 2023 revenue ~93% above pre-COVID (2019) levels^q Double-digit revenue and EBITDA projections^b underpinned by economic trends and development underway 	
	<p>High Quality Management Team Driving Substantial Upside That the Company Can Actively Influence</p> <ul style="list-style-type: none"> Management team comprised of highly experienced industry veterans Significant operational and financial management achievements already accomplished Additional developments underway create substantial near-term benefit potential (e.g., Lockhart interchange, TruckPort, and VMS) Government partnership efforts create portfolio of potential 'step-change' upsides (e.g. Connector/concession extension, I-35 Corridor partnership, Caldwell site partnership) 	
	<p>Exceptional Community Partner and Established ESG Practices</p> <ul style="list-style-type: none"> Demonstrated positive relationships with key community stakeholders and government bodies Ongoing work with local and state governments to advance priorities Strong ESG programs complement positive community engagement, with both accomplishments to date and programs underway 	

1. Based on management analysis of SH 130 market share vs. I-35 using Streetlight data for trips between I-10 to SH 130 Segments 1-6 to I-35 in Jarrell vs. either of (a) I-35 all the way from NE of San Antonio to Jarrell, or (b) I-35 NE of San Antonio to SH 45SE to SH 130 Segment 1-4 to I-35 in Jarrell
 2. Based on management analysis of current public plans, which continue to predict that I-35 will remain at capacity despite \$5bn+ in upgrades

Other Real Return Strategies Reviewed / In Consideration

- Transportation leasing: Currently in diligence
- Energy credit / energy secondaries: Initial calls
- Mining credit: Early-stage evaluation
- Timberland: Early-stage evaluation
- Infrastructure: Early-stage evaluation
- Global maritime: Passed
- Permanent cropland: Passed



2025 Board and Committee Meeting Calendar

◀ Dec 2024 January 2025 Feb 2025 ▶						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 New Year's Day	2	3	4
5	6	7	8	9	10	11
12	13	14 CERS Personnel Committee	15	16	17	18
19	20 Martin Luther King, Jr. Birthday	21	22	23	24	25
26	27	28	29	30	31	

February 2025						
◀ Jan 2025						Mar 2025 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12 CERS Actuarial Committee	13 Joint Retiree Health Plan Committee	14	15
16	17 CERS Finance Committee	18	19 KRS Investment Committee	20	21	22
23	24	25 KPPA Audit Committee	26 CERS Investment Committee	27	28	

KRS Board Meeting - 2025 Board and Committee Meeting Calendar

March 2025						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10 CERS Board Meeting	11	12 KRS Board Meeting	13	14	15
16	17	18	19	20 KPPA Board Meeting	21	22
23	24	25	26	27	28	29
30	31					

KRS Board Meeting - 2025 Board and Committee Meeting Calendar

◀ Mar 2025		April 2025					May 2025 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
		1	2	3	4	5	
6	7	8	9 CERS Actuarial Committee	10	11	12	
13	14 CERS Board Meeting	15	16 CERS Annual Meeting	17 KRS Annual Meeting	18 Good Friday – ½ day	19	
20	21	22	23 KPPA Annual Meeting	24	25	26	
27	28	29	30				

KRS Board Meeting - 2025 Board and Committee Meeting Calendar

◀ Apr 2025							May 2025							Jun 2025 ▶						
Sun			Mon			Tue			Wed			Thu			Fri			Sat		
												1			2			3		
4			5			6			7			8			9			10		
11			12			13			14	Joint Retiree Health Plan Committee		15			16			17		
18			19	CERS Finance Committee		20			21			22	KRS Investment Committee		23			24		
25			26	Memorial Day		27			28	CERS Investment Committee		29	KPPA Audit Committee		30			31		

KRS Board Meeting - 2025 Board and Committee Meeting Calendar

◀ May 2025		June 2025					Jul 2025 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
1	2	3	4	5	6	7	
8	9 CERS Board Meeting	10 CERS Personnel Committee	11	12	13	14	
15	16	17 KRS Board Meeting	18	19 Juneteenth	20	21	
22	23	24	25	26 KPPA Board Meeting	27	28	
29	30						

◀ Jun 2025		July 2025					Aug 2025 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
		1	2	3	4 Independence Day	5	
6	7	8	9	10	11	12	
13	14	15	16	17	18	19	
20	21	22	23	24	25	26	
27	28	29	30	31			

August 2025						
◀ Jul 2025						Sep 2025 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18 CERS Finance Committee	19	20 KRS Investment Committee	21	22	23
24	25	26 KPPA Audit Committee	27 CERS Investment Committee	28	29	30
31						

September 2025						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 Labor Day	2 Joint Retiree Health Plan Committee	3	4	5	6
7	8 CERS Board Meeting	9	10	11 KRS Board Meeting	12	13
14	15	16	17	18	19	20
21	22	23	24	25 KPPA Board Meeting	26	27
28	29	30				

KRS Board Meeting - 2025 Board and Committee Meeting Calendar

◀ Sep 2025		October 2025					Nov 2025 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
			1	2	3	4	
5	6	7	8	9	10	11	
12	13	14	15	16	17	18	
19	20	21	22 CERS Actuarial Committee	23 Joint Retiree Health Plan Committee	24	25	
26	27	28	29	30	31		

November 2025						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3 CERS Board Meeting	4	5	6	7	8
9	10	11 Veterans Day	12	13 KRS Board Meeting	14	15
16	17	18 KPPA Audit Committee	19	20 KRS Investment Committee	21	22
23	24 CERS Finance Committee	25 CERS Investment Committee	26	27 Thanksgiving Day	28 Office Closed	29
30						

◀ Nov 2025							December 2025							Jan 2026 ▶						
Sun		Mon		Tue		Wed		Thu		Fri		Sat								
		1 CERS Board Meeting		2		3 KRS Board Meeting		4 KPPA Board Meeting		5		6								
7		8		9		10		11		12		13								
14		15		16		17		18		19		20								
21		22		23		24 Christmas Eve		25 Christmas Day		26		27								
28		29		30		31 New Year's Eve														



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

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To: CERS/KRS/KPPA Boards

From: Ryan Barrow, Executive Director

Date: September 2024

Subject: KPPA Update

I. COMMUNICATION: I started my role as the new Executive Director of KPPA on July 1st and I am truly honored to step into this position. I want to again extend my gratitude to Dave for his extended tenure, which has greatly facilitated the transition. I am excited to collaborate with you as we continue our vital work for members. Effective communication is crucial to our success, so I encourage you and KPPA team members to share your thoughts, concerns, and suggestions. I have started meeting with Board Members in Central Kentucky and will soon be reaching out the greater Louisville Area.

II. LEGISLATOR AND PEER MEETINGS: As part of my onboarding at KPPA we scheduled meetings with legislators and peer organizations including the Judicial Retirement Plan/Legislators Retirement Plan (JFRS) and Teachers Retirement System (TRS) of Kentucky. Together with Rebecca Adkins and Erin Surratt, I have continued these discussions to expand on existing relationships with policymakers.

III. LEGISLATION TRACKING: With recent changes in staffing within our Division of Communication, we are taking the opportunity to gather input, ideas, and suggestions on how we have tracked legislation and how we should proceed in the future. An email requesting your feedback was sent out on August 30th, and we encourage you to share your thoughts by Friday, September 13.

IV. LOUISVILLE OFFICE: The locations have been narrowed to three and the revised plans are being discussed with the Department for Facilities and Support Services in the Finance and Administration Cabinet.

V. CONFERENCE ATTENDANCE: In early August, Rebecca Adkins, Erin Surratt, John Chilton, Ed Owens, and I attended the National Association of State Retirement Administrators (NASRA) conference. This event brings together leaders and experts in public pension administration from across the country, offering a platform to discuss the latest trends, challenges, and best practices in our field. The insights gained and connections made during the conference will be invaluable to our agency.

VI. RATING AGENCIES: Continuing a long tradition, KPPA had a meeting with Fitch Ratings in early August and we are scheduled to meet with Moody's Investors Service in September. These meetings provide a valuable opportunity to discuss our agency's financial position, priorities, and long-term plans. Engaging directly with the rating agencies allows KPPA and the Commonwealth to address their inquiries and gain insights into their evaluation criteria.

VII. PUBLIC PENSION OVERSIGHT BOARD (PPOB): On August 27th, Erin Surratt and I presented at the PPOB meeting. We provided an overview of the Investment Returns, Asset Allocations, and Cash Flows as of June 30, 2024. The discussion and questions primarily focused on cash flow and the Federal Inflation Reduction Act of 2022 (H.R. 5376).

VIII. RISK MANAGEMENT: Mike Lamb and I plan to attend an upcoming training on risk management hosted by the National Conference on Public Employee Retirement Systems (NCPERS). This training will offer valuable insights into emerging risks and strategies for mitigating them. Additionally, the Risk Manager at the University of Kentucky has expressed willingness to collaborate on tools and best practices to bolster our agency's resilience against potential challenges.

IX. ALL EMPLOYEE MEETINGS: We recently held three all employee meetings on August 28th and 29th. These meetings are an important opportunity for staff to come together as an agency, share updates, discuss key initiatives, and address questions and concerns of staff.

X. KENTUCKY EMPLOYEE CHARITABLE CAMPAIGN (KECC): During our all-employee meeting, we welcomed representatives from the Crusade for Children and United Way, who spoke about how the funds they receive from KECC are utilized. KPPA has already begun promoting KECC contributions, starting with our kickoff on August 27th, which featured proceeds from DaVinci's Pizza donations. We have several unique opportunities planned for this giving season and aim to surpass our participation levels from the previous year.