

MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
VIA LIVE VIDEO TELECONFERENCE
DECEMBER 6, 2023, AT 10:00 AM ET

At the meeting of the Kentucky Public Pensions Authority held on December 6, 2023, the following Members were present: Keith Peercy (Chair), Prewitt Lane, William O'Mara, Betty Pendergrass, Dr. Merl Hackbart, Lynn Hampton, Jerry Powell, and William Summers, V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Leigh Ann Davis, Victoria Hale, Carrie Bass, Jillian Hall, Jessica Beaubien, D'Juan Surratt, Steve Willer, Michael Lamb, Connie Davis, Kristen Coffey, Madeline Evans, Matthew Daugherty, Melinda Wofford, William Prince, Amy Fields, Dominique McKinley, Liza Welch, Ashley Gabbard, Katie Park, Phillip Cook and Sherry Rankin. Others present included Adam Gordon and Linda Hinton with the Auditor of Public Accounts.

Mr. Peercy called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no ***Public Comment*** submitted, Mr. Peercy introduced agenda item ***Approval of Meeting Minutes – September 28, 2023, and October 17, 2023 (Video 00:06:19 to 00:06:40)***. Ms. Hampton made a motion and was seconded by Mr. Powell to approve the minutes as presented. The motion passed unanimously.

Mr. Peercy introduced agenda item ***KPPA Audit Committee Report and Recommendations (Video 00:06:41 to 00:22:40)***. Mr. Adam Gordon with the Auditor of Public Accounts briefly reviewed the draft Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023, with the KPPA. Mr. O'Mara made a motion to accept the Fiscal Year Ended June 30, 2023 External Audit Report as presented, including GASB 67 and 74, and any recommendations and management's responses. The motion was seconded by Mr. Powell and passed unanimously.

Ms. Connie Davis briefly reviewed the Government Finance Officers Association (GFOA) comments and suggestions for the improvement of the KPPA ACFR for Fiscal Year Ended June 30, 2022. A motion to ratify the Audit Committee's approval of the Draft Management Response FY 2022 GFOA ACFR letter as presented was made by Mr. Powell and seconded by Ms. Hampton. The motion passed unanimously.

Ms. Dominique McKinley stated that KPPA has contracted with a third party to perform an annual assessment of the security of the KPPA information infrastructure since 2006. She provided an overview of the Information Security Assessment performed by Crowe from August through October of 2023. Ms. McKinley briefly reviewed the findings of the assessment with the Authority Members. Ms. Hampton made a motion to ratify the Audit Committee's approval for an Infrastructure and Application Security Assessment as presented and to authorize KPPA staff to complete the procurement process. The motion was seconded by Mr. Powell and passed unanimously.

Ms. Coffey reviewed the internal audits completed since the last KPPA meeting held on September 28, 2023. She briefly described the Review of Investment Manager Fees and Review of Expense Allocation audits. Mr. O'Mara made a motion to ratify the KPPA Audit Committee's acceptance of the completed internal audits as presented and to authorize KPPA staff to implement corrective action. Mr. Lane seconded the motion and the motion passed unanimously.

Next, Ms. Coffey described the Quality Assurance and Improvement Plan - Self Assessment. She advised that an external validation of the audit results is required. A motion to ratify the approval of an external validation for Internal Audit's Self-Assessment was made by Mr. Powell and seconded by Ms. Hampton. The motion passed unanimously.

Mr. Peercy introduced agenda item ***KPPA Ad Hoc Executive Director Search Committee Update*** (Video 00:22:41 to 00:25:28). Mr. O'Mara reported that the KPPA Ad Hoc Executive Director Search Committee identified a list of organizations to post the announcement. These organizations will provide a national reach focusing on government public employees, said Mr. O'Mara. An informational brochure describing KPPA and the Executive Director position was created in collaboration with the KPPA Human Resources Director and Division of Communications. Mr.

O'Mara advised that applications for the position would be accepted from December 1, 2023, to January 15, 2024.

Mr. Peercy introduced agenda item ***Quarterly Financial Statements*** (Video 00:25:29 to 00:44:54). Mr. Lamb reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds and the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the three-month period ending September 30, 2023. He went on to present the CERS/KERS/SPRS Pension Fund Contribution Reports for the three-month period ending September 30, 2023. Next, he briefly reviewed the Combining Statement of Fiduciary Net Position and Combining Statement of Changes in Fiduciary Net Position of the Insurance Funds for the three-month period ending September 30, 2023. The CERS/KERS/SPRS Insurance Fund Contribution Reports for the three-month period ending September 30, 2023, were also reviewed.

Mr. Lamb presented the KRS Outstanding Invoices by Type and Employer and Penalty Invoices Reports to the Authority Members. He succinctly presented the FY 2023-2024 KPPA Administrative Budget and Budget-to-Actual Summary Analysis for the three months ending September 30, 2023. Lastly, Mr. Lamb reviewed the JP Morgan Chase Earnings and Fees and Hard Interest Earned for the fiscal year ending September 30, 2023. He advised that a presentation with additional information regarding the JP Morgan Chase fees is forthcoming.

Mr. Peercy introduced agenda item ***Approval for Annual Comprehensive Financial Report and Summary Annual Financial Report*** (Video 00:44:55 to 00:49:03). Ms. Connie Davis presented the Annual Comprehensive Financial Report (ACFR). She recognized several KPPA Staff Members and Divisions who were integral in the completion of the ACFR. She requested approval to submit the ACFR to the Government Financial Officers Association (GFOA) for Certification of Award, Legislative Research Commission (LRC), The Finance and Administration Cabinet, and the Auditor of Public Accounts.

Ms. Davis also provided a brief update on the Summary Annual Financial Report (SAFR). Updates are in progress and internal review of the SAFR is ongoing. There are no significant changes to the layout of the report, said Ms. Davis. The report will be published to the KPPA website in late December or early January. She announced that the Popular Annual Financial Reporting (PAFR) Award was received for the FY2022 SAFR. Mr. Lane made a motion to approve the Annual

Comprehensive Financial Report (ACFR) as presented. Ms. Hampton seconded the motion and the motion passed unanimously.

Mr. Percy introduced agenda item ***Investment Department Update*** (Video 00:49:04 to 01:01:00). Mr. Willer stated that the KRS Investment Committee met on November 9, 2023, and the CERS Investment Committee met on November 28, 2023. No recommendations were made that required ratification approval by the Investment Committees and no actions were taken that required ratification by the CERS or KRS Boards of Trustees, said Mr. Willer. He provided a brief overview of the data presented to the Committees.

A proposed investment annual salary scale was presented. Mr. Eager stated that six (6) positions within the KPPA Office of Investments are exempt from 18A. The Authority approved all current position descriptions and salary ranges. The proposed salary ranges include the 8% (FY2022) and 6% (FY2023) salary increases awarded to all state government employees. Mr. Eager requested approval of the adjusted salary ranges. A motion to approve the proposed annual salary scale as presented was made by Mr. Lane. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. Percy introduced agenda item ***Administrative Regulations 105 KAR 1:215, 105 KAR 1:390, 105 KAR 1:470 and 105 KAR 1:455*** (Video 01:01:01 to 01:05:31). Ms. Jessica Beaubien stated that these Administrative Regulations were presented and approved by the KPPA Ad Hoc Regulations Committee on November 15, 2023. The Committee approved sending the regulations to the KPPA for filing approval.

105 KAR 1:215 Administrative Hearing

The Authority approved an amendment to 105 KAR 1:215 for filing at the September 28, 2023 meeting. 105 KAR 1:215 was subsequently filed with the Regulations Compiler on September 29, 2023. Ms. Beaubien reported that the Regulations Compiler allows for a regulation to be amended after it is filed but prior to it going before the Administrative Regulations Review Subcommittee pursuant to KRS Chapter 13A.

Upon further internal review and consideration, it was determined that a new section for Informal Settlements was needed. The informal settlement process is authorized by KRS Chapter 13B and

will provide an option for reducing the backlog of administrating hearing requests. Ms. Beaubien reported that a new Section 6 providing the details of the informal settlement process has been added. These amendments were presented to the KPPA Ad Hoc Regulations Committee on November 15, 2023. The Committee requested a minor change in the language of Section 6(1)(a)1. which has been incorporated, said Ms. Beaubien.

Mr. Powell made a motion to approve regulation 105 KAR 1:215 as presented, and to direct staff to file the regulation with the Office of the Regulations Compiler at LRC. Ms. Hampton seconded the motion and the motion passed unanimously.

105 KAR 1:390 Employment After Retirement

Ms. Beaubien presented amendments to the existing Administrative Regulation 105 KAR 1:390, Employment After Retirement. The amendments included changes reflected from HB 506 regarding the one (1) month break in service for effective retirement dates beginning January 1, 2024. Additionally, other technical changes were made, and the forms incorporated by reference were updated, reported Ms. Beaubien.

Mr. O'Mara made a motion to approve regulation 105 KAR 1:390 as presented, and to direct staff to file the regulation with the Office of the Regulations Compiler at LRC. Mr. Powell seconded the motion and the motion passed unanimously.

105 KAR 1:455 In Line of Duty Hazardous Retirement Disability Benefits

Ms. Beaubien presented Administrative Regulation 105 KAR 1:455, In Line of Duty Hazardous Retirement Disability Benefits. The new administrative regulation establishes the procedures for filing an application or reapplication for in line of duty hazardous disability retirement benefits and total and permanent in line of duty hazardous disability retirement benefits, and the appeal procedures if denied, said Ms. Beaubien.

Mr. Powell made a motion to approve regulation 105 KAR 1:455 as presented, and to direct staff to file the regulation with the Office of the Regulations Compiler at LRC. Ms. Hampton seconded the motion and the motion passed unanimously.

105 KAR 1:470 Agency Communication

105 KAR 1:470, Agency Communication, establishes how the Kentucky Public Pensions Authority will communicate with members, retired members, beneficiaries, and other recipients of a retirement allowance, and the procedures to change communication preferences as needed, said Ms. Beaubien.

Mr. Lane made a motion to approve regulation 105 KAR 1:470 as presented, and to direct staff to file the regulation with the Office of the Regulations Compiler at LRC. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. Peercy introduced agenda item ***Proposed KPPA Bylaw Revision*** (Video 01:05:32 to 01:05:51). Mr. Peercy stated that the item would be discussed at a future meeting after further revisions are completed by Mr. Board.

Mr. Peercy introduced agenda item ***KPPA Update*** (Video 01:05:52 to 01:06:30). Mr. Eager provided the Authority with a written KPPA Update. No questions or comments were made regarding the update.

Mr. Peercy introduced agenda item ***New Business*** (Video 01:06:31 to 01:06:40) – None.

Mr. Peercy introduced agenda item ***Closed Session*** (Video 01:06:41 to 01:07:25). Ms. Hampton made a motion and was seconded by Mr. Powell to enter closed session for the purposes of litigation and personnel. The motion passed unanimously.

Mr. Peercy read the following closed session statement: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider litigation, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege.

Closed Session (Video - Part 2 - 00:00:43 to 00:00:54). Mr. Peercy called the meeting back to open session and stated that there would be no action taken as result of the closed session discussion.

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

Copies of all documents presented are incorporated as part of the Minutes of the KPPA held December 6, 2023, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on December 6, 2023, were approved on February 21, 2023.

KPPA Board Chair

Executive Director

I have reviewed the Minutes of the December 6, 2023, Kentucky Public Pensions Authority Meeting for content, form, and legality.

Executive Director, Office of Legal Services