

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
INVESTMENT COMMITTEE MEETING
FEBRUARY 19, 2025, 11:30 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the February 19, 2025, Regular Meeting of the Kentucky Retirement Systems' (KRS) Investment Committee, the following Committee members were present: Prewitt Lane, David Adkins, Ramsey Bova. Staff members present were Ryan Barrow, Rebecca Adkins, Erin Surratt, Victoria Hale, Carrie Bass, Steve Willer, Anthony Chiu, Brian Caldwell, Joe Gilbert, Ashley Gabbard, Phillip Cook, Sandy Hardin, and Sherry Rankin. Others in attendance included KRS CEO John Chilton and David Lindberg, Craig Morton, John Patterson, and Marc Friedberg with Wilshire Advisors, LLC.

1. Mr. Lane called the meeting to order.
2. Ms. Hale read the Opening Statement.
3. Ms. Rankin took Roll Call.
4. Ms. Rankin reported there were no ***Public Comments***.
5. Mr. Lane introduced agenda item ***Approval of Minutes – November 21, 2024, and December 17, 2024***. A motion was made by Mr. Adkins to approve the minutes of the November 21, 2024, and the December 17, 2024, meetings as presented. Ms. Bova seconded the motion, and the motion passed unanimously.
6. Mr. Lane introduced agenda item ***Investment Review and Update*** (Video 00:03:48 to 00:38:14). Mr. Lane began by complimenting the Investment Team for the quality of the reports they bring to this committee. He mentioned that he finds them to be very useful and quite informative and praised them for the good job they have been doing.

Mr. Steve Willer asked the Wilshire team to provide an overview of the economic conditions and market overview for the second quarter of the fiscal year and the fourth quarter of the calendar year.

First, David Lindberg extended an invitation to anyone interested to attend the Wilshire Client Conference on April 8 and 9, 2025, at the Ritz-Carlton in Rancho Mirage, California.

Next, David Lindberg and Craig Morton from Wilshire presented the Economic Update and performance data for the last quarter ending December 31, 2024.

Mr. Lane expressed his opinions on the Federal Reserve's 2% target, noting that he recently read articles questioning its basis. He found it interesting that even former members of the Federal Reserve and the Treasury regard it as not particularly significant. There is no academic proof that this target is ideal. Instead, it appears to be a number chosen by the Fed's staff economists. Mr. Lane mentioned that some believe the 2% target might be too low and not reflective of a strong or good economy. While he appreciates the efforts of the current Chairman of the Federal Reserve, he feels that the Fed may sometimes focus on the wrong numbers or interpret them incorrectly. Mr. Lane emphasized the need to reassess the metrics used to evaluate economic health.

*** David Adkins entered the meeting. ***

Mr. Willer then presented the Market Update and reviewed the plan performance data for the quarter ending December 31, 2024, for KERS Nonhazardous, KERS Hazardous, and SPRS. Mr. Willer also presented the year-to-date investment highlights for the period ending December 31, 2024.

7. Mr. Lane introduced agenda item ***Quarterly Investment Budget Update***. (Video 00:38:14 to 00:42:51). Mr. Steve Willer reviewed the Investment Budget Update and the Pension and Insurance Investment Fees and Expenses for the nine (9) month period ending December 31, 2024. In summary, while Mr. Willer discussed the investment budget, he noted that actual expenses were in line with the budget for the first half of fiscal year 2025, with a total of \$6

million spent. Legal expenses increased significantly due to ongoing cases, and these expenses are expected to remain high. Investment fees and expenses were 32% higher than the same period last year, with total assets increasing by 11%. Major drivers of increased expenses included specialty credit, real estate, and private equity. Administrative expenses also rose due to higher legal costs. Performance fees were noted as beneficial since they reflect increased returns. The benefits of restructuring core fixed income portfolios were highlighted, with fees increasing only 3% year over year while assets grew by 39%. Mr. Willer concluded by discussing the potential impact of carried interest taxation changes.

8. Mr. Lane introduced agenda item ***Public Equity Investment Recommendations*** (Video 00:42:51 to 01:10:57). Mr. Joe Gilbert presented the Public Equity Investment Recommendations, noting that KPPA staff and Wilshire are recommending investments for all KERS and SPRS portfolios in two actively managed U.S. Large Cap Public Equity mandates to be managed by J.P. Morgan and T. Rowe Price, pending successful investment management agreement negotiations. In a continued effort to improve the portfolio, staff has decided to terminate its efforts managing a U.S. large cap factor-based public equity portfolio modeled after Scientific Beta's U.S. Four Factor Equal Weighted Index. The team conducted a thorough evaluation process, ensuring well-informed decisions and diversification within the portfolio.

A motion was made by Ms. Bova to approve an investment of up to 12.5% of the U.S. large cap equity investment allocation, with an initial funding of approximately 6.6% into the J.P. Morgan U.S. Large Cap Core Equity Strategy and T. Rowe Price U.S. Structured Research Equity Strategy as presented. Mr. Lane seconded the motion. The motion passed unanimously.

9. Mr. Lane introduced agenda item ***Real Return Investment Recommendation*** (Video 01:10:57 to 01:34:08). Mr. Anthony Chiu presented the KPPA Investment Staff's proposal to invest in the Arctos American Football Fund, contingent on successful investment management agreement negotiations. Based in Dallas, Arctos Sports Partners provides liquidity and strategic capital to the owners of major professional sports franchises, focusing on the United States' Big 5 sports leagues - MLB, NBA, NHL, MLS, and NFL.

The mandate will be part of the Real Return asset allocation, with a recommended investment of up to \$30 million, shared among all KERS and SPRS plans. This investment would represent an additional ~0.3% of portfolio assets and provide ~0.35 – 0.50% NFL exposure to each plan.

Ms. Bova and Mr. Adkins expressed their concerns about the NFL's business model. In response, Mr. Lane proposed two options: voting on the investment now or deferring the vote for further discussion and education. Mr. Lane leaned towards approving the investment but acknowledged the need to respect other positions and ensure a thorough understanding. The committee agreed to defer the vote and schedule a more in-depth discussion on the matter.

10. Mr. Lane introduced agenda item, ***Investment Policy Statement – Performance Benchmark Recommendation***. (Video 01:34:08 to 01:47:46). Mr. Gilbert presented the Investment Policy Statement - Performance Benchmark Recommendation. The current benchmark, MSCI All Country World Index Net USD, was deemed by staff and Wilshire as not accurately representing the investment exposure and strategy of the Public Equity Asset Class. They found that it introduced an unintended bias in the Global Equity allocation. Therefore, staff and Wilshire recommend adopting the MSCI All Country World Investable Market Index, which better aligns with the portfolio's actual exposure, strategy, and the Board's objectives.

The motion was made by Ms. Bova to approve changing the Public Equity Asset Class benchmark from the MSCI All Country World Index USD to the MSCI All Country World Investable Market Index as presented. The motion was seconded by Mr. Adkins. The motion passed unanimously.

11. Mr. Lane introduced agenda item ***Investment Compliance Review*** (Video 01:47:46 to 02:01:23). Ms. Carrie Bass presented the Quarterly Investment Compliance Report for the quarter ending December 31, 2024. Ms. Bass confirmed that all guidelines were in compliance for the quarter ending December 31, 2024. She provided a breakdown of each compliance guideline, all of which were marked as compliant. Ms. Bass explained that the guidelines are the “yes/no” requirements contained within the Kentucky Retirement Systems’ Investment Policy Statement (IPS) and the externally and internally managed portfolios. If any guidelines

fall out of compliance, the report will include the date the exception began, the cause, and information on remediation efforts. She noted that KPPA is working with BNY to enhance compliance reporting. For asset allocation compliance, there were no asset classes outside of the allowable range for the quarter ending December 31, 2024. If any asset class falls outside the allowable range in the future, information on the exception will be provided. During the discussion, it was confirmed that the report represents Ms. Bass' independent judgment and had not been modified by anyone in the management or senior leadership structure of KPPA. It was also noted that the Compliance Officer position will be moved under the Office of Financial Management to ensure greater independence.

Committee members commended the efforts to bring investment allocations within range and highlighted the importance of maintaining the compliance officer's independent status.

A motion was made by Mr. Adkins and seconded by Ms. Bova to vote on the acceptance of future Investment Compliance Review Reports. The committee unanimously approved the motion.

A motion was made by Mr. Adkins and seconded by Mr. Lane to accept the Investment Compliance Review Report as presented, and the committee unanimously approved.

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

Copies of all documents presented are incorporated as part of the minutes of the Kentucky Retirement Systems' Investment Committee meeting held on February 19, 2025.

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CERTIFICATION

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

Recording Secretary

I, as Chair of the Kentucky Retirement Systems Investment Committee, do certify that the Minutes of the meeting held on February 19, 2025, were approved by the Kentucky Retirement Systems Investment Committee on May 22, 2025.

Committee Chair

I have reviewed the Minutes of the Kentucky Retirement Systems Investment Committee Meeting on February 19, 2025, for form, content, and legality.

Office of Legal Services