MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
BOARD MEETING
VIA LIVE VIDEO TELECONFERENCE
JUNE 25, 2026, AT 10:00 AM EST

At the regular meeting of the Kentucky Public Pensions Authority held on June 25, 2026, the following Board members were present: George Cheatham (Chair), Dr. Patricia Carver, Keith Peercy, Dr. Merl Hackbart, Jim Tony Fulkerson, William Summers V, and Larry Totten. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens III, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Victoria Hale, Leigh Ann Davis, Steve Willer, Anthony Chiu, Joe Gilbert, Ian Blaiklock, Kristen Coffey, Madeline Evans, Connie Davis, Phillip Cook, Sherry Rankin, and Mary Hill.

1. Mr. Cheatham called the meeting to order.

2. Mr. Board read the ***Legal Opening Statement.***

3. Ms. Rankin ***called roll.***

4. Ms. Rankin noted there were no ***Public Comments.***

5. Mr. Cheatham introduced agenda item ***Approval of Minutes – April 22, 2026.*** *(Video 00:05:54 to 00:06:22)*. Mr. Fulkerson made a motion to approve the minutes of the meeting held on April 22, 2026. Mr. Summers seconded the motion. A vote to approve was held and the motion carried unanimously.

6. Mr. Cheatham introduced agenda item ***KPPA Audit Committee Recommendations.*** *(Video 00:06:28 to 00:10:45*). Mr. Summers introduced Ms. Coffey to discuss the reports from the Special Called Audit Committee Meeting held on June 10th. Ms. Coffey stated there were several items to be presented for ratification, including the proposed fiscal year 2027 budget. The budget reflected a 5% increase over estimated actual expenses for 2026, accounting for salary increases in July and anticipated insurance increases, as well as higher conference

expenses due to co-hosting an event in November. Mr. Summers made the motion to ratify the action of the Audit Committee's approval of the budget for Internal Audit, as presented. Mr. Totten seconded the motion and a vote was held. The motion passed unanimously.

Ms. Coffey then introduced Ms. Evans to discuss internal audit reports. Ms. Evans presented the audit of the post-retirement process and reported there were no findings. Nor were there any findings in the administrative regulations audit. Mr. Summers made a motion to ratify the Audit Committee's approval of the internal audit reports as presented, and to authorize KPPA staff to implement any corrective action. Mr. Totten seconded, and a vote was held. The motion passed unanimously.

7. Mr. Cheatham introduced agenda item ***FY27 Administrative Budget.*** *(Video 00:11:04 to 00:16:23*). Mr. Lamb presented the KPPA administrative budget for fiscal year 2027, totaling $49,811,000, as passed through House Bill 500 in the biennium budget process. He explained the process for handling line items and noted that if a summarized line item goes over budget, board approval is required, but staff can move amounts between individual line items as needed. Mr. Totten inquired about the locality premium line item, which was separated out in this year's budget for tracking purposes. Approximately $475,000 was budgeted for locality premiums, which relate to IT positions and are paid in areas where it is difficult to find qualified personnel. Mr. Totten made a motion to approve the FY 2027 administrative budget as presented and the motion was seconded by Mr. Fulkerson. A vote was held and the motion passed unanimously.

8. Mr. Cheatham introduced agenda item ***Investment Department Update.*** *(Video 00:16:25 to 00:25:40)*. Mr. Willer reported mixed quarterly performance, with positive returns in January and February but a decline in March. Both pension and insurance composites outperformed their benchmarks, resulting in significant fiscal year-to-date gains. The pension composite returned 5.65%, outperforming its benchmark by 65 basis points, and the insurance composite returned 5.42%, outperforming its benchmark (4.91%). This outperformance equated to approximately $147 million for the pension portfolio and $45 million for the insurance portfolio. Preliminary May results indicated that composites were up about 2%, potentially

bringing fiscal year-to-date performance to over 13%, but caution was advised due to increased volatility in June.

Staff renegotiated management fees with the public high-yield manager, lowering fees by 12% and saving an estimated $500,000 annually. Over the past eighteen (18) months, fees were renegotiated with seven (7) of fourteen (14) public equity managers, resulting in annual savings of approximately $4.6 million. Mr. Willer then presented the investment budget for fiscal year 2027 at $10.8 million, a reduction of $1 million (8%) from fiscal year 2026. Consulting services increased by $30,000 (2%) due to inflation and a new line item for a private markets consultant. Legal and auditing services decreased by $1.57 million due to resolution of investment litigation, but future expenses could rise depending on actions in remaining open cases. The contractual services line item increased by $600,000, mainly due to higher custodial services costs driven by increased assets and account activity. S&P Global Index services were replaced by Russell, and ISS fees increased by $40,000 due to the expanded scope for securities litigation monitoring and filing, now covering both U.S. and non-U.S. claims. A scheduled RFP for custodial services will occur in the first quarter of fiscal year 2027, with a working and scoring group already formed. Mike Lamb is heading the process, with Investments acting as a consultant and part of the scoring team. The goal is to complete the RFP by the second quarter of fiscal year 2027.

Mr. Cheatham requested a motion to approve the FY 2027 Investment Budget as presented and Mr. Totten made the motion. Dr. Hackbart seconded and a vote was held. The motion passed unanimously.

9. Mr. Cheatham introduced agenda item ***KPPA Update.*** *(Video 00:25:42 to 00:26:15)*. Ryan Barrow's update on KPPA operations was previously provided to members in their respective Board meetings. Mr. Barrow was not present for this meeting; Ms. Surratt confirmed there was nothing additional to add beyond what was included in the distributed report.

10. Mr. Cheatham introduced agenda item ***KPPA Strategic Plan Update – FY27 Business Plan.*** *(Video 00:26:16 to 00:51:42).* Ms. Surratt presented an overview of the annual business plan

for fiscal year 2027, including background on the four-year strategic plan developed with Provaliant in 2025, and the evolution from an implementation plan to a business plan. Ms. Surratt noted that her presentation was a high-level overview of the entire plan, which is quite lengthy. Those who wished to read the entire plan could find it in their board materials. She was also careful to note that the plan was a "fluid" document and subject to change, allowing for adjustments as priorities change throughout the year.

The Strategic Planning Committee was formed in the fall of the current fiscal year and meets monthly. The Committee is tasked with evaluating ongoing and new initiatives, developing processes, and improving staff communication regarding the strategic plan. There are four (4) areas of focus in the strategic plan: organizational excellence, customer service delivery, infrastructure and key resources, and governance. Ms. Surratt stated that ongoing and periodic review of all in-house policies by the Compliance Officer had begun and will continue into fiscal year 2027. Three-person teams, selected by business areas, spent 50% of their time for three (3) months researching and recommending improvements for each initiative. This approach will continue for service delivery programs, including the paper check reduction initiative that resulted in a 32% decrease in paper checks for monthly payroll between June 2025 and June 2026.

Other large parts of the plan included continued focus on member self-service enhancements, reevaluation of the current service model, and employer self-service redesign; ongoing staff training on Microsoft 365 collaborative tools; expansion of key performance indicators (KPIs) to cover all functional areas across the agency; and the establishment of framework for sustained conformance with web content accessibility guidelines, with compliance required by April 2027 due to federal regulations.

The Plan's technology updates will include the development of an internal artificial intelligence policy and implementation of an identity verification solution for enhanced security for the member self-service portal. Additionally, there will be an upgrade of the phone system, a consolidation and update of accounting software, and the integration of a software development lifecycle into strategic planning. Ms. Surratt stated that the technology assessment by Linea Solutions was underway, with recommendations for system modernization expected by December. The Capital Project planning phase was approved for fiscal years 2027 and 2028, with implementation scheduled for fiscal years 2029 and 2030, and closure in fiscal years 2031 and 2032. Ms. Surratt emphasized that modernization plans take several years to implement, and the Board will receive updates as they are available. Regarding Governance, there will be ongoing evaluation of board and committee document processes, including redaction policy and bylaw compliance. A three-person team is working on a policy and procedure solution to centralize access to policies.

Mr. Cheatham requested the number of members who are still receiving a paper check, and Ms. Surratt stated the numbers are very low, as KPPA policy requires a direct deposit of the monthly pension checks unless a member does not have a bank account or the bank does not accept electronic transfers. She noted that the numbers showed fewer than 1% of members still received paper checks and Ms. Coffey stated that a recently performed audit confirmed those numbers. Regarding the new identity verification process, Ms. Surratt stated that KPPA will be using ID.me, a vendor also used by the IRS, the SSA, and other statewide pension plan administrators. Following the presentation, Mr. Cheatham requested a motion to approve the updates to the KPPA Strategic Plan and 2027 Business Plan, as presented. Mr. Totten made the motion to approve, and it was seconded by Mr. Summers. A vote was held and the motion passed unanimously.

11. Mr. Cheatham introduced agenda item C***losed Session.*** *(Video 00:51:46 to 00:53:37).* Mr. Cheatham requested a motion to move into closed session to discuss litigation. Mr. Totten made a motion for closed session, and it was seconded by Dr. Carver. A vote to move into closed session was held and the motion carried unanimously. Before going into closed session, Mr. Cheatham read the following statement:

> *A motion having been made in open session to move into closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider litigation matters pursuant to KRS 61.810(1)(c). Closed session is necessary*

because of the necessity of protecting the confidentiality of the KPPA's litigation strategy and preserving any available attorney-client privilege.

******Closed Session******

Mr. Cheatham requested a motion to come out of executive session. *(Video 2 00:00:41 to 00:01:51).* Mr. Fulkerson made the motion and Mr. Totten seconded. The motion carried unanimously, and the Board came back into open, public session. Mr. Cheatham noted for the record that no votes were held within executive session

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

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CERTIFICATION

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

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Recording Secretary

We, the Chair of the Kentucky Public Pensions Authority and Executive Director, do certify that the Minutes of Meeting held on June 25, 2026, were approved on September 24, 2026.

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KPPA Board Chair

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Executive Director

I have reviewed the Minutes of the June 25, 2026, Kentucky Public Pensions Authority Meeting for content, form, and legality.

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Executive Director, Office of Legal Services