MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
INVESTMENT COMMITTEE MEETING
MAY 21, 2026, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE

At the May 21, 2026, Regular Meeting of the Kentucky Retirement Systems' (KRS) Investment Committee, the following Committee members were present: Ramsey Bova, Lynn Hampton, and Pamela Thompson. Staff members present were KRS CEO John Chilton, Erin Surratt, Odette Gwandi, Victoria Hale, Nathan Goodrich, Carrie Bass, Steve Willer, Brian Caldwell, Joe Gilbert, Ian Blaiklock, Phillip Cook, and Sherry Rankin. Others in attendance included TKIP Investment intern, Colby Cracraft; and Craig Morton with Wilshire Advisors, LLC.

1. Ms. Bova called the meeting to ***Order.***

2. Ms. Hale read the ***Legal Opening Statement.***

3. Ms. Rankin took ***Roll Call.***

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

5. Ms. Bova introduced agenda item ***Approval of Minutes – February 18, 2026.*** *(Video 00:07:42 to 00:08:37).* Ms. Bova requested any discussion or corrections on the minutes from the meeting held on February 18, 2026, and hearing none, asked for a motion to approve. Ms. Hampton made a motion to approve the minutes and Ms. Bova seconded. A vote was held and the motion passed.

6. Ms. Bova introduced agenda item ***Investment Review and Update.*** *(Video 00:08:46 to 00:44:13).* Mr. Willer introduced Craig Morton from Wilshire to provide some highlights of the economic and market conditions for the third quarter. Mr. Morton began with an overview of how the markets have been affected by the ongoing conflict in Iran at the Strait of Hormuz. He presented a graph showing how cargo travel through the Strait ground to a halt after military operations began there in late February and another graph showing the Polymarket

probabilities of the conflict being resolved by the end of June. One-year expected inflation numbers jumped, but he noted the five-year and ten-year averaging expectations stayed relatively even. He explained that these numbers indicate this may be a transitory event, but time will tell the longer it continues. Mr. Morton presented several more graphs showing the expectation of interest rate increases and the risks associated with raising those rates.

Mr. Willer introduced his Team Kentucky Internship Program intern, Colby Cracraft, and he was welcomed by the Committee. Mr. Willer then continued with an overview of how the markets responded to the Iranian conflict in the third quarter. Concerns included rising oil prices, inflation, and artificial intelligence. He noted a moderate decline in the portfolios in March after strong performance in the first two (2) months of the calendar year. While the portfolios saw returns of negative basis points, they all continued to outperform their respective return benchmarks by between thirty-one (31) and fifty-five (55) basis points. The largest contributors to outperformance were the Real Return and Specialty Credit portfolios, while the largest contributor to underperformance remained the overweight public equity portfolio.

Mr. Willer went on to give some preliminary figures from April and May of this year and noted that while the overall numbers seemed to be high, staff remain cautious in the volatile environment. He stated that inflation continues to increase and is likely to be more persistent than anticipated. Mr. Willer presented the internal portfolio performance metrics and stated that they all performed in line with expectations for both the quarter and the Fiscal YTD. Ms. Hampton inquired about the outperformance of the portfolio in relation to the markets overall and Mr. Willer clarified that the portfolio is constructed using CPI+ and its wide asset class as a benchmark, which does not follow the S&P 500.

Mr. Willer then provided some overall highlights from the last quarter, including KPPA investment staff's active fee schedule negotiations that have already saved the Systems an estimated $500,000 a year; the transfer of a majority of assets to the new Oaktree managed Public Leverage Loan accounts with all assets to be transferred by the end of June, 2026; and the additional commitment of up to $100 million in the ITE Rail Fund, to be shared among all KERS and SPRS portfolios. He also highlighted the transfer of asset management responsibilities of the MSCI ACWI Ex-US Public Equity mandate from Franklin Templeton to Clearbridge; a change that is expected to improve the quality of the overall international portfolio.

Mr. Willer introduced Joe Gilbert to give an overview of Public Equities. He stated that the first quarter of 2026 looked promising, but the conflict in Iran has shifted the most watched variable from AI to the halt of oil moving through the Strait of Hormuz and the subsequent spike in oil prices. Mr. Gilbert went on to discuss the hit the international markets took in March following the start of the conflict with Iran. Despite these concerns, the markets continue to outperform US markets. Mr. Gilbert noted that although there were areas of concern, there were some bright spots in the strong performances of the deep value developed market manager and both dedicated emerging market managers. Mr. Willer added that the underperformance of the active portfolio relative to benchmark is not unique to KPPA, but active management across the board has struggled in the recent environment.

Mr. Willer introduced Brian Caldwell to discuss Core Fixed Income. Mr. Caldwell noted that the U.S Treasury yield curve had flattened as a result of the recent market volatility. Even with the increasing rates, the Core Fixed Income Portfolio produced a positive return, outperforming the benchmark by nineteen (19) basis points for the fiscal YTD. Specialty Credit Fixed Income also outperformed the benchmark by 217 basis points for the fiscal YTD. Regarding liquidity, Mr. Caldwell noted that cash has generated a return of ninety-two (92) basis points for the three-month period that ended March 31. For the fiscal YTD, cash underperformed the benchmark by three (3) basis points.

Mr. Willer returned to give an overview of the alternative asset portfolios and stated they had a mixed performance for the quarter. Private Equity returned -73 basis points but real estate markets continued to rebound, posting a sixth consecutive positive quarter after two (2) years of declines. The three (3) open-ended Core strategies also continued to outpace their benchmarks. Mr. Willer also highlighted exceptional risk-adjusted performance from all pension and insurance portfolios. Regarding asset allocations, Mr. Willer noted that as of the end of the quarter, all asset classes were within Investment Policy Statement specified ranges, and the majority were within one percent (1%) of their target allocations.

7. Mr. Willer went on to discuss agenda item ***Quarterly Investment Budget Update***. *(Video 00:44:14 to 00:51:42)***.** He stated that through the first three (3) quarters of the year, they spent 42% of the amount budgeted for the full fiscal year. Consulting services accounted for the majority of spending. Legal and auditing came in well under budget and will see a reduced budget for FY 2027, with the caveat that these expenses may again increase. Regarding contractual services, 87% of the budget was spent. Custody service expenses were running well above the amount budgeted and the team will adjust their FY 2027 budget to reflect these new expectations. Mr. Willer also noted they are expecting to issue a Request for Proposal for custodial services in the first half of FY 2027.

   Mr. Willer highlighted the line item for Jayant Ghevaria and stated the firm provides legally required tax accounting services for investments in the international public equity portfolios. He noted that the invoice timing for the firm is difficult to estimate as they regularly send several years' worth of invoices at once. Mr. Gilbert added that the invoices are always verified and appropriate, but the billing is inconsistent, leading to difficulty budgeting for the services. Ms. Hampton asked about the possibility of accruing to account for those expenses before they are invoiced. Mr. Gilbert stated that they do keep the expense in mind, they just never know when the invoice will come due. Mr. Willer added that the size of the account is immaterial to performance and likely does not require an accrual.

   Mr. Willer briefly discussed the investment fees and expenses and noted that they declined by 4% from the same period the previous year, despite a 13% increase in total assets. The fee decreases were partially offset by an increase in total investment management fees, the largest increase occurring in the real return portfolio as staff continue to build the portfolio toward allocation targets. He again noted that staff continue to negotiate management fee schedules and have brought twelve (12) of the fourteen (14) managers into the lowest fee quartile. Following Mr. Willer's presentation, Ms. Bova expressed thanks for the staff's hard work continuing to lower costs.

8. Ms. Bass continued the meeting with agenda item ***Investment Compliance Review.*** *(Video 00:51:43 to 00:52:58).* Ms. Bass gave a brief update on the Investment Compliance Report for the period ending March 31, 2026. She noted that all guidelines for the period were in compliance and that the proxy voting reports may be found on KPPA's website as required by KRS 61.645(19).

9. There being no further business, Ms. Bova ***adjourned*** the meeting.

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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.

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Recording Secretary

I, as Chair of the Kentucky Retirement Systems Investment Committee, do certify that the Minutes of the meeting held on May 21, 2026, were approved by the Kentucky Retirement Systems Investment Committee on August 19, 2026.

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Committee Chair

I have reviewed the Minutes of the Kentucky Retirement Systems Investment Committee Meeting on May 21, 2026, for form, content, and legality.

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Office of Legal Services