

KENTUCKY RETIREMENT SYSTEMS

TO: Members of the Human Resources Committee
Susan Smith, Chair
Randy Overstreet
Thomas K. Elliott

FROM: William A. Thielen, Executive Director

DATE: December 5, 2013

SUBJECT: Organizational Changes - Investments

The Kentucky Retirement System (KRS) is a "Qualified Pension Plan" under Section 401 of the Internal Revenue Code and is administered by a board of 13 trustees. The Board of Trustees authorizes and directs the appointment of an Investment Committee with full power to act for the board in the acquisition, sale and management of the securities and funds of the Systems in accordance with the provisions of the Statutes and Investment Policy of the Board. The Board reviews the actions of the Investment Committee at each quarterly Board meeting and the actions of the Investment Committee are subject to Board ratification. The Chief Investment Officer (CIO) is responsible for administration of investment assets of the Systems consistent with the policies, guidelines and limits established by the law, the Statement of Investment Policy, and the Investment Committee.

Due to the changing economic and business climate, an intensified focus on the investment arena, and feedback from the Investment Committee, KRS recognizes the need to make necessary adjustments to the organization of Investments. As such, the following changes are being proposed for adoption effective January 1, 2014: 1) establishing the position of Deputy CIO; 2) adding the Division of Cash Management and the Division of Real Returns & Real Estate to the current Investment structure; and, 3) streamlining the Jr. Investment Analyst and the Sr. Investment Analyst series.

KRS requests the creation of the position of Deputy CIO reporting to the CIO. This position would be a Grade X with an annual salary range of \$92,436.00 to \$138,660.00. Positions within this Grade Level include the General Counsel and the Chief Benefits Officer.

Currently, KRS has four divisions within Investments: Public Equity, Absolute & Real Return Assets, Fixed Income, and Alternative Assets (Private Equity & Real Estate). KRS requests the structure to be changed to include six divisions within Investments: Cash Management, Fixed Income, Public Equity, Absolute Return, Real Return & Real Estate, and Private Equity. Each Division will be lead by a Division Director.

Currently the Division Director – Investments is a Grade V with an annual salary range of \$76,416.00 to \$114,612.00. No changes to the Grade or Salary are proposed.

Finally, KRS proposes streamlining the Investment Analyst series. The Analyst series allows individuals to have a clear and progressive career path within Investments. Although reporting directly to one of the division directors, the analyst's duties span multiple asset classes. The goal is to recruit and retain investment professionals with an education background in accounting, finance, statistics, economics or a business related field. As individuals progress, the expectation is for them to attain a certification such as the Chartered Financial Analyst (CFA®). Currently there are eight job titles within the series spanning from a Jr. Investment Analyst I to a Sr. Investment Analyst II. KRS proposes consolidating the Jr. Investment Analyst I, II, and III positions into one position titled Jr. Investment Analyst and consolidating the Sr. Investment Analyst I and II positions into one position titled Sr. Investment Analyst. The Jr. Investment Analyst would be Grade N - salary range of \$35,676.00 to \$53,508.00 and the Sr. Investment Analyst would be a Grade T - salary range of \$63,144.00 to \$94,716.00. The Investment Analyst I, II, and III titles require no changes to salary or grades.

Grade	Today	Effective January 1, 2014
Set by Board of Trustees	Chief Investment Officer	Chief Investment Officer
Z		
Y		
X		Deputy Chief Investment Officer
W		
V	Division Director – Investments <ul style="list-style-type: none"> • Public Equity • Alternative Assets • Fixed Income • Absolute & Real Return Assets 	Division Director - Investments <ul style="list-style-type: none"> • Public Equity • Alternative Assets • Fixed Income • Absolute Return • Cash Management • Real Return & Real Estate
U		
T	Sr. Analyst II	Sr. Analyst
S	Sr. Analyst I	
R	Analyst III	Analyst III
Q	Analyst II	Analyst II
P	Analyst I	Analyst I
O		
N	Jr. Analyst III	Jr. Analyst
M	Jr. Analyst II	
L	Jr. Analyst I	

RECOMMENDATION: The Executive Director asks the Human Resources Committee to recommend that the full Board: 1) establish the position of Deputy Chief Investment Officer, Grade X, 2) add the Division of Cash Management and the Division of Real Returns & Real Estate to the current Investment structure; and, 3) streamline both the Jr. Investment Analyst and the Sr. Investment Analyst series to that of a Jr. Investment Analyst, Grade N, and a Sr. Investment Analyst, Grade T. These changes would be effective January 1, 2014.

KENTUCKY RETIREMENT SYSTEMS

TO: Members of the Board

FROM: William. Thielen
Executive Director

DATE: December 5, 2013

SUBJECT: Quarterly Reports of the Audit Committee

The Audit Committee held its special quarterly meeting on November 21, 2013. The purpose of the meeting was to review and discuss, among other miscellaneous audit related items, the following:

- *Review of Travel and Procurement Card Expenditures Report*

FINDINGS

The link to the Finance Cabinet's Office of the Controller's website for defined high rate areas in the Travel Policy and Procedures was not accessible.

In the FY12 Travel audit it was noted that the link to the high rate areas in the Travel Policy and Procedures was not correct and the recommendation was to correct it to the current year link. However, the FY13 auditor found that this link is no longer correct. It appears that the link changes regularly, so a new recommendation will be made.

According to the Travel Policy and Procedures, Section C5: Reimbursement for high rate areas: Breakfast: authorized travel 6:30 a.m. through 9 a.m. -- \$10; Lunch: authorized travel 11 a.m. through 2 p.m. -- \$12; Dinner: authorized travel 5 p.m. through 9 p.m. -- \$24. High rate areas are defined on the Finance Cabinet's Office of the Controller's web site at <http://www.state.ky.us/agencies/adm/mars/travelinfo.htm>.

RECOMMENDATIONS

The link to the Finance Cabinet's Office of the Controller's website for defined high rate areas in the Travel Policy and Procedures should be updated for easy access of correct per diem rates based on areas. Internal Audit recommends that the Travel Policy and Procedures reference Finance Administration Policy FAP 120-17-03, instead of providing a link as it seems to change regularly.

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Mr. Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

FINDINGS

Travel vouchers were not reviewed and approved by all levels before reimbursement was made.

During testing of travel expenditures the auditor found that nine of the 111 travel expenditures tested had been reviewed and approved by all levels except by the Controller or appointed designee. These documents were during the time when the Controller was off and the Deputy Controller position was vacant. However, another appointed designee should have been reviewing and approving these reimbursements prior to reimbursement to ensure expenditures are allowable, correct, and coded to the correct account. Prior to the audit concluding the Controller had reviewed and approved these documents per audit request.

According to the Workflow Chart for Travel Expenditures; Travel vouchers must be reviewed/approved by the Controller prior to payment.

RECOMMENDATIONS

All travel reimbursements need to be reviewed and approved at every level documented in the workflow process to ensure that travel expenses are allowable, correct, funds available, and coded to the correct account. The supervisor should thoroughly review the travel voucher and supporting documentation to ensure that all expenses claimed are supported, and then the other levels are only reviewing and approving to show the funds are available for reimbursement and that it's ready for posting to the account and payment.

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

FINDINGS

Reimbursements were coded to the wrong accounts.

During testing of travel expenditures the auditor found that three of the 111 travel expenditures tested were coded to the wrong accounts when they were posted in Great Plains. While this has no effect on the financial statements, it is important that all expenses are coded correctly. The Accounting Division has already corrected these expenditures to the correct account.

According to the Workflow Chart for Travel Expenditures; The Staff Accountant III reviews, recalculates, and verifies the travel voucher prior to review and

approval by the Controller. At this stage the Staff Account III should be marking which account it will be coded to and the Controller should be reviewing this to ensure this is the correct account for Great Plains.

RECOMMENDATIONS

Internal Audit recommends that the Accounting Division should ensure that the account marked on the supporting documentation is accurate for that expenditure before posting it in Great Plains.

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

FINDINGS

Meal reimbursements were made for travel without overnight stays, which is allowable but must be ran through payroll for tax purposes.

During testing of travel expenditures the auditor found that three of the 111 travel expenditures tested reimbursed three employees for meals that did not include overnight stays. While these meals are allowable they must be processed through payroll to ensure taxes are withheld and that it is reported on the W2 Form. This error does not lie on the employee(s) because this should have been caught during review prior to payment. The Accounting Division has requested a refund from the employees and will then process these expenses through the payroll.

According to the Travel Policy and Procedures, Section 5 C9: Meal reimbursement for employees who do not have overnight travel is a taxable fringe benefit, according to the Internal Revenue Service (IRS). For this reimbursement, KRS will withhold the applicable federal employment taxes and report this fringe benefit on the traveler's W-2 Form.

According to the IRS Federal, State, and Local Governments Fringe Benefit Guide #9 Travel Expenses: Qualifying expenses for travel are excludable if they are incurred for temporary travel on business away from the general area of the employee's tax home. In order to be excludable as reimbursements, the travel must be temporary and be substantially longer than an ordinary day's work, requiring an overnight stay or substantial sleep or rest. Courts have ruled that stopping for a meal or rest in a car does not meet the substantial "sleep or rest" rule.

RECOMMENDATIONS

Internal Audit recommends that:

- a. *All staff is made aware that when claiming meals for travel without an overnight stay it is considered a fringe benefit and will be processed through payroll for tax purposes and reported on their W2 form. Staff will need to clearly mark these expenses on the travel voucher to ensure they are processed correctly.*
- b. *Management should thoroughly review travel vouchers to ensure that staff are marking these expenditures, so that they are properly recorded as a fringe benefit and not as a reimbursement.*

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

FINDINGS

Lodging receipt was not provided with the travel voucher.

During testing of travel expenditures the auditor found one of 111 travel vouchers that noted lodging expenses and the supporting documentation was insufficient. The only documentation provided for this expense was the reservation confirmation, which does not provide proof of payment. The Accounting Division was notified of this error and received a copy of the receipt prior to the audit concluding.

According to the Travel Policy and Procedures, Section 5 B1: A traveler traveling on official KRS business shall be reimbursed for the actual cost of lodging if the lodging is determined by the KRS Controller or Chief Operations Officer to be the most economical; and the traveler has provided the hotel, motel, or other establishment's receipts to be reimbursed for his travel expenses. Reimbursement for lodging shall not exceed the cost of a single room rate or one-half the double rate.

RECOMMENDATIONS

Internal Audit recommends that all lodging receipts and other voucher support should be thoroughly reviewed by management prior to approving the travel voucher for reimbursement to ensure documentation is sufficient and accurate.

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

FINDINGS

Reimbursements for Out of State Travel were made without the prior approval form.

During testing of travel expenditures the auditor found three of the 45 out of state travel vouchers tested did not have the required prior approval form. Without the prior approval form documented with the travel voucher it cannot be determined that the out-of-state travel was approved. The Accounting Division was notified of this error and received a copy of the prior approval form for these three travel vouchers prior to the audit concluding. The approval forms had been completed before the travel and just had not been attached to the travel voucher.

According to the Travel Policy and Procedures, Section 2 B: In the event a KRS traveler shall travel out of state, authorization shall be obtained on a Request for Travel form and should contain the following information: 1) Name and title of KRS traveler requesting authorization; 2) Purpose of the travel; 3) Vicinity and length of time of travel; 4) Estimated cost of travel; 5) Signature and date of person requesting authorization; 6) Signature and date of Division Director; 7) Signature and date of Chief Officer; 8) Signature and date of the Executive Director or person authorized by Executive Director; and 9) Signature and date of the Chair of the Board Trustees or person authorized by the Chair of the Board of Trustees, if the traveler is the Executive Director.

RECOMMENDATIONS

Internal Audit recommends that all out of state travel vouchers should have the completed prior approval form attached.

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

FINDINGS

Mileage overstated on Travel Vouchers compared to supporting maps.

During the testing of travel expenditures the auditor found four of the 111 travel vouchers had mileage that was overstated compared to supporting maps. Three of the four travel vouchers were for the same traveler. It was noted that this traveler was consistently documenting more mileage for each trip than was supported by the attached maps. After the traveler was notified by the Accounting Division for refund of the overstated mileage, the traveler contacted the auditor by email and made inappropriate comments about the review of travel vouchers. This prompted further investigation by reviewing all the travel vouchers for this traveler for the entire year and it was found that this traveler overstated their travel vouchers by 151 miles with a total travel overpayment of \$84.55 paid by KRS. The Accounting Division has received a refund for the overstated amount. The other travel voucher was noted as a onetime error and did not require further investigation. The Accounting Division has also received a refund for this overstatement.

According to the Travel Policy and Procedures, Section 5 D2: Mileage for in-state and out-of-state travel shall be based on the calculation from an acceptable software or web-based mileage program or the most recent edition of the "Rand McNally Road Atlas" and Section 3 A1: Travelers traveling on official business of KRS shall use the most economical, standard transportation available and the most direct and usually traveled routes. Expenses added by the use of other transportation or routes shall be assumed by the individual.

RECOMMENDATIONS

Internal Audit recommends that all travel vouchers with mileage reported should:

- a. Have an attached map for all stops and only that mileage claimed on the voucher.*
- b. Be thoroughly reviewed by the Supervisor/Division Director to ensure only documented mileage is claimed.*
- c. The Board of Trustees may want to consider amending this policy to include odometer readings/actual miles, as the IRS allows this. However, it is noted that governing bodies' policies may exceed the laws and regulations, if they see reason to, as long as they are meeting the minimum requirements.*

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

RECOMMENDATIONS

Overall Travel Recommendation based on the above findings:

The internal control questionnaire notes that there is no formal training provided to travelers and/or management who approve travel reimbursement. Based on the findings noted above, internal audit recommends that a formal training be performed with all staff that travel, may travel, or approve travel for KRS. All new employees that may travel for KRS should receive this training prior to traveling. Management may want to consider doing this training annually as a refresher to what the policy and procedures require for travel expenses to be reimbursed.

Good internal controls dictate that policy and procedures be in place and followed by all staff for travel reimbursement to ensure that travel expenses are valid, reasonable, and appropriate.

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

FINDINGS

Procurement Cardholder Agreements were not signed on an annual basis.

Three of the five procurement cardholder agreements were not updated/signed for FYE 6/30/2013. It appears that currently these are only updated for new cardholders and if a card is reissued.

According to the Procurement Card Policy and Procedures, Number 1: All cardholders will be required to sign appropriate terms and conditions of use documentation. New forms shall be executed at least once a year and maintained on file.

RECOMMENDATIONS

The Accounting Division should ensure that all cardholders are signing the agreements annually.

Good internal controls dictate that policy and procedures be in place and followed by all staff for procurement card purchases to ensure that the expenses are valid, reasonable, and appropriate.

MANAGEMENT'S COMMENTS

(Ms. Ann Case, CGAP, CRMA, Deputy Controller & Todd E. Coleman, CPA, Controller)

Concur with Recommendation.

- *Review of External Audit Report for the Fiscal Year Ended June 30, 2013*
 - *Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013*
 - *Managements Response to GFOA for CAFR 2012*
- *Review of Quarterly Financial Statements – 09/30/2013 (Unaudited)*
- *Disclosure of Assets, Liabilities, and Contingencies – June 30, 2013*
- *Review of Internal Audit Budget 09/30/2013*
- *Review of Anonymous Reporting*
- *Review of Investment Compliance Report*
- *Special County Employees Retirement System Board Election Memoranda*
- *Kentucky Employees Retirement System Board Election Memoranda)*

- *Annual Review of the Charters of the Audit Committee and the Division of Internal Audit*
- *Kentucky Retirement Systems Board of Trustees Election Policy and Procedures Amendment*

RECOMMENDATION: The Audit Committee requests that the Board ratify the actions taken by the Audit Committee.

KENTUCKY RETIREMENT SYSTEMS

TO: Members of the Board

FROM: William A. Thielen
Executive Director

DATE: December 5, 2013

SUBJECT: Retiree Health Committee Report

The Retiree Health Committee (RHC) met on November 12, 2013. In addition to the approval of prior Committee meeting minutes and the review of informational reports, the Committee took action on two agenda items.

- 1) The RHC requested that Brian Johnston with Polsinelli PC, KRS' external health law attorneys, contact CMS to investigate the following options:
 - The possibility of keeping the direct contract (E6322) open without beneficiaries enrolled in the plan going forward into 2014 (dormant status).
 - Obtaining a waiver of the compliance and reporting requirements for 2014.
 - A waiver of the 2 year waiting period prior to reapplying for a direct contract with CMS if the contract is closed.

Based on the information obtained by Mr. Johnston, a report will be made to the full Board at the December 5 meeting regarding whether the EGWP contract should be maintained during 2014 or whether KRS should give notice to CMS that it is terminating the EGWP contract.

- 2) The Committee voted to accept a proposal by Humana to renew its contract with KRS to provide fully insured Medicare Advantage Prescription Drug Plans to KRS' Medicare eligible retirees for the 2015 plan year with the following guaranteed components:
 - 2015/2016 Admin Fee Cap – not to exceed 4% annually (blended Essential & Premium Plans)
 - 2015 Medical Trend Cap – not to exceed 4.5% annually (blended Essential & Premium Plans)
 - 2015 Pharmacy Trend Cap – not to exceed 8.5% annually (blended Essential & Premium Plans)

- 2013/2014 Premium Stabilization Reserve (PSR) – a reserve fund established to allow any surplus premiums to offset 2015/2016 renewal premiums in the event that the MER (Medical Expense Ratio) target results are more favorable than projected.

Materials relevant to these action items that were considered by the RHC have been attached to this memorandum.

RECOMMENDATION: The Executive Director recommends that the KRS Board of Trustees decide based on the Polsinelli report whether to maintain or terminate the EGWP contract with CMS and to ratify the decision of the RHC to accept the proposal submitted by Humana to provide health insurance coverage to the KRS Medicare eligible retirees for the 2015 plan year.



KENTUCKY RETIREMENT SYSTEMS INVESTMENTS



TO: Kentucky Retirement System Board of Trustees

FROM: T.J. Carlson, Chief Investment Officer

DATE: December 5, 2013

SUBJECT: Investment Committee Quarterly Report

The Investment Committee held a Special Investment Committee meeting on November 4th, 2013. The purpose of the meeting was to consider an appointment of a Chief Investment Officer and to discuss pending litigation. The majority of the meeting was held in closed session under the "personnel exception" to the Kentucky Open Meetings Law. No action was taken in open session following the closed session.

The Investment Committee held a Special Investment Committee meeting on November 20, 2013. The purpose of the meeting was to evaluate investment activities, program structure, management, controls, and performance results of the Pension and Insurance Funds, for the quarter ending September 30, 2013, along with various other subjects.

The meeting began with approval of the minutes for the previous Investment Committee meeting held on August 6, 2013.

Erica Bradley presented the Quarterly Compliance report. The Management Update was given by the CIO which included a review of some of the standard quarterly reports. These reports included the: draft Monthly Performance Update; Investment Division Budget Report and the quarterly Manager Meeting and Related Expense Tracking Report. The Internally Managed Portfolio Asset Report; Internally Managed Portfolio Transactions Report; Securities Lending Report; Domestic Equity Commissions Report; Global Equity Commissions Report and the Securities Litigation Report were provided for informational purposes.

The Standing Quarterly Committee Topics, Potential Future Topics List, and an overview of the supplied articles of interest were then reviewed. Questions were encouraged and addressed throughout the reports.

The APA presented a draft report on its four (4) Audit Findings related to the Investment division. The findings were accepted and steps have been put in place to address those findings.

The CIO gave an update on the custodial transition from Northern Trust to BNY Mellon.

David Peden, Director – Fixed Income, gave an update on the private credit search. There were several questions from committee members regarding the investment opportunity and the process and those were addressed.

Joe Gilbert, Director – Equity, gave an update on the Non-U.S. Equity structure review / manager search process currently underway.

Brent Aldridge, Director – Alternatives, Thomas Masthay, Senior Analyst II, Bill Murnighan, Investment Analyst II, and consultant Altius presented the private equity annual manager reviews. Questions were encouraged and addressed throughout the reports.

Staff presented two private equity recommendations to the investment committee. New Mountain Capital Partners IV LP was approved for up to a \$50 million investment and Levine Leichtman Capital Partners V LP was approved for up to a \$70 million investment. No placement agents were used to source either of these investments.

Chris Schelling, Director – Absolute and Real Return, presented changes to the investment policy statement regarding the Real Return asset class. A more full description of the real return asset class with guidelines were approved to be included in the investment policy statement. Trustee Cherry noticed that the beginning section of the investment policy statement that describes the KRS board structure also needed to be updated to match the changes that occurred in Senate Bill 2.

Staff presented three new real estate recommendations to the investment committee. DivcoWest Fund IV LP was approved for up to a \$30 million investment. Stockbridge Smartmarkets Fund, L.P. and Prologis North American Logistics Fund, L.P. were both approved for up to \$120 million investment each. No placement agents were used to source any of these real estate investments.

Please see the next page for a summary of the Pension and Insurance performance information ending September 30, 2013.

Pension Funds Performance Overview Rates of Return (%) as of September 30, 2013								
	One Year		Three Years		Five Years		Ten Years	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index
Equity	19.49	18.20	10.84	11.19	8.31	8.16	7.51	7.48
Fixed Income	0.94	-1.00	4.98	3.57	6.45	5.63	5.05	4.86
Private Equity	13.42	26.26	12.90	16.28	5.59	13.38	10.35	9.22
Real Estate	10.77	11.08	11.87	13.85	N/A		N/A	
Absolute Return	9.72	5.75	N/A		N/A		N/A	
Real Return	-2.72		N/A		N/A		N/A	
Cash Equivalents	0.67	0.07	0.42	0.08	0.68	0.15	2.19	1.61
Total Fund	10.89	11.66	8.59	8.89	7.34	8.04	6.72	6.91

Insurance Funds Performance Overview Rates of Return (%) as of September 30, 2013								
	One Year		Three Years		Five Years		Ten Years	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index
Equity	18.99	17.62	10.28	10.92	7.85	7.92	7.37	7.06
Fixed Income	0.91	-1.00	5.13	4.32	6.09	5.49	5.70	5.32
Private Equity	14.66	26.26	13.97	16.96	8.43	12.20	8.98	8.77
Real Estate	5.67	11.08	11.01	13.85	N/A		N/A	
Absolute Return	9.67	5.75	N/A		N/A		N/A	
Real Return	-3.34		N/A		N/A		N/A	
Cash Equivalents	0.48	0.07	0.33	0.08	0.29	0.15	2.00	1.61
Total Fund	10.13	11.53	8.39	9.87	6.66	7.72	6.77	7.00

RECOMMENDATION: The Board is requested to ratify the actions of the Investment Committee.

KENTUCKY RETIREMENT SYSTEMS

TO: Members of the Board

FROM: William A. Thielen
Executive Director

DATE: December 5, 2013

SUBJECT: Legislative & Budget Committee Report

The Legislative & Budget Committee met on November 21, 2013. In addition to approval of the minutes of its previous meeting, the Committee took the following actions:

- 1) Approved the KRS administrative budget request for fiscal years 2014-2015 and 2015-2016.
- 2) Approved the filing of a KRS "housekeeping" bill and a "Senate Bill 2 housekeeping" bill during the 2014 Regular Session of the Kentucky General Assembly.

Materials relevant to these action items are attached to this memorandum.

RECOMMENDATION: The Executive Director recommends that the KRS Board ratify the above referenced actions of the Legislative & Budget Committee.

KENTUCKY RETIREMENT SYSTEMS

TO: Members of the Board

FROM: William A. Thielen
Executive Director

DATE: December 5, 2013

SUBJECT: Personal Services Contracts

Medical Review Board Services

The following individuals currently provide Medical Review Board services to the Kentucky Retirement Systems at a rate of \$80 per case and \$100 per deposition/hearing and have agreed to renew their contracts for the period of July 1, 2013 through June 30, 2018.

John Albers
William Duvall
Michael Growse
William Keller
Donald Merz
Nancy Mullen
O.M. Patrick
Cynthia Rigby

RECOMMENDATION: The Chief Benefits Officer recommends that the Board authorize renewal of the contracts with the above-noted physicians to provide medical review services at a rate of \$80 per case and \$100 per deposition/hearing.

Also, Dr. Paul Ebben, Psy.D currently performs independent psychiatric evaluations at a rate of \$125 per hour, plus the cost of test materials, and records review at a rate of \$65 per hour. Dr. Ebben has agreed to renew his contract for the period of July 1, 2013 through June 30, 2018.

RECOMMENDATION: The Chief Benefits Officer recommends that the Board authorize renewal of the contract with the Dr. Ebben for independent psychiatric evaluations at a rate of \$125 per hour, plus the cost of test materials, and records review at a rate of \$65 per hour.