

MINUTES OF MEETING #410
BOARD OF TRUSTEES KENTUCKY RETIREMENT SYSTEMS
QUARTERLY MEETING MAY 18, 2017 AT 10:00A.M.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Quarterly Meeting of the Board of Trustees held on May 18, 2017, the following members were present: John Farris (Chair), John Chilton, William Cook, Thomas Elliott (non-voting), JT Fulkerson, David Harris, Vince Lang, Keith Peercy, Betty Pendergrass, Mary Helen Peter, Jerry Powell, Neil Ramsey, David Rich, and Secretary Thomas Stephens. Staff members present were David Eager, Karen Roggenkamp, Rebecca Stephens, Rich Robben, Connie Davis, Connie Pettyjohn, Joe Gilbert, Shawn Sparks, Katherine Rupinen, Joseph Bowman, Shaun Case, Ann Case, Angela Hawkins, Brian Huffman, and Leigh Taylor. Also present were Larry Totten, Ed Davis, Jim Carroll, Doug Price, Shellie Hampton, Michael Kurtsinger, Damian Stanton, Brad Gross, Tom Loftis, John Cheeves, Kevin Wheatley, Teresa Sanders, Jacqueline Pitts, Michile Hill, Eric Kennedy, Steve Starkweather, Adam Beam, Jonathan Eden, Zach Ireland, Collin Johnson, Tracey Garrison, Larry Low, Fred Nett, Rose Nett, Bo Cracraft, Representative Jerry Miller, and Jodi Whitaker. Glenn Bowen of Milliman and Danny White of Gabriel Roeder Smith were also in attendance.

Mr. Farris introduced agenda item *Approval of Minutes – April 20, 2016*. Ms. Peter moved and was seconded by Mr. Chilton to accept the minutes as presented. The motion passed unanimously.

Mr. Farris introduced agenda item *Actuarial Assumptions* and introduced Glenn Bowen of Milliman and Danny White of Gabriel Roeder Smith. Mr. Bowen presented *KRS Investment Return Assumptions and Funding Methodology Review* to the Board. Using an annualized inflation of 2.30% and Milliman's capital return assumptions, Milliman estimated investment return rates for KERS (non-hazardous) and SPRS pensions at 5.15% (10 year) and 5.90% (30 year); for CERS (hazardous and non-hazardous) and KERS (hazardous) at 6.25% (10 year) and 6.70% (30 year) for pension and all insurance plans. Mr. Harris briefly discussed recent asset and liability assumption studies reviewed by the Investment Committee. Following his presentation, Mr. Harris moved and was seconded by Secretary Stephens to set the investment return assigned rate at 5.25% for KERS (nonhazardous) and SPRS pensions, and at 6.25% for all other Systems

with a 0% payroll growth rate and 2.3% inflation rate. During discussion, Mr. Lang proposed amending the motion in order to separately discuss the Systems and was seconded by Mr. Powell; the motion carried by majority. Mr. Farris provided a motion and was seconded by Mr. Lang to set the inflation rate at 2.3% for KERS (nonhazardous) and SPRS. The motion carried by majority. Following discussion on the amended motion, Mr. Harris moved and was seconded by Secretary Stephens to set the investment return assigned rate at 5.25% for KERS (nonhazardous) and SPRS, with a 0% payroll growth rate and 2.3% inflation rate. The motion passed by majority; Ms. Peter and Ms. Pendergrass dissented. Mr. Harris moved and was seconded by Mr. Hardesty to set the investment return assigned rate at 6.25 % for CERS (hazardous and nonhazardous) and KERS (hazardous), with a 0% payroll growth rate and 2.3% inflation. Mr. Fulkerson moved to amend the motion to set the investment return assigned rate at 6.25% for CERS (hazardous and nonhazardous) with 2% payroll growth rate and 2.3% inflation rate and was seconded by Ms. Pendergrass. Secretary Stephens remarked: "we haven't been doing this right, for whatever reason and it's time to get right. I would rather give the absolute most conservative numbers to the Legislature and let them have a chance to gnaw on it and come up with a fix than mess around with it. I trust the information that has been given to us by the Investment Committee and think it has been a heartfelt change in the way that Board has operated, having been here on both sides of it; I am sticking with my vote up and down on the entire investment recommendation." Mr. Farris agreed with the statement. A roll call vote on Mr. Fulkerson's amended motion passed 8-6. Ms. Pendergrass moved and was seconded by Mr. Lang to discuss each of the rates for each CERS plan separately. The motion passed by majority. Mr. Lang moved and was seconded by Ms. Pendergrass to approve the inflation rate of 2.3% for CERS (hazardous and nonhazardous). The motion passed by majority. Mr. Cook moved and was seconded by Mr. Harris to approve the investment return rate at 6.25% for CERS (hazardous and nonhazardous). Following discussion, Mr. Farris moved and was seconded by Mr. Powell to table discussion on CERS (hazardous and nonhazardous) and KERS (hazardous) with regards to investment return assigned rates and payroll growth rates until a special called meeting. The motion passed by majority.

Mr. Farris called for a short break and the meeting was suspended. *Mr. Harris and Mr. Ramsey exited the meeting during the break.*

Mr. Farris call the meeting back into session and clarified the previously made motions: rates of 5.25% for KERS (nonhazardous) and SPRS with a 0% payroll growth rate and 2.3% inflation rate; CERS (hazardous and nonhazardous) 2.3% inflation rate; all other actions have been tabled. Mr. Farris noted that all motions were for pensions only, not insurance.

Mr. Bowen concluded the Milliman study and answered questions from the Board. Ms. Pendergrass moved and was seconded by Ms. Peter to refer the actuary studies to the KRS Legislative Committee to review and develop proposed legislation for the potential special legislative session. The motion passed by majority; Mr. Cook and Secretary Stephens dissented.

Mr. Farris introduced agenda item *Audit Committee Report*. Ms. Davis and Mr. Chilton reviewed items from the May 4, 2017 meeting. Ms. Pendergrass moved and was seconded by Ms. Peter to only include GASB standards for the Audit Charter. The motion carried. Ms. Peter moved and was seconded by Mr. Powell to ratify the actions of the Audit Committee. The motion passed unanimously.

Mr. Farris introduced agenda item *Retiree Health Plan Committee Report*. Ms. Pettyjohn and Mr. Hardesty reviewed items from the May 9, 2017 meeting. Mr. Hardesty moved and was seconded by Mr. Lang to ratify the actions of the Retiree Health Plan Committee. The motion passed unanimously.

Mr. Farris introduced agenda item *Participation of Additional Agencies and Hazardous Positions*. Ms. Roggenkamp provided a detailed review of the submission. Secretary Stephens noted his preference for future discussions regarding random position audits. Mr. Lang moved and was seconded by Mr. Rich to approve the positions based on representations made by the applications. The motion passed unanimously.

Mr. Farris introduced agenda item *Contract Approvals*. Ms. Roggenkamp reviewed the Printing Services RFP. Mr. Powell moved and was seconded by Mr. Cook to enter into a thirty-six month contract with Thoroughbred Printing, LLC, beginning July1, 2017 through June 30, 2020. The

motion passed unanimously. Ms. Roggenkamp reviewed the Fiduciary Liability Insurance terms. Secretary Stephens moved and was seconded by Ms. Peter to approve obtaining \$2.5M in coverage through Hallmark Specialty and \$2.5M in coverage through ANV Global Services. The motion passed unanimously. Mr. Bowen discussed the Hearing Officers Renewals. Ms. Peter moved and was seconded by Mr. Fulkerson to accept the renewal contracts. The motion passed with Mr. Powell abstaining.

Mr. Farris introduced agenda item *KRS Bylaws*; Mr. Eager highlighted the proposed changes and suggested they be reviewed in depth by the Trustees and discussed at the next Board meeting. This item was presented for information only.

Mr. Farris introduced agenda item *Executive Director Search Update*. Mr. Farris noted the Trustee responses indicated support for Mr. Eager and due to the pending special legislative session, Mr. Eager would remain in the capacity of Interim Executive Director.

Mr. Farris noted the *2017-2018 Committee Assignments* which were previously supplied to the Trustees. Mr. Eager noted the *KRS Update* had been emailed to the Trustees. These items were provided for informational purpose only.

As there were no Public Comments, Mr. Lang moved and was seconded by Ms. Pendergrass to enter closed session; the motion passed unanimously. Mr. Farris read the following statement and the meeting moved into closed session: 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. *Attendees remaining during closed session: all remaining Trustees, Mr. Eager, Ms. Roggenkamp, Ms. Stephens, Mr. Bowen, Ms. Rupinen, Mr. Robben, and Ms. Taylor.*

There being no further business, the meeting adjourned at 12:45 a.m. to meet on September 14, 2017 or upon the call of the Interim Executive Director or the Chair of the Board of Trustees.

Mr. Farris introduced the agenda item *Perimeter Park West Inc., Annual Shareholder Meeting* and then called the meeting to order. All members of the shareholder, excepting Mr. Harris, Mr. Fulkerson, and Mr. Ramsey were present. Ms. Roggenkamp introduced the PPW meeting agenda. Mr. Lang moved and was seconded by Mr. Hardesty to approved the May 19, 2016 Shareholder Annual Meeting Minutes. The motion passed unanimously. Mr. Rich moved and was seconded by Secretary Stephens to elect Mr. Peercy as Chair and Mr. Lang, Mr. Powell, and Mr. Hardesty as members by acclamation to serve on the KRS Perimeter Park West, Inc. Board from May 18, 2017 for a one year term or until their successors are elected. The motion passed unanimously. Mr. Peercy moved and was seconded by Mr. Powell to approve the PPW Corporate Share Allocation as presented. The motion passed unanimously. Mr. Lang moved and was seconded by Mr. Hardesty to ratify the agent actions of the PPW Board. The motion passed unanimously. Mr. Peercy moved and was seconded by Mr. Powell to adjourn the PPW Annual Shareholder Meeting; the motion passed unanimously and the meeting adjourned at 1:00 p.m.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees as of May 18, 2017.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Directors 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.

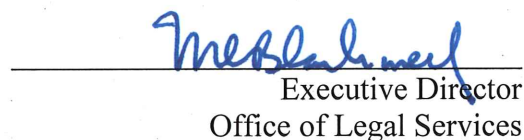

Recording Secretary

We, the Chair of the Board of Directors of the Kentucky Retirement Systems and Executive Director of the Kentucky Retirement Systems, do certify that the Minutes of Meeting Number 410, held on May 18, 2017, were approved on July 12, 2017.


Chair of the Board of Directors


Interim Executive Director

I have reviewed the Minutes of the May 18, 2017 Annual Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services