

MINUTES OF MEETING #403
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
ANNUAL MEETING APRIL 21, 2016 AT 9:00A.M.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Annual Meeting of the Board of Trustees held on April 21, 2016, the following members were present: Thomas Elliott (Chair), Mike Cherry, Edwin Davis, JT Fulkerson, Joseph Hardesty, Vince Lang, Keith Percy, Mary Helen Peter, David Rich, Sec. Thomas Stephens, Randy Stevens, and William Summers. Staff members present were William Thielen, Karen Roggenkamp, Rebecca Stephens, David Peden, Brian Thomas, Todd Coleman, Connie Davis, Connie Pettyjohn, Rich Robbins, Marlane Robinson, Shawn Sparks, Erica Bradley, Scarlett Consalvi, Jennifer Jones, Joseph Gilbert IV, David Nix, Shauna Miller, Erin Surratt, Ann Case, Shaun Case, Liz Smith, Katherine Rupinen, Joseph Bowman, Alane Foley and Leigh Taylor. Also present were Larry Totten, Brad Gross, Bruce Schrader, Marvin Young, Matt Butler, Damian Stanton, Jim Carroll, Eva Smith-Carroll, Frank Willey, William F. Smith, Robin Vessels, Melvin Scheafer, Russ Wright, Jean Roeder, Doug Price, Teresa Sanders, Jerry Powell, Mike Heale, Barry Crutchfield, Mac Jefferson, Brett Gaspard, Tracey Garrison, Larry Loew, Carla Whaley, Jennifer Black Hans, Matt Butler, and Tyson Crist.

Mr. Thielen noted the issuance of Executive Order 2016-211 to remove Mr. Elliot as Chair of the Board of Trustees and the issuance of Executive Order 2016-214 which appointed Dr. William L. Smith as an immediate replacement for Mr. Elliott on the Board. Mr. Thielen and Mr. Thomas advised that significant questions existed as to the Governor's authority to take the acts set forth in the two executive orders, and recommended that the Board continue the meeting as directed by the published agenda and seek an opinion on the issue from the Kentucky Attorney General.

Following discussion, Secretary Stephens moved and was seconded by Mr. Rich to table (postpone) the election of officers until a Special Called Meeting or the Quarterly Meeting of May 19, 2016. The motion carried by majority.

Mr. Davis moved and was seconded by Mr. Hardesty to seek a legal opinion from the Office of the Attorney General regarding Executive Orders 2016-211 and 2016-214. The motion carried by majority.

Mr. Elliott introduced the agenda item *Approval of Minutes*. Mr. Hardesty moved and was seconded by Mr. Cherry to approve the corrected minutes of the February 18, 2016 meeting. The motion carried.

Mr. Elliott introduced the agenda item *Public Comment* and noted there were no registered speakers for this item.

Mr. Elliott introduced the agenda item *KRS Administrative Benchmarking Study Report – CEM Benchmarking, Inc.* Mike Heale of CEM presented the *Pension Benchmarking Report, excluding Investments and Healthcare*, to the Trustees. Ms. Roggenkamp and Ms. Stephens presented the *KRS Service Update* in order to clarify parts of the CEM study. These reports were provided for informational purposes only.

Mr. Heale exited the meeting.

Mr. Elliott introduced the agenda item *Human Resources Committee Report*. Mr. Thielen provided an overview of the Committee meeting to the Trustees. After discussion, Ms. Peter moved and was seconded by Mr. Summers to approve the recommendations of the Committee and ratify the following actions: 1. Creation of a Chief Communications Officer position; 2. Re-alignment of the Communications Division to better serve internal and external clients; and 3. The establishment of an optional dual track career path in Technology Services. The motion carried.

Mr. Elliott introduced the agenda item *Trustee Education Report*. Ms. Valentine noted all Trustees had fulfilled their statutory training requirement. This report was presented for educational purpose only.

Mr. Elliott introduced the agenda item *Conflict of Interest Statements*. Mr. Thomas noted the inclusion of the annual statements for Trustee signature. This report was provided for informational purposes only.

Mr. Elliott introduced the agenda item *Legislative Update*. Mr. Thielen updated the Trustees on the recent legislative session and the impact on KRS. Resolution 1-2016, *A Resolution Commending Governor Matt Bevin and the Kentucky General Assembly*, was moved for approval by Mr. Davis and seconded by Mr. Stevens. The motion carried.

Mr. Elliott called for a short break and the meeting was suspended. *Tracey Garrison, Larry Loew, and Carla Whaley of Humana entered the meeting during the break.*

Mr. Elliott called the meeting back to order and introduced the agenda item *Employee Service Awards*. Ms. Robinson noted the KRS employees recognized at the annual meeting for their service.

The following employees received their five-year service award:

Leigh Taylor, Deanna McDonald, Elisabeth Wilson, Christy Hooks, Ashley Gay

The following employees received their ten-year service award:

William Thielen, Mark McChesney, Connie Pettyjohn, Audrey Wilder, Brian Thomas, Rosemary Bebe, Scarlett Consalvi

The following employees received their fifteen-year service award:

Shawn Sparks, Brooke Pulliam, Marydyth Costigan, Brenda Mathis, Nadine White, Jimmy Stout, Karen Mangum, Karen Pierson, Lisa Whitaker, Amy Fogle, Michael Lewis, Peggy Hatter, Jennifer Tedesco, Anna Miller, David Nix

The following employees received their twenty-year service award:

Aimee Rives, Coleman Shouse, Richard Mardis, Michael Bickers, Stephanie Aldridge

The following employees received their twenty-five-year service award:

David Snyder, Aleisha Milich

Mr. Elliott introduced the agenda item *Discussion of the Results of Centers for Medicare and Medicaid Services (CEM) 2015 Audit of Humana*. Ms. Garrison, Mr. Loew, and Ms. Whaley recapped the 2015 audit of Humana conducted by CMS and answered Trustee questions. This report was provided for informational purposes only.

Mr. Elliott introduced the agenda item *Fiduciary Liability Insurance Renewal*. Ms. Roggenkamp noted the upcoming expiration of fiduciary coverage by Ullico Casualty Group, which has declined renewal. After presenting additional options, Mr. Lang moved and was seconded by Mr. Cherry to obtain a 30-day extension of the current coverage at a cost of \$6,635.00 and review insurance options at the May 19, 2016 Board meeting. The motion carried.

Katherine Rupinen, Joseph Bowman, and Tyson Crist entered the meeting.

Mr. Elliott introduced the agenda item *Other Business*. Mr. Thielen presented the compiled information on potential sites to hold the annual Board training retreat. After discussion, Secretary Stephens moved and was seconded by Mr. Lang to enter into negotiations with General Butler State Park for October 26-28, 2016. The motion carried.

Ms. Pettyjohn reviewed the proposed process to transition 358 retirees from “direct pay” to “electronic transfer of funds” for monthly payment of the balance of the health insurance premium to the retirement systems. This report was provided for informational purposes only.

Mr. Thomas reviewed the proposed process to analyze the 1,309 (current) return to work retirees enrolled in a KRS Medicare Health Insurance Plan in terms of the Medicare Secondary Payer rules and determine if they should be taking coverage with their current employer. This report was provided for informational purposes only.

Ms. Davis reviewed the timeline for the upcoming 2017 CERS elections. This report was provided for informational purposes only.

Mr. Thielen discussed an editorial article responding to charges of “secrecy” by KRS to be submitted to the media and requested Board review. After discussion, it was agreed by

consensus that Trustees would review, communicate any edits they identified, and those who wished to have their name included would indicate so to Mr. Thielen.

Mr. Elliott introduced the agenda item *Pending Litigation*. Ms. Peter moved and was seconded by Mr. Rich to enter closed session. Mr. Elliott 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 pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the System's litigation strategy and preserving any available attorney-client privilege. The meeting moved into closed session.

All attendees excepting KRS Trustees, Executive Staff, Legal Staff, and Mr. Crist exited the meeting.

Mr. Elliott called the meeting back into open session. Mr. Hardesty moved and was seconded by Ms. Peter to authorize Staff to file an appeal of the March 31, 2016 District Court opinion to the United States Court of Appeals for the Sixth Circuit regarding the Seven Counties Services action and to certify the decision as a question of law to the Kentucky Supreme Court on the same issue. The motion carried by majority.

There being no further business, the meeting adjourned at 1:05 p.m. to meet on May 19, 2016 or upon the call of the Executive Director or the Chair of the Board of Trustees. Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees as of April 21, 2016.

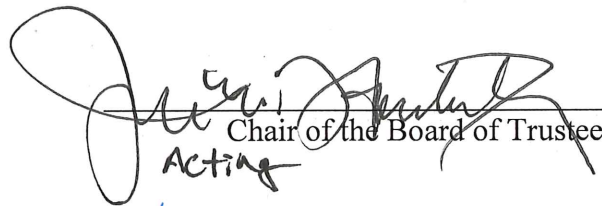
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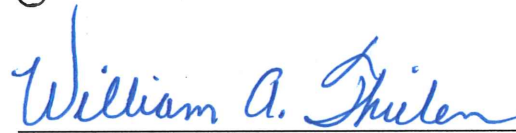
CERTIFICATION

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

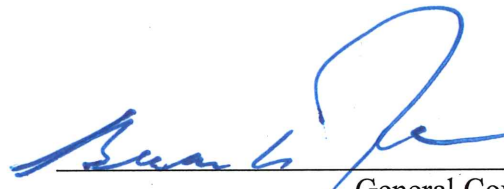

Recording Secretary

We, the Chair of the Board of Trustees of the Kentucky Retirement Systems and Executive Director of the Kentucky Retirement Systems, do certify that the Minutes of Meeting Number 402, held on April 21, 2016, were approved on May 19, 2016.


Chair of the Board of Trustees
Acting


Executive Director

I, Brian C. Thomas, have reviewed the Minutes of the April 21, 2016, Board of Trustees Meeting for content, form, and legality.


General Counsel