

MINUTES OF MEETING #394
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
DECEMBER 4, 2014; 9:00 A.M
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Quarterly Meeting of the Board of Trustees held on December 4, 2014, the following members were present: Thomas Elliott; Chair, Daniel Bauer; Vice Chair, Mike Cherry, Ed Davis, JT Fulkerson, Joseph Hardesty, Vince Lang, Timothy Longmeyer, Randy Overstreet, Mary Helen Peter, David Rich, Randy Stevens, and William Summers. In addition, Staff members present were William Thielen, Karen Roggenkamp, David Peden, Rebecca Stephens, Brian Thomas, Todd Coleman, Scarlett Consalvi, Connie Davis, Connie Pettyjohn, Marlane Robinson, Shawn Sparks, Erica Bradley, Ann Case, Samantha Payne, Blake Ragsdell, Paul Ross, and Leigh Taylor. Also present were Jim Carroll, Eva Smith Carroll, Larry Totten, Frank Willey, Rebecca Heckler, Jim Tencza, Joseph Overhults, Cliff Shields, Linda Henry, Brad Gross, Doug Price, Sen. Joe Bowen, Joe Lancaster, Michael Wright, Ryan Barrow, John Brady, Russ Wright, Mark Wynn, Karen Harbin, Karen Maxfield, Rose Nett, Fred Nett, Lowell Neese, and Brad Brown.

Mr. Elliott introduced the agenda item *Approval of Minutes*. Mr. Lang moved and was seconded by Mr. Cherry to accept the minutes of the September 11, 2014 and October 23-24, 2014 meetings. The motion passed unanimously. Mr. Elliott recognized Senator Joe Bowen, Co-Chair Public Pension Oversight Board ("PPOB") and Mr. James M. "Mac" Jefferson, a member of the PPOB.

Mr. Elliott introduced the agenda item *Affirmative Action Plan*. Ms. Robinson presented the report to the Board. This report was provided for informational purposes only.

Mr. Elliott introduced the agenda item *Audit Committee Quarterly Report*. Mr. Cherry updated the Trustees on the actions of the November 19, 2014 Committee meeting. Mr. Cherry moved

and was seconded by Mr. Lang to ratify the actions of the Audit Committee meeting, including discontinuing the practice of conducting the Election Leave Audit following every election in favor of conducting it on a random basis. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Retiree Health Committee Quarterly Report*. Ms. Pettyjohn updated the Trustees on the actions of the November 19, 2014 Committee meeting. Mr. Davis moved and was seconded by Mr. Summers to ratify the actions of the Retiree Health Committee meeting. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Audited Financial Statements for Year Ending June 30, 2014*. Mr. Coleman introduced Mr. Tencza and Mr. Overhults from Dean Dorton Allen Ford, PLLC. Mr. Tencza and Mr. Overhults presented the findings of the FY 2014 Financial Statement and Information Technology Audit Reports and answered questions from the Trustees. Ms. Peter moved and was seconded by Mr. Cherry to accept the FY 2014 audited reports as presented. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Quarterly Financial Statements as of September 30, 2014 (unaudited)*. Mr. Coleman presented the information to the Trustees. This report was provided for informational purposes only.

Mr. Tencza and Mr. Overhults exited the meeting.

Mr. Elliott introduced the agenda item *Comprehensive Annual Financial Report ("CAFR") as of June 30, 2014*. Mr. Thielen and Ms. Roggenkamp provided background on the CAFR that will be made available on KRS' webpage and introduced the Summary Annual Financial Report that will be printed and made available to the General Assembly as well as other key stakeholders. Mr. Lang moved and was seconded by Mr. Fulkerson to approve the publication of the 2014 CAFR, allowing for any additional stylistic, grammatical, or other minor changes that may need to be made. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Potential KRS Bylaws Amendment – Change of August Quarterly Meeting Dates*. Mr. Thielen noted the proposed change in the Audit and Investment Committees meeting dates to be held nearer to the Quarterly Meetings. Mr. Overstreet moved and was seconded by Mr. Hardesty to approve the change of the Investment Committee fourth quarter meeting to the fourth Tuesday of August and the Audit Committee fourth quarter meeting to the fourth Thursday of August. The motion passed unanimously. Secretary Longmeyer moved and was seconded by Mr. Lang to clarify Section 1.1(d) of the Bylaws by specifically indicating that the Annual meeting occurs on the third Thursday in April each Board year. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Legislative Update*. Mr. Thielen and Mr. Thomas reported on legislative activity and expectations for the upcoming Regular Session of the Kentucky General Assembly pertaining to KRS. This report was provided for informational purposes only.

Mr. Elliott introduced the agenda item *Quarterly Budget Update*. Ms. Roggenkamp presented the administrative budget-to-actual expenditure update to the Trustees. This report was provided for informational purposes only.

Mr. Elliott introduced the agenda item *Informational Reports*. Ms. Stephens provided an overview of the reports to the Trustees. This report was provided for informational purposes only.

Mr. Elliott introduced the agenda item *Participation of Additional Agencies and Hazardous Positions*. Mr. Thielen presented the requests for hazardous duty position certification. A motion was made and seconded to approve the requests for hazardous duty coverage. The motion passed unanimously. Mr. Thomas presented information regarding the trial participation of the Housing Authority of Catlettsburg, as well as the request for participation by the Bluegrass Workforce Investment Board. This presentation was for informational purposes only.

The hazardous positions approved are as follows:

Police Chief, City of Eddyville, effective December 1, 2014
Police Sergeant, City of Eddyville, effective December 1, 2014
Police Officer, City of Eddyville, effective December 1, 2014
Police Lieutenant, City of Eddyville, effective December 1, 2014
Police Detective, City of Eddyville, effective December 1, 2014
Fire Marshall, City of Nicholasville, effective December 1, 2014
Fire Engineer, Franklin County Fiscal Court, effective December 1, 2014
Fire Recruit (40 hour), Louisville Metro Government, effective December 1, 2014
Crime Scene Technician I, Louisville Metro Government, effective December 1, 2014
Crime Scene Technician Trainee, Louisville Metro Government, effective December 1, 2014
For employees hired September 1, 2008 or later:

Police Chief, City of Eddyville, effective December 1, 2014
Police Sergeant, City of Eddyville, effective December 1, 2014
Police Officer, City of Eddyville, effective December 1, 2014
Police Lieutenant, City of Eddyville, effective December 1, 2014
Police Detective, City of Eddyville, effective December 1, 2014
Fire Marshall, City of Nicholasville, effective December 1, 2014
Crime Scene Technician I, Louisville Metro Government, effective December 1, 2014
Crime Scene Technician Trainee, Louisville Metro Government, effective December 1, 2014

KERS Agency Hazardous Position:

Deputy Commissioner, Office of the Attorney General, Criminal Investigations, retroactive to April 1, 2014

Mr. Elliott called for a fifteen minute break and the meeting was suspended.

Tom Cavanaugh, Alisa Bennett, and Todd Green of Cavanaugh Macdonald joined the meeting during the break.

Mr. Elliott reconvened the meeting and introduced the agenda item *Actuarial Valuation for Year Ending June 30, 2014*. Mr. Thielen noted that a copy of the actuarial valuation will be made available on the KRS website following the meeting. Mr. Cavanaugh presented an overview of the 2014 actuarial valuation, Ms. Bennett presented the actuarial valuation of the Systems' health insurance funds, and Mr. Green presented the actuarial valuation of the Systems' pension funds. The actuarially recommended rates are:

KERS (non hazardous) 38.77%
KERS (hazardous) 26.34%
SPRS 75.76%
CERS (non hazardous) 17.06%
CERS (hazardous) 32.95%

The KERS and SPRS contribution rates are set for both the 2015 and 2016 fiscal years in accordance with KRS 61.565(3)(c), which prohibits the board from amending the contribution rates as of July 1 of the second year of the budget biennium for KERS and SPRS. The rates are based on the July 1, 2013 valuation results.

A motion was made and seconded to adopt the actuarial recommended rates. The motion passed unanimously. Mr. Overstreet moved and was seconded by Ms. Peter to adopt the actuarial recommended demographic assumption changes. The motion passed by majority vote with Sec. Longmeyer abstaining.

Joseph Bowman and Katherine Rupinen of KRS joined the meeting.

Mr. Elliott introduced the agenda item *Investment Committee and Investment Portfolio Quarterly Report*. Mr. Peden reported on the portfolio and the actions of the November 5, 2014 Committee meeting. Dr. Bauer moved and was seconded by Mr. Lang to ratify the actions of the Investment Committee. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Pending Litigation*. Mr. Overstreet moved and was seconded by Mr. Rich to enter closed session. The motion passed unanimously. Mr. Elliott 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.

After meeting in closed session, Mr. Elliott called the meeting back to open session with no action taken.

There being no further business, the meeting adjourned at 1:07 p.m. to meet on February 24, 2015 at 9:00 a.m. 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 December 4, 2014.

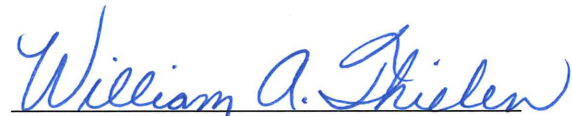
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CERTIFICATION

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 394, held on December 4, 2014, were approved on February 24, 2015.


Chair of the Board of Trustees
Executive Director

I, Brian C. Thomas, have reviewed the Minutes of the December 4, 2014 Board of Trustees Meeting for content, form, and legality.


General Counsel