

MINUTES OF MEETING #386
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
DECEMBER 5, 2013, 9:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Quarterly Meeting of the Board of Trustees held on December 5, 2013, the following members were present: Randy Overstreet, Chair; Daniel Bauer, Mike Cherry, Ed Davis, Tommy Elliott, JT Fulkerson, Joseph Hardesty, Bobby Henson, Timothy Longmeyer, David Rich, Susan Smith, and Richard Tanner. In addition, staff members present were William Thielen, Charlene Haydon, David Peden, Brian Thomas, Todd Coleman, Scarlett Consalvi, Ann Case, Connie Davis, Erica Bradley, Shawn Sparks, Marlane Robinson, Samantha Payne, and Leigh Taylor. Also present were Brad Gross, Jim Carroll, Eva Smith-Carroll, Mike Wynn, Shirley Clark, Rebecca Heckler, Mary Helen Peter, Kevin Wheatley, Christy Dolan, Libby Carlin, Jason Johnson, Linda Hinton, Frank Wiley, Mike Schafer, Karen Maxfield, Karen Harbin, Robin Haque, Jenny Luscher, Brian Likens, Bill Burch, Nicolai Jilek, Kayne Ishmael, John Cheves, Fred Nett, and Rose Nett.

Mr. Overstreet convened the Board of Trustees Meeting and introduced the first agenda item *Approval of Minutes August 15, 2013 and September 11, 2013*. After discussion, Dr. Bauer moved and was seconded by Mr. Henson to approve the amended minutes of the August 15, 2013 meeting and the September 11, 2013 meeting as presented. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Introduction and Swearing In of New Board Members*. Ms. Taylor, as Notary Public, administered the Oath of Office to Mr. Rich and Mr. Tanner. Mr. Overstreet introduced the agenda item *KRS Staff Introduction*. Mr. Thielen introduced David Peden as Interim Chief Investments Officer and Brian Thomas as General Counsel.

Mr. Overstreet introduced the agenda item *CERS Elected Position Vacancy*. Mr. Overstreet provided background as to the CERS vacancy and noted the bylaws allowed the Trustees to fill the unexpired position. Mr. Elliott moved and was seconded by Secretary Longmeyer to post the vacancy information on the KRS website and allow eligible members to submit applications during

a set period of time and then move forward under the process as outlined in the Election Policy at the February 2014 Board meeting. The motion passed unanimously.

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

Mr. Overstreet introduced the agenda item *Human Resources Committee Report*. Ms. Smith presented the actions of the Human Resources Committee December 5, 2013 meeting. Mr. Thielen expounded on the proposed internal organizational changes in the Investment Division. Mr. Cherry moved and was seconded by Mr. Elliott to approve the recommendations of the Human Resources Committee regarding reorganization of the Investment Division. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Audit Committee Quarterly Report*. Ms. Davis provided a report on the status of the current internal audit. Mr. Henson moved and was seconded by Dr. Bauer to update the election policy to conform to the SB2 mandated increase in the number of Trustees. The motion passed unanimously. Ms. Smith moved and was seconded by Mr. Cherry to ratify the actions of the Audit Committee. The motion passed unanimously.

Ms. Robinson exited the meeting during this presentation.

Mr. Overstreet introduced the agenda item *Audited Financial Statements for Year Ending June 30, 2013*. Ms. Hinton introduced staff from the Auditor of Public Accounts who conducted the audit. Ms. Hinton reviewed the draft form of the APA audit; Mr. Lykins reviewed the Information Technology audit report. Mr. Henson moved and was seconded by Mr. Davis to ratify the recommendations of the APA audit. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Quarterly Financial Statement as of September 30, 2013*. Mr. Coleman provided the unaudited quarterly financial statements to the Trustees. This report was presented for informational purposes only.

Mr. Overstreet introduced the agenda item *Comprehensive Annual Financial Report of June 30, 2013*. Mr. Thielen reviewed the CAFR draft for the Trustees. Mr. Fulkerson moved and was seconded by Mr. Henson to approve final publication of the CAFR and allow Staff to make any necessary minor corrections. The motion passed unanimously.

Connie Pettyjohn entered the meeting during the presentation.

Mr. Overstreet introduced the agenda item *Retiree Health Committee Report*. Mr. Henson provided a report of the Retiree Health Committee actions. Mr. Thomas noted the request to place the Employee Group Waiver Plan in a dormant status has been submitted to CMS and KRS is waiting on a response. Mr. Overstreet noted this issue would be revisited at the February 20, 2014 quarterly meeting. Mr. Cherry moved and was seconded by Mr. Henson 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 guaranteed components as specified in the presentation. The motion passed unanimously.

Mr. Overstreet called for a short break and the room emptied.

Ms. Dolan, Ms. Carlin, Mr. Johnson, Ms. Hinton, and Mr. Lykins exited the meeting during the break. Thomas Cavanaugh, Alisa Bennett, and Todd Green of Cavanaugh MacDonald entered the meeting during the break.

Mr. Overstreet called the meeting back to order and introduced the agenda item *Actuarial Valuation for Year Ending June 30, 2013*. Mr. Thielen noted that a copy of the actuarial valuation will be available on the KRS website following the meeting. Mr. Cavanaugh presented an overview of the 2013 actuarial valuation, Mr. Green presented the actuarial valuation results as it related to the System's pension funds, and Ms. Bennett presented the results of the actuarial valuation as it related to the System's health insurance funds. The actuarially recommended rates beginning July 1, 2014 were the following:

KERS (non hazardous) 38.77%; (hazardous) 26.34%

CERS (non hazardous) 17.67%; (hazardous) 34.31%

SPRS 75.76%

It was noted that the actuarially recommended rates for the KERS and SPRS plans would apply to both the 2015 fiscal year, which begins July 1, 2014, and the 2016 fiscal year, which begins July 1, 2015. Mr. Tanner moved and was seconded by Mr. Cherry to approve the actuarially recommended rates that are based on the June 30, 2013 valuation. The motion passed unanimously.

Mr. Cavanaugh, Ms. Bennett, Mr. Green, Ms. Consalvi, Mr. Coleman, Ms. Heckler, Ms. Peter, and Mr. Wheatley exited the meeting following the presentation. Carla Whaley and Stephanie Heller of Humana entered the meeting.

Mr. Overstreet introduced Ms. Whaley and Ms. Heller who were available to answer questions from the Trustees.

Ms. Whaley and Ms. Heller exited the meeting.

Mr. Overstreet introduced the agenda item *KRS Bylaws Amendments*. Mr. Thielen reviewed the proposed changes to the Bylaws which were originally presented at the August 15, 2013 quarterly meeting. Mr. Cherry moved and was seconded by Secretary Longmeyer to approve the proposed changes, as presented. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Investment Committee and Investment Portfolio Quarterly Report*. Mr. Peden presented the report to the Trustees. Mr. Hardesty moved and was seconded by Secretary Longmeyer to ratify the actions of the Investment Committee. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Legislative and Budget Committee Report*. Ms. Roggenkamp reported on the 2015-2016 KRS budget request. Secretary Longmeyer moved and was seconded by Ms. Smith to approve the proposed KRS 2014-2015 and 2015-2016 budget request as presented. The motion passed unanimously. Ms. Smith moved and was seconded by Mr. Fulkerson to approve the filing during the 2014 Regular Session of the Kentucky General Assembly of a general housekeeping bill to clarify various issues in the statutes governing the Kentucky Retirement Systems and filing a Senate Bill 2 cleanup bill to resolve ambiguities in the legislation that was enacted in 2013. The motion passed unanimously.

Mr. Overstreet called for a break for lunch and the room emptied. *Dr. Bauer and Mr. Henson exited the meeting during the break.*

Following the break, Mr. Overstreet called the meeting back into session. *Katherine Rupinen entered the meeting during the break.*

Mr. Overstreet introduced the agenda item *Quarterly Budget Update*. Ms. Roggenkamp reviewed the quarterly information for the Trustees. This report was presented for informational purposes only.

Mr. Overstreet introduced the agenda item KRS Board Committee Appointments. Mr. Overstreet announced Ms. Smith would cease to be a member of the DAC/AAC Committee and Mr. Rich would be appointed. He also stated that Mr. Hardesty was recently added to the Investment Committee and the Retiree Health Plan Committee; Mr. Tanner and Mr. Davis were appointed to the Legislative and Budget Committee; Mr. Fulkerson was appointed to the Human Resources Committee; and Mr. Rich and Mr. Fulkerson were added to the Audit Committee. This report was presented for informational purposes only.

Mr. Overstreet introduced the agenda item *Informational Reports*. Ms. Haydon reviewed the reports for the Trustees. This report was presented for informational purposes only.

Mr. Overstreet introduced the agenda item *Approval of Medical Examiner Contracts*. Mr. Thomas reviewed the contract renewals for the Trustees. Mr. Davis moved and was seconded by Mr. Hardesty to approve the Medical Examiner contract renewals.

Mr. Cherry exited the meeting following this report.

Mr. Overstreet introduced the agenda item *Participation of Additional Agencies and Hazardous Positions*. Ms. Smith moved and was seconded by Mr. Davis to approve the report with no action

taken on participation of Southeast South Central Education Cooperative until the February 2014 Board meeting.

The hazardous positions approved are as follows:

Positions for employees who have a participation date prior to September 1, 2008:

- Fire/EMS Captain/EMS Supervisor, City of Erlanger, October 1, 2013
- Police Asst. Chief (Patrol/Admin Division), City of Erlanger, October 1, 2013
- Fire Captain/Paramedic, City of Wilder, September 1, 2008
- Fire Engineer/Paramedic, City of Wilder, September 1, 2008
- Fire Lieutenant, City of Wilder, September 1, 2008
- Fire Captain, City of Wilder, September 1, 2008
- Fire Lieutenant/Paramedic, City of Wilder, September 1, 2008
- Firefighter/Paramedic, City of Wilder, September 1, 2008
- Fire Engineer, City of Wilder, September 1, 2008
- Police Chief/Colonel, City of Wilder, September 1, 2008
- Firefighter/Paramedic, Point Pleasant Fire District, April 1, 2013

Positions for employees who have a participation date after September 1, 2008:

- Firefighter/Building Inspector, City of Bardstown, December 1, 2013
- Firefighter/Department Clerk, City of Bardstown, December 1, 2013
- Firefighter Maintenance, City of Bardstown, December 1, 2013
- Firefighter/Supervisor, City of Bardstown, December 1, 2013
- Firefighter 24/48, City of Bardstown, December 1, 2013
- Police Major/Asst. Chief, City of Bardstown, December 1, 2013
- Police Lieutenant/Special Investigation & Internal Affairs, City of Bardstown, December 1, 2013
- Fire/EMS Captain/EMS Supervisor, City of Erlanger, October 1, 2013
- Police Asst. Chief (Patrol/Admin Division), City of Erlanger, October 1, 2013
- Firefighter/EMT, City of Wilder, September 1, 2008
- Fire Captain City of Wilder, September 1, 2008
- Fire Lieutenant City of Wilder, September 1, 2008
- Fire Lieutenant/Paramedic City of Wilder, September 1, 2008
- Firefighter/Paramedic City of Wilder, September 1, 2008
- Asst. Police Chief/Lieutenant Colonel City of Wilder, September 1, 2008
- Police Sergeant/Specialist II City of Wilder, September 1, 2008
- Police Chief/Colonel City of Wilder, September 1, 2008
- Fire Chief City of Wilder, September 1, 2008
- Asst. Fire Chief City of Wilder, September 1, 2008
- Fire Captain/Paramedic City of Wilder, September 1, 2008
- Fire Engineer/Paramedic City of Wilder, September 1, 2008
- Fire Engineer City of Wilder, September 1, 2008
- Police Lieutenant/Specialist I City of Wilder, September 1, 2008
- Police Officer City of Wilder, September 1, 2008
- Deputy Sheriff, Hopkins County Fiscal, July 1, 2013
- Firefighter/Paramedic, Point Pleasant Fire Protection District, April 1, 2013

Mr. Overstreet introduced the agenda item *Other Business*. Mr. Thielen updated the Trustees on Audio/Video plans for the Boardroom, Representative Larry Clark's request that the Board take a position on his proposed gaming legislation for pension funding, and the Perimeter Park West Board report. Ms. Davis reported on the upcoming KERS Election. These reports were presented for informational purposes only.

Mr. Overstreet introduced the agenda item *Pending Litigation*. Ms. Smith moved and was seconded by Mr. Davis to enter closed session. The motion passed unanimously. Mr. Overstreet 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 entered 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.

All attendees except the Trustees, Mr. Thielen, Ms. Haydon, Ms. Roggenkamp, Mr. Peden, Mr. Thomas, Ms. Rupinen, and Ms. Taylor exited the meeting.

Mr. Overstreet called the meeting back into open session with no action taken in closed session. *Ms. Rupinen exited the meeting.*

There being no further business, the meeting was adjourned at 2:00 p.m. to meet on February 20, 2014 at 9:00 a.m. or upon the call of the Chair, Executive Director, or at the request of five members of the Board. Copies of all documents presented are incorporated as part of the minutes of the Board of Trustees as of December 5, 2013.

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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.



Recording Secretary

We, the Chair of the Board of Trustees of the Kentucky Retirement Systems and Executive Director of KRS, do certify that the Minutes of Meeting No. 386 held on December 5, 2013, were approved on February 20, 2014.

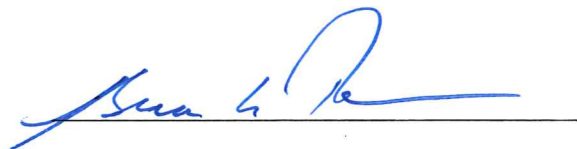


Chair



Executive Director

I, Brian C. Thomas, have reviewed the Minutes of the December 5, 2013 Board of Trustees Meeting for form, content and legality.



General Counsel