

MINUTES OF MEETING #408
KENTUCKY RETIREMENT SYSTEMS BOARD OF DIRECTORS
QUARTERLY MEETING FEBRUARY 16, 2017 AT 10:00 A.M.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Quarterly Meeting of the KRS Board of Directors held on February 16, 2017, the following members were present: Chairman John Farris, Vice Chairman David Harris, David Adams (via teleconference), John Chilton, Ed Davis, Thomas Elliott (non-voting), JT Fulkerson, Joseph Hardesty, Vince Lang, Mark Lattis, Keith Peercy, Mary Helen Peter, David Rich, Secretary Thomas Stephens, and William Summers. Staff members present were David Eager, Karen Roggenkamp, Rich Robben, Rebecca Stephens, Carmine Iaccarino, Shaun Case, Connie Davis, Alane Foley, Jennifer Jones, Connie Pettyjohn, Katherine Rupinen, Shawn Sparks, and Leigh Taylor. Also present were Richard Hobbs, Rebecca Heckler, Jim Carroll, Eva Smith Carroll, Charles Klunder, Jennifer Black Hans, Larry Totten, Doug Price, William Biddle, Teresa Sanders, Daniel Flaherty, Elizabeth Schepens, Betty Pendergrass, Jodi Whitaker, Tracey Garrison, Carrie Lovell, Doug Brennaman, Bo Cracraft, Sarah Durand, and Sean Cutter,

Mr. Farris called the meeting to order. After the roll call, Mr. Farris introduced agenda item *Actuarial Discussion*. Mr. Farris noted the Board will need to review the various actuarial assumptions and approve the assumptions to be used in the next actuarial valuation; he provided various historical information as background. Mr. Eager and Ms. Roggenkamp reviewed the actuarial process for the Board. Following discussion, Mr. Harris moved and was seconded by Secretary Stephens to issue separate Requests for Proposals for an Experience Study and an Actuary. The motion carried.

Mr. Farris introduced agenda item *Approval of Minutes, December 1, 2016*. Mr. Lang moved and was seconded by Ms. Peter to accept the minutes. The motion carried.

Mr. Farris introduced agenda item *Audit Committee Report*. Mr. Eager and Ms. Davis summarized the actions of the February 2, 2017 Audit Committee meeting. Mr. Hardesty moved and was seconded by Mr. Chilton to ratify the actions of the Audit Committee. The motion carried.

Mr. Farris introduced agenda item *Retiree Health Committee Report*. Ms. Pettyjohn and Mr. Hardesty reviewed the actions of the February 14, 2017 Retiree Health Committee. Mr. Hardesty moved and was seconded by Mr. Davis to approve the actions of the Retiree Health Committee. The motion carried.

Mr. Farris introduced agenda item *Investment Committee Report*. Mr. Harris and Mr. Robben recapped actions from the January 20 and February 7, 2017 meetings. Mr. Lang moved and was seconded by Ms. Peter to approve the actions of the Investment Committee. The motion carried.

Mr. Farris introduced agenda item *Investment RFP*. Mr. Iaccarino explained the RFP process and staff evaluation of respondents. Mr. Chilton moved and was seconded by Ms. Peter to enter into a contract with Reinhart Boerner for Investment and Security litigation evaluation counsel under the terms provided in the memo. The motion carried.

Mr. Farris introduced agenda item *Participation of Hazardous Positions*. Ms. Roggenkamp reviewed the positions for the Board. After discussion, Mr. Lang moved and was seconded by Mr. Davis to approve the presented positions descriptions as hazardous duty, excepting the City of Pikeville Commissioner of Public Safety. The motion carried.

Mr. Farris introduced agenda item *Public Comment*. Mr. Jim Carroll, President, Kentucky Government Retirees, gave the following statement:

Thank you for the opportunity to comment. My name is Jim Carroll. I am president of Kentucky Government Retirees. I am here to request that this board examine its policy against publicly lobbying on legislation, especially as it pertains to the budget bill. In 2015, we studied the results of the asset-liability study that concluded that the KERS non-hazardous fund had a 5 to 7 percent chance of insolvency over the next decade even if it received the full actuarially required contribution. In response, we make it our priority to request more funding in the 2016 budget session. So we developed the concept of ARC+. We were hampered in our advocacy by the fact that we didn't have a specific figure in mind in asking for the Plus in ARC+. We consulted with KRS, and were told that any amount would be useful. Meanwhile, the teacher retirement board lobbied for a bond issue to help fund teacher retirement. So KEA and the retired teachers association had a tangible goal to work toward in 2016. In the end, Governor Bevin and the legislature did allocate ARC+ to KERS non-hazardous and State Police. In fact, without our advocacy, they gave additional money to the KERS hazardous duty

fund, which is not threatened with insolvency. We believe we could have been more effective advocates if we had requested a specific figure designed to achieve a specific result. We are requesting that this board develop an informal funding goal for KERS over the next few budget cycles to mitigate the risk of insolvency. We request that you establish a tangible ARC+ goal this fall that you could present to the governor and that we as stakeholders could use in our lobbying activities for the 2018 session. Thank you for your consideration in this matter.

Mr. Farris introduced agenda item *Informational Reports*. Ms. Stephens noted the inclusion of the quarterly reports. This item was provided for informational purposes only.

Mr. Farris introduced agenda item *Legislative Update*. Mr. Sparks updated the status of legislation which could impact KRS. This item was provided for informational purposes only.

Mr. Farris introduced agenda item *KRS Update*. Mr. Eager informed on staffing levels and reviewed the KRS Mandates. This item was provided for informational purposes only.

Mr. Farris called for a break and the meeting was temporarily suspended. *Ms. Jones and Mr. Sparks exited the meeting during the break.*

Mr. Farris called the meeting back into order and introduced agenda item *Other Business*. Mr. Iaccarino summarized Secretary Stephens' Conflict of Interest complaint against Vince Lang and the Board's options in the matter. Mr. Iaccarino explained that under the Conflicts of Interest Policy it would take a two-thirds of the Board (twelve Members) to vote on a finding. As only eleven members were present and eligible to vote, Mr. Farris moved and was seconded by Mr. Harris to defer action until the April 20, 2017 Board meeting, pending a sufficient number of Board members in attendance. Mr. Lang asked to matter to be voted upon immediately. After discussion, the motion carried by a 6-5 majority with Mr. Lang and Secretary Stephens abstaining.

Mr. Farris introduced agenda item *Closed Session*. Mr. Rich moved and was seconded by Mr. Davis to enter closed session; the motion carried. 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 were: all Board Members except Mr. Summers, Mr. Eager, Ms. Roggenkamp, Mr. Iaccarino, Ms. Rupinen, Mr. Robben, and Ms. Taylor.*

Mr. Farris called the meeting back into open session. Mr. Rich raised an issue regarding which Board bylaws are currently enacted and areas which he felt required revision. Mr. Farris noted that although the composition of the Board remains under current litigation, Mr. Iaccarino is in the process of reviewing the bylaws and Mr. Rich's concerns would be addressed. Mr. Rich then brought his concern regarding Affordable Care Act payments previously approved by the Board; Mr. Farris noted as this action had previously occurred he and Staff had not had ample time to review the issue.

Mr. Lang noted appreciation for Mr. Edwin Davis and Mr. William Summers as this constituted their final regular meeting. Mr. Davis and Mr. Summers were thanked for their service.

There being no further business, the meeting adjourned at 12:40 p.m. to meet on April 20, 2017 or upon the call of the Interim Executive Director or the Chair of the Board of Directors. Copies of all documents presented are incorporated as part of the Minutes of the Board of Directors as of February 16, 2017.

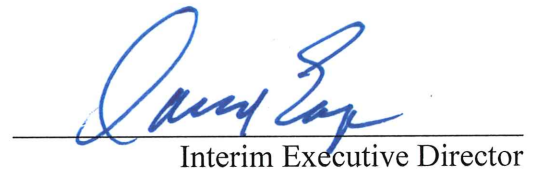
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CERTIFICATION

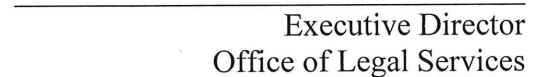
I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.


Recording Secretary

We, the Chair of the Board of Directors of the Kentucky Retirement Systems and Interim Executive Director of the Kentucky Retirement Systems, do certify that the Minutes of Meeting Number 408, held on February 16, 2017, were approved on April 20, 2017.


Chair of the Board of Directors
Interim Executive Director

I have reviewed the Minutes of the February 16, 2017, Board of Directors Meeting for content, form, and legality.


Executive Director
Office of Legal Services