

**MINUTES OF MEETING #402**  
**BOARD OF TRUSTEES**  
**KENTUCKY RETIREMENT SYSTEMS**  
**QUARTERLY MEETING FEBRUARY 18, 2016 AT 9:00A.M.**  
**1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the Quarterly Meeting of the Board of Trustees held on February 18, 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 Summer. 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, Ann Case, Shaun Case, Samantha Payne, Liz Smith, and Leigh Taylor. Also present were Rebecca Heckler, Jim Carroll, Owen Miller, John Cheeves, Doug Price, Jason Mosely, Russ Wright, Jennifer Black Hans, Will Cakle, Dave Mutchler, and Skylar Graudick.

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Mr. Elliott introduced the agenda item *Approval of Minutes*. Mr. Lang moved and was seconded by Mr. Summers to approve the corrected minutes of the December 3, 2015 meeting. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Affirmative Action Plan Report*. Ms. Robinson reviewed the quarterly report for the Trustees. This report was provided for informational purposes only.

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

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Mr. Elliott introduced the agenda item *Audit Committee Report*. Mr. Cherry reviewed the actions from the February 4, 2016 Audit Committee meeting. Mr. Cherry moved and was seconded by Ms. Peter to accept the Investment Performance Report. The motion passed unanimously. Mr. Cherry moved and was seconded by Mr. Lang to approve the actions of the Audit Committee. The motion passed unanimously.

*Sec. Stephens entered the meeting during this report.*

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Mr. Elliott introduced the agenda item *Introduction of New Board Member*. Mr. Thielen introduced Thomas B. Stephens, Secretary of the Personnel Cabinet. Sec. Stephens provided his background and answered questions from the Trustees.

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Mr. Elliott introduced the agenda item *Human Resources Committee Report*. Mr. Thielen provided an overview of the Committee meeting to the Trustees. After discussion, Mr. Lang moved and was seconded by Mr. Davis to approve the recommendations of the Committee and ratify the following actions: creation of a Government Services/Legislative Affairs Officer position; changing the Division Director of Information Technology title to Chief Technology Officer; changing the title of Chief Operations Officer to Deputy Executive Director/Chief Operations Officer; creation of an Investment Operations Division, including a Director position for this division; creation of a Benefits Quality Assurance Division, including a Director position for this division, and taking no action on the 2011 CBIZ classification and compensation study recommendations. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Quarterly Financial Statements as of December 31, 2015*. Ms. Roggenkamp highlighted the report for the Trustees. The report was provided for informational purposes only.

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Mr. Elliott introduced the agenda item *Recognition of Trustees: Dr. Daniel Bauer and Mike Cherry*. Mr. Thielen publicly acknowledged Dr. Bauer and Mr. Cherry and thanked them for their work during their respective terms as KRS Trustees.

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Mr. Elliott introduced the agenda item *Investment Committee and Investment Portfolio Report*. Mr. Peden recapped the February 2, 2016 Committee meeting. Mr. Rich moved and was seconded by Ms. Peter to ratify the actions of the Committee. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Legislative Update*. Mr. Thielen provided an update on recent legislative activity impacting KRS, including Senate Bill 2 and the KRS housekeeping bill. The report was provided for informational purposes only.

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Mr. Elliott called for a short break and the meeting was suspended. *Ms. Robinson exited the meeting during the break.*

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Mr. Elliott called the meeting back to order and introduced the agenda item *Quarterly Budget Update*. Ms. Roggenkamp highlighted the report for the Trustees. The report was provided for informational purposes only.

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Mr. Elliott introduced the agenda item *Informational Reports*, which were presented by Ms. Stephens for informational purposes only.

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Mr. Elliott introduced the agenda item *Participation of Additional Agencies & Hazardous Positions*. Mr. Rich moved and was seconded by Mr. Cherry to accept the recommendations. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Consideration of Agency Applications for Withdrawal from KERS Nonhazardous Plan*. Mr. Thomas reviewed House Bill 62, which governs participation in the Systems and noted a process has been developed to assist entities wishing voluntary withdrawal. Following discussion, Ms. Peter moved and was seconded by Mr. Summers to accept the withdrawal applications from Commonwealth Credit Union, Kentucky Mutual Employees Insurance (KEMI), and Council of State Governments. The motion passed with Sec. Stephens abstaining due to his ex officio service on the KEMI board.

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Mr. Elliott introduced the agenda item *Other Business*. Mr. Thielen noted potential dates and pricing for the Trustee training retreat. The board declined to make a decision on the retreat location and requested that additional information be provided at the April 21, 2016 meeting. *Katherine Rupinen and Carrie Bass entered the meeting during this discussion.*

Mr. Thielen, Ms. Stephens, Ms. Pettyjohn, and Mr. Thomas discussed the agenda item *Hardship Exemption for Failure to File Form 6256* and provided background information, including costs and a timeline, for the Trustees regarding members who failed to file the form after multiple notifications from KRS and; therefore, had premium costs for health insurance coverage for spouse and dependent children deducted from their monthly benefit. After discussion, Mr. Peercy moved and was seconded by Mr. Lang to refund the health insurance premium to anyone, including previous denials, which returned Form 6256 and provided proof of qualification within calendar year 2016 and to provide a Trustee guided policy going forward to address failure to file in subsequent plan years. The motion passed unanimously.

Mr. Thielen discussed the need to establish a single interest rate for service purchases, late payments, and benefit calculations across all the systems. Mr. Cherry moved and was seconded by Mr. Rich to set the rate at 7.5% for all purposes regardless of assumed rate of return. The motion passed unanimously.

Mr. Thielen noted the inclusion of a list of donated surplus property for informational purposes only.

Mr. Thielen advised the Trustees the Kentucky Group Health Insurance Board membership required a retired state employee to be appointed by the Trustees. Mr. Lang moved and was seconded by Ms. Peter to appoint William Thielen as a member to this board with Connie Pettyjohn serving as his proxy. The motion passed unanimously.

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Mr. Elliott introduced the agenda item *Pending Litigation*. Mr. Davis moved and was seconded by Ms. Peter 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.

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*All attendees excepting KRS Trustees, Executive Staff, and General Counsel exited the meeting.*

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Mr. Elliott called the meeting back into open session with no action having been taken in closed session. There being no further business, the meeting adjourned at 1:07 p.m. to meet on April 21, 2016 or upon the call of the Executive Director or the Chair of the Board of Trustees.

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Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees as of February 18, 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 February 18, 2016, were approved on April 21, 2016.



Chair of the Board of Trustees



Executive Director

I, Brian C. Thomas, have reviewed the Minutes of the February 18, 2016, Board of Trustees Meeting for content, form, and legality.



General Counsel