

**MINUTES OF MEETING #404**  
**BOARD OF TRUSTEES**  
**KENTUCKY RETIREMENT SYSTEMS**  
**QUARTERLY MEETING MAY 19, 2016 AT 9:00A.M.**  
**1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the Quarterly Meeting of the Board of Trustees held on May 19, 2016, the following members were present: Edwin Davis, David Eager, Thomas Elliott, JT Fulkerson, John Farris, Joseph Hardesty, Vince Lang, Keith Peercy, 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, Marlane Robinson, Shawn Sparks, Erica Bradley, Scarlett Consalvi, Jennifer Jones, Ann Case, Shaun Case, Samantha Payne, Katherine Rupinen, Joseph Bowman, Alane Foley and Leigh Taylor. Also present were Teresa Sanders, Rebecca Heckler, Lesley Bilby, Andrew English, Sgt. Ben Wolcott, Trooper David Decker, Lt. Patrick Begley, Sgt. Webb, Jim Davis, Jerry Powell, Larry Totten, Jim Carroll, Brad Gross, Damian Stauton, Russ Wright, Betty Pendergrass, Sen. Joe Bowen, Jodi Whitaker, Doug Price, Tracey Garrison, JF Nett, Jacqueline Pitts, Rose Nett, Kati Shanley, Kevin Wheatly, Steve Starkweather, and Steve Crisp.

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Mr. Thielen called the meeting to order and noted that personnel from the Executive Branch, accompanied by several Kentucky State police officers, had indicated Mr. Elliott no longer had standing as a KRS Trustee per Executive Order 2016-0273 and would be charged with a misdemeanor if he participated; therefore, Mr. Elliott remained seated in the general audience.

Mr. Thielen noted the appointments of Mr. David Eager and Mr. John Farris to the Board of Trustees. As Mr. Eager had previously taken the oath of office at the May 3, 2016 Investment Committee meeting; the oath was administered to Mr. Farris by Leigh Taylor as Notary.

Mr. Thielen announced that he would be retiring from KRS effective September 1, 2016, allowing for a transitional period to fill the Executive Director position.

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Mr. Thielen introduced the agenda item *Election of Officers*. Mr. Hardesty stated he found the issue surrounding Mr. Elliott “troubling” and believed it was a legal issue between an Executive Order and an Attorney General Opinion with the Board caught in the middle and needed to be settled by the Court System. In order to fulfill the duty of the Trustees to the Systems, Mr. Hardesty suggested proceeding with the election of a Chair. Ms. Peter then nominated Mr. Lang for Chair and was seconded by Mr. Fulkerson. Mr. Rich noted in light of the absence of one of the Trustees the election should be postponed until later in the meeting and suggested a temporary Chair until that time; Mr. Thielen noted that two Trustees in attendance had other obligations and a full complement of Trustees would always be difficult to achieve. Sec. Stephens stated that in light of the circumstances he believed it to be imprudent to elect a permanent Chair at the meeting and it would be in the best interest of the Systems for the issue to be worked out. Mr. Lang stated he did not seek any additional controversy at the meeting as the Trustees needed to focus on issues of business and responsibilities. Ms. Peter then withdrew her motion for nomination of Mr. Lang for Chair and Mr. Fulkerson withdrew his second. Mr. Summers nominated Mr. Hardesty to serve as Acting Chair for the meeting and was seconded by Ms. Peter. The motion carried. Mr. Summer moved and was seconded by Ms. Peter to defer the agenda item *Election of Officers* until the next special or regular meeting of the Board. The motion carried.

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Mr. Hardesty introduced the agenda item *Approval of Minutes*. Mr. Lang moved and was seconded by Ms. Peter to approve the minutes of the April 21, 2016 meeting. The motion carried.

*Mr. Fulkerson and Mr. Stevens exited the meeting.*

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Mr. Hardesty introduced the agenda item *Affirmative Action Plan Report*. Ms. Robinson presented the staffing information to the Trustees. This report was provided for informational purposes only.

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Mr. Hardesty introduced the agenda item *Public Comment*. Mr. Larry Totten declined his allotted time:

I will make this short and sweet. What I wanted to talk about has absolutely nothing to do with what is going on here this morning but the mood of the meeting is, uh, changed dramatically and I don't think it's appropriate for me to make the remarks

Mr. Hardesty called the meeting back to order and introduced the agenda item *Informational Reports*, which were presented by Ms. Stephens for informational purposes only.

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Mr. Hardesty introduced the agenda item *Participation of Additional Agencies and Hazardous Positions*. Mr. Lang moved and was seconded by Mr. Summers to approve the positions for which hazardous duty has been requested and the inclusion of the Red River Wastewater Authority in CERS non-hazardous. The motion carried.

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Mr. Hardesty introduced the agenda item *Other Business*. Mr. Thomas presented the modified RFP for Hearing Officer Services which would expand the respondents to include those members retired from the Systems. Ms. Peter moved and was seconded by Mr. Summers to authorize Staff to issue the RFP for Hearing Officer Services. The motion carried.

Mr. Thielen introduced the agenda item *Establishment of Actuarial Assumptions for the Purpose of Calculating the Actuarial Cost of Cessation*. Mr. Thielen noted that HB 62 provided for a method for cessation from the Systems to include an actuarial cost for this action. Following discussion, Ms. Peter moved and was seconded by Mr. Peercy to adopt the actuarial assumptions for purposes of calculating the actuarial cost of cessation liability as recommend by Cavanaugh Macdonald. The motion carried with Secretary Stephens and Mr. Farris abstaining.

*Mr. Davis entered the meeting during the above discussion.*

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Mr. Thielen noted that there were no items to be discussed under *Pending Litigation*.

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Staff was directed by Mr. Hardesty to investigate the possibility of any legal action resulting from the morning's activities and the corresponding Attorney General opinion and to provide guidance in that area. Mr. Rich requested a review of the KRS Bylaws as a future agenda topic as well.

Mr. Eager inquired on the process to provide a successor for the Executive Director position. Mr. Thielen reviewed previous procedures; Mr. Hardesty recapped the circumstances around retaining Mr. Thielen. Following discussion, Mr. Rich moved and was seconded by Mr. Davis to dissolve any previous Executive Director Search Committee and to create a new one consisting of all KRS



and suggestions I wanted to make so I will defer that until possibly the September meeting.

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Mr. Hardesty introduced the agenda item *Audit Committee Report*. Mr. Rich gave the Audit Committee report from the May 5, 2016 meeting. Mr. Rich moved and was seconded by Secretary Stephens to ratify the actions of the Audit Committee, including the GASB 68 report and changes to the Conflict of Interest Policy. The motion carried.

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Mr. Hardesty introduced the agenda item *Financial Statements as of March 31, 2016*. Ms. Roggenkamp highlighted information and investment expenses from the financial statements for the Trustees. This report was presented for educational purpose only.

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Mr. Hardesty introduced the agenda item *Budget to Actual Expense Quarterly Reports*. Ms. Roggenkamp reviewed the information for the Trustees. This report was provided for informational purposes only.

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Mr. Hardesty introduced the agenda item *Investment Committee and Investment Portfolio Report*. Mr. Peden reviewed the actions from the May 3, 2016 Investment Committee meeting. Mr. Eager moved and was seconded by Ms. Peter to ratify the actions of the Investment Committee. The motion carried.

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Mr. Hardesty introduced the agenda item *Fiduciary Liability Insurance Renewal*. Ms. Roggenkamp provided an update on the status of carrier quotes for coverage. Following discussion, Mr. Hardesty moved and was seconded by Mr. Eager to obtain coverage at the terms provided by Lloyd's of London and QBE Specialty with a premium of \$246,375 for April 25, 2016-April 24, 2017 including deductibles of \$250,000/\$500,000 (KERS and specified Investments); coverage exclusions for City of Fort Wright, Seven Counties, and other litigation prior to April 25, 2016. The motion carried.

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Mr. Hardesty called for a short break and the meeting was suspended.

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Trustees. The motion carried. Mr. Farris moved and was seconded by Mr. Lang to issue an RFP for an Executive Director Search firm. The motion carried.

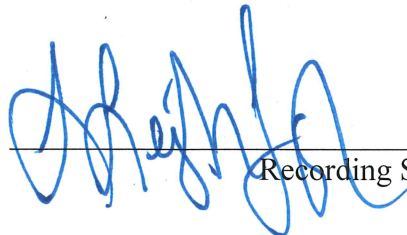
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There being no further business, the meeting adjourned at 11:27 a.m. to meet on September 8, 2016 or upon the call of the Executive Director or the Chair of the Board of Trustees. Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees as of May 19, 2016.

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## CERTIFICATION

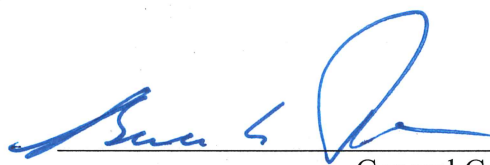
I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting.

  
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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 403, held on May 19, 2016, were approved on September 15, 2016.

  
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Chair of the Board of Trustees  
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Interim Executive Director

I, Brian C. Thomas, have reviewed the Minutes of the May 19, 2016, Board of Trustees Meeting for content, form, and legality.

  
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General Counsel