

MINUTES OF MEETING #382
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
MAY 30, 2013, 9:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Special Called Meeting of the Board of Trustees held on May 30, 2013, the following members were present: Randy Overstreet, Chair; Dr. Daniel Bauer, Vice-Chair; Mike Cherry, Ed Davis, Tommy Elliott, Secretary Tim Longmeyer, Betty Pendergrass, and Susan Smith. In addition, staff members present were William Thielen, Karen Roggenkamp, Charlene Haydon, TJ Carlson, Jennifer Jones, Ann Case, Todd Coleman, Scarlett Consalvi, Connie Davis, Marlane Robinson, Connie Pettyjohn, Shawn Sparks and Leigh Taylor. Also present were Larry Toten, Rebecca Heckler, Mary Helen Peter, Jim Carroll, Eva Smith-Carroll, Frank Willey, Steve Barger, Alex Fontana, Shirley Clark, Jana Smith, Mike Wynn, Fred and Rose Nett, and Christy Dolan.

Mr. Overstreet convened the Board of Trustees Meeting and requested a moment of silence in remembrance of Officer Jason Ellis. Mr. Overstreet then introduced the agenda item *Approval of Minutes*. Dr. Bauer moved and was seconded by Ms. Pendergrass to approve the corrected minutes of the April 4, 2013 meeting. The motion passed unanimously.

Mr. Overstreet presented the agenda item *Affirmative Action Plan*. Ms. Robinson provided the quarterly update to the Trustees. This report was provided for informational purposes only.

Mr. Overstreet presented the agenda item *Human Resources Committee Report*. Ms. Smith reported on the actions of the Human Resources Committee from the May 16, 2013 meeting. The Committee continues to review the CBIZ classification and compensation study. Ms. Smith provided background on the proposed KRS Chief Investment Officer (CIO) contract which was approved in the May 16, 2013 committee meeting and moved that the proposed contract be approved by the full Board. Ms. Pendergrass seconded the motion. Secretary Longmeyer noted that while he had no concerns regarding Mr. Carlson and his performance, he did harbor reservations regarding terms of the contract especially in light of the Senate Bill 2 changes and moved to table the matter. Following discussion, Secretary Longmeyer modified his motion to

table until a time certain at the next Trustee meeting to allow for outside review; Dr. Bauer seconded the motion. The motion carried by a 6 to 1 majority.

Mr. Overstreet introduced the agenda item *Retiree Health Plan Committee Report*. Ms. Smith reported on the April 25, 2013 meeting and the selection process for the 2014 plan year formulary. Ms. Smith moved and was seconded by Mr. Elliot to approve the recommendation for the 2014 plan year formulary. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Audit Committee Quarterly Report*. Ms. Davis reported on the audits as discussed at the May 2, 2013 meeting. Ms. Smith moved and was seconded by Ms. Pendergrass to approve the contract for Dean Dorton Allen Ford as the outside auditor for the special CERS election. The motion passed unanimously. Ms. Pendergrass moved and was seconded by Mr. Davis to accept the results of the audits. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Quarterly Financial Statements as of March 31, 2013*. Mr. Coleman noted the pension and insurance plans assets had a \$14.8 billion combined value as of March 31, 2013 with the KERS non-hazardous plan continued to have a negative cash flow. This report was provided for informational purposes only. Ms. Roggenkamp presented the KRS administrative budget-to-actual expense report as of March 31, 2013. This report was provided for informational purposes only.

Mr. Overstreet presented the agenda item *Perimeter Park West, Inc. Annual Shareholder Meeting*. In order to conduct this meeting, Mr. Overstreet called for a recess of the KRS Board of Trustees Meeting; Secretary Longmeyer moved to do so and was seconded by Mr. Elliott. The motion passed unanimously. Mr. Overstreet then called to order the KRS Perimeter Park West, Inc. Annual Shareholder Meeting; all Members excepting Mr. Henson were present. Dr. Bauer moved and was seconded by Mr. Cherry to approved the minutes of the KRS PPW Annual Shareholder Meeting held on May 17, 2012. The motion passed unanimously. Mr. Elliott nominated Dr. Bauer, Mr. Henson, and Ms. Pendergrass to serve on the KRS Perimeter Park West, Inc. Board from May 30, 2013 for a one year term or until their successors are elected. Dr. Bauer, Mr. Henson, and Ms.

Pendergrass were elected by acclamation. Ms. Pendergrass moved and was seconded by Dr. Bauer to approve the following actions: Move assets held by PPW from the Investment portfolio and hold as administrative assets; and recognize an asset value of the property based on the January 2009 Forrestal Group appraisal; and reallocate shares of PPW stock owned by each of the pension plans so that the number of shares are reflective of the ratio of members participating each pension plan. The motion passed unanimously. Dr. Bauer moved and was seconded by Mr. Davis to approve of a new lease agreement between KRS and PPW applicable to the office buildings at 1260 and 1270 Louisville Road for the period July 1, 2013 through June 30, 2023. The motion passed unanimously. Ms. Pendergrass moved and was seconded by Dr. Bauer to ratify the actions of the PPW Board since its' last meeting. The motion passed unanimously. Mr. Overstreet then adjourned the KRS Perimeter Park West, Inc. Annual Shareholder Meeting and reconvened the KRS Board of Trustees Meeting.

Mr. Overstreet introduced the agenda items *Investment Committee Quarterly Report and Investment Portfolio as of March 31, 2013*. Mr. Carlson provided a review of the asset allocations and reported on the actions of the Investment Committee at its meeting on May 7, 2013. Ms. Pendergrass moved and was seconded by Dr. Bauer to ratify the actions of the Investment Committee. The motion passed unanimously.

Mr. Overstreet called for a recess and the room emptied.

Mr. Sparks and Ms. Consalvi exited the meeting; Tom Cavanaugh and Todd Green entered the meeting.

Mr. Overstreet called the meeting back into session and introduced the agenda item *GASB Implementation and KRS Funding Policy*. Mr. Cavanaugh presented on the impact of GASB 67/68 changes to KRS; Mr. Green presented on funding policy following the GASB implementation. Mr. Cavanaugh and Mr. Green also answered questions from the Trustees. This report was provided for informational purposes only.

Kayne Ishmael David Rich entered the meeting during the presentation. Following the conclusion of the presentation, Dr. Bauer, Mr. Cavanaugh, and Mr. Green exited the meeting.

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

All Trustees, Staff, and attendees present prior to the break re-entered the meeting.

Mr. Overstreet called the meeting back into order and introduced the agenda item *Informational Reports*. Ms. Haydon presented the reports to the Trustees. These reports were presented for informational purposes only.

Mr. Overstreet introduced the agenda item *Participation of Additional Agencies and Hazardous Positions*. Ms. Pendergrass moved and was seconded by Mr. Cherry to accept the report. The motion passed unanimously.

The hazardous positions approved are as follows:

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

- Captain, City of Dayton, June 1, 2013
- Police Corporal, City of Williamstown, June 1, 2013
- Police Lieutenant, City of Williamstown, June 1, 2013
- Deputy Jailer Corporal/Field Training Officer, Hardin County Fiscal, June 1, 2013
- Deputy Jailer Corporal/Shift Leader, Hardin County Fiscal, June 1, 2013
- Deputy Jailer/Field Training Officer, Hardin County Fiscal, June 1, 2013
- Deputy Jailer Information Technology/Director, Hardin County Fiscal, June 1, 2013
- Deputy Jailer Information Technology Level 1, Hardin County Fiscal, June 1, 2013
- Deputy Jailer/Shift Leader, Hardin County Fiscal, June 1, 2013
- Deputy Sheriff/Detective, Warren County Sherriff, January 1, 2009

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

- Captain, City of Dayton, March 1, 2012
- Sergeant, City of Dayton, March 1, 2012
- Corporal, City of Dayton, March 1, 2012
- Police Investigator, City of Middlesboro, June 1, 2013
- Police Patrol Officer, City of Middlesboro, June 1, 2013
- Police Sergeant, City of Middlesboro, June 1, 2013
- Police Lieutenant, City of Middlesboro, June 1, 2013
- Police Chief, City of Middlesboro, June 1, 2013
- Firefighter, City of Middlesboro, June 1, 2013
- Lieutenant, City of Middlesboro, June 1, 2013
- Fire Captain, City of Middlesboro, June 1, 2013
- Fire Chief, City of Middlesboro, June 1, 2013
- Police Lieutenant (Patrol/Detective), City of Radcliff, June 1, 2013
- Police Captain (Patrol Division), City of Radcliff, June 1, 2013
- Police Captain (Administrative Division), City of Radcliff, June 1, 2013
- Police Deputy Chief, City of Radcliff, June 1, 2013
- Police Chief, City of Radcliff, June 1, 2013

Fire Chief, City of Radcliff, June 1, 2013
Fire Chief/Emergency Manager/Safety, City of Radcliff, June 1, 2013
Fire Director, City of Radcliff, June 1, 2013
Lieutenant (Firefighter), City of Radcliff, June 1, 2013
Firefighter (Part-time), City of Radcliff, June 1, 2013
Police Office, City of Villa Hills, June 1, 2013
Police Corporal, City of Williamstown, June 1, 2013
Deputy Jailer Corporal/Field Training Officer, Hardin County Fiscal, June 1, 2013
Deputy Jailer Corporal/Shift Leader, Hardin County Fiscal, June 1, 2013
Deputy Jailer/Field Training Officer, Hardin County Fiscal, June 1, 2013
Deputy Jailer Information Technology/Director, Hardin County Fiscal, June 1, 2013
Deputy Jailer Information Technology Level 1, Hardin County Fiscal, June 1, 2013
Deputy Jailer/Shift Leader, Hardin County Fiscal, June 1, 2013
Firefighter, Simpson County Fiscal Court, July 1, 2013

The City of Science Hill elected to participate under the CERS non-hazardous coverage.

Mr. Overstreet introduced agenda item *CERS Special Election Nominations*. Mr. Thielen provided background on the CERS Special Election. Ms. Davis explained the nominee selection process to the Trustees. Ms. Pendergrass moved and was seconded by Ms. Smith that each Trustee would vote for one candidate for the nomination selection. The motion passed unanimously. Following a secret ballot election, Ms. Davis tallied the results for the Trustees and the following were nominated as candidates for the special CERS election: Teresa Azbill Barton, Douglas Vaughn Marshall, and David Warren Rich. Mr. Elliott moved and was seconded by Ms. Pendergrass to accept those candidates for the election ballot. The motion passed unanimously.

Mr. Overstreet presented the agenda item *KRS Bylaws and Policy Changes – Committees and Membership*. Mr. Overstreet reviewed the following Committee appointments: Susan Smith as Chair of DAC/AAC; Ed Davis to DAC/AAC and Retiree Health, Betty Pendergrass to Investment and Audit, and Randy Overstreet to Investment. In light of the SB2 changes, the KRS Bylaws as they pertain to Committees require revision; Trustees were requested to propose any suggested changes at the July special meeting with a goal of finalizing any suggested changes at the August 15 meeting. This report was presented for informational purposes only.

Mr. Overstreet presented the agenda item *Emergency and Ordinary Amendments to 105 KAR 1:140*. Ms. Jones provided explanation for the changes regarding “erroneous contributions” to seasonal and

prohibition time. Ms. Pendergrass moved to authorize staff to file the emergency regulation and was seconded by Mr. Elliott. The motion passed unanimously.

Sec. Longmeyer exited the meeting; Sharon Burton entered the meeting as proxy for Sec. Longmeyer.

Mr. Overstreet presented the agenda item *Cash Balance Plan Implementation*. Mr. Thielen noted a team had been assembled to implement the new benefit tier as required under SB2. This report was presented for informational purposes only.

Mr. Ishmael exited the meeting.

Mr. Overstreet presented the agenda item *Building C Remodeling Proposal*. Mr. Thielen presented preliminary blueprints and cost estimates to remodel the 1270 Louisville Road conference room to accommodate the additional Trustees as provided for by SB2. After discussion, Ms. Pendergrass moved and was seconded by Mr. Cherry to move forward with the proposed changes including a reassessment of the chair and cabinet cost estimates. The motion passed unanimously.

Mr. Overstreet presented the agenda item *START Report*. Ms. Roggenkamp provided the quarterly START Project update. This report was presented for informational purposes only.

Mr. Overstreet presented the agenda item *Board Retreat Discussion/Decision*. Mr. Thielen noted that July 25-26, 2013 were the only dates on which all Trustees were available to attend a retreat.. After discussion, the Trustees directed staff to enter into negotiations to contract with the Downtown Marriott, Louisville for a retreat on July 25 and 26, 2013. This report was presented for informational purposes only.

Joseph Bowman entered the meeting during this discussion.

Mr. Overstreet presented the agenda item *Pending Litigation* and requested a motion to enter closed session under KRS 61.810(1)(c) for a discussion involving pending litigation due to the necessity of

protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. Mr. Elliott moved and was seconded by Ms. Pendergrass to enter closed session. The motion passed unanimously.

All participants except the Trustees, Mr. Thielen, Mr. Carlson, Ms. Haydon, Ms. Jones, Mr. Bowman, and Ms. Taylor exited the meeting.

Mr. Overstreet called the meeting back into open session without any items to report from closed session.

Ms. Pettyjohn re-entered the meeting.

Mr. Overstreet introduced the agenda item *Contracts*. Mr. Thielen provided background on the validation audit services provided by Milliman. Mr. Elliott moved and was seconded by Ms. Pendergrass to approve a one year extension of the Milliman contract. The motion passed unanimously. Mr. Thielen and Ms. Pettyjohn provided background on the EWGP data requirements and associated tasks tracked by IPC through their consulting services. Mr. Elliott moved and was seconded by Ms. Pendergrass to approve a contract renewal for IPC. The motion passed unanimously. Mr. Thielen and Ms. Jones provided background on the RFP and selection of Lloyd & McDaniel to serve as local counsel in the ongoing bankruptcy litigation. Mr. Elliott moved and was seconded by Ms. Smith to issue a new RFP. A second motion to follow Staff recommendation to retain Lloyd & McDaniel was made by Mr. Davis and seconded by Ms. Pendergrass. The motion carried 4-3.

There being no further business, the meeting was adjourned at 2:50 p.m. to meet on July 25-26, 2013 at 8:30 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 May 30, 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 Special Meeting No. 382 held on May 30, 2013, were approved on August 15, 2013.



Chair



Executive Director

I, Jennifer A. Jones, have reviewed the Minutes of the May 30, 2013 Board of Trustees Meeting for form, content and legality.



Interim General Counsel