

MINUTES OF MEETING #400
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
OCTOBER 22-23, 2015; 8:30 A.M.
EMBASSY SUITES RIVERCENTER
10 E. RIVERCENTER BOULEVARD, COVINGTON, KENTUCKY 41011

At the Special Called Meeting of the Board of Trustees held on October 22-23, 2015, the following members were present: Thomas Elliott (Chair), Secretary Dinah Bevington, Mike Cherry, Ed Davis, JT Fulkerson, Vince Lang, Keith Percy, Mary Helen Peter, David Rich, Randy Stevens, and William Summers. Staff members present were William Thielen, David Peden, Karen Roggenkamp, Rebecca Stephens, Brian Thomas, Connie Pettyjohn, Connie Davis, and Leigh Taylor. Also present were Rebecca Heckler, Kristen Steffens (RVK), Carla Whaley, Tracey Garrison, and Larry Lowe (Humana), Mark White and Andrew McCulloch (Albourne), Jonathan Berns (ORG), Tad Ferguson and Ahman Dirks (PCA).

Mr. Elliott called the meeting to order and reviewed the agenda for the attendees.

Ms. Taylor as Notary administered the Oath of Office to Secretary Dinah Bevington.

Mr. Elliott introduced the agenda item *KRS Medicare Eligible Health Insurance Update*. Ms. Whaley and Mr. Lowe presented the 2015 KRS Humana Medicare Update. Ms. Pettyjohn presented KRS Retiree Health Care Data and answered questions. These presentations were provided for information only.

Ms. Whaley, Ms. Garrison, and Mr. Lowe exited the meeting.

Mr. Elliott introduced the agenda item *KRS Staff Updates*. The following KRS Staff members gave presentations for review and discussion: Ms. Davis provided a review of internal audit; Mr. Peden provided a review of the investment outlook; Ms. Roggenkamp presented on operations; Ms. Stephens presented on benefit services; and Mr. Thomas provided a legal update. These presentations were provided for information only.

Mr. Elliott called for a short recess.

Jonathan Bern entered the meeting during the break.

Mr. Elliott called the meeting back into session and introduced the agenda item *Fiduciary Responsibility*. Mr. Thomas provided an overview of Trustee fiduciary duties. This presentation was provided for information only.

Mr. Elliott introduced the agenda item *KRS Issue – New Agency Participation*. Mr. Thomas outlined the procedures and statutes governing participation in KRS. This report was provided for informational purpose only.

Mr. Elliott temporarily suspended the meeting for a lunch break.

Following the break, Mr. Elliott reconvened the meeting and introduced the agenda item *KRS Asset Class Review*. Joe Gilbert presented on Public Equity with Kristen Steffens of RV Kuhns; Andy Kiehl presented on Real Return with Mark White of Albourne and on Real Estate with Jonathan Berns of ORG; Brent Aldridge presented on Private Equity with Tad Ferguson and Ahman Dirks of PCA; Rich Robben presented on Fixed Income with Kristen Steffens of RV Kuhns; and Michael Rudzik of PRISMA and Andrew McCulloch of Albourne presented on Hedge Funds. These reports were provided for informational purposes only.

Mr. Elliott suspended the meeting for a short break.

Ms. Steffens, Mr. Robben, Mr. McCulloch, Mr. White and Mr. Kiehl exited the meeting.

Mr. Elliott called the meeting back into session and introduced the agenda item *KRS Pension and Insurance Benefit Tier Review*. Ms. Stephens provided a comprehensive review of the three KRS tiers and their benefits. This report was provided for information only.

Mr. Elliott suspended the meeting for the day at 4:20 p.m.

The meeting reconvened at 8:30 a.m. on October 23, 2015; the following members were present: Thomas Elliott (Chair), Secretary Dinah Bevington, Mike Cherry, Ed Davis, JT Fulkerson, Joseph Hardesty, Vince Lang, Keith Peercy, Mary Helen Peter, David Rich, Randy Stevens, and William Summers. Staff members present were William Thielen, David Peden, Karen Roggenkamp, Rebecca Stephens, Brian Thomas, and Leigh Taylor. Also present were Rebecca Heckler, Jim Carroll, Eva Smith Carroll, Alex Brown (NASRA), and Kathryn Gabhart (Executive Branch Ethics Commission).

Mr. Elliott introduced the agenda item *Filing of HB62 Implementation Regulation; 105 KAR 1:145*. Mr. Thomas presented the description of 105 KAR 1:145, along with a timeline for implementation. Mr. Stevens moved and was seconded by Ms. Peter to approve a draft administrative regulation and a request that the Office of the Governor authorized the filing of an emergency regulation as well as an administrative regulation to establish voluntary cessation and authorization for the Executive Director to sign the administrative regulation for filing with the Legislative Research Committee. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Establish Assumed Rate of Return for Calculating Withdrawing Employer Actuarial Cost*. Mr. Thielen and Mr. Thomas described the actuarial cost methodology recommended by Cavanaugh Macdonald for agency withdrawal. Mr. Davis moved and was seconded by Mr. Lang to table the item for further discussion at a later date. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Approved FY 2017 and 2018 KRS Budget Request*. Ms. Roggenkamp reviewed the proposed FY 2017 and 2018 KRS budget. Mr. Lang moved and was seconded by Mr. Summers to approve filing the budget request as presented. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Public Participation at KRS Board Meetings*. Mr. Thielen reviewed a proposed policy draft outlining public participation at KRS Board of Trustee

meetings. Mr. Lang moved and was seconded by Mr. Cherry to approve the public participation policy. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Consideration of KRS Board Resolution 1-2015*. Mr. Thielen reviewed the draft resolution for the Trustees. Mr. Lang moved and was seconded by Mr. Summers to approve resolution 1-2015. The motion passed unanimously.

Mr. Elliott introduced the agenda item *Consideration of Executive Search Committee Recommendation(s)*. Mr. Hardesty reported on the October 23, 2015 committee meeting. Following discussion, Ms. Peter moved and was seconded by Mr. Elliott to approve the authorization of a 30 month contract, beginning December 1, 2015 for William Thielen to continue as Executive Director of KRS. The motion passed by majority.

Mr. Carroll and Ms. Smith Carroll exited the meeting.

Mr. Elliott introduced the agenda item *Current National Public Pension Plan Issues*. Alex Brown presented an overview of state and local pension issues and trends for the Trustees. This report was provided for informational purposes only.

Mr. Elliott suspended the meeting for a short break.

Mr. Cherry exited the meeting; Ms. Gabhart entered the meeting.

Mr. Elliott called the meeting back to order and introduced the agenda item *Executive Branch Ethics*. Kathryn Gabhart presented on the Executive Branch Code of Ethics, proper acceptance of gifts, and procedures to leave state government. These reports were provided for informational purpose only.

Mr. Fulkerson and Mr. Summers exited the meeting during the presentation.

There being no further business, the meeting adjourned at 11:42 a.m.

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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 400, held on October 22-23, 2015, were approved on December 3, 2015.


Chair of the Board of Trustees


Executive Director

I, Brian C. Thomas, have reviewed the Minutes of the October 22-23, 2015 Board of Trustees Special Called Meeting for content, form, and legality.


General Counsel

**KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES**

Resolution No. 1-2015

**A RESOLUTION CONCERNING THE CONDUCT OF A COMPREHENSIVE
PERFORMANCE AUDIT AND BENCHMARKING STUDY OF KENTUCKY
RETIREMENT SYSTEMS**

WHEREAS, certain elected State officials, candidates for Governor, and others, including the Kentucky Chamber of Commerce, have called for a comprehensive performance audit of the Kentucky Retirement Systems (KRS); and

WHEREAS, notwithstanding the fact that numerous audits, investigations, inquiries and studies of KRS have been conducted in the past several years, none of which have disclosed any significant problems with the administration of KRS by the KRS Board of Trustees or the KRS staff; and

WHEREAS, the KRS Board of Trustees and staff desire to ensure that they are operating at the highest levels of efficiency, effectiveness and with the utmost integrity; and

WHEREAS, in the opinion of the KRS Board of Trustees, a comprehensive performance audit and peer benchmarking of all aspects of KRS' operations, including, but not limited to: plan funding; actuarial functions; administrative management; information security; information technology; financial management; investment performance and management; health insurance and pension benefits management; facilities management and communications management will certainly result in recommendations for operational improvements and should help ensure that KRS is administered in an efficient, effective and ethical manner; and

WHEREAS, in the opinion of the KRS Board of Trustees, any such comprehensive audit and benchmarking study should be independently initiated by the Kentucky Auditor of Public Accounts and other State officials and should be financed by the Kentucky General Assembly with funds that are entirely separate from funds appropriated to pay the full actuarially required employer contribution rate to the Kentucky Employees Retirement System and the State Police Retirement System.

NOW THEREFORE, The Board of Trustees of the Kentucky Retirement Systems, by a vote of its members taken in public session at a special meeting held on October 23, 2015 hereby resolves and encourages State officials to initiate a comprehensive performance audit and

benchmarking study of KRS and encourages the Kentucky General Assembly to appropriate up to \$1,000,000 in the next biennial budget to fund such a comprehensive audit and study. The KRS Board of Trustees further resolves that the Board and KRS staff will cooperate fully with such an audit and study and provide any and all information requested by persons or entities chosen to conduct the audit and study.

The Kentucky Retirement System Board of Trustees hereby directs staff to transmit a copy of this resolution to the Governor of Kentucky, members of the Kentucky General Assembly, and the Kentucky Auditor of Public Accounts.

Approved this 23rd day of October 2015

THE KENTUCKY RETIREMENT SYSTEMS BOARD OF TRUSTEES

By: 
Thomas K. Elliott, Chair