

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
QUARTERLY INVESTMENT COMMITTEE
FEBRUARY 6, 2018, 9:00 A.M., E.T.**

1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the February 6, 2018 Quarterly Investment Committee Meeting, the following Committee members were present: David Harris, (Chair), William Cook, Kelly Downard, John Farris, Keith Peercy, Jerry Powell, Matthew Monteiro and Neil Ramsey. Board Member Mary Helen Peter was also present. Staff members present were David Eager, Karen Roggenkamp, Rich Robben, Anthony Chiu, Andy Kiehl, Joe Gilbert, Connie Davis, Ann Case, Shaun Case, Mark Blackwell, Michael Curtsinger, Jared Crawford, Natalie Young, and Alane Foley.

Mr. Harris called the meeting to order and Ms. Alane Foley called roll.

Mr. Harris introduced Mr. Dave Lindberg of Wilshire Consulting and welcomed him to the meeting. Also present from Wilshire Consulting was Craig Morton, Marc Friedburg, Calvin Born, Alex Ford, Chris Tessman and Jonathon Miles.

Mr. Harris introduced the agenda item *Approval of Committee Minutes*. Mr. Powell moved and was seconded by Mr. Downard to approve the minutes of the November 13, 2017 meeting. The motion passed unanimously.

Mr. Harris introduced agenda item *Standard Reports, Performance, Allocations, & Articles of Interest*. Mr. Robben provided an overview of the reports to the Committee. These were presented for informational purposes only.

Mr. Robben discussed agenda item *Update on Implementation of New Asset Allocation*. Wilshire is working on the structure and will advise staff accordingly. The Committee and Investment Staff discussed that they wanted to have an approximately 60%/40% split between the international equity and U.S. equity exposure. This was for informational purposes only.

Mr. Farris moved and was seconded by Mr. Powell to enter into closed session to discuss confidential personnel matters. The motion passed unanimously. Mr. Harris 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, pursuant to KRS 61.801(1)(f). The meeting moved into closed session.

All public attendees exited the meeting.

No action was taken on any items discussed at closed session. The meeting was called back into open session.

Mr. Harris introduced agenda item *IPS Guideline Review*. Staff is requesting changes or exemptions to the IPS guidelines as follows:

Item #1: Monitoring and assessing service providers, including not less than annual onsite visits, to assure that they meet expectations and conform to policies and guidelines. Mr. Ramsey moved and was seconded by Mr. Powell to approve the waiver for this guideline, subject to rewrite of the IPS. The motion passed unanimously.

Item #2: Staff shall reallocate the assets when the actual asset class allocation deviates from the policy plus any tactical shift by a minimum of 1%, and a maximum of 15% of the allocation target (if target allocation is 20% then action required when +/-3%). Mr. Ramsey moved and was seconded by Mr. Cook to approve the waiver for this guideline, subject to the rewrite of the IPS. The motion passed unanimously.

Item #3: On an annual basis, a comprehensive review of each asset class and underlying portfolios shall be conducted by the staff and presented to the Investment Committee. The review shall consist of an organizational, performance and compliance assessment. Mr. Ramsey moved and was seconded by Mr. Powell to approve the waiver for this guideline, subject to rewrite of the IPS. The motion passed unanimously.

Item #4: No more than 20% of total net assets of the private equity portfolio may be invested in a single industry within a particular sector. Mr. Ramsey moved and was seconded by Mr. Farris to approve the removal of this guideline. The motion passed unanimously.

Item#5: No more than 10% of total net assets of the private equity portfolio may be invested in any single equity or debt related assets. Mr. Ramsey moved and was seconded by Mr. Monteiro to approve the removal of this guideline. The motion passed unanimously.

Item #6-10: Mr. Ramsey moved and was seconded by Mr. Powell to approve the modifications as presented in the chart below under the “Staff Note” column. The motion passed unanimously.

Item	IPS Location	Current IPS Requirement Language	Request	Reason	Staff Note
6	Section 4: 3	Total assets assigned to the selected manager shall not exceed 25% of that firm’s total assets under management and shall not exceed 25% of a firm’s total assets under management in a commingled product. Separate accounts or funds of one are not included in this 25% limitation for commingled products	Modification	On-going monitoring of this requirement would require staff to know the total AUM of every external investment manager at all times.	1. Add "At Time of Purchase" to the guideline. 2. Remove the Separate Account or Fund of One exclusion
7	Section VIII: Section F Pg 20	No more than 50% of the total net assets of the Real Return portfolio may be invested in any one registered investment vehicle, mutual fund, or separately managed account	Modification	This requirement can be monitored when a new investment is made, but provides staff no remedy to enforce in an on-going fashion.	Add "At time of purchase" to the guideline
8	Section VIII: Section F Pg 21	No more than 20% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.	Modification	This requirement can be monitored when a new investment is made, but provides staff no remedy to enforce in an on-going fashion.	Add "At time of purchase" to the guideline
9	Section VIII: Section H Pg. 24	At all times, at least 25.0% of the Absolute Return portfolio as a whole is to be available in quarterly or better liquidity vehicles	Modification	This requirement can be monitored when a new investment is made, but provides staff no remedy to enforce in an on-going fashion.	Remove "At all times" and replace with "At time of purchase"
10	Section VIII: Section H Pg. 24	At all times, no more than 50.0% of the Absolute Return portfolio as a whole is to be committed to vehicles that provide liquidity on a greater than annual basis.	Modification	This requirement can be monitored when a new investment is made, but provides staff no remedy to enforce in an on-going fashion.	Remove "At all times" and replace with "At time of purchase"

Mr. Harris introduced agenda item *Absolute Return Manager Redemptions*. Mr. Chiu introduced Jonathon Miles from Wilshire Consulting, together they provided an update to the Investment Committee on Hedge Fund redemptions. This was for informational purposes only.

Mr. Harris introduced agenda item *Benchmark Review*. David Lindberg and Chris Tessman from Wilshire Consulting provided a benchmark presentation to the Investment Committee. This was for informational purposes only.

Mr. Harris introduced agenda item *Private Equity Pacing*. Mr. Chiu introduced Marc Friedburg from Wilshire Consulting who provided a private equity pacing presentation to the Investment Committee. This was for informational purposes only.

Mr. Harris introduced agenda item *Manager Presentation: SVP (Private Equity)*. Daniel Han, Michael Hewett and Chris Jackson from SVP provided a background of their firm to the Investment Committee.

Mr. Harris introduced agenda item *Manager Presentation: New State (Private Equity)*. John Beauclair from New State provided a background of his firm to the Investment Committee.

Mr. Harris introduced agenda item *Manager Presentation: Arrowmark*. Greth Lester, Tim Beresford and David Corkins from Arrowmark provided a background of their firm to the Investment Committee.

Mr. Ramsey moved and was seconded by Mr. Powell to approve an initial investment of 1% of total fund assets (approximately \$175MM) with Arrowmark Partners. The motion passed unanimously.

Mr. Ramsey moved and was seconded by Mr. Cook to approve an investment of \$20 to \$25MM in New State Capital Partners Fund II. The motion passed unanimously.

Mr. Cook moved and was seconded by Mr. Monteiro to approve an investment of \$65 to \$70MM in Strategic Value Special Situations Fund IV. The motion passed unanimously.

In preparation to go into closed session, Mr. Harris 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 discuss litigation, pursuant to KRS 61.801(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. The meeting moved into closed session.

All public attendees exited the meeting.

The meeting was called back into open session. Mr. Cook made a motion to reject all aspects of the settlement offer from Bay Hills and to proceed with GP removal with cause on all Bay Hills Funds. The motion passed unanimously.

There being no further business, Mr. Peercy moved and was seconded by Mr. Powell to adjourn the meeting at 12:54 p.m. The next meeting of the Investment Committee is scheduled for 9:00 a.m. May 1, 2018. Copies of all documents presented are incorporated as part of the minutes of the Investment Committee meeting held February 6, 2018.

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

I, as Chair of the Investment Committee of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on February 6, 2018 were approved by the Investment Committee on May 1, 2018


Committee Chair

I have reviewed the Minutes of the Investment Committee Meeting on February 6, 2018, for form, content, and legality.


Office of Legal Services