

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES SPECIAL CALLED AUDIT COMMITTEE
DECEMBER 2, 2020, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE DUE TO SB 150,
SIGNED INTO LAW BY THE GOVERNOR ON MARCH 30, 2020,
AND EXECUTIVE ORDER 2020-215 DECLARING A STATE OF
EMERGENCY EFFECTIVE MARCH 6, 2020 DUE TO COVID-19**

At the December 2, 2020 special called meeting of the Audit Committee of the Board of Trustees, the following Committee members were present: John Chilton (Chair), Joe Brothers, Campbell Connell, JT Fulkerson, Betty Pendergrass, and David Rich. Staff members present were Erin Surratt, Jared Crawford, Kristen Coffey, Ann Case, Connie Davis, Elizabeth Smith, Alane Foley, Rebecca Adkins, David Eager and Kathy Rupinen. Danny White and Janie Shaw were present from GRS as well as Geoff Bridges and Dan Reusz from The Segal Group.

Mr. Chilton called the meeting to order.

Ms. Alane Foley called roll.

Being no Public Comment, Mr. Chilton introduced the agenda item *Approval of Committee Minutes – November 5, 2020*. Ms. Pendergrass made a motion and was seconded by Mr. Rich to approve the minutes of the November 5, 2020 meeting. The motion passed unanimously.

Mr. Chilton introduced agenda item *Results of Independent Actuarial Audit of the June 30, 2019 Actuarial Valuations and the 2014-2018 Experience Study*. Mr. Eager advised that an experience study is required every five years to ensure the actuaries are using the correct processes. Ms. Rebecca Adkins introduced Geoff Bridges and Dan Reusz from The Segal Group. Mr. Bridges provided details on the process of conducting an actuarial audit. Mr. Reusz then provided the clean audit results to the committee, along with some suggestions for GRS regarding their reporting. Mr. Danny White from GRS stated that they were pleased with the audit report and discussed Risk

Assessments and Stress Test Analysis. GRS will follow up with KRS staff to discuss the suggestions made by Segal.

Mr. Brothers made a motion and was seconded by Ms. Pendergrass to approve the audit report as presented. The motion passed unanimously.

Ms. Pendergrass wanted to highlight Section III. Analysis of Actuarial Assumptions Employed. Specifically the second paragraph on page 29 of the meeting material that states, "The data presented in the Experience Study Report relies on capital market assumptions covering 7 to 10 year expectations for most of the investment consultants considered. These relatively short-term expectations were used to model distributions of 20-year geometric nominal returns. Applying the 7 to 10 year assumptions to a 20-year period typically would understate the expected geometric returns (assuming an environment where longer time horizons have higher expected returns)."

There being no further business a motion was made by Mr Connell and seconded by Ms. Pendergrass to adjourn the meeting. The next meeting of the Audit Committee is scheduled for 10:00 a.m. on February 4, 2021. Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of December 2, 2020.

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, John Chilton, as Chair of the Audit Committee of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on December 2, 2020 were approved by the Audit Committee on February 4, 2021.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on December 2, 2020 for form, content, and legality.


Executive Director
Office of Legal Services