

MINUTES OF MEETING
BOARD OF TRUSTEES KENTUCKY RETIREMENT SYSTEMS
APRIL 12, 2022 AT 10:00 AM ET
VIA LIVE VIDEO TELECONFERENCE

At the meeting of the Kentucky Retirement Systems Board of Trustees held on April 12, 2022, the following members were present: Keith Peercy, David Adkins, Bruce Brown, John Cheshire, Joseph Grossman, Lynn Hampton, Prewitt Lane, Dr. Crystal Miller, and Pamela Thompson. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, Erin Surratt, Steven Herbert, Victoria Hale, Connie Pettyjohn, Kristen Coffey, Connie Davis, Jared Crawford, D’Juan Surratt, Carrie Bass, Leigh Ann Davis, Ashley Gabbard, Phillip Cook, and Sherry Rankin.

Mr. Peercy called the meeting to order.

Ms. Hale read the Legal Public Statement.

Ms. Rankin stated there was no public comment received.

Mr. Peercy introduced agenda item *New Trustee Introduction and Oath of Office*. Ms. Rankin administered the Oath of Office to the newly elected Trustees, Dr. Crystal Miller and Mr. David Adkins.

Ms. Rankin called the roll.

Mr. Peercy introduced agenda item *Approval of Minutes – March 2, 2022 and March 31, 2022*. A motion was made by Ms. Hampton and seconded by Mr. Grossman to approve all of the minutes as presented. The motion passed unanimously.

Mr. Peercy introduced agenda item *Trustee Vacancies*. Mr. Chilton announced that at the end of March 2022, terms ended for a couple of elected Trustees, Campbell Connell and Larry Totten. He thanked both for their service on the Board and contributions they made to the Board and the retirement systems as a whole. He introduced and welcomed the two newly elected Trustees, Mr. David Adkins and Dr. Crystal Miller.

Mr. Chilton stated that there are three (3) Trustees who were appointed to fulfill vacancies on the Board and are subject to confirmation by the Senate. He explained that the appointments would be

in effect until the Senate confirms, and then the Trustees would fulfill the rest of the term. If a Trustee did not receive confirmation by the Senate, the Trustees term would end at the conclusion of the legislative session. Currently, the three (3) KRS Trustees have not yet been brought up before the Senate for a vote, therefore, they will remain until the vote has occurred.

Mr. Percy introduced agenda item *Results of the 2022 KERS Election*. Ms. Coffey stated that the election was certified on March 15, 2022 and is seeking a vote by the Board to accept the results outlined in the Election America's certification letter and to declare the election final. A motion was made by Mr. Grossman and seconded by Mr. Cheshire to accept the results of the KRS election as presented and to declare the election final. The motion passed unanimously.

Mr. Percy introduced agenda item *KRS Regulations – 105 KAR 1:450 and 105 KAR 1:450E*. Ms. Bass discussed the proposed new regulations, 105 KAR 1:450 and 105 KAR 1:450E, which specifically addresses and clarifies the process for certain Quasi-governmental employers to provide information to the KPPA on certain independent contractors of these employers. She stated that this new administrative regulation is in response to the updates the legislation made to KRS 61.5991. A new form has been created for the employer to provide the information to KPPA that staff will use to determine if employees of a participating quasi-governmental employer are in regular full-time positions. She indicated that this regulation will also clarify how KPPA staff will define the data based on the information received from the quasi-governmental employers that must be provided annually to the state budget director's office and the Legislative Research Commission. Mr. Adkins questioned the omission of Council for State Government in the exemption paragraph of the regulation. Ms. Bass indicated that was an oversight and that she would ensure the addition of the Council for State Government to the exemption paragraph prior to the filing of the regulation. A motion was made by Mr. Lane and seconded by Mr. Cheshire to approve the filing of the administrative regulations 105 KAR 1:450 and 105 KAR 1:450E with the additions as discussed. The motion passed unanimously.

Mr. Percy introduced agenda item *Election of KRS Board of Trustee Officers – Chair and Vice Chair*. Before introducing Mr. Chilton to present this agenda item, Mr. Percy announced that he is time-limited, due to statute, and will be prohibited from holding the office of Chair or Vice Chair. Mr. Chilton further explained that no one Trustee can hold the office of Chair or Vice Chair for more than 4 consecutive years. Mr. Chilton opened the floor for nominations for Chair and Vice-Chair of the KRS Board of Trustees. Mr. Percy nominated the slate of Lynn Hampton as Chair

and Prewitt Lane as Vice-Chair. Mr. Cheshire seconded the nomination and Mr. Adkins moved that the nominations cease and that slate be approved by acclamation. Mr. Chilton asked Ms. Rankin for a roll call vote and the motion passed unanimously.

Mr. Chilton introduced agenda item *Committee Assignments*. Mr. Chilton turned this item over to the newly elected Chair, Ms. Hampton. Ms. Hampton thanked the Board for their vote of confidence and Mr. Percy for being available to answer her questions, Mr. Chilton and Mr. Eager for their assistance as she learns more about the systems, and Ms. Pendergrass for sharing her knowledge regarding procedures and processes about the systems. Ms. Hampton indicated that she is working on the committee assignments, and will be reaching out to all of the Trustees to discuss their preference on the committees in which they would like to participate. She stated that Mr. Percy will remain on the DAC/ACC Committee, Investment Committee, and the KPPA Board. She asked that while this process of assigning these committees is taking place, each Board member should contact her with their preference for which committee they would like to be assigned and to continue with any current assignment until all has been finalized. Ms. Hampton requested a volunteer to sit on the Joint Audit Committee and explained the structure of the committee which has two (2) Trustees from the KRS Board and two (2) Trustees from the CERS Board. Ms. Hampton stated that she will be working hard over the next few weeks to finalize the committee assignments.

Ms. Hampton introduced agenda item *KPPA Update*. Ms. Adkins provided the KPPA Update as Mr. Eager was not able to attend the meeting. Ms. Adkins stated that the largest update with KPPA is current legislation. She stated that Shawn Sparks, the Director of Communications, does a fantastic job of keeping all of KPPA and the Trustees apprised of legislation that has an effect upon the systems. She indicated that HB 297 and HB 668 are two bills that Mr. Sparks is closely following and he will send updates as soon as possible. Ms. Adkins explained that the KPPA Housekeeping Bill, HB 297, was vetoed by the Governor and KPPA has requested that the veto be overridden. Mr. Percy commented that it appeared the Governor's veto message was unfounded and unwarranted as it was based upon a theory that these positions could be viewed as being politically based. Mr. Percy explained that the Board was given the current two (2) positions outside of the 18A provisions, and the salaries that were agreed upon for those positions do not align with those mentioned in the Governor's veto message.

Ms. Adkins announced the passage of two (2) bills that have an effect upon KPPA. The first being HB 49 which relates to the exemption of overtime during a state of emergency and effects pension spiking matters. The other, HB 76, requires the Boards to do an experience study of economic assumptions every two (2) years instead of the current five (5) years.

Ms. Hampton introduced agenda item *KRS Update*. Mr. Chilton stated that many hours have been spent on the current legislation session, especially on HB 297. There was considerable controversy with that Bill. Essentially this Bill attempted to change the current law which states that the CERS Funds will bear the cost of excess amounts associated with the separation of the Boards to placing an expiration date of those costs being charged to the CERS Funds. After a multitude of meetings with the legislature, the final outcome was that there will be an expiration date of fiscal year 2023, but there will be a reporting to the Public Pension Oversight Board of those types of expenses so that they can understand the real effects of the separation costs incurred by the reorganization of the Boards.

Mr. Chilton indicated that work is continuing on the litigation cases as some are seeing some movement. More information on these will be sent to the Trustees to keep you up to date on the current litigation cases and strategies.

Ms. Hampton stated that the Joint Audit Committee met on April 7, 2022 and asked Ms. Coffey to provide further details regarding the request being brought before the Board. Ms. Coffey explained that while conducting a recent audit, additional risks related to the areas under review were brought to the attention of the internal audit staff. The Internal Audit Division requested further reviews on these areas and sought approval from the Joint Audit Committee, who approved the additions to the audit plan unanimously. The additional audits included in this request are a review of the JP Morgan Chase accounts; review of the Administrative Expenses, including plan specific expenses; review of the employer contribution process, including the balancing process; review of cash receipt process; review of investment manager and performance fee reconciliations; review of the investment reconciliation between BNY Mellon and Great Plains; and review of the process for investing direct repo. She stated that Internal Audit is seeking ratification of the actions taken by the Joint Audit Committee and recommended that the KPPA representatives on the KRS Board take these items to KPPA for consideration. A motion was made by Mr. Cheshire and seconded by Mr. Grossman to approve the additions to the current audit plan. The motion pass unanimously.

Ms. Hampton introduced agenda item *Closed Session*. A motion was made by Mr. Peercy and seconded by Mr. Grossman to go in to closed session. The motion passed unanimously.

Mr. Peercy read the following statement and the meeting moved into closed session:

A motion having been made in open session to move into a 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 consider litigation, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. All public attendees exited the meeting.


Ms. Hampton called the meeting back to open session. There being no action taken during the closed session, Ms. Hampton opened the floor for a motion to adjourn. Mr. Peercy made a motion and seconded by Mr. Cheshire to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held April 12, 2022 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

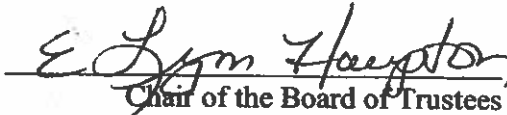
The remainder of this page left blank intentionally

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

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on April 12, 2022 were approved on June 6, 2022.


Chair of the Board of Trustees

I have reviewed the Minutes of the April 12, 2022 Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services