

**MINUTES OF MEETING  
BOARD OF TRUSTEES KENTUCKY RETIREMENT SYSTEMS  
June 6, 2022 AT 10:00 AM ET  
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the Kentucky Retirement Systems Board of Trustees held on June 6, 2022, the following members were present: Keith Peercy, David Adkins, John Cheshire, Joseph Grossman, Lynn Hampton (Chair), Prewitt Lane, Dr. Crystal Miller, Pamela Thompson, and William Summers. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Erin Surratt, Rebecca Adkins, Michael Board, Victoria Hale, Connie Pettyjohn, Kristen Coffey, Connie Davis, D’Juan Surratt, Carrie Bass, Leigh Ann Davis, Ashley Gabbard, Andrea Freadreacea, Steve Willer, Glenna Frasher, and Sherry Rankin. Others present were Danny White and Janie Shaw of GRS, and Tracey Garrison of Humana.

Ms. Hampton called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Hampton welcomed Mr. William Summers as the newest member of the Kentucky Retirement Systems Board of Trustees (KRS) Board. Ms. Rankin asked Mr. Summers to raise his right hand as she read him the oath of office. Mr. Summers was sworn in as a board member of KRS.

Ms. Rankin called the roll.

There being no public comment, Ms. Hampton introduced agenda item *Approval of Minutes – April 12, 2022*. A motion was made by Mr. Adkins and seconded by Mr. Grossman to approve the minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item *CEO Contract Renewal*. Ms. Hampton recommended to the Board that the contract for CEO John Chilton be renewed and that the annual salary for the position be increased to \$75,000. A motion was made by Mr. Peercy and seconded by Mr. Grossman to renew the contract at an annual rate of \$75,000. Mr. Adkins and Mr. Summers abstained from the vote; however, the motion passed.

Ms. Hampton introduced agenda item *PPW Board of Directors Election*. Mr. Peercy stated that Perimeter Park West, Inc. (PPW) is the organization that owns the real estate in which KPPA is



located. This election takes place annually and the election process has been streamlined. Ms. Rebecca Adkins explained that the PPW Board has provided a ballot and discussed nominations with the KRS and CERS Boards. All PPW Directors were willing to serve again; therefore, the PPW Board reviewed the slate of Directors and have now provided the nomination form. Shareholders have also received this form. Mr. Steve Willer presented the Proxy Ballot to Vote for the Board of Directors to the Board. The KRS Board must decide to attend and vote their shares in person at the meeting on June 21, 2022 or have Mr. Willer vote their shares on their behalf. Mr. Willer stated that he would be in favor of the proposed slate of Directors. Hampton asked Mr. Willer how often an analysis is conducted to determine the financial benefit of this investment with PPW. Mr. David Adkins made a motion for the KRS Board to not attend the annual meeting with shareholders and authorize the Interim CIO, Mr. Willer to vote on their behalf. Mr. Grossman seconded the motion. The motion passed unanimously.

Ms. Hampton introduced agenda item *SPRS Valuation Update*. Mr. Danny White of GRS briefly presented the SPRS Valuation Update to the Board. Mr. Grossman made a motion to approve the Amended Actuarial Valuation Report for SPRS as presented. Mr. Cheshire seconded the motion. The motion passed unanimously.

Ms. Hampton introduced agenda item *Review and Approve Actuarial Assumptions*. Mr. Danny White of GRS presented the SPRS Actuarial Assumptions. He stated that their recommendation is the use of the same economic and demographic assumptions that were used in the prior valuation. Ms. Hampton asked Mr. White if it is common to review these assumptions each year. Mr. White stated that current legislation is in favor of a formal annual review of assumptions even if no changes are made, therefore, this review is becoming more common. Mr. Chilton said that the statute states that economic assumptions are to be evaluated every two years and other assumptions every five years. He suggested that all be evaluated every two or four years. Ms. Hampton suggested that Staff complete an analysis and report their findings to the Board. Mr. Grossman made a motion to approve the SPRS Actuarial Assumptions as presented. Mr. Cheshire seconded the motion. The motion passed unanimously.

Ms. Hampton introduced agenda item *FY23 Administrative Expense Allocation Plan Percentages*. Ms. Adkins presented the item and stated that statutorily, KPPA was required to make a decision on how to allocate administrative expenses. The current administrative budget is \$48 million dollars with just under \$40 million dollars spent. Those funds come from pension only accounts and



traditionally has been separated on membership as June 30<sup>th</sup> of the previous fiscal year. In March 2022, the KPPA Board made the decision that the plans administered by the KRS Board would pay 37.32%. CERS will pay 62.68% of the administrative budget. These boards were then responsible for allocating these funds amongst the plans. In April, the CERS Board met and decided to split their 62.68% between CERS Nonhazardous and CERS Hazardous based on membership as of June 30<sup>th</sup> of the previous fiscal year. The KRS Board now needs to decide how to allocate their 37.32% between the KERS Hazardous, KERS Nonhazardous, and SPRS. A work group was formed to create this hybrid percentage. Mr. Prewitt Lane (CERS), Mr. William O'Mara (KRS), Mr. David Eager, Ms. Rebecca Adkins, Ms. Connie Davis, along with Mr. John Chilton, KRS CEO and Mr. Ed Owens, III, CERS CEO, were members of the work group. The group discussed methodologies such as membership, assets under management, even division between CERS and KRS, and a hybrid. Ms. Adkins recommended that the allocation be based on membership. Mr. Peercy made a motion to approve administrative expense allocation by membership and carry out the percentages out to the third decimal place. Ms. Thompson seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Quarterly Performance Reports*. Mr. Steve Willer, Interim CIO introduced himself to the Board. He reviewed the finalized April performance and attribution report as well as preliminary May data which will be finalized within the next two weeks. Mr. Willer stated that KERS outperformed by about 105 basis points for the month of April with a return of -2.8%. The KERS Hazardous plan outperformed by about 79 basis point for a return of -3.7%. The SPRS plan outperformed by about 87 basis points with a return of -3%. This total outperformance is equates to approximately \$40 million dollars across all plans. Mr. Willer stated that based on performance he believes that the portfolios are moving in the right direction with a cautious yet opportunistic approach. The greatest change in allocations was in the SPRS plan due to a general fund appropriation of \$215 million dollars. These funds were deposited on May 13, 2022 and the balance remained in cash resulting in an overweight to cash and an underweight in all other asset classes. An implementation allocation plan is being prepared to show how the data moves and where the plans are relative to the IPS targets for the allocation. Mr. Willer plans to provide a roadmap and timeline to the Board at the next meeting which will illustrate how to get to target specific mandates or asset classes, what that entails, and anticipation for moving incrementally towards targets. He also plans to align allocations with the same IPS targets.

Ms. Hampton introduced agenda item *Joint Audit Committee Report*. Ms. Hampton stated that the Joint Audit Committee met on May 24, 2022 and Bill O'Mara of CERS was elected as Chair and



Ms. Lynn Hampton as Vice Chair of the Joint Audit Committee. Phases 1 and 2 of the liquidity audit were discussed. Phase 1 will be presented at the August Joint Audit Committee meeting. Ms. Hampton stated that the following actions by the Committee are to be ratified by the KRS Board of Trustees: (1) Results of the GASB 68 and GASB 75 Proportionate Share audits for fiscal year ended June 30, 2022; (2) Updates to the Charter for the Joint Audit Committee; and (3) Updates to the Charter for the Division of Internal Audit Administration. Ms. Kristen Coffey added that the three audits released were discussed at the May 24, 2022 meeting. One will come before the Joint Audit Committee again in August and the others had no reportable findings but improvements found have been implemented. My motion to ratify the actions of the Joint Audit Committee as presented was made by Mr. Adkins and seconded by Mr. Grossman. The motion passed unanimously.

Ms. Hampton introduced agenda item *Joint Retiree Health Plan Committee Report*. Ms. Connie Pettyjohn presented the material. She stated that the Joint Retiree Health Plan Committee met on May 19, 2022 and elected Dr. Crystal Miller of KRS as Vice-Chair of the Joint Retiree Health Plan Committee. Ms. Jane Gilbert from the Kentucky Teacher's Retirement Systems gave an informational presentation on their Pharmacogenomics program. They executed a pilot program in the fall of 2017. The pilot program was in partnership with Rx Coalition, Corriell Life Sciences, and AON. The program reviewed DNA from individual retirees to determine the effect of genetics on medication therapy regarding safety and effectiveness. 10,000 retirees enrolled in the program and resulted in a cumulative cost savings of \$37 million dollars over the course of 32 months. During the meeting, Tracey Garrison of Humana provided an informational presentation on the Plan Performance for 2021. She also stated that Humana would continue to undergo a rebranding as 'CenterWell'. Lastly, Ms. Pettyjohn noted that the timeline for the Medicare Advantage Request for Proposal (RFP) was presented to the Committee and is currently on schedule.

Ms. Hampton introduced agenda item *Hazardous Duty Requests*. Mr. D'Juan Surratt presented the item to the Board. Morehead State University requests hazardous duty coverage for five positions. Mr. Surratt stated that all five positions are police officer positions which are required to have peace officer standards and professional certification and carry a firearm. All required documentation has been submitted by Morehead State University and have been reviewed by KPPA Staff. Staff determined that these positions do meet the statutory guidelines for hazardous duty coverage. Mr. Chilton asked Mr. Surratt if these positions have been classified as nonhazardous in the past. Mr. Surratt confirmed that these were indeed nonhazardous positions in the past. Mr. Peercy asked if these positions were previously moved to a private company outside of the University and now the





university is looking to bring them back in under KPPA. Mr. Surratt stated that Morehead State University wanted to move the effective date with some retroactive to 2016. Due to administrative regulation, the effective dates of these KERS positions shall be the 1<sup>st</sup> of the month following Board approval. However, these members may purchase hazardous conversion service. Mr. Percy made a motion to approve the Hazardous Duty Requests as presented. The motion was seconded by Mr. Lane. The motion passed unanimously.

Ms. Hampton introduced agenda item *Quarterly Financial Statements*. This item was presented out of order of the agenda. Ms. Rebecca Adkins presented the item stating that this update is regarding the Fiduciary Net Position of the Pension Funds. The presented document compares third quarter ending fiscal year 2022 and third quarter ending fiscal year 2021. Overall assets have increased 14.67%. Ms. Adkins also reviewed with the Board the Total Fiduciary Net Position changes from the first three quarters of the current fiscal year to that of the previous fiscal year (June 30<sup>th</sup> to March 31<sup>st</sup>). She stated that KERS Hazardous has increased 5.69%, Hazardous 1.08%, and SPRS 1.16%. The large increase in KERS Hazardous is due to Employer Cessation Contributions; two employers ceased participation in KERS Non-hazardous and they pay their liability upfront. Pension insurance has increased across all plans at total of 9.55%. KERS Non-hazardous has an increase of 3.6%, KERS Hazardous .22% and SPRS .92%. Ms. Adkins stated that member contributions remained at a plateau across the three plans. Employer contributions have increased in KERS Non-hazardous. Salaries have decreased; however, employer contributions have remained steady due to House Bill 8. KERS Hazardous salaries have increased by 4.04% and SPRS by 1.34%. Unrealized gains are significantly low in comparison to past fiscal years. Next, Ms. Adkins reviewed the KPPA Administrative Budget for fiscal year 2021-2022. To date, 38.6% of the budget remains overall; however, a few line items have exceeded their budgeted amounts including salaries, Ice Miller, auditing, medical reviewers, natural gas, office supplies, and out of state travel. These percentages are based on membership. The decision KPPA made was the hybrid percentages would be used beginning July 1, 2022. These adjustments will be seen on the year-end reports. Ms. Hampton asked if the hybrid percentage would be retroactive or applied to the future. Ms. Adkins stated that the hybrid percentage will be retroactive to July 1, 2021. Ms. Adkins reviewed outstanding invoices by type and employer. Mr. Percy asked if SPRS had just received an appropriation to pay down some of these outstanding amounts. Ms. Adkins stated that she believes they did receive an appropriation, however, it was likely not enough to cover the entire unpaid balance. Mr. D’Juan Surratt confirmed that an appropriation of about \$7 million dollars was indeed received but the funds would not be



available until the next fiscal year. Lastly, Ms. Adkins reviewed the Penalty Invoices Report with the Board. A total of 24 penalties were waived and 2 were paid.

Ms. Hampton introduced agenda item *KRS Update*. Mr. John Chilton gave an overview of what he has been working on over the last 90 days (March, April, and May). He stated that he and others from KPPA have spent a lot of time on the legislation and getting the Housekeeping Bill passed. Also, working with CERS on the Joint Audit Committee on various issues including the allocation of expenses. Lastly, year-end issues and a report that will be presented to the legislature in the fall about the expenses associated with the separation of the two systems and how those expenses should be allocated.

Ms. Hampton introduced agenda item *KPPA Update*. The CERS Investment Committee is working to establish a strategic plan. KRS and KPPA are also going to establish strategic plans. The search for a Chief Financial Officer is to begin soon. Mr. Eager stated that the job description and responsibilities are completed; therefore, he is ready to begin soliciting responses. Trustee Orientation has been rescheduled with the addition of Mr. Summers. The Actuarial RFP search is near completion and more news will come with contract award. On-site consulting reopened on May 4, 2022.

Ms. Erin Surratt asked to make a clarifying statement regarding the question asked to Mr. Surratt by Mr. Peercy regarding the *Hazardous Duty Requests*. She stated that hazardous duty conversion is an option but only for tier 1 and tier 2 members; therefore, tier 3 members cannot convert to hazardous for previous service. This would be for any member who began participating January 1, 2014 or later.

Ms. Hampton introduced agenda item *New Business*. Ms. Hampton stated that all Committees have been updated on the KPPA website. An Ad Hoc Committee is going to be established to handle legal affairs. Ms. Hampton has asked Mr. Peercy to be the Chair of this Ad Hoc Committee and Ms. Hampton is to be Vice-Chair.

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

Ms. Victoria Hale 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 the dismissal of an employee pursuant to KRS 61.810(f) and 61.810(1)(k), it is necessary to enter closed session because of the sensitive nature of the material to be considered regarding this employee and the requirement of KRS 61.661(1) that each member's account be administered in a confidential manner and 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. Mr. John Cheshire made a motion to approve KPPA Legal to pursue a declaratory judgment action as discussed during Closed Session if high-level discussions are unsuccessful. Dr. Miller seconded the motion. The motion passed unanimously.

Ms. Hampton opened the floor for a motion to adjourn. Mr. Cheshire made a motion and seconded by Mr. Grossman 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 June 6, 2022 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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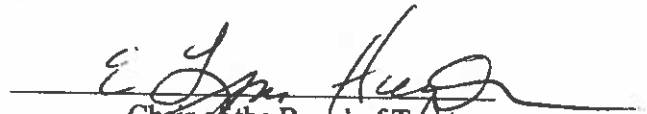


## CERTIFICATION

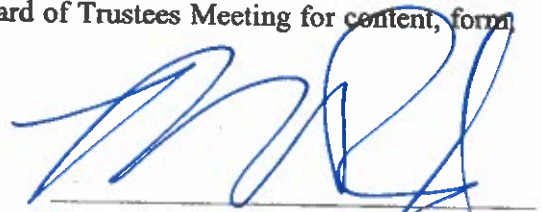
I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

  
Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on June 6, 2022 were approved on September 14, 2022.

  
Chair of the Board of Trustees  
10- -22

I have reviewed the Minutes of the June 6, 2022 Board of Trustees Meeting for content, form and legality.

  
Executive Director  
Office of Legal Services

