

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES MEETING
MARCH 1, 2023, AT 10:00 AM ET
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the Kentucky Retirement Systems Board of Trustees held on March 1, 2023 the following members were present: Lynn Hampton (Chair), Keith Peercy, David Adkins, John Cheshire, Prewitt Lane, Pamela Thompson, Ramsey Bova, and William Summers, V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Steve Willer, Kristen Coffey, Michael Lamb, Connie Davis, Connie Pettyjohn, D’Juan Surratt, Leigh Ann Davis, Ann Case, Jared Crawford, Elizabeth Smith, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Janie Shaw with GRS, Chris Tessman with Wilshire Advisors, LLC., Allen Norvell and Ryan Graham with Blue and Co., and Tracey Garrison, Larry Loew, Carrie Lovell, and Carla Whaley with Humana.

Ms. Hampton called the meeting to order.

Ms. Hale read the Legal Public Statement.

Ms. Rankin called roll.

There being no *Public Comment* submitted, Ms. Hampton introduced agenda item *Adjournment of January 26, 2023, Meeting (Video 00:06:18 to 00:07:20)*. A motion was made by Mr. Lane and seconded by Ms. Thompson to adjourn the meeting of the KRS Board of Trustees held on January 26, 2023.

Approval of Minutes – December 1, 2022; December 22, 2022; January 19, 2023; and January 26, 2023 (Video 00:07:21 to 00:07:57). A motion was made by Mr. Adkins and seconded by Mr. Lane to approve the minutes of December 1, 2022; December 22, 2022; January 19, 2023; and January 26, 2023, as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item *Update on SPRS Trustee Election (Video 00:07:58 to 00:09:40)*. On January 20, 2023, the election opened for the State Police Retirement System (SPRS) representative that serves on the KRS Board of Trustees. Ballots were sent to 2,935 eligible voters, said Ms. Coffey. The election closed on March 1, 2023. The results of the election will be provided to the KRS Board of Trustees Chair, KRS CEO, and KPPA Executive Director by March 15, 2023.

Ms. Hampton introduced agenda item *Joint Audit Committee Reports and Recommendations (Video 00:09:40 to 00:34:05)*. Ms. Hampton stated that the Joint Audit Committee met on February 28, 2023. Ms. Kristen Coffey stated that the KPPA Division of Internal Audit Administration has worked to review all open internal audit findings. She provided an update on the open audit findings and presented a list of open findings as of February 17, 2023. Next, Ms. Coffey presented the audit report, Review of Chase Accounts. She advised that there were 12 findings and summarized each for the KRS Board of Trustees. Mr. Summers made a motion to approve the results of the GASB 68 and GASB 75 Proportionate Share Audit for Fiscal Year Ended June 30, 2022, and forward to the KPPA Board for ratification and approval to publish the reports. Mr. Cheshire seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Joint Retiree Health Plan Committee Reports and Recommendations (Video 00:34:06 to 00:44:13)*. Ms. Connie Pettyjohn presented the item. She stated that the Joint Retiree Health Plan Committee met on February 16, 2023. At the meeting, Humana gave an informational presentation regarding the Benefit Enhancement Review, Vanderbilt Contract Update, and Underwriting Update. Additionally, GRS provided an actuarial analysis of the cost for potential benefit enhancements. The increase in Unfunded Liability is approximately \$4.5 million for SPRS, \$9.5 million for KERS Haz, and \$91.1 million for KERS Nonhazardous for every \$5 increase in premium, said Ms. Pettyjohn. Ms. Janie Shaw with GRS confirmed the reported impact. Ms. Tracey Garrison with Humana provided a brief update on the Vanderbilt Contract.

Ms. Hampton introduced agenda item *Quarterly Financial Reports (Video 00:44:14 to 00:58:30)*. Mr. Michael Lamb reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of December 31, 2022. Next, Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the six-month period ending December 31, 2022, Combining Statement of Fiduciary Net Position of Insurance Funds as of December 31,

2022, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the six-month period ending December 31, 2022, with the Joint Audit Committee. Mr. Lamb went on to present the KERS and SPRS Pension and Insurance Funds Contribution Reports for six-month period ending December 31, 2022. Lastly, he briefly presented the KPPA Administrative Budget FY 2022-2023 for the six-month period ending December 31, 2022, Outstanding Invoices by Type and Employer, and Penalty Invoices Report.

Ms. Hampton introduced agenda item *Investment Committee Reports and Recommendations (Video 00:58:31 to 01:11:30)*. Mr. Willer presented an Investment Review and Update. Next, Mr. Steve Willer provided background information on Adams Street Partners and presented the proposed investment into Adams Street Partners Private Credit Fund III. He stated that the investment recommendation is a "re-up" including the opportunity for a fee-free co-investment sidecar vehicle should it be approved and would be part of the Specialty Credit allocation. The KPPA Office of Investments recommended a "re-up" investment of up to \$75 million into the Adams Street Partners Senior Private Credit Fund III, and up to an additional \$75 million investment into a co-investment side car vehicle to be allocated proportionally among all KERS and SPRS Plans. Further, KPPA will occupy an "anchor investor" position with preferred pricing and the co-investment vehicle will have a 0% management fee, and 0% carried interest. This "re-up" investment will maintain the Plans' current exposure to the Adams Street Private Credit Platform and will reside in the Specialty Credit allocation, said Mr. Willer. Mr. Cheshire made motion to ratify the Investment Committee's approval of the investment into Adams Street Partners Private Credit Fund III as presented. Mr. Lane seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Quasi-Governmental Employer Audits (KRS 61.5991) Update (Video 01:11:31 to 01:17:06)*. On September 14, 2022, the KRS Board of Trustees directed KPPA's Employer Reporting, Compliance and Education (ERCE) Division to audit one smaller agency and one larger agency to determine the level of effort and the percentage of agencies to audit going forward. Therefore, ERCE conducted audits on Judi's Place for Kids and LifeSkills, Inc. Mr. D'Juan Surratt reviewed the audit findings and stated that both agencies were found to be in reporting compliance. Mr. Surratt advised the KRS Board of Trustees that ERCE had one employee work full-time on the audits while another employee worked part-time. It took approximately two weeks to complete the audit of the smaller agency and six weeks to complete

the audit of the larger agency. Mr. Surratt advised that auditing agencies in which there is evidence of noncompliance would require additional time to complete the audit process. ERCE Staff recommended auditing a more conservative 5% annually for KRS 61.5991 (2)(a)(2) compliance, with the option to complete more if resources allow. The Board may update this number in the future, if needed. Mr. Summers made a motion to charge ERCE Staff with auditing a minimum of five (5) agencies or 5% of the 102 agencies, annually for KRS 61.5991(2)(a)(2) compliance. The motion was seconded by Mr. Cheshire. The motion passed unanimously.

Ms. Hampton introduced agenda item *Legislative Updates* – None.

Ms. Hampton introduced agenda item *KPPA Updates (Video 01:17:06 to 01:24:43)*. Ms. Rebecca Adkins provided a KPPA Update. She reported that staffing has remained steady at 250 employees and that 7 interns would join KPPA for Summer 2023. The Government Officials Newsletter was distributed on February 27, 2023. Additionally, the Summary Annual Financial Report (SAFR) was provided to legislators on February 3, 2023. Ms. Adkins stated that it is required that the Public Pension Oversight Board (PPOB) conduct the Actuarial Audit of the Kentucky State-Administered Retirement Systems every five years. It was determined that the actuarial procedures and practices implemented by KPPA are of a high quality and in compliance with all major aspects of the applicable actuarial standards. Ms. Adkins highlighted key areas within the audit report.

Ms. Hampton introduced agenda item *KRS Updates (Video 01:24:44 to 01:26:37)*. Ms. Hampton announced that John Cheshire would no longer serve on the KPPA Board of Trustees and that William Summers, V. would join the KPPA Board of Trustees. Ms. Hampton thanked Mr. Cheshire for his service on the KPPA Board and welcomed Mr. Summers. Next, Ms. Hampton stated that she and KRS CEO John Chilton are working to streamline all KRS activities. Additionally, Ms. Hampton reported that meeting minutes have been adjusted to be more succinct and now include video times for each item of discussion. Therefore, Members may view the discussion of a specific topic more efficiently.

Ms. Hampton introduced agenda item *CEO Report (Video 01:26:38 to 01:36:52)*. Mr. Chilton provided a legislative update. Additionally, a response letter to Treasurer Ball was presented to the KRS Board of Trustees for approval. Ms. Hampton stated that the letter was drafted in collaboration with the KPPA Office of Legal Services. Ms. Hampton requested that KRS CEO John Chilton be

the signatory. Mr. Adkins requested several modifications. Ms. Hampton agreed and directed Ms. Hale to incorporate the discussed modifications. Mr. Adkins made a motion to approve and authorize KRS CEO John Chilton to send the letter to Treasurer Ball as modified. Mr. Lane seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *New Business* – None.

Ms. Hampton introduced agenda item *Closed Session* and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Mr. Cheshire and seconded by Ms. Thompson. The motion passed unanimously.

Ms. Hampton called the meeting back to open session and stated that there was no reportable action.

Ms. Hampton requested a motion to adjourn. Mr. Adkins made a motion and was seconded by Mr. Peercy 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 March 1, 2023, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

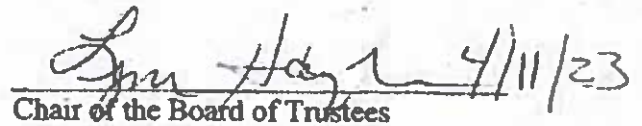
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CERTIFICATION

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 March 1, 2023, were approved on April 11, 2023.


Chair of the Board of Trustees

I have reviewed the Minutes of the March 1, 2023, Board of Trustees Meeting for content, form, and legality.


Executive Director,
Office of Legal Services