

**MINUTES OF MEETING  
BOARD OF TRUSTEES KENTUCKY RETIREMENT SYSTEMS  
MARCH 2, 2022 AT 10:00 AM ET  
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the Kentucky Retirement Systems Board of Trustees held on March 2, 2022, the following members were present: Keith Peercy (Chair), Bruce Brown, John Cheshire, Raymond Connell, Joseph Grossman, Lynn Hampton, Prewitt Lane, Pamela Thompson, and Larry Totten. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Victoria Hale, Connie Pettyjohn, Kristen Coffey, Ann Case, Connie Davis, Shauna Miller, Steve Willer, Jared Crawford, Madeline Perry, D’Juan Surratt, Ashley Gabbard, Shaun Case, Glenna Frasher, and Sherry Rankin. Others in attendance included Ryan Stippich with Reinhart Boerner Van Deuren; and Tracey Garrison with Humana.

Mr. Peercy called the meeting to order.

Mr. Michael Board read the Legal Public Statement.

Ms. Sherry Rankin called roll.

Ms. Sherry Rankin acknowledged the receipt of one public comment, and read the following:

“As a member of the Kentucky Public Pension Authority (KPPA), I write on the issue of investments made by the KPPA into a Russian bank. On the latest listing of investments made public by the KPPA and dated December 31, 2021, the KPPA showed an investment of more than \$2.2 million in “Sberbank of Russia PJSC ADR” (page 77, row 10). Sberbank is a state-owned bank of the Russian government and often considered the largest bank in Russia. As a result of the wide-scale military invasion by Russia into Ukraine commencing February, 24, 2022, it is clearly morally wrong to continue holding this investment in Sberbank or any other investments tied to the Russian government. I urge the KPPA Board to take action to divest this investment quickly. I do not want my pension contributions to be used to fund this unprovoked and violent attack on the free and democratic people of Ukraine. I am confident that Kentucky government workers and Kentucky taxpayers feel the same way. I appreciate your attention to this matter and thank you for your service on the KPPA Board. Scott Sedmak”

Mr. Eager stated that Steven Herbert and the Investment team are determining our total exposure to the Russian market and will bring that information to the respective Investment Committees for further discussion and direction.

Mr. Peercy introduced agenda item *Approval of Minutes – December 2, 2021, January 11, 2022, January 14, 2022 and January 21, 2022*. Mr. Cheshire made a motion and was seconded by Mr. Grossman to approve all of the minutes as presented. The motion passed unanimously.

Mr. Peercy introduced agenda item *Approval of KRS Board Election Policy*. Ms. Coffey stated that the current KRS Board Election Policy was approved in April, 2021 and since then, a few updates were needed before the next election starts. She indicated that the biggest change is regarding the application portion of the policy, wherein an applicant can now submit an application through the KPPA website using DocuSign, in addition to the traditional submission through an email or in person at KPPA. She stated another addition to the policy is that the applicants also have to submit a picture with their application. Ms. Coffey indicated that the current House Bill 297 would allow KPPA to exclude a member's address that has been marked as invalid in the KPPA system. She provided the updated wording that will be included should that provision of House Bill 297 pass. Mr. Totten made a motion and was seconded by Mr. Cheshire to approve the KRS Board Election Policy as presented. The motion passed unanimously.

Mr. Peercy introduced agenda item *Update on KRS Trustee Election*. Ms. Coffey announced that the total of overall votes in the most current KERS Trustee Election was 4,943, with voting now closed but additional time is being given for any remaining paper ballots with proper postmark dates to be received. She stated that the overall turnout for this election was 3.58%.

Ms. Coffey explained that the term of office for Mr. Peercy, Trustee for the State Police Retirement System expires on March 31, 2023. She announced that a request for nomination will be sent to all State Police Retirement System members in May 2022, with application submissions due by July 31, 2022. Mr. Grossman questioned if further research could be conducted to determine why the voter turnout was so low. Mr. Eager stated that staff is looking into ways of increasing future participation. The information provided in this section was for informational purposes only.

Mr. Peercy introduced agenda item *Amendments to KRS Investment Policy Statement*. Mr. Lane introduced Mr. Herbert who reviewed the amendments made to the KRS Investment Policy Statement. Mr. Herbert stated some additional language was incorporated which included a

paragraph regarding ESG (Environment, Social and Governance) and the process to implement portfolio accounting system that included plan accounting and unitization methods. Mr. Herbert continued to review the remainder of the changes made to the policy. Mr. Connell made a motion and Mr. Cheshire seconded to approve the KRS Investment Policy Statement with the exception of the ESG paragraph which will be removed and be revisited at a future meeting. Mr. Lane and Ms. Hampton abstained, Mr. Totten voted no, however, the motion passed with majority vote.

Mr. Herbert then reviewed the changes made to the Investment Administrative Policies, namely the Securities Litigation Policy, Brokerage Policy, Investment Transaction Procedures Policy, Manager and Placement Agent Statement of Disclosure, Investment Proxy Voting Policy, Real Estate Policy, Investment Securities Lending Guidelines, and Securities Trading Policy. Mr. Grossman made a motion and was seconded by Mr. Cheshire to ratify the KRS Investment Committee's approval of the listed policies. The motion passed unanimously.

Mr. Percy introduced agenda item *Joint Audit Committee Reports and Recommendations*. Ms. Hampton reported that the Joint Audit Committee met on February 22, 2022, and several items were deferred to a later meeting, including the Proportionate Share Audits, Results of the Plan Liquidity Audit, Additions to the Current Audit Plan, Internal Audit Budget and the status of current internal audits. Ms. Coffey reviewed the material presented for informational purposes including the KPPA Archives Policy, Financial statements for the quarter ended December 31, 2021, Follow-up on the 2021 Annual Comprehensive Financial Report, Fiscal Year End June 30, 2021 End of Year Audit Requirements, APA Approval Request for the Fiscal Year 2022 External Audit, Information disclosures, and anonymous tips. Mr. Connell made a motion and was seconded by Mr. Lane to adopt the internal audit report as presented. The motion passed unanimously.

Mr. Percy introduced agenda item *Joint Retiree Health Plan Committee Reports and Recommendations*. Mr. Totten reported that the Joint Retiree Health Plan Committee met on February 10, 2022 and reviewed an informational presentation from Humana regarding Account Management for 2021. Ms. Pettyjohn indicated that due to a calculation error, there was a premium reduction of \$1.26 on the Prescription Drug Plans for 2022 which is lower than what the Boards approved in September 2021. This presentation was for informational purposes only.

Mr. Percy introduced agenda item *Quarterly Reports*. Ms. Adkins reviewed the Quarterly Financial Reports ending December 31, 2021, including the Combining Statement of Fiduciary Net

Position for both Pension and Insurance Funds, Combining Statement of Changes in Fiduciary Net Position for both Pension and Insurance Funds, KPPA Administrative Budget 2021-2022 - Second Quarter Budget-to-Actual Analysis, Contribution Reports for both Pension and Insurance Funds, KPPA Outstanding Invoices, and Penalty Waivers Report. This presentation was for informational purposes only.

Mr. Percy introduced agenda item *House Bill 8 Update*. Ms. Adkins stated that at the December 2, 2021 meeting, the Board approved the staff recommendations for House Bill 8 appeals. Ms. Adkins indicated that the recommendation that the Board approved was the method of process due to finding errors in the working spreadsheet. Ms. Adkins stated that the errors were corrected and provided the results of the appeals based on the Board-approved process. Mr. Totten questioned whether the newly filed Senate Bill 270 would have an impact on this process. Ms. Adkins indicated that staff would be looking closely into this and will report back at a later date. This presentation was for informational purposes only.

Mr. Percy introduced agenda item *Department Spotlight – Member Services*. Ms. Shauna Miller, Division Director of the Office of Benefits – Division of Member Services provided a high-level overview of the Division of Member Services. She reviewed the roles and responsibilities of the department, current statistics of the services provided to members, current retirement trends, the enhancements to the member self-service features, and future projects and goals of the department. This presentation was for information purposes only.

Mr. Percy introduced agenda item *Legislative Updates*. Mr. Eager provided an update regarding the 2022 Kentucky General Assembly Regular Session Legislative session. He discussed the various bills that would have an effect on the systems that are currently in various stages in the legislative process.

Mr. Percy introduced agenda item *KPPA Updates*. Mr. Eager began by expressing his gratitude to the Trustees for the giving of their time and talents by serving on the various Boards and committees that oversee the systems. He discussed the current status of the office in moving forward to the new normal, with plans for staff to have set schedules for working in office, remotely, or a hybrid schedule. He indicated that the members of the Executive Staff testified before the Public Pension Oversight Board pertaining to House Bill 8. He stated that the cost allocation work group is continuing their discussions and will bring their results to a future KPPA meeting. He

stated that the cessation of Kentucky Housing Corporation and Northern Kentucky University are due to be completed by fiscal year end. He mentioned the importance of IT Security and stressed the need to be mindful of the use of the internet.

Mr. Peercy introduced agenda item *KRS Updates*. Mr. Peercy indicated that he did not have any updates at this time.

Mr. Peercy introduced agenda item *CEO Report*. Mr. Chilton reported that he is in the process of contacting all of the Senators about the separation costs provision included in a recently proposed Amendment to House Bill 297 to provide the explanation of the stance that KRS has taken regarding this subject. He also stated that he will continue to work with the cost allocation work group to finalize the agreement between the systems regarding the separation of expenses.

Mr. Peercy introduced agenda item *New Business*. Mr. Peercy stated that his had no new business to discuss at this time.

Mr. Peercy introduced agenda item *Closed Session*. A motion was made by Mr. Grossman and seconded by Mr. Totten 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. The following voiced their recusal and left prior to the beginning of the closed session: Mr. Peercy, Mr. Lane, Mr. Cheshire, and Mr. Eager.

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

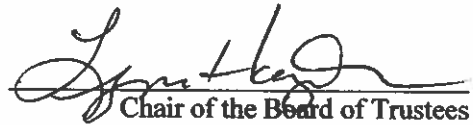
Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held March 2, 2022 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

## 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 2, 2022 were approved on April 12, 2022.

  
Chair of the Board of Trustees

I have reviewed the Minutes of the March 2, 2022 Board of Trustees Meeting for content, form, and legality.

  
Executive Director  
Office of Legal Services