

**MINUTES OF MEETING
BOARD OF TRUSTEES KENTUCKY RETIREMENT SYSTEMS
SPECIAL CALLED MEETING SEPTEMBER 9, 2021 AT 10:00 AM
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the Kentucky Retirement Systems Board of Trustees held on September 9, 2021 the following members were present: Keith Peercy (Chair), Bruce Brown, John Cheshire, Raymond Connell, Kelly Downard, Joseph Grossman, Lynn Hampton, Prewitt Lane and Larry Totten. Staff members present were David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, John Chilton KRS CEO, Carrie Bass, Victoria Hale, Ann Case, Connie Pettyjohn, Connie Davis, D’Juan Surratt, Jared Crawford, Shaun Case, Phillip Cook, Glenna Frasher and Sherry Rankin. Others in attendance included David Adkins, Dr. Crystal Miller, Jack Wright, Steve Shannon, Paul Harnice with Stoll Keenon Ogden, and Tracy Garrison, Larry Loew and Carla Whaley with Humana.

Mr. Peercy called the meeting to order.

Mr. Michael Board read the Legal Public Statement.

Ms. Sherry Rankin called roll. There being one *Public Comment*. Ms. Rankin read as follows, “My name is Edie Alexander. I am a sister to one of your Kentucky Police Retirement recipients. I am writing this because I would like this to be brought up on the agenda for one of your meetings. I have a situation that is a little different. I know that beneficiaries have been changed for people who want to have their beneficiary as their wife and then have divorced and remarried. I have a situation in which the couple was never married. They were together for 10+ years on and off. When he retired they moved in together. Was together a year and a few months and then they separated and are no longer together. With that being said, he did make her the beneficiary of retirement. He was a police officer and has a non-hazardous and a hazardous. He only made her the non-hazardous beneficiary. He now would like to change this. There was no divorce because they were never married they only lived together. He wants to change this. He is in stage four kidney disease failure. I believe she was aware of this and has done this on purpose and this man has been taken advantage of. Is there any way at all he can change things? Thank you for your time on this matter.”

Mr. Peercy indicated that this seemed like a benefit issue and asked if Ms. Surratt could follow up

on this request and she indicated that she would get with Ms. Rankin for the information and would follow-up. Mr. Eager stated that this prompts a legal question. He agrees that it is an administrative benefit issue, but wondered if it should have been brought in this manner. Mr. Eager asked a question of the Legal Department if the public comments can be filtered in any way. Ms. Bass answered that it is her belief that if a member or the public has stated that they wish a topic or statement to be read, then it needs to be read prior to the meeting. Mr. Board agreed with Ms. Bass' statement regarding the public comment.

Mr. Peercy introduced agenda item *Approval of Minutes – May 20, 2021*. Mr. Cheshire made a motion and Mr. Grossman seconded to approve the minutes as presented. The motion passed unanimously.

Mr. Peercy introduced agenda item *KERS Trustee Nominations and Election*. Ms. Coffey began by stating that the Board will be voting on the 6 candidates that will be placed on the official ballot for the upcoming KERS Trustee election. All of the candidates were invited to speak and each will have three minutes to introduce themselves and talk about why they are interested in serving on this Board. The eight candidates that are seeking the six positions on the official ballot are as follows: David Adkins, Campbell Connell, Dr. Crystal Miller, Teudis Perez, Robert Ramsey, Steve Shannon, Larry Totten and Jack Wright. Of these, the candidates who addressed the Board were David Adkins, Campbell Connell, Dr. Crystal Miller, Larry Totten and Jack Wright. A roll call vote was then taken where each Trustee was allowed to vote for up to three candidates, but must vote for at least one candidate per open position. After verifying the votes, the six candidates to be placed on the official ballot are David Adkins, Campbell Connell, Dr. Crystal Miller, Teudis Perez, Larry Totten, and Jack Wright. Mr. Cheshire made a motion and Mr. Downard seconded to approve the ballot as selected by the vote of the Trustees for the upcoming Trustee election. The motion passed unanimously.

Mr. Peercy introduced agenda item *Ratification of Investments Recommendations*. Mr. Herbert indicated that the KPPA Office of Investments had conducted a search, with the assistance of Wilshire Associates, for an external manager for the Non-US Small Cap Equity Mandate that we currently manage and would like Board to ratify the recommendation of the Investment Committee to hire Axiom Investors to fill that role. Mr. Prewitt Lane commented that it was an exhaustive and detailed search to narrow down the field of competitors to a five and the investment committee was pleased with the selection of Axiom. Mr. Lane recommended the

Board to ratify this vote of the Investment Committee. Ms. Hampton made a motion and Mr. Cheshire seconded to ratify the recommendation of the Investment Committee pertaining to the hiring of Axiom Investors to manage the Non-US Small Cap Equity mandate. Mr. Peercy opened the floor for discussion and asked Mr. Lane whether this was the vendor where the CEO announced his leaving shortly after the Investment Committee met. Mr. Lane indicated that it was and asked Mr. Herbert to provide more details. Mr. Herbert clarified that it was the President and not the CEO who announced his departure due to family obligations. Mr. Herbert explained that the responsibilities in this role were only operational and he had no investment duties. However, the motion brought before the Investment Committee was “pending a successful investment management agreement negotiations”, we lumped that into reviewing that departure in those management agreement negotiations, and those are ongoing. Mr. Herbert indicated that there is a slim possibility that this will not be successfully completed, but he does not anticipate that, only that it may cause a delay in the transfer of the assets to the manager. Mr. Herbert insured that a thorough investigation is ongoing to ensure that this does not affect other parts of business and the strategy itself, and for the record, this person was not managing this strategy. Mr. Grossman asked if the CERS Board acted on this recommendation. Mr. Herbert responded that the CERS Investment Committee did accept the recommendation and held a vote; it will be presented to their Board. Being no further discussion, a vote was taken and it passed unanimously.

Mr. Peercy introduced agenda item *Ratification of Retiree Health Plan Committee Reports and Recommendations*. Ms. Pettyjohn reported that the Joint Retiree Health Plan Committee met on September 2, 2021 to discuss the make recommendations regarding the non-Medicare and Medicare eligible health plans for KPPA retirees and the 2022 plan year. Ms. Pettyjohn reviewed the components of each of these plans. Mr. John Chilton asked if Ms. Pettyjohn could highlight the differences between the plans this year versus last year. Ms. Pettyjohn reviewed the values of each of the plans compared to the statutory requirements, and highlighted some of the differences in the plans, and indicated that the benefits are about the same as last year. She indicated that specifics about the premiums could not be discussed until later in the month, but said that the values indicate that they are a slightly better than last year. Mr. Cheshire made a motion and Ms. Hampton seconded to ratify the recommendations of the Retiree Health Plan Committee and to incorporate all of the components listed in the report regarding the non-Medicare and Medicare eligible health plans for the 2022 plan year. The motion passed unanimously.

Mr. Peercy introduced agenda item *Ratification of Joint Audit Committee Reports and Recommendations*. Ms. Coffey reported that the Joint Audit Committee met on August 26, 2021 and committee is bringing a few items to the Board for ratification. One of those items is the Charter for the Division of Internal Audit Administration which the committee which will need the Board's approval. Ms. Coffey announced that the Charter for the Joint Audit Committee needs additional editing and will be taken back before the Joint Audit Committee for further review. Ms. Hampton added that at the Joint Audit Committee, the election of Chair and Vice-Chair for the committee was conducted, and she reported that Betty Pendergrass was elected as Chair, and that she had been elected as Vice-Chair. Ms. Hampton explained the reasoning behind the further review of the Joint Audit Charter in that the legal department had identified several edits that were needed before it was presented for a vote. This will be brought at a later time. Ms. Hampton made a motion and Mr. Cheshire seconded to ratify the recommendation of the Charter for the Division of Internal Audit Administration. The motion passed unanimously.

Mr. Peercy introduced agenda item *Hazardous Duty Position Requests*. Mr. D’Juan Surratt reported the following hazardous duty requests:

<u>Agency</u>	<u>Position</u>	<u>Effective Date</u>
Attorney General	Division Director	10/01/2021
Kentucky State Police	KSP Facilities Security Officer II	10/01/2021
Kentucky State Police	KSP Facilities Security Sergeant	10/01/2021
Kentucky State Police	KSP Facilities Security Lieutenant	10/01/2021

Mr. Surratt indicated that KPPA has reviewed these requests and have determined that they meet the statutory guidelines for hazardous coverage. He is asking that the Board approve these requests for hazardous duty coverage for the October 1, 2021 effective date. Mr. Connell asked what qualifies the position of Division Director for the Attorney General as a hazardous position. Mr. Surratt answered that the Division Directors for that agency do meet the peace officer's standards. Mr. Peercy indicated that by meeting peace officer's standards, they would have arresting authority, therefore, would need a firearm. Mr. Grossman made a motion and Mr. Cheshire seconded to approve the hazardous duty requests as presented. The motion passed unanimously.

Mr. Peercy introduced agenda item *Quarterly Financial Reports*. Ms. Adkins reviewed the following Financial Reports for the KERS and SPRS Funds: Combining Statement of Fiduciary

Net Position for the Pension and Insurance Funds for the Fiscal Year ending June 30, 2021; Combining Statement of Changes in Fiduciary Net Position for the Pension and Insurance Funds for the Fiscal Year ending June 30, 2021; Fiscal Year 2021 Administrative Expenses to Budget; Contribution Reports for Pension and Insurance Funds; Outstanding Invoices; and Penalty Waivers.

Mr. Peercy introduced agenda item *Legislative Updates*. Mr. Eager started by saying that usually this time of the year the updates are typically brief, as discussion are beginning with the legislators regarding the upcoming legislative session. Mr. Eager announced that Representative Miller has agreed again this year to sponsor our housekeeping bill. He has indicated that he is not running for reelection, therefore, we will need to find another sponsor going forward. Mr. Eager stated that there are at least two bills that he is anticipating will have a meaningful impact on the systems. We have been in discussion with the two legislators who will be sponsoring these bills, but until those bills are introduced and made public, we are not allowed to comment on those at this time. Mr. Eager indicated that the topic of COLAs has come up from time to time in committee meetings. Jim Carroll, a retiree advocate, has written an appeal to the Public Pension Oversight Board to consider some type of COLA for the retirees. We have been asked to the October meeting of the Public Pension Oversight Board to have a discussion about COLAs and GRS will be participating with us at that meeting.

Ms. Adkins then gave an update regarding the appeals process to House Bill 8. Of those 178 employers who were eligible to appeal, 82 employers requested a list of persons included in their liability. And of those, 47 employers appealed on one of the following three basis: Not the last employer, contract with Executive Branch, or previous state mental health facility. Nine employers submitted a “protest letter” indicating that while they are paying the invoice, they are paying under protest and they reserve rights to challenge the constitutionality of House Bill 8.

Mr. Peercy introduced agenda item *Executive Director’s Report*. Mr. John Chilton reported on items he has been working on or will be working on in the future. There are some policy statements that are being dealt with by some Ad Hoc committees, most prominently the Investment Policy as it relates to CERS and KRS and those will be coming through for approval at some point in the future. There is also ongoing litigation that he is receiving regular briefing on, that will be brought up in a closed session for further discussions. Mr. Chilton announced

that he will be working with Mr. David Eager and legislators during the upcoming session on the housekeeping bill. He expects that the House Bill 8 appeals will bring some attention from the legislators, as well as the COLAs. Mr. Chilton stated his intent to work on the outstanding invoice issues in the near future. Mr. Chilton also announced that there will be some upcoming required Trustee Education and reminded the Trustees to be looking for more information that will be emailed to their KPPA email addresses.

Mr. Peercy introduced agenda item *New Business*. Mr. Peercy announced that he had no new business and unless anyone had new business, this agenda item would be passed. Since no new business, the meeting continued.

Mr. Peercy introduced agenda item *Closed Session*. A motion was made by Mr. Cheshire and Mr. Grossman seconded 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.

Mr. Peercy called the meeting back to open session. There being no action taken during the closed session, Mr. Peercy opened the floor for a motion to adjourn. Mr. Downard made a motion and Mr. Connell seconded 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 September 9, 2021 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

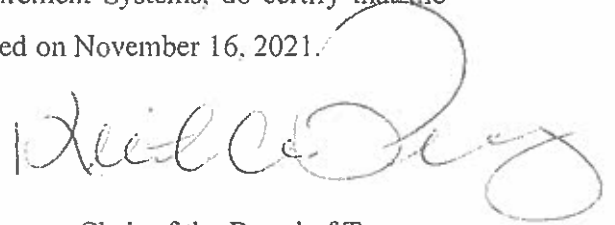
CERTIFICATION

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 September 9, 2021 were approved on November 16, 2021.



Chair of the Board of Trustees

I have reviewed the Minutes of the September 9, 2021 Board of Trustees Meeting for content, form, and legality.



Executive Director
Office of Legal
Services