

## KENTUCKY RETIREMENT SYSTEMS

**TO:** Members of the Board

**FROM:** Marlane F. Robinson, PHR  
Division Director, Human Resources

**DATE:** September 8, 2016

**SUBJECT:** Affirmative Action Plan

Pursuant to Section 3.03 of the Kentucky Retirement Systems Personnel Policies, the Kentucky Retirement Systems has implemented an Affirmative Action Plan to promote and assure equitable treatment of all persons who are now employed, being considered for employment, seeking employment, and who will be recruited for employment in the future. The Kentucky Retirement Systems has already taken substantial steps towards fulfilling the requirements of the Affirmative Action Plan, as described in Section 3.03(3) of the Personnel Policy.

The Kentucky Retirement Systems provides periodic training to its leadership team to ensure compliance with federal and state laws. Such training covers harassment based on all legally protected categories (race, color, sex, religion, national origin, age, and disability), anti discrimination laws in general, and reasonable accommodation and inquiries under the ADA.

The Kentucky Retirement Systems continues to seek appropriate recruitment sources for females and minorities.

The current employment statistics for the Kentucky Retirement Systems show that as of June 30, 2016, there are 259 full-time employees. There are 157 female employees, representing 60.62% of the staff, and 24 employees who are members of minority groups, representing approximately 9.27% of the staff. Females make up 54.72% of the leadership positions in the Kentucky Retirement Systems, while employees who are members of minority groups hold 5.66% of the leadership positions in the Kentucky Retirement Systems.

In order to establish clear long term-hiring goals for minorities and females, Kentucky Retirement Systems will follow the goals provided by the Commonwealth of Kentucky's Personnel Cabinet.

**RECOMMENDATION:** This memorandum is presented for informational purposes only.

**KENTUCKY RETIREMENT SYSTEMS**

OVERALL AND MINORITY FULL TIME EMPLOYMENT  
BY TYPE OF EMPLOYMENT AND DIVISION  
AS OF JUNE 30, 2016

KRS AREA/DIVISION	KRS EMPLOYMENT CATEGORY											
	<u>LEADERSHIP</u>			<u>PROFESSIONAL</u>			<u>SUPPORT</u>			<u>TOTALS</u>		
	Total	Minor.	(%)	Total	Minor.	(%)	Total	Minor.	(%)	Total	Minor.	(%)
Executive Staff	5	0	0.0%	0	0	0.0%	2	0	0.0%	7	0	0.0%
Communications	2	0	0.0%	4	0	0.0%	0	0	0.0%	6	0	0.0%
Legal	3	1	33.3%	7	0	0.0%	6	0	0.0%	16	1	6.3%
Human Resources	1	0	0.0%	3	1	33.3%	0	0	0.0%	4	1	25.0%
Internal Audit	1	0	0.0%	2	1	50.0%	0	0	0.0%	3	1	33.3%
<b>Administration</b>	<b>12</b>	<b>1</b>	<b>8.3%</b>	<b>16</b>	<b>2</b>	<b>12.5%</b>	<b>8</b>	<b>0</b>	<b>0.0%</b>	<b>36</b>	<b>3</b>	<b>8.3%</b>
<b>Accounting</b>	3	0	0.0%	11	1	9.1%	0	0	0.0%	14	1	7.1%
<b>Disability &amp; Death</b>	5	0	0.0%	14	1	7.1%	4	0	0.0%	23	1	4.3%
<b>Employer Reporting Compliance &amp; Education</b>	3	0	0.0%	19	3	15.8%	0	0	0.0%	22	3	13.6%
<b>Enterprise &amp; Technology Services</b>	6	0	0.0%	29	5	17.2%	5	0	0.0%	40	5	12.5%
<b>Investments</b>	4	0	0.0%	1	0	0.0%	1	0	0.0%	6	0	0.0%
<b>Member Services</b>	3	0	0.0%	18	1	5.6%	2	0	0.0%	23	1	4.3%
<b>Membership Support</b>	4	1	25.0%	18	1	5.6%	5	1	20.0%	27	3	11.1%
<b>Procurement &amp; Office Services</b>	4	1	25.0%	0	0	0.0%	13	2	15.4%	17	3	17.6%
<b>Quality Assurance</b>	4	0	0.0%	18	1	5.6%	0	0	0.0%	22	1	4.5%
<b>Retiree Health Care</b>	3	0	0.0%	16	1	6.3%	2	0	0.0%	21	1	4.8%
<b>Retiree Services (Payroll)</b>	2	0	0.0%	6	2	33.3%	0	0	0.0%	8	2	25.0%
<b>TOTALS</b>	<b>53</b>	<b>3</b>	<b>5.66%</b>	<b>166</b>	<b>18</b>	<b>10.84%</b>	<b>40</b>	<b>3</b>	<b>7.50%</b>	<b>259</b>	<b>24</b>	<b>9.27%</b>

**KENTUCKY RETIREMENT SYSTEMS**

OVERALL AND MINORITY (FEMALE) FULL TIME EMPLOYMENT  
BY TYPE OF EMPLOYMENT AND DIVISION  
AS OF JUNE 30, 2016

KRS AREA/DIVISION	KRS EMPLOYMENT CATEGORY											
	<u>LEADERSHIP</u>			<u>PROFESSIONAL</u>			<u>SUPPORT</u>			<u>TOTALS</u>		
	Total	Female	(%)	Total	Female	(%)	Total	Female	(%)	Total	Female	(%)
Executive Staff	5	2	40.0%	0	0	0.0%	2	2	100.0%	7	4	57.1%
Communications	2	1	50.0%	4	3	75.0%	0	0	0.0%	6	4	66.7%
Legal	3	2	66.7%	7	4	57.1%	6	6	100.0%	16	12	75.0%
Human Resources	1	1	100.0%	3	3	100.0%	0	0	0.0%	4	4	100.0%
Internal Audit	1	1	100.0%	2	2	100.0%	0	0	0.0%	3	3	100.0%
<b>Administration</b>	<b>12</b>	<b>7</b>	<b>58.3%</b>	<b>16</b>	<b>12</b>	<b>75.0%</b>	<b>8</b>	<b>8</b>	<b>100.0%</b>	<b>36</b>	<b>27</b>	<b>75.0%</b>
<b>Accounting</b>	3	2	66.7%	11	8	72.7%	0	0	0.0%	14	10	71.4%
<b>Disability &amp; Death</b>	5	4	80.0%	14	12	85.7%	4	4	100.0%	23	20	87.0%
<b>Employer Reporting Compliance &amp; Education</b>	3	2	66.7%	19	12	63.2%	0	0	0.0%	22	14	63.6%
<b>Enterprise &amp; Technology Services</b>	6	2	33.3%	29	10	34.5%	5	1	20.0%	40	13	32.5%
<b>Investments</b>	4	0	0.0%	1	0	0.0%	1	1	0.0%	6	1	16.7%
<b>Member Services</b>	3	2	66.7%	18	12	66.7%	2	2	100.0%	23	16	69.6%
<b>Membership Support</b>	4	1	25.0%	18	8	44.4%	5	5	100.0%	27	14	51.9%
<b>Procurement &amp; Office Services</b>	4	2	50.0%	0	0	0.0%	13	9	69.2%	17	11	64.7%
<b>Quality Assurance</b>	4	3	75.0%	18	9	50.0%	0	0	0.0%	22	12	54.5%
<b>Retiree Health Care</b>	3	3	100.0%	16	7	43.8%	2	2	100.0%	21	12	57.1%
<b>Retiree Services (Payroll)</b>	2	1	50.0%	6	6	100.0%	0	0	0.0%	8	7	87.5%
<b>TOTALS</b>	<b>53</b>	<b>29</b>	<b>54.72%</b>	<b>166</b>	<b>96</b>	<b>57.83%</b>	<b>40</b>	<b>32</b>	<b>80.00%</b>	<b>259</b>	<b>157</b>	<b>60.62%</b>



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**KENTUCKY RETIREMENT SYSTEMS  
INVESTMENTS**

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TO: Kentucky Retirement System Board of Trustees

FROM: David Peden, Chief Investment Officer

DATE: September 8, 2016

SUBJECT: Investment Committee Quarterly Report

The Investment Committee held its regularly scheduled meeting on August 23, 2016. The purpose of the meeting was to evaluate investment activities, program structure, management, controls, and performance results of the Pension and Insurance Funds, for the quarter ending June 30, 2016, along with various other subjects.

The meeting began with the Executive Director giving an update on the August 22, 2016 injunctive relief ruling by Judge Shepherd. The Investment Committee then participated in a discussion on the state of the global fixed income markets that was led by Manulife Asset Management. Following the Manulife presentation, Janus Capital conducted an educational presentation on Tail Risk. Both presentations were for informational purposes only and no action was taken.

After the educational presentations roll call was taken and all new Board of Directors that were present were sworn in.

KRS Investment Staff and consultant PCA recommended a commitment of \$50 million to Kayne Anderson Energy Fund VII, L.P. Pension systems KERS Hazardous, CERS, and CERS Hazardous and all five insurance systems will participate in this investment. The investment managers in the marketing and due diligence process used no placement agents. The investment committee modified the recommendation and made the approval contingent upon certain criteria being agreed to by Kayne Anderson. Kayne Anderson agreed, in concept, to what the investment committee proposed, but communicated a counter offer that the KRS Chief Investment Officer finds attractive and those terms will be verbally communicated to the full board for modification to the original approved motion.

KRS Investment Staff and consultant ORG recommended an initial investment of approximately \$50 million to Mesa West Real Estate Income IV. All five pension systems and all five insurance systems will receive allocations to this investment. The investment managers in the marketing and due diligence process used no placement agents. This recommendation was approved by the Investment Committee.

KRS Investment Staff, Prisma Capital Partners, and consultant Albourne recommended rebalancing

the direct hedge fund portfolio. A list of the managers in the direct hedge fund portfolio and the new recommended target allocations for each manager are attached to this memo. This recommendation was approved by the Investment Committee.

KRS Investment Staff and consultant Albourne recommended committing \$35 million to the Taurus Mining Finance Annex Fund for the Real Return asset class. This was an add-on to Taurus Mining Finance Fund I that KRS is committed to at \$65 million. No action was taken on this recommendation.

KRS Staff and consultant RVK gave an update on the U.S. Public Equity restructuring. The portfolio is being transitioned from a style box approach to a core satellite approach. This was for informational purposes only and no action was taken by the committee.

KRS Staff and consultant RVK recommended changing the existing International public equity small cap mandate, which is passively managed, to an enhanced index International public equity small cap mandate managed by Northern Trust. This is the same strategy KRS has successfully used for U.S. small cap for nineteen years. This recommendation was approved by the investment committee.

KRS General Counsel, Brian Thomas, gave an update on an ongoing legal matter associated with a former KRS investment program. This was for information purposes only.

Minutes from the May 3, 2016 Investment Committee were approved. It should be noted that Dave Eager and JT Fulkerson verbally confirmed that the minutes were accurate for the benefit of those new Investment Committee members who were not in attendance at the May 3 Investment Committee meeting.

Members of the Investment Committee made independent motions to make Dave Eager the Chair and Dave Harris the Vice Chair of the Investment Committee and both motions were approved unanimously.

Erica Bradley, Compliance Officer, presented the Quarterly Compliance Report. It was noted that the ten year annualized return is below its benchmark. This was for informational purposes only and no action was taken.

***Please see the next page for a summary of the Pension and Insurance performance information ending June 30, 2016.***



## Kentucky Retirement Systems Quarterly Investment Update: 6/30/16

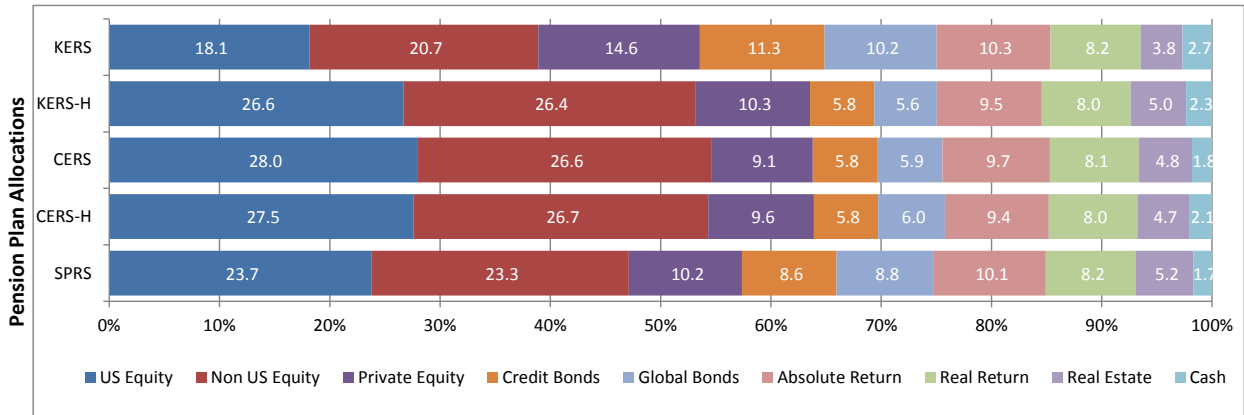
Pension	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	Since inception	Inception Date
TOTAL FUND	1.31	-0.52	-0.52	5.45	5.38	5.02	6.94	9.03	4/1/1984
Performance Benchmark	1.84	-0.19	-0.19	5.61	5.74	5.41	7.11	9.17	4/1/1984
US PUBLIC	2.40	1.44	1.44	10.34	10.73	7.13	8.22	11.07	4/1/1984
Performance Benchmark	2.63	2.14	2.14	11.13	11.60	7.42	8.21	11.07	4/1/1984
EQUITY NON US	-1.34	-8.47	-8.47	2.09	0.45	1.99		1.83	7/1/2000
Performance Benchmark	-0.45	-9.72	-9.72	1.65	0.58	1.92		2.28	7/1/2000
PUBLIC EQUITY	0.54	-4.28	-4.28	5.67	5.14	4.36	7.00	10.29	4/1/1984
Performance Benchmark	1.11	-5.03	-5.03	5.53	5.18	4.15	6.71	10.11	4/1/1984
FIXED INCOME	2.50	4.76	4.76	4.39	4.74	5.49	5.95	7.72	4/1/1984
Performance Benchmark	4.03	7.53	7.53	4.76	4.35	5.50	5.96	7.54	4/1/1984
REAL RETURN	5.73	1.13	1.13	1.91	3.31			3.31	7/1/2011
Performance Benchmark	5.05	2.10	2.10	1.42	2.65			2.65	7/1/2011
ABSOLUTE RETURN	0.44	-6.26	-6.26	2.36	3.93			3.73	4/1/2010
Performance Benchmark	1.07	-5.52	-5.52	1.73	1.66			2.38	4/1/2010
REAL ESTATE	1.96	9.20	9.20	8.37	8.91	6.35	5.79	5.83	7/1/1984
Performance Benchmark	1.95	12.62	12.62	12.59	12.20	5.38	8.41	6.41	7/1/1984
PRIVATE EQUITY	0.90	5.46	5.46	12.36	12.20	7.59		10.83	7/1/2002
Performance Benchmark	1.89	5.46	5.46	12.36	14.80	10.23		10.26	7/1/2002
CASH ACCOUNT	0.26	0.47	0.47	0.41	0.36	1.54	2.76	3.75	1/1/1988
Performance Benchmark	0.06	0.14	0.14	0.07	0.06	0.96	2.31	3.30	1/1/1988



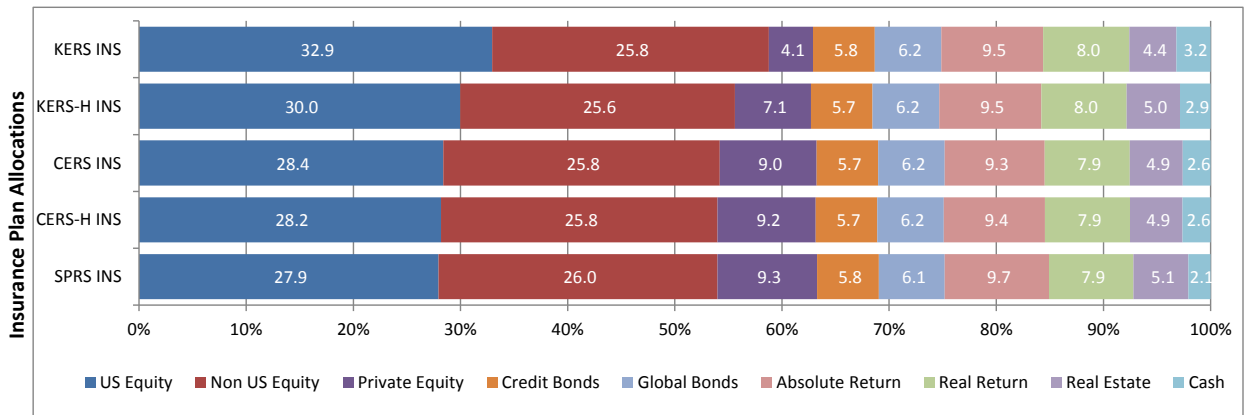
## Kentucky Retirement Systems Quarterly Investment Update: 6/30/16

Insurance	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	Since inception	Inception Date
TOTAL FUND	1.43	-0.09	-0.09	5.35	4.79	4.28	6.18	7.21	4/1/1987
Performance Benchmark	1.92	0.03	0.03	5.88	5.80	4.83	6.74	7.61	4/1/1987
US PUBLIC	2.50	2.31	2.31	10.61	10.85	7.09	7.85	9.22	7/1/1992
Performance Benchmark	2.63	2.14	2.14	11.13	11.60	7.38	7.65	9.05	7/1/1992
EQUITY NON US	-1.58	-8.63	-8.63	1.95	0.27	1.95		1.84	4/1/2000
Performance Benchmark	-0.45	-9.72	-9.72	1.65	0.58	1.57		1.35	4/1/2000
PUBLIC EQUITY	0.58	-3.77	-3.77	5.89	5.18	4.25	6.65	8.21	7/1/1992
Performance Benchmark	1.10	-4.92	-4.92	5.62	5.16	4.02	6.39	7.98	7/1/1992
FIXED INCOME	2.77	5.11	5.11	3.90	4.41	5.60	6.50	6.55	7/1/1992
Performance Benchmark	4.03	7.53	7.53	4.76	4.35	5.58	6.38	6.50	7/1/1992
REAL RETURN	5.34	1.52	1.52	1.93	3.11			3.11	7/1/2011
Performance Benchmark	4.77	2.57	2.57	1.62	2.78			2.78	7/1/2011
ABSOLUTE RETURN	0.45	-6.17	-6.17	2.38	3.91			3.66	5/1/2009
Performance Benchmark	1.07	-5.52	-5.52	1.73	1.66			2.38	5/1/2009
REAL ESTATE	1.94	9.75	9.75	8.20	8.51			8.79	4/1/2010
Performance Benchmark	1.95	12.62	12.62	12.59	12.20			5.63	4/1/2010
PRIVATE EQUITY	2.64	10.59	10.59	15.65	13.78	9.32		9.53	7/1/2002
Performance Benchmark	1.89	2.66	2.66	14.79	14.80	9.58		9.61	7/1/2002
CASH ACCOUNT	0.12	0.31	0.31	0.25	0.28	1.28	2.48	2.77	7/1/1992
Performance Benchmark	0.06	0.14	0.14	0.07	0.06	0.96	2.31	2.64	7/1/1992

KRS - PENSION								
	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
<b>KERS</b>	<b>\$ 1,921,520,260.21</b>	<b>0.05</b>	<b>-0.68</b>	<b>-0.68</b>	<b>5.51</b>	<b>5.41</b>	<b>5.04</b>	<b>9.03</b>
KY Ret. KERS Plan Index		0.44	0.71	0.71	5.75	5.82	5.45	9.18
<b>KERS- H</b>	<b>\$ 525,785,525.72</b>	<b>-0.14</b>	<b>-0.24</b>	<b>-0.24</b>	<b>5.53</b>	<b>5.43</b>	<b>5.05</b>	<b>9.03</b>
KY Ret. KERS Haz Plan Index		0.20	-0.61	-0.61	5.35	5.58	5.33	9.14
<b>CERS</b>	<b>\$ 6,099,384,678.23</b>	<b>-0.12</b>	<b>-0.53</b>	<b>-0.53</b>	<b>5.42</b>	<b>5.36</b>	<b>5.01</b>	<b>9.02</b>
KY Ret. CERS Plan Index		0.19	-0.66	-0.66	5.32	5.56	5.32	9.14
<b>CERS- H</b>	<b>\$ 1,996,672,175.16</b>	<b>-0.13</b>	<b>-0.38</b>	<b>-0.38</b>	<b>5.47</b>	<b>5.39</b>	<b>5.03</b>	<b>9.03</b>
KY Ret. CERS Haz Plan Index		0.19	-0.66	-0.66	5.33	5.57	5.32	9.14
<b>SPRS</b>	<b>\$ 207,704,138.04</b>	<b>0.00</b>	<b>-1.49</b>	<b>-1.49</b>	<b>5.09</b>	<b>5.16</b>	<b>4.91</b>	<b>8.99</b>
KY Ret. SPRS Plan Index		0.33	-0.31	-0.31	5.43	5.63	5.35	9.15



KRS - INSURANCE								
	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
<b>KERS INS</b>	<b>\$ 655,962,157.43</b>	<b>-0.21</b>	<b>-0.59</b>	<b>-0.59</b>	<b>4.86</b>	<b>4.50</b>	<b>4.14</b>	<b>7.16</b>
KY Ins. KERS Plan Index		0.20	-0.56	-0.56	5.40	5.51	4.69	7.56
<b>KERS - H INS</b>	<b>\$ 435,814,502.75</b>	<b>-0.10</b>	<b>-0.27</b>	<b>-0.27</b>	<b>5.35</b>	<b>4.79</b>	<b>4.28</b>	<b>7.21</b>
KY Ins. KERS Haz Plan Index		0.24	-0.38	-0.38	5.51	5.58	4.72	7.57
<b>CERS INS</b>	<b>\$ 1,897,655,656.99</b>	<b>-0.07</b>	<b>-0.07</b>	<b>-0.07</b>	<b>5.43</b>	<b>4.84</b>	<b>4.31</b>	<b>7.21</b>
KY Ins. CERS Plan Index		0.26	-0.25	-0.25	5.59	5.62	4.75	7.58
<b>CERS - H INS</b>	<b>\$ 1,050,416,901.02</b>	<b>-0.07</b>	<b>0.06</b>	<b>0.06</b>	<b>5.47</b>	<b>4.86</b>	<b>4.32</b>	<b>7.22</b>
KY Ins. CERS Haz Plan Index		0.26	-0.24	-0.24	5.59	5.63	4.75	7.58
<b>SPRS INS</b>	<b>\$ 160,102,069.59</b>	<b>-0.08</b>	<b>-0.02</b>	<b>-0.02</b>	<b>5.43</b>	<b>4.84</b>	<b>4.31</b>	<b>7.21</b>
KY Ins. SPRS Plan Index		0.26	-0.22	-0.22	5.61	5.64	4.75	7.58





CONFIDENTIAL AND PROPRIETARY

## KRS Absolute Return Portfolio: Current and Pro Forma

## KRS Absolute Return Portfolio Allocation Summary

Hedge Fund	Strategy	Current <sup>(1)</sup>	Pro Forma <sup>(2)</sup>	Pro Forma <sup>(2)</sup>
		Total	Total	Total KRS Program
Anchorage Capital Partners, L.P.	Credit	4.5%	6.5%	0.3%
Coatue Qualified Partners, L.P.	Long/Short Equity	4.8%	4.5%	0.2%
Davidson Kempner Institutional Partners, L.P.	Multi-Strategy	9.3%	10.0%	0.5%
DSAM+ Fund LP	Long/Short Equity	4.5%	5.0%	0.3%
Finisterre Global Opportunity Partners, LP*	Macro	5.6%	7.0%	0.4%
Glenview Institutional Partners, L.P.	Long/Short Equity	3.9%	4.0%	0.2%
Global Alpha Opportunities Fund LLC*	Equity Market Neutral	6.8%	6.0%	0.3%
HBK Multi-Strategy Fund L.P.	Multi-Strategy	9.4%	8.0%	0.4%
JANA Partners Qualified, L.P.	Event Driven	4.0%	0.0%	0.0%
Knighthead Domestic Fund, L.P.	Credit	4.2%	0.0%	0.0%
LibreMax Partners, L.P.	Fixed Income Arb	3.4%	0.0%	0.0%
LiquidAlts H2O Force 10 Fund	Macro	3.3%	3.5%	0.2%
Luxor Capital Partners, LP*	Event Driven	3.0%	2.0%	0.1%
Myriad Opportunities US Fund Limited - Class C	Event Driven	8.0%	7.5%	0.4%
Pine River Fund L.P.	Multi-Strategy	4.4%	5.0%	0.3%
QMS Diversified Global Macro U.S. Fund LP	Macro	4.6%	5.0%	0.3%
Scopia PX LLC	Equity Market Neutral	4.3%	4.0%	0.2%
Senator Global Opportunity Fund LP	Event Driven	4.4%	5.0%	0.3%
Tourbillon Global Equities, LLC	Equity Market Neutral	7.7%	5.5%	0.3%
<b>Subtotal</b>		<b>100.0%</b>	<b>88.5%</b>	<b>4.4%</b>
Additional FIA*	Fixed Income Arb	0.0%	5.0%	0.3%
BSOF	Multi-Strategy	0.0%	6.0%	0.3%
Tricadia Financials (stub)	Cash/Other	0.0%	0.5%	0.0%
<b>Subtotal</b>		<b>0.0%</b>	<b>11.5%</b>	<b>0.6%</b>
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>5.0%</b>

Note: For illustrative purposes only. \*Pending further review

(1) Reflects July 1, 2016 allocations for all current managers (2) Target allocations are subject to change. There is no assurance that the target allocations will be achieved, and actual allocations may be significantly different than those shown here

11 Document contains confidential proprietary or trade secret information.



## KENTUCKY RETIREMENT SYSTEMS

**TO:** Members of the Board of Directors

**FROM:** Karen Roggenkamp  
Chief Operations Officer

**DATE:** September 1, 2016

**SUBJECT:** KRS Administrative Budget-to-Actual Expenditure Update

Accompanying this memorandum, you will find the spreadsheets showing KRS Administrative budget-to-actual expenditures for Fiscal Year 2016. Key informational items for the year include:

- Total expenditures for FY 2016 totaled \$32.7 million compared to Budget of \$41.3 million (\$8.6 million below budget).
- Expenditures for salaries and benefits were on target with the budget.
- Legal expenses were \$1.7 million below budget due to lower than expected expenses for Seven Counties and other litigation.
- Administrative expenses for the roll off of self-funded retiree insurance claims were \$5.8 million lower than budget.
- As expected, Technology expenses were \$1.2 million higher than budget due to disaster recovery implementation, required server upgrades for .net versions, contractor expenses, and call back assist.
- The fiscal year expenses reflect the higher cost of Fiduciary insurance coverage as approved by the Board.

**RECOMMENDATION:** None. This item is presented for information purposes only.

**KRS ADMINISTRATIVE BUDGET FY 2016  
BUDGET-TO-ACTUAL ANALYSIS**

For Period Ending June 30, 2016

Acc't #	Account Name	Budgeted	Actual Expenditures	Remaining	% Remaining
	<b>PERSONNEL</b>				
111	Salaries	\$14,750,000	\$14,720,347	\$29,653	0.20%
120	Benefits	\$9,000,000	\$8,915,167	\$84,833	0.94%
131	Workers Compensation	\$34,000	\$32,365	\$1,635	4.81%
132	Unemployment	\$10,000	\$13,146	(\$3,146)	-31.46%
133	Tuition Assistance	\$35,000	\$27,443	\$7,557	21.59%
133I	Investment Tuition Assistance	\$5,000	\$6,010	(\$1,010)	-20.20%
133T	Audit Tuition Assistance	\$2,500	\$0	\$2,500	100.00%
135	Bonds	\$3,000	\$0	\$3,000	100.00%
141	<b>LEGAL &amp; AUDITING SERVICES</b>				
141A	Legal Hearing Officers	\$344,000	\$181,143	\$162,857	47.34%
141B	Legal (Stoll, Keenon)	\$225,000	\$80,456	\$144,544	64.24%
141C	Polsinelli Shugart	\$100,000	\$0	\$100,000	100.00%
141E	Reinhart	\$350,000	\$153,020	\$196,980	56.28%
141F	Ice Miller	\$1,200,000	\$102,969	\$1,097,031	91.42%
141L	Legal Expense	\$96,000	\$49,990	\$46,010	47.93%
142	Auditing	\$100,000	\$98,825	\$1,175	1.18%
146	<b>CONSULTING SERVICES</b>				
146A	Medical Reviewers	\$380,000	\$288,000	\$92,000	24.21%
146B	Medical Reports	\$10,000	\$0	\$10,000	100.00%
146C	Medical Exams	\$25,000	\$51,013	(\$26,013)	-104.05%
150	<b>CONTRACTUAL SERVICES</b>				
150C	Miscellaneous Contracts	\$270,000	\$110,846	\$159,154	58.95%
150D	Health Consultant	\$125,000	\$9,730	\$115,270	92.22%
150E	Banking	\$9,000	\$0	\$9,000	100.00%
150F	PBI	\$9,000	\$0	\$9,000	100.00%
150G	Human Resources Consulting	\$100,000	\$0	\$100,000	100.00%
150H	Health Insurance Admin Fee	\$2,200,000	\$2,039,938	\$160,062	7.28%
150I	Investment Consulting	\$600,000	\$189,103	\$410,897	68.48%
150J	Medical Claims TPA	\$2,695,997	\$0	\$2,695,997	100.00%
150K	Pharmacy Claims TPA	\$3,073,453	\$0	\$3,073,453	100.00%
159	Actuarial Services	\$600,000	\$451,374	\$148,626	24.77%
162	Facility Security Charges	\$3,000	\$1,378	\$1,622	54.07%
	<b>PERSONNEL SUBTOTAL</b>	<b>\$36,354,950</b>	<b>\$27,522,262</b>	<b>\$8,832,688</b>	<b>24.30%</b>

KRS ADMINISTRATIVE BUDGET FY 2016

KRS Director Quarterly Meeting - Quarterly Budget Update

BUDGET-TO-ACTUAL ANALYSIS

Acc't #	Account Name	Budgeted	Actual Expenditures	Remaining	% Remaining
	<b>OPERATIONAL</b>				
211	Natural Gas	\$25,000	\$13,096	\$11,904	47.62%
212	Electric	\$190,000	\$189,065	\$935	0.49%
221	Rent-NonState Building	\$33,500	\$32,688	\$812	2.42%
222	Rent -State Owned Building	\$705,000	\$698,306	\$6,694	0.95%
223	Equipment Rental	\$5,000	\$897	\$4,103	82.06%
224	Copier Rental	\$86,000	\$68,391	\$17,609	20.48%
226	Rental Carpool	\$0	\$0	\$0	
232	Vehicle/Equip. Mainten.	\$29,000	\$1,830	\$27,170	93.69%
241	Postage	\$525,000	\$275,750	\$249,250	47.48%
242	Freight	\$1,200	\$644	\$556	46.35%
251	Printing (State)	\$1,000	\$0	\$1,000	100.00%
252	Printing (non-state)	\$300,000	\$173,878	\$126,122	42.04%
254	Insurance	\$85,000	\$255,352	(\$170,352)	-200.41%
256	Garbage Collection	\$15,000	\$15,234	(\$234)	-1.56%
259	Conference Expense	\$40,000	\$26,587	\$13,413	33.53%
259I	Conference Exp. Investment	\$12,600	\$3,718	\$8,882	70.49%
259T	Conference Exp. Audit	\$1,500	\$1,665	(\$165)	-11.00%
300	MARS Usage	\$31,000	\$31,300	(\$300)	-0.97%
321	Office Supplies	\$96,300	\$68,469	\$27,832	28.90%
331	Data Processing Supplies	\$45,000	\$5,527	\$39,473	87.72%
343	Motor Fuels & Lubricants	\$3,000	\$1,852	\$1,148	38.27%
346	Furniture & Office Equipment	\$50,000	\$1,015	\$48,985	97.97%
361	Travel (In-State)	\$109,000	\$74,732	\$34,268	31.44%
361I	Travel (In-State) Investment	\$1,500	\$495	\$1,005	67.02%
361T	Travel (In-State) Audit	\$500	\$136	\$364	72.79%
362	Travel (Out of State)	\$40,000	\$11,322	\$28,678	71.69%
362I	Travel (Out of State) Invest	\$51,050	\$24,925	\$26,125	51.18%
362T	Travel (Out of State) Audit	\$2,500	\$2,162	\$338	13.52%
381	Dues & Subscriptions	\$48,000	\$38,446	\$9,554	19.90%
381I	Dues & Subscriptions Invest	\$42,000	\$5,832	\$36,168	86.11%
381T	Dues & Subscriptions Audit	\$1,000	\$985	\$15	1.50%
399	Miscellaneous	\$20,000	\$17,577	\$2,423	12.12%
399I	Miscellaneous Investment	\$16,700	\$4,634	\$12,066	72.25%
399T	Miscellaneous Audit	\$500	\$282	\$218	43.52%
601	Capital Outlay	\$300,000	\$0	\$300,000	100.00%
802	COT Charges	\$82,500	\$87,799	(\$5,299)	-6.42%
814	Telephone - Wireless	\$8,000	\$5,529	\$2,471	30.89%
815	Telephone - Other	\$150,000	\$195,375	(\$45,375)	-30.25%
847	Computer Equip./Software	\$1,600,000	\$2,821,817	(\$1,221,817)	-76.36%
847I	Comp. Equip./Software Invest	\$190,000	\$0	\$190,000	100.00%
847T	Comp. Equip./Software Audit	\$1,000	\$500	\$500	50.00%
	<b>OPERATIONAL SUBTOTAL</b>	<b>\$4,944,350</b>	<b>\$5,157,811</b>	<b>(\$213,461)</b>	<b>-4.32%</b>
	<b>TOTALS</b>	<b>\$41,299,300</b>	<b>\$32,680,073</b>	<b>\$8,619,227</b>	<b>20.87%</b>

Includes Internal Audit Expenses of \$5,731 & Investment Expenses of \$387,736 (excluding Salaries)

**KENTUCKY RETIREMENT SYSTEMS**

**TO:** Members of the Board  
**FROM:** Rebecca Stephens, Chief Benefits Officer  
**DATE:** September 8, 2016  
**SUBJECT:** Initial Retirement Cases, Fourth Quarter, 15-16

The tables below show the distribution of new retirees who retired during this quarter of the fiscal year by retirement mode and the retirees with 27 or more years of service.

DISTRIBUTION BY RETIREMENT MODE

<u>MODE</u>	<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>	<u>PERCENT</u>
Normal Retirement	139	280	0	419	31.0%
Early Retirement	243	491	4	738	54.0%
Disability Retirement	18	57	0	75	6.0%
Retirement Eligible Refund	17	44	0	61	5.0%
Death of Members Eligible to Retire	15	37	0	52	4.0%
Grand Totals	432	909	4	1345	100%

RETIREEES WITH 27 OR MORE YEARS OF SERVICE

	<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>
Under Normal Retirement Age	66	79	0	145
At and Over Normal Retirement Age	6	21	0	27
Grand Totals	72	100	0	172

**RECOMMENDATION:** This report is provided for informational purposes only.

**KENTUCKY RETIREMENT SYSTEMS**

**TO:** Members of the Board  
**FROM:** Rebecca Stephens, Chief Benefits Officer  
**DATE:** September 8, 2016  
**SUBJECT:** Death Benefit Payments, Fourth Quarter, 15-16

The table below reflects the number of deceased retired members whose death benefit was paid during this quarter of the fiscal year and the total amount paid by each system.

DEATH BENEFIT PAYMENTS

	<u>Number of Deceased Retirees</u>	<u>Total Amount Paid</u>
KERS	268	\$1,340,000.00
CERS	389	\$1,945,000.00
SPRS	3	\$15,000.00
TOTALS	<u>660</u>	<u>\$3,300,000.00</u>

**RECOMMENDATION:** This report is provided for informational purposes only.

**KENTUCKY RETIREMENT SYSTEMS**

**TO:** Members of the Board

**FROM:** Rebecca Stephens  
Chief Benefits Officer

**DATE:** September 8, 2016

**SUBJECT:** Refund of Member Contributions for Quarter Ended June 2016

The summary by system, age, and service credit of each person who received a refund during the fourth quarter of this fiscal year is attached.

There were 1,343 refunds totaling \$7,409,420 paid to former members of the systems during the fourth quarter. Refund payments during the past (12) twelve quarters were as follows:

<b>Quarter Ended</b>	<b>Amount</b>	<b>Number of Refunds</b>
<b>06/30/2016</b>	\$7,409,420	1,343
<b>03/31/2016</b>	\$7,166,689	1,170
<b>12/31/2015</b>	\$7,546,369	1,219
<b>09/30/2015</b>	\$9,457,518	1,967
<b>06/30/2015</b>	\$7,830,169	1,334
<b>03/31/2015</b>	\$8,735,671	1,393
<b>12/31/2014</b>	\$7,953,236	1,338
<b>09/30/2014</b>	\$11,208,677	2,465
<b>06/30/2014</b>	\$8,829,317	2,167
<b>03/31/2014</b>	\$8,595,267	1,605
<b>12/31/2013</b>	\$8,063,089	1,696
<b>09/30/2013</b>	\$9,525,226	1,791
<b>06/30/2013</b>	\$7,892,029	1,986

**RECOMMENDATION:** This report is provided for informational purposes only.

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**Kentucky Retirement Systems  
Refund Distribution by Age and Service**

Start Date: 4/1/2016 End Date: 6/30/2016

<u>Age</u>	<u>Years of Services</u>					<u>CERSHZ</u>
	<u>0 &lt; 5</u>	<u>5 &lt; 10</u>	<u>10 &lt; 15</u>	<u>15 &lt; 20</u>	<u>20 - Up</u>	<u>Totals</u>
<u>0 - 19</u>	0	0	0	0	0	0 0.00% 0 0.00%
<u>20 - 29</u>	7	3	1	0	0	11 25.00% 55940.8 9.11%
<u>30 - 39</u>	4	6	2	6	3	21 47.73% 351704.76 57.28%
<u>40 - 49</u>	2	2	0	1	4	9 20.45% 167474.95 27.28%
<u>50 - 59</u>	1	1	0	1	0	3 6.82% 38876.95 6.33%
<u>60 - Up</u>	0	0	0	0	0	0 0.00% 0 0.00%
<b><u>CERSHZ</u></b>						
<b><u>Totals</u></b>	14	12	3	8	7	44 100.00% 613997.46 100.00%
	31.82%	27.27%	6.82%	18.18%	15.91%	
	32878.38	102388.2	40099.52	231682.78	206948.58	
	5.35%	16.68%	6.53%	37.73%	33.71%	



KYRET\SMILLER

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**Kentucky Retirement Systems**  
**Refund Distribution by Age and Service**

Start Date: 4/1/2016 End Date: 6/30/2016

<u>Age</u>	<u>Years of Services</u>					<u>CERSNHZ</u>
	<u>0 &lt; 5</u>	<u>5 &lt; 10</u>	<u>10 &lt; 15</u>	<u>15 &lt; 20</u>	<u>20 - Up</u>	<u>Totals</u>
<u>0 - 19</u>	1	0	0	0	0	1 0.13% 447.05 0.01%
<u>20 - 29</u>	57	34	9	3	1	104 13.87% 307044.23 8.57%
<u>30 - 39</u>	59	53	34	10	9	165 22.00% 865715.04 24.16%
<u>40 - 49</u>	70	49	32	16	32	199 26.53% 1176478.87 32.83%
<u>50 - 59</u>	50	48	24	11	11	144 19.20% 871733.99 24.32%
<u>60 - Up</u>	85	34	18	0	0	137 18.27% 362446.51 10.11%
<b><u>CERSNHZ</u></b>						
<b><u>Totals</u></b>	322	218	117	40	53	750
	42.93%	29.07%	15.60%	5.33%	7.07%	100.00%
	346745.06	932367.76	904000.28	440272.75	960479.84	3583865.69
	9.68%	26.02%	25.22%	12.28%	26.80%	100.00%

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**Kentucky Retirement Systems  
Refund Distribution by Age and Service**

Start Date: 4/1/2016 End Date: 6/30/2016

<u>Age</u>	<u>Years of Services</u>					<u>KERSHZ</u>
	<u>0 &lt; 5</u>	<u>5 &lt; 10</u>	<u>10 &lt; 15</u>	<u>15 &lt; 20</u>	<u>20 - Up</u>	<u>Totals</u>
<u>0 - 19</u>	0	0	0	0	0	0 0.00% 0 0.00%
<u>20 - 29</u>	30	4	1	0	0	35 36.08% 95243.2 18.31%
<u>30 - 39</u>	11	12	3	2	0	28 28.87% 189114.63 36.36%
<u>40 - 49</u>	7	7	1	3	1	19 19.59% 158209.46 30.42%
<u>50 - 59</u>	8	2	1	0	1	12 12.37% 64758.66 12.45%
<u>60 - Up</u>	2	0	0	1	0	3 3.09% 12819 2.46%
<b><u>KERSHZ</u></b>						
<b><u>Totals</u></b>	58	25	6	6	2	97 100.00%
	59.79%	25.77%	6.19%	6.19%	2.06%	100.00%
	103785.77	176350.19	80039.12	109086.17	50883.7	520144.95
	19.95%	33.90%	15.39%	20.97%	9.78%	100.00%

KYRET\SMILLER

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**Kentucky Retirement Systems**  
**Refund Distribution by Age and Service**

Start Date: 4/1/2016 End Date: 6/30/2016

<u>Age</u>	<u>Years of Services</u>					<u>KERSNHZ</u> <u>Totals</u>
	<u>0 &lt; 5</u>	<u>5 &lt; 10</u>	<u>10 &lt; 15</u>	<u>15 &lt; 20</u>	<u>20 - Up</u>	
<u>0 - 19</u>	1	0	0	0	0	1 0.22% 930.85 0.03%
<u>20 - 29</u>	43	25	2	2	0	72 15.93% 221972.53 8.25%
<u>30 - 39</u>	63	52	26	13	18	172 38.05% 1177666.41 43.76%
<u>40 - 49</u>	40	33	13	12	12	110 24.34% 833925.07 30.98%
<u>50 - 59</u>	31	15	6	0	4	56 12.39% 291350.84 10.83%
<u>60 - Up</u>	29	11	1	0	0	41 9.07% 165565.76 6.15%
<b><u>KERSNHZ</u></b>						
<b><u>Totals</u></b>	207	136	48	27	34	452
	45.80%	30.09%	10.62%	5.97%	7.52%	100.00%
	314610.41	708542.21	515896.05	342142.02	810220.77	2691411.46
	11.69%	26.33%	19.17%	12.71%	30.10%	100.00%

**KENTUCKY RETIREMENT SYSTEMS**

**TO:** Members of the Board  
**FROM:** Rebecca Stephens, Chief Benefits Officer  
**DATE:** September 8, 2016  
**SUBJECT:** Report of Decisions by the Medical Examiners

**DISABILITY**

During the fourth quarter of the fiscal year, the Medical Examiners reviewed a total of 159 applicants for disability retirement. There were 77 (48.43%) recommended for approval and 82 (51.57%) recommended for denial.

**Approvals**

<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>
16	61	0	77

**Duty Related Approvals**

<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>
0	0	0	0

**Denials**

<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>
22	60	0	82

**HAZARDOUS DISABILITY**

During the fourth quarter of the fiscal year, the Medical Examiners reviewed a total of 11 applicants for hazardous disability retirement. There were 4 (36.36%) recommended for denial and 7 (63.64%) recommended for approval.

**Approvals**

<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>
1	4	0	5

**In the Line of Duty Approvals**

<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>
0	2	0	2

**Total and Permanent Approvals**

<u>KERS</u>	<u>CERS</u>	<u>SPRS</u>	<u>TOTAL</u>
0	0	0	0

**ANNUAL REVIEW OF DISABILITY RECIPIENTS**

During the fourth quarter of the fiscal year, the Medical Examiners made final decisions on a total of 171 annual reviews of disability recipients. The disability benefits of 164 recipients (95.91%) were continued and the disability benefits of 7 recipients (4.09%) were terminated.

**RECOMMENDATION:** This is for informational purposes only. No action is required by the board.

KENTUCKY RETIREMENT SYSTEMS

TO: Members of the Board

FROM: Rebecca Stephens  
Chief Benefits Officer

DATE: September 8, 2016

SUBJECT: Disability Appeals Committee Quarterly Report

The Disability Appeals Committee held meetings on April 26 and May 23, 2016. A total of 28 disability claims were acted upon during the quarter resulting in 22 denials, 3 approvals, and 3 dismissals.

**Denials**

KERS	CERS	SPRS
8	14	0

**Approvals**

KERS	CERS	SPRS
1	2	0

**Dismissals**

KERS	CERS	SPRS
2	1	0

**Remands**

KERS	CERS	SPRS
0	0	0

RECOMMENDATION: This is for informational purposes only. No action is required by the Board.

KENTUCKY RETIREMENT SYSTEMS

TO: Members of the Board

FROM: Rebecca Stephens  
Chief Benefits Officer

DATE: September 8, 2016

SUBJECT: Administrative Appeals Committee Quarterly Report

The Administrative Appeals Committee held meetings on April 26 and May 23, 2016. A total of 8 cases were acted upon in the quarter resulting in 1 denial, 2 not bona fide and 5 dismissals.

<u>Denials</u>		
KERS	CERS	SPRS
1	0	0
<u>Continuances</u>		
KERS	CERS	SPRS
0	0	0
<u>Discontinuances</u>		
KERS	CERS	SPRS
0	0	0
<u>Reinstatements</u>		
KERS	CERS	SPRS
0	0	0
<u>Not Bona Fide</u>		
KERS	CERS	SPRS
0	2	0
<u>Remands</u>		
KERS	CERS	SPRS
0	0	0
<u>Dismissals</u>		
KERS	CERS	SPRS
2	3	0

RECOMMENDATION: This is for informational purposes only. No action is required by the Board.

**KENTUCKY RETIREMENT SYSTEMS**

**TO:** Members of the Board  
**FROM:** Chris Miller, Interim Division Director, ERCE  
**DATE:** September 8, 2016  
**SUBJECT:** Participation of Additional Agencies and Hazardous Positions

AGENCY PARTICIPATION—NONHAZARDOUS

1. Petitioning Agency: **McLean County Regional Water Commission**

**RECOMMENDATION:** The request for participation in CERS is presented for discussion and action, if appropriate.

2. Petitioning Agency: **Water and Sewer Commission of the City of Salyersville**

**RECOMMENDATION:** The request for participation in CERS is presented for discussion and action, if appropriate.

3. Petitioning Agency: **Nelson County E 911 Dispatch Center, Inc.**

**RECOMMENDATION:** The request for participation in CERS is presented for discussion and action, if appropriate.

**THE FOLLOWING AGENCIES ARE ASKING FOR HAZARDOUS DUTY COVERAGE ON POSITIONS FOR EMPLOYEES WHO HAVE A PARTICIPATION DATE PRIOR TO SEPTEMBER 1, 2008.**

The City of Richmond has requested hazardous duty coverage for the following positions with a **retroactive** date of **September 1, 2011**:

**Police Major**

**Police Sergeant**

There are no new employees to be covered under hazardous duty coverage at this time. Attached are copies of the Position Questionnaires and Job Descriptions.

The Hardin County Fiscal Court has requested hazardous duty coverage for the following positions with a **retroactive** date of **May 1, 2016**:

**Paramedic/IT Specialist**

**EMT/IT Specialist**

There is one (1) employee to be covered under hazardous duty at this time. Attached are copies of the Position Questionnaires and Job Descriptions.



Lyndon Fire Protection District has requested hazardous duty coverage for the following position with an effective date of September 1, 2016:

**Assistant Chief**

There are no new employees to be covered under hazardous duty coverage at this time. Attached is a copy of the Position Questionnaire and Job Description.

**HAZARDOUS POSITIONS (FOR EMPLOYEES HIRED 9/1/08 OR AFTER)**

The Hardin County Fiscal Court has requested hazardous duty coverage for the following positions with a **retroactive** date of **May 1, 2016**:

**Paramedic/IT Specialist**

**EMT/IT Specialist**

There is one (1) employee to be covered under hazardous duty at this time. Attached are copies of the Position Questionnaires and Job Descriptions.

Lyndon Fire Protection District has requested hazardous duty coverage for the following position with an effective date of September 1, 2016:

**Assistant Chief**

There are no new employees to be covered under hazardous duty coverage at this time. Attached is a copy of the Position Questionnaire and Job Description.

The Owen County Fiscal Court has requested hazardous duty coverage for the following position with a **retroactive** date of **July 1, 2016**:

**Deputy Sheriff**

There are no new employees to be covered under hazardous duty coverage at this time. Attached is a copy of the Position Questionnaire and Job Description.

Louisville Metro Government has requested hazardous duty coverage for the following position with an effective date of September 1, 2016:

**Fire Arson Investigator Trainee**

There are no new employees to be covered under hazardous duty coverage at this time. Attached is a copy of the Position Questionnaire and Job Description.

**RECOMMENDATION:** The positions for which hazardous duty has been requested are presented for discussion.