

MINUTES OF MEETING #381
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
APRIL 4, 2013, 9:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601

At the Annual Meeting of the Board of Trustees held on April 4, 2013, the following members were present: Dr. Daniel Bauer, Mike Cherry, Ed Davis, Thomas Elliott, Bobby Henson, Secretary Tim Longmeyer, Randy Overstreet, Betty Pendergrass, and Susan Smith. In addition, staff members present were William Thielen, Karen Roggenkamp, Charlene Haydon, TJ Carlson, Scarlett Consalvi, Connie Davis, Marlane Robinson, Connie Pettyjohn, Katherine Rupinen, Erica Bradley, Alane Hardwick, and Leigh Taylor. Also present were: Betty Hawkins, Jana Smith, Rebecca Heckler, Brad Gross, Mary Helen Peter, Eva Smith-Carroll, Jim Carroll, Joe Cowles, Alex Fontana, Bob Walt, Fred and Rose Nett, and Ryan Sutherland.

Mr. Elliott convened the Board of Trustees Meeting and presented the agenda item *Oath of Office*. Ms. Taylor, as Notary Public, administered the oath of office to Mr. Ed Davis and Ms. Betty Pendergrass.

Mr. Elliott introduced resolutions honoring Mr. Vince Lang and Ms. Jennifer Elliott and thanking them for their service on the KRS Board of Trustees. Mr. Thielen highlighted the accomplishments of Mr. Lang and Ms. Elliott as members of the KRS Board of Trustees. Dr. Bauer moved and was seconded by Mr. Davis to approve the resolutions. The motion passed unanimously. Ms. Smith moved that in the future the Board should honor Trustees with two or more years of service with similar resolutions. The motion failed for lack of a second.

Mr. Elliott presented the agenda item *Election of Officers KRS Board of Trustees*. Secretary Longmeyer moved that due to recent changes, the election of officers be tabled until July when three additional members would be joining the KRS Board of Trustees and that under current KRS By-laws the current Chair would serve until said elections; Dr. Bauer seconded the motion. Mr. Longmeyer stated that he did not believe the motion was debatable under Roberts Rules of Order (10th ed., p.35, l. 34). Ms. Smith objected and called for discussion of the issue. Following

discussion, a vote was held and the results were indeterminable. Mr. Elliott requested a roll call vote on the motion. Those in favor of the motion were Dr. Bauer, Mr. Cherry, Secretary Longmeyer, and Mr. Elliott; those opposed to the motion were Mr. Henson, Ms. Smith, Mr. Overstreet, Mr. Davis, and Ms. Pendergrass. The motion was defeated by a 5 to 4 vote.

Mr. Elliott turned the proceeding over to Mr. Thielen for nominations for Chair of the KRS Board of Trustees; Mr. Thielen opened the floor for nominations. Ms. Smith nominated Mr. Overstreet and Dr. Bauer nominated Mr. Elliott. No second was required for these nominations per *Roberts Rules of Order (10th ed., p.418, l. 18-21)*. There were no further nominations and the nominations were closed. Mr. Thielen noted the KRS By-laws did not specify an election process and the election would be conducted based on the decision of the Trustees.

Secretary Longmeyer called a point of order referencing KRS 61.645,(8)(b) and stated Mr. Overstreet did not meet the qualifications as set forth and was also retroactively ineligible under House Bill 300. Discussion ensued regarding the wording differences between House Bill 300/KRS 61.645,(8)(b) and KRS By-laws and the interpretation of calendar years versus Board years. Mr. Thielen noted the intent of the wording would require a determination from the Attorney General. Ms. Smith moved and was seconded by Mr. Henson to proceed with the two nominations for Board Chair and if the election is contested and the Attorney General later rules then the board would abide by that ruling. Mr. Elliott requested a roll call vote. Those in favor were Mr. Cherry, Mr. Henson, Mr. Overstreet, Ms. Smith, Mr. Davis, and Ms. Pendergrass; those opposed were Dr. Bauer and Secretary Longmeyer. Mr. Elliott abstained from the vote. The motion carried 6 to 2 with 1 abstention.

Ms. Smith then moved and was seconded by Mr. Davis to elect the Chair via a roll call vote stating the name of the candidate of preference. The motion carried. Those voting for Mr. Overstreet were Mr. Henson, Mr. Overstreet, Ms. Smith, Mr. Davis and Ms. Pendergrass; those voting for Mr. Elliott were Dr. Bauer, Mr. Cherry, and Secretary Longmeyer. Mr. Elliott abstained from the vote. Mr. Overstreet was elected Chair of the KRS Board of Trustees by a vote of 5 to 3 with 1 abstention.

Mr. Overstreet presented the agenda item *Approval of Minutes*. Ms. Smith moved and was seconded by Dr. Bauer to approve the minutes from the February 21, 2013 meeting. The motion passed unanimously.

Mr. Overstreet presented the agenda item *Election of Vice Chair*. Secretary Longmeyer nominated Dr. Bauer. No second was required for this nomination per Roberts Rules of Order (*10th ed., p.418, l. 18-21*). There were no other nominations and Dr. Bauer was elected Vice Chair of the KRS Board of Trustees by acclamation.

Mr. Overstreet presented the agenda item *Employee Service Recognition Awards*. Ms. Robinson noted KRS employees are recognized at the annual meeting for service.

The following received their five year service award:

Debbie Hall, Julie Schuller, Bob Patrick, Mike Diebold, Joe Gilbert IV, Kristi Wackowski, Tracy Chambers, Ashley Gabbard, Tracy Thomas, Amy Hockensmith, Brent Shannon, Jason Hargis, Rebecca Johnson, Shawn Hutton, Brad McGuire.

The following received their ten year service award:

Todd Coleman, Vonda Donoho, Amy Fields, Anita Blanton Smith, Bethany Senter, Marlane Robinson, Amanda Ricketts, Andy Franklin, Erin Surratt, Phillip Cook, Angela Stevens, Anne Baker, Ellen Baker, Jean Hutcherson, Robbie Hanks, Shannon Bellamy, Carolyn Harris.

The following received their fifteen year service award:

Kristy Bramblett, Linda McMurray, Tracy Allnut, Lisa Perry, Jennifer Chesser, Pamela Spencer, Mark Lenz, David Riddle, Kathy Satterley, Lisa Hilton, Chereyn Collins, Michelle Rodgers.

The following received their twenty year service award:

Bob Sircy, Shari Barber, Andra Deaton, Rebecca Stephens, Mike Fehr

John Davis received his twenty-five year service award. This presentation was provided for informational purposes only.

Mr. Overstreet called for a short break and the room emptied.

Mr. Overstreet called the meeting back to order and presented the agenda item *Kentucky Retirement Systems Progress Reports for Calendar Year 2012*. Mr. Thielen, Ms. Roggenkamp, Ms. Haydon and Mr. Carlson reviewed prior year performance and future plans for KRS. Ms. Rupinen provided an update for the Legal department and Ms. Robinson provided an overall Human Resources update. This presentation was provided for informational purposes only.

Secretary Longmeyer exited the meeting; Joe Cowles entered the meeting as proxy for Secretary Longmeyer. Kate Bailey, Cindy Shuck, Stephanie Heller, and Chad Harpole of Humana, Inc. entered the meeting.

Mr. Overstreet introduced the agenda item *Health Insurance Issues*. Ms. Bailey, Ms. Shuck, Ms. Heller and Mr. Harpole presented Humana's recommendations for the drug formulary for the KRS Medicare eligible health plan for plan year 2014 and answered questions from the Trustees. Mr. Cherry moved and was seconded by Dr. Bauer to grant the Retiree Health Plan Committee the ability to approve the drug formulary for the KRS Medicare eligible health plan for plan year 2014 with further input from Staff and to do so at a special meeting on a date of the Committee's choosing. The motion passed unanimously.

Ms. Bailey, Ms. Shuck, Ms. Heller and Mr. Harpole exited the meeting.

Mr. Overstreet called for a half hour recess for lunch and the room emptied.

Mr. Overstreet called the meeting back to order and introduced Mr. Cowles to the Trustees. Mr. Cowles and Mr. Overstreet explained Mr. Cowles' role as proxy for Secretary Longmeyer.

Mr. Overstreet introduced the agenda item *Trustee Education*. Ms. Robinson reviewed the requirements for Trustees and distributed certificates of completion. This presentation was provided for informational purposes only.

Mr. Overstreet introduced the agenda item *Conflict of Interest Statements*. Mr. Thielen reviewed the Internal Conflict of Interest Policy for the Trustees. This presentation was provided for informational purposes only.

Mr. Overstreet introduced the agenda item *Legislative Issues*. Mr. Thielen presented a comparative handout on the changes to KRS under Senate Bill 2 and explained each item for the Trustees. Mr. Thielen noted the changes include a new CERS Trustee which requires an election; a proposed timetable was distributed to the Trustees. After discussion, Ms. Pendergrass moved and was seconded by Ms. Smith to approve the Staff suggested Senate Bill 2 mandated CERS election timeline and process, minus the initial mailing letter and earlier mailing of the KRS newsletter. The motion passed by majority vote.

Dr. Bauer exited the meeting.

Mr. Overstreet introduced the agenda item *KRS Bylaws Amendment – Fourth Quarter Board Meeting Date*. Ms. Pendergrass moved and was seconded by Mr. Henson that the KRS Board amend Section 1.1e of its bylaws to change the date of the regular fourth quarter meeting from the third Thursday of November to the first Thursday of December each year. The motion carried unanimously. Ms. Pendergrass moved and was seconded by Ms. Smith to change the second quarter meeting date from May 16, 2013 to a special called meeting on May 30, 2013. The motion passed unanimously.

Mr. Overstreet noted the agenda item *Committee Appointments* and stated he had no changes at the present to Committee membership.

Mr. Overstreet introduced agenda item *Fiduciary Issues Publications*. Mr. Thielen referred the Trustees to the publications in their Board packets regarding fiduciary obligations as Trustees. This presentation was provided for informational purposes only.

Mr. Overstreet introduced the agenda item *Investment Report*. Mr. Carlson provided an overview of monthly and quarterly Investment Reports available to the Trustees and the public at committee meetings and on the KRS website. This presentation was provided for informational purposes only.

Joseph Bowman and Robert Kellerman entered the meeting.

Mr. Overstreet presented the agenda item *Contracts*. Ms. Rupinen summarized the previously approved re-negotiation of the contract with outside counsel for Investment, Reinhart Boerner Van Dueren. Mr. Elliott moved and was seconded by Ms. Pendergrass to approve the renewal terms of the contract between KRS and Reinhart. The motion passed unanimously.

Mr. Thielen reviewed the terms of the fiduciary liability insurance renewal for the Trustees. Mr. Elliott moved and was seconded by Mr. Davis to accept the \$250,000.00 deductible limit and policy with Alterra. The motion passed unanimously.

Mr. Overstreet introduced the agenda item *Approval of Minutes of the Executive Director Search Committee*. Mr. Thielen noted that in the event of an audit, this Committee would need to have an executed record of these meetings. He stated that the Executive Director Search Committee was comprised of the entire KRS Board of Trustees, as constituted at that time. He indicated that the approval of the meeting minutes had been overlooked by the Committee, but that a majority of the Committee remained on the Board and that the minutes could be approved by a vote of those Board members who served on the Executive Director Search Committee. Mr. Elliot moved and was seconded by Ms. Smith that the current Trustees who were also members of the Committee approve the minutes of all of the meetings of the Executive Director Search Committee. The motion passed unanimously.

Mr. Overstreet presented the agenda item *Dean Dorton Allen Ford 2013 CERS Election Fee*. Mr. Thielen noted that due to extra work by DDAF during the 2013 CERS election, DDAF had requested an additional payment of \$2,000.00 for work completed above the estimated time as contracted. Following discussion, Mr. Elliott moved and was seconded by Ms. Smith to approve payment of \$2,000.00 to DDAF. The motion passed unanimously.

Mr. Overstreet presented the agenda item *KRS Spring Newsletter* and noted it had been covered under Legislative Issues.

Mr. Davis noted for the record that he would maintain membership in Kentucky Public Pension Coalition and he would not speak at those activities as a KRS Trustee.

Mr. Overstreet presented the agenda item *Pending Litigation* and requested a motion to enter closed session under KRS 61.810(1)(c) for a discussion involving pending litigation due to the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege. Mr. Davis moved and was seconded by Ms. Smith to enter closed session. The motion passed unanimously.

All participants except the Trustees, Mr. Thielen, Ms. Roggenkamp, Mr. Carlson, Ms. Haydon, Ms. Rupinen, Mr. Bowman, and Mr. Kellerman exited the meeting.

Ms. Hardwick and Ms. Taylor re-entered the meeting.

Mr. Overstreet called the meeting back into open session. Mr. Elliott moved and was seconded by Ms. Pendergrass to accept the settlement by Cumberland River Mental Health as stated. The motion passed unanimously.

There being no further business, the meeting was adjourned at 3:16 p.m. to meet on May 30, 2013 at 9:00 a.m. or upon the call of the Chair, Executive Director, or at the request of five members of the Board. Copies of all documents presented are incorporated as part of the minutes of the Board of Trustees as of April 4, 2013.

The remainder of this page is intentionally blank.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee 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 connection with this meeting.

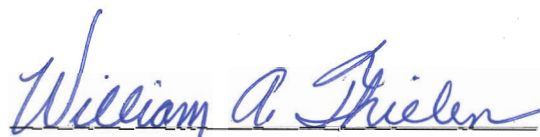


Recording Secretary

We, the Chair of the Board of Trustees of the Kentucky Retirement Systems and Executive Director of KRS, do certify that the Minutes of Meeting No. 381 held on April 4, 2013, were approved on May 30, 2013.



Chair



Executive Director

I, Jennifer A. Jones, was not in attendance but have reviewed the Minutes of the April 4, 2013 Board of Trustees Meeting for form, content and legality.



Interim General Counsel