MINUTES OF MEETING
OF THE
KENTUCKY RETIREMENT SYSTEMS
INVESTMENT COMMITTEE
MAY 7, 2013 AT 9:00 A.M., E.T.
BOARD ROOM, 1270 LOUISVILLE ROAD
FRANKFORT, KENTUCKY 40601

At the meeting of the Kentucky Retirement Systems Investment Committee held on May 7, 2013, the following members were present: Dr. Daniel Bauer, Chair; Timothy Longmeyer, Randy Overstreet and Betty Pendergrass; Trustee Ed Davis was also present. Staff members present were: TJ Carlson, Brent Aldridge, Bo Cracraft, David Peden, Christopher Schelling, Joe Gilbert, Tom Masthay, Brian Carter, Bill Murnighan, Alane Hardwick, Leigh Taylor, Ann Case, Connie Davis, Karen Roggenkamp and Bill Thilen. Also present: Tony Johnson and Ron Klotter of R.V. Kuhns & Associates, Inc.; Brad Young and Bill Charlton of Altius Financial, Inc.; Mark White, Simon Phillips and Gailen Krug of Albourne Financial; Jonathon Berns of ORG.

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Dr. Bauer called the meeting to order and introduced the agenda item Approval of Minutes. Sec. Longmeyer moved and was seconded by Mr. Overstreet to approve the minutes of the February 5, 2013 meeting. The motion passed unanimously.

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Mr. Carlson congratulated Brent Aldridge, Director of Private Equity & Real Estate for his exam completion earning him the designation of Chartered Alternative Investment Analyst. Also, congratulated were Tom Masthay and Chris Schelling for their Placement Agent Article that was published by the Journal of Private Equity and the CFA Digest.

A manager update was provided for Commerce Street, an opportunistic fixed income manager doing a trust preferred security debt obligation portfolio. This was closed out: with a 10-11% return since 2009. About 99% of that money has been returned and is being used for rebalancing and paying benefits. This report was provided for informational purposes only.

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Ms. Case presented the Quarterly Compliance and Audit Report. These reports were provided for informational purposes only. Mr. Carlson reviewed the Asset Allocation Report, Monthly Performance Update, Investment Division Meeting Checklist and Trade Cost Analysis. These reports were provided for informational purposes only. During the review of the Expense Report, Mr.
Carlson requested that $15,000 of the budget for Dues and Subscriptions be moved to the Out of State Travel budget. Sec. Longmeyer moved and was seconded by Mr. Overstreet to approve the request. The motion passed unanimously.

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Mr. Peden presented a summary of the Broker Dealer List and provided an overview of four new possible additions: GX Clarke, AVM, BNY Mellon and Toyota Financial Services. Mr. Overstreet moved and was seconded by Ms. Pendergrass to approve these additions. The motion passed unanimously.

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Mr. Carlson reviewed the Perimeter Park West Update. There are five recommendations of which three need to be voted on by the Investment Committee.

1) KRS lease be renewed subject to the terms as described in the lease draft as provided in Appendix A;

2) For investment accounting purposes, PPW be removed from the real estate asset class for performance reporting purposes and be reclassified as an ‘administrative asset’;

3) the reported value for the property be reflective of appraisal completed by the Forrestal Group as of January 26, 2009 and transactions necessary to accomplish this as outlined in Appendix B be executed;

4) the plan allocated holdings of PPW be reflective of the number of retirees participating in each pension plan and transactions necessary to accomplish this as outlined in Appendix B be executed;

5) PPW corporate shares are issued in the names of the economically participating plans in the ratios implied in investment accounting under #4 above.

Sec. Longmeyer moved to accept items two, three and four and this was seconded by Mr. Overstreet. The motion passed unanimously. Items one through five will need to be reviewed by the Board.

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Mr. Carlson reviewed the Custodial Transition Update, Unitization Upon Custodial Transfer, List of Standing Quarterly & Potential Future Topics and Articles of Interest. Mr. Peden provided a verbal report of the Credit Search Update and Mr. Masthay reviewed the Private Equity Secondary’s Update. These were provided for informational purposes only.

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Dr. Bauer called for a short recess and the room emptied.

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Dr. Bauer called the meeting back in session. Mr. Carlson and Mr. Schelling reviewed the Investment Policy Updates. There were two main proposed changes; 1) Report Real Estate on a one month lag 2) Amend the Absolute Return Strategies. The changes were moved by Ms. Pendergrass and seconded by Mr. Overstreet. The motion passed unanimously.

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Mr. Schelling provided background for Real Return Manager, Red Kite.

Oskar Lewnoski and Jeff Kechesian of Red Kite entered the meeting.

Mr. Schelling introduced Mr. Lewnoski and Mr. Kechesian, who gave a presentation on Red Kite Mine Finance Fund I, answered questions from the committee and then exited the meeting.

Mr. Overstreet moved and was seconded by Sec. Longmeyer to invest $50 million in Red Kite Mine Finance Fund I. The motion passed unanimously.

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Mr. Schelling provided a background for Real Return Manager, Magnetar.

Steve Freed, Eric Scheyer and Michael Wilds of Magnetar entered the meeting.

Mr. Schelling introduced Mr. Freed, Mr. Scheyer and Mr. Wilds, who gave a presentation on Magnetar MTP Energy Fund, answered questions from the committee and then exited the meeting.

Sec. Longmeyer moved and was seconded by Ms. Pendergrass to invest 50 basis points of participating plan assets, approx. $73 million in Magnetar MTP Energy Fund. The motion passed unanimously.

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Dr. Bauer called for a short break. During the break, Sharron Burton, entered the meeting as proxy for Sec. Longmeyer.

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Mr. Masthay provided a background for Real Estate Manager, H/2 and Rubenstein.

Spencer Haber, Peter Ahl and Dan Ottensoser of H/2 entered the meeting.

Mr. Masthay introduced Mr. Haber, Mr. Ahl and Mr. Ottensoser, who gave a presentation on H/2 Core Real Estate Debt Fund, answered questions from the committee and then exited the meeting.

David Rubenstein of Rubenstein entered the meeting and presented the Rubenstein Properties Fund II, answered questions from the committee and then exited the meeting.
Mr. Overstreet moved and was seconded by Ms. Pendergrass to invest 25 basis points of the total fund in H/2 Core Real Estate Debt Fund and $30 million in Rubenstein Properties Fund II. The motion passed unanimously.

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Mr. Aldridge provided a background for Private Equity Manager, CVC.

Chris Stradler and Lisa Lee of CVC entered the meeting.

Mr. Aldridge introduced Mr. Stradler and Ms. Lee who gave a presentation on CVC Capital Partners VI, answered questions from the committee and then exited the meeting.

Ms. Pendergrass moved and was seconded by Mr. Overstreet to invest €50 million in CVC VI, L.P. The motion passed unanimously.

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Mr. Masthay provided a background for Private Equity Manager, Bay Hills.

Lance Mansbridge, Phillip Godfrey and Albert Chung of Bay Hills entered the meeting.

Mr. Masthay introduced Mr. Mansbridge, Mr. Godfrey and Mr. Chung who gave their presentation on Bay Hills Emerging Partners III, answered questions from the committee and exited the meeting.

Mr. Overstreet moved and was seconded by Ms. Pendergrass to invest in Bay Hills Emerging Partners III to bring the total target exposure to 150 basis points. The motion passed unanimously.

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Dr. Bauer called for a short recess and the room emptied.

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Mr. Cracraft introduced Tony Johnson and Ron Klotter of R.V. Kuhns.

Mr. Cracraft, Mr. Johnson and Mr. Klotter reviewed the Public Equity Structure Study and Public Equity Annual Manager Reviews. This was for informational purposes only.

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There being no further business, Dr. Bauer adjourned the meeting at 3:15 p.m. The next scheduled quarterly meeting of the Investment Committee is August 6, 2013 at 9:00 a.m. Copies of all documents presented are incorporated as part of the minutes of the Investment Committee meeting as of May 7, 2013.
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.

[Signature]
Recording Secretary

I, Chair of the Investment Committee of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on May 7, 2013 were approved by the Investment Committee on August 6, 2013.

[Signature]
Investment Committee Chair

I, Jennifer A. Jones, have reviewed the Minutes of the Investment Committee Meeting held on May 7, 2013, for form, and legality.

[Signature]
Interim General Counsel