

**Kentucky Retirement Systems Board of Trustees  
Annual Board Meeting  
April 11, 2023, 10:00 a.m. EST  
Live Video Conference/Facebook Live  
AGENDA**

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| <b>1. Call to Order</b>   | <b>Lynn Hampton</b>                    |
| <b>2. Legal Public Statement</b>  | <b>Office of Legal Services</b>        |
| <b>3. Roll Call/Public Comment</b>  | <b>Sherry Rankin</b>                   |
| <b>4. Approval of Minutes – March 1, 2023*</b>                                      | <b>Lynn Hampton</b>                    |
| <b>5. Results of the 2023 SPRS Election*</b>  | <b>Madeline Perry</b>                  |
| <b>6. Election of KRS Board of Trustee Officers*<br/>Chair and Vice Chair</b>       | <b>John Chilton</b>                    |
| <b>7. Assignments to KPPA Board, Investment Committee<br/>Chair, and Committees</b> | <b>Board Chair</b>                     |
| <b>8. PPW Board of Directors Election*</b>  | <b>Steve Willer<br/>Rebecca Adkins</b> |
| <b>9. KPPA Update</b>   | <b>David Eager</b>                     |
| <b>10. KRS Update</b>   | <b>John Chilton<br/>Board Chair</b>    |
| <b>11. Implementation of HB 587</b>   | <b>Michael Board</b>                   |
| <b>12. Closed Session** - Litigation</b>  | <b>Board Chair</b>                     |
| <b>13. Adjourn*</b>   | <b>Board Chair</b>                     |

*\*Board Action Required*

*\*\*Board Action May Be Required*

**MINUTES OF MEETING  
KENTUCKY RETIREMENT SYSTEMS  
BOARD OF TRUSTEES MEETING  
MARCH 1, 2023, AT 10:00 AM ET  
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the Kentucky Retirement Systems Board of Trustees held on March 1, 2023 the following members were present: Lynn Hampton (Chair), Keith Percy, David Adkins, John Cheshire, Prewitt Lane, Pamela Thompson, Ramsey Bova, and William Summers, V. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Steve Willer, Kristen Coffey, Michael Lamb, Connie Davis, Connie Pettyjohn, D’Juan Surratt, Leigh Ann Davis, Ann Case, Jared Crawford, Elizabeth Smith, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Janie Shaw with GRS, Chris Tessman with Wilshire Advisors, LLC., Allen Norvell and Ryan Graham with Blue and Co., and Tracey Garrison, Larry Loew, Carrie Lovell, and Carla Whaley with Humana.

Ms. Hampton called the meeting to order.

Ms. Hale read the Legal Public Statement.

Ms. Rankin called roll.

There being no ***Public Comment*** submitted, Ms. Hampton introduced agenda item ***Adjournment of January 26, 2023, Meeting*** (Video 00:06:18 to 00:07:20). A motion was made by Mr. Lane and seconded by Ms. Thompson to adjourn the meeting of the KRS Board of Trustees held on January 26, 2023.

***Approval of Minutes – December 1, 2022; December 22, 2022; January 19, 2023; and January 26, 2023*** (Video 00:07:21 to 00:07:57). A motion was made by Mr. Adkins and seconded by Mr. Lane to approve the minutes of December 1, 2022; December 22, 2022; January 19, 2023; and January 26, 2023, as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item ***Update on SPRS Trustee Election*** (Video 00:07:58 to 00:09:40). On January 20, 2023, the election opened for the State Police Retirement System (SPRS) representative that serves on the KRS Board of Trustees. Ballots were sent to 2,935 eligible voters, said Ms. Coffey. The election closed on March 1, 2023. The results of the election will be provided to the KRS Board of Trustees Chair, KRS CEO, and KPPA Executive Director by March 15, 2023.

Ms. Hampton introduced agenda item ***Joint Audit Committee Reports and Recommendations*** (Video 00:09:40 to 00:34:05). Ms. Hampton stated that the Joint Audit Committee met on February 28, 2023. Ms. Kristen Coffey stated that the KPPA Division of Internal Audit Administration has worked to review all open internal audit findings. She provided an update on the open audit findings and presented a list of open findings as of February 17, 2023. Next, Ms. Coffey presented the audit report, Review of Chase Accounts. She advised that there were 12 findings and summarized each for the KRS Board of Trustees. Mr. Summers made a motion to approve the results of the GASB 68 and GASB 75 Proportionate Share Audit for Fiscal Year Ended June 30, 2022, and forward to the KPPA Board for ratification and approval to publish the reports. Mr. Cheshire seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***Joint Retiree Health Plan Committee Reports and Recommendations*** (Video 00:34:06 to 00:44:13). Ms. Connie Pettyjohn presented the item. She stated that the Joint Retiree Health Plan Committee met on February 16, 2023. At the meeting, Humana gave an informational presentation regarding the Benefit Enhancement Review, Vanderbilt Contract Update, and Underwriting Update. Additionally, GRS provided an actuarial analysis of the cost for potential benefit enhancements. The increase in Unfunded Liability is approximately \$4.5 million for SPRS, \$9.5 million for KERS Haz, and \$91.1 million for KERS Nonhazardous for every \$5 increase in premium, said Ms. Pettyjohn. Ms. Janie Shaw with GRS confirmed the reported impact. Ms. Tracey Garrison with Humana provided a brief update on the Vanderbilt Contract.

Ms. Hampton introduced agenda item ***Quarterly Financial Reports*** (Video 00:44:14 to 00:58:30). Mr. Michael Lamb reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of December 31, 2022. Next, Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the six-month period ending December 31, 2022, Combining Statement of Fiduciary Net Position of Insurance Funds as of December 31,

2022, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the six-month period ending December 31, 2022, with the Joint Audit Committee. Mr. Lamb went on to present the KERS and SPRS Pension and Insurance Funds Contribution Reports for six-month period ending December 31, 2022. Lastly, he briefly presented the KPPA Administrative Budget FY 2022-2023 for the six-month period ending December 31, 2022, Outstanding Invoices by Type and Employer, and Penalty Invoices Report.

Ms. Hampton introduced agenda item ***Investment Committee Reports and Recommendations*** (Video 00:58:31 to 01:11:30). Mr. Willer presented an Investment Review and Update. Next, Mr. Steve Willer provided background information on Adams Street Partners and presented the proposed investment into Adams Street Partners Private Credit Fund III. He stated that the investment recommendation is a "re-up" including the opportunity for a fee-free co-investment sidecar vehicle should it be approved and would be part of the Specialty Credit allocation. The KPPA Office of Investments recommended a "re-up" investment of up to \$75 million into the Adams Street Partners Senior Private Credit Fund III, and up to an additional \$75 million investment into a co-investment side car vehicle to be allocated proportionally among all KERS and SPRS Plans. Further, KPPA will occupy an "anchor investor" position with preferred pricing and the co-investment vehicle will have a 0% management fee, and 0% carried interest. This "re-up" investment will maintain the Plans' current exposure to the Adams Street Private Credit Platform and will reside in the Specialty Credit allocation, said Mr. Willer. Mr. Cheshire made motion to ratify the Investment Committee's approval of the investment into Adams Street Partners Private Credit Fund III as presented. Mr. Lane seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***Quasi-Governmental Employer Audits (KRS 61.5991) Update*** (Video 01:11:31 to 01:17:06). On September 14, 2022, the KRS Board of Trustees directed KPPA's Employer Reporting, Compliance and Education (ERCE) Division to audit one smaller agency and one larger agency to determine the level of effort and the percentage of agencies to audit going forward. Therefore, ERCE conducted audits on Judi's Place for Kids and LifeSkills, Inc. Mr. D'Juan Surratt reviewed the audit findings and stated that both agencies were found to be in reporting compliance. Mr. Surratt advised the KRS Board of Trustees that ERCE had one employee work full-time on the audits while another employee worked part-time. It took approximately two weeks to complete the audit of the smaller agency and six weeks to complete

the audit of the larger agency. Mr. Surratt advised that auditing agencies in which there is evidence of noncompliance would require additional time to complete the audit process. ERCE Staff recommended auditing a more conservative 5% annually for KRS 61.5991 (2)(a)(2) compliance, with the option to complete more if resources allow. The Board may update this number in the future, if needed. Mr. Summers made a motion to charge ERCE Staff with auditing a minimum of five (5) agencies or 5% of the 102 agencies, annually for KRS 61.5991(2)(a)(2) compliance. The motion was seconded by Mr. Cheshire. The motion passed unanimously.

Ms. Hampton introduced agenda item ***Legislative Updates*** – None.

Ms. Hampton introduced agenda item ***KPPA Updates*** (Video 01:17:06 to 01:24:43). Ms. Rebecca Adkins provided a KPPA Update. She reported that staffing has remained steady at 250 employees and that 7 interns would join KPPA for Summer 2023. The Government Officials Newsletter was distributed on February 27, 2023. Additionally, the Summary Annual Financial Report (SAFR) was provided to legislators on February 3, 2023. Ms. Adkins stated that it is required that the Public Pension Oversight Board (PPOB) conduct the Actuarial Audit of the Kentucky State-Administered Retirement Systems every five years. It was determined that the actuarial procedures and practices implemented by KPPA are of a high quality and in compliance with all major aspects of the applicable actuarial standards. Ms. Adkins highlighted key areas within the audit report.

Ms. Hampton introduced agenda item ***KRS Updates*** (Video 01:24:44 to 01:26:37). Ms. Hampton announced that John Cheshire would no longer serve on the KPPA Board of Trustees and that William Summers, V. would join the KPPA Board of Trustees. Ms. Hampton thanked Mr. Cheshire for his service on the KPPA Board and welcomed Mr. Summers. Next, Ms. Hampton stated that she and KRS CEO John Chilton are working to streamline all KRS activities. Additionally, Ms. Hampton reported that meeting minutes have been adjusted to be more succinct and now include video times for each item of discussion. Therefore, Members may view the discussion of a specific topic more efficiently.

Ms. Hampton introduced agenda item ***CEO Report*** (Video 01:26:38 to 01:36:52). Mr. Chilton provided a legislative update. Additionally, a response letter to Treasurer Ball was presented to the KRS Board of Trustees for approval. Ms. Hampton stated that the letter was drafted in collaboration with the KPPA Office of Legal Services. Ms. Hampton requested that KRS CEO John Chilton be

the signatory. Mr. Adkins requested several modifications. Ms. Hampton agreed and directed Ms. Hale to incorporate the discussed modifications. Mr. Adkins made a motion to approve and authorize KRS CEO John Chilton to send the letter to Treasurer Ball as modified. Mr. Lane seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item ***New Business*** – None.

Ms. Hampton introduced agenda item ***Closed Session*** and requested a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). A motion was made by Mr. Cheshire and seconded by Ms. Thompson. The motion passed unanimously.

Ms. Hampton called the meeting back to open session and stated that there was no reportable action.

Ms. Hampton requested a motion to adjourn. Mr. Adkins made a motion and was seconded by Mr. Peercy 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 1, 2023, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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## **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.

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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 1, 2023, were approved on April 11, 2023.

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Chair of the Board of Trustees

I have reviewed the Minutes of the March 1, 2023, Board of Trustees Meeting for content, form, and legality.

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Executive Director,  
Office of Legal Services



## Kentucky Public Pensions Authority

### Internal Audit Administration



Kentucky Public  
Pensions Authority

To: Members of the Kentucky Retirement Systems Board of Trustees

From: Kristen N. Coffey, CICA *KNC*  
Division Director, Internal Audit Administration

Date: April 11, 2023

Subject: 2023 State Police Retirement System Trustee Election Results

The eligible voters of the State Police Retirement System (SPRS) elected Mr. Keith Peercy to the Kentucky Retirement Systems Board of Trustees. Mr. Peercy will serve a four-year term, beginning on April 1, 2023. This will be Mr. Peercy's third term as a member of the Board.

The election was certified on March 14, 2023. A copy of the certification letter is attached.

A total of 359 valid ballots were received – 317 electronic and 42 paper. Two additional ballots were received but considered invalid because they were unsigned by the member.

In accordance with Kentucky Revised Statute 61.645(4)(b), it will require at least 36 signatures to nominate a candidate by petition for the next SPRS trustee election.

Nine individuals were identified as having an invalid mailing address listed in the KPPA system. As a part of the voting process, members can provide an updated email address; 76 members provided an update. The invalid mailing addresses and the updated email addresses have been provided to the Office of Benefits.

**Action Needed:** We request the KRS Board of Trustees accept the results outlined in the YesElections certification letter and declare the election final.

Attachment





March 14, 2023

Ms. E. Lynn Hampton  
Chair of the Kentucky Retirement Systems Board of Trustees  
Kentucky Retirement Systems  
1260 Louisville Road  
Frankfort, KY 40601

Dear Ms. Hampton:

We have tabulated ballots of the 2023 State Police Retirement System Trustee Election, and in accordance with the Kentucky Retirement System's Board of Trustee's Election Policy and Procedures, we hereby certify the results of the 2023 State Police Retirement System Trustee Election.

Thank you. It has been a pleasure working with you.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Chris Backert".

Chris Backert  
CEO  
Election-America, Inc.

CC: Mr. John Chilton  
Chief Executive Officer, Kentucky Retirement Systems

Mr. David Eager  
Executive Director, Kentucky Public Pensions Authority

Ms. Kristen N. Coffey  
Director, Division of Internal Audit Administration

1775 I St NW  
Suite 1150  
Washington, DC 20006

155 Mineola Blvd.  
Suite 102  
Mineola, NY 11501

4275 Executive Sq.  
Suite 200  
San Diego, CA 92037

(866) 514-2995 | [YesElections.com](https://www.YesElections.com)



## Results

| Race         | Candidate/Choice | Votes |
|--------------|------------------|-------|
| Trustee Seat | Keith Percy      | 355   |
|              | Write-ins        | 2     |

## Turnout

| Internet | Paper | Total | Electorate | Turnout % |
|----------|-------|-------|------------|-----------|
| 317      | 42    | 359   | 2,935      | 12.23%    |

## Invalid ballots

- 0 Spoiled (member selected no candidates or more than 1 candidate)
- 2 Unsigned (member did not sign the ballot)

There were no mutilated ballots.

The number of voters who returned a paper ballot after voting online: 1 (the first vote processed counted).

The number of ballots postmarked after March 1, 2023: 0

1775 I St NW  
Suite 1150  
Washington, DC 20006

155 Mineola Blvd.  
Suite 102  
Mineola, NY 11501

4275 Executive Sq.  
Suite 200  
San Diego, CA 92037

(866) 514-2995 | [YesElections.com](https://www.YesElections.com)



## KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601  
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



**To: Kentucky Retirement Systems Board of Trustees**

**From: David Eager, Executive Director, KPPA**

**Date: April 11, 2023**

**Subject: KPPA Update**

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**I. STRATEGIC PLANNING CONSULTANT:** KPPA concluded its search for a consultant to assist in developing a strategic plan. We retained Provaliant Retirement from Scottsdale, AZ. Provaliant specializes in consulting to state and large municipal retirement systems on projects very similar to ours. Their clients include IL TRS, Nevada PERS, Oregon PERS, MO LACERS, CalSTRS and CALPERS among many others.

Rebecca Adkins, Erin Surratt and had our initial telephonic meeting with them on April 5<sup>th</sup> and discussed ways to best organize our team to work with them. An official launch call will be scheduled to follow soon. The plan is to complete the project by December 31, 2023, with implementation projected to begin in 2024.

**II. TRUSTEE APPOINTMENTS:** We are assisting John Chilton and Lynn Hampton regarding the re-appointments of Prewitt Lane, John Cheshire, and Pamula Thompson as Trustees before their terms expire June 17, 2023.

**III. LEGISLATION:** HB 90, sponsored by Rep. Graham and others failed to be called up for a vote. It would have provided an appropriation of \$100 Mil to the KNH pension plan and provided a 1 ½% one-time COLA.

HB 444 which provides a 6% salary increase for all State employees passed. This will provide much needed assistance with retention and recruitment efforts.

HB 587 places the KPPA internal auditor under the direct control of the KPPA Board. The internal auditor will also be exempt from 18A. The bill has other implications including having the Audit Committee be a KPPA committee and not a Joint Committee or alternatively having the Board assume the audit responsibility. The ongoing role of the Executive Director as it relates to the internal audit department needs to be defined. Michael Board is working with the KPPA Board to resolve these and other issues.

**This update is intended for information specific to KRS. Other items of interest will be covered in the KPPA Update for the KPPA Board at its meeting on April 27, 2023.**



## KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601  
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: David Eager, KPPA Executive Director  
Rebecca Adkins, Deputy Executive Director  
Erin Surratt, Executive Director of Benefits  
Steve Willer, Executive Director, and Chief Investment Officer  
Mike Lamb, Chief Financial Officer  
John Chilton, KRS Chief Executive Officer  
Ed Owens, CERS Chief Executive Officer  
KRS Board of Trustees  
CERS Board of Trustees

From: Michael Board, Executive Director, Office of Legal Services

Date: April 4, 2023

Re: Implementation of 23 RS HB 587

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House Bill 587 was introduced in the House of Representatives on February 22, 2023, passed both the House and Senate, and was signed by the Governor on March 20, 2023. Per Section 55 of the Kentucky Constitution, HB 587 will become effective ninety (90) days after adjournment of the legislative session. Thus, HB 587 will become effective on June 28, 2023.

HB 587 amends KRS 61.505(8) in the following ways:

- a. The KPPA Board appoints or contracts for an internal auditor
  - i. Previously, as with all other employees of KPPA, the internal auditor was appointed by the KPPA Executive Director
- b. The KPPA Board sets the compensation and other terms of employment for the internal auditor
  - i. The internal auditor is not subject to KRS 18A or KRS 64.640
- c. The internal auditor reports directly to the KPPA Board
- d. The KPPA Board must conduct an annual performance evaluation of the internal auditor
- e. The internal auditor shall work cooperatively with the CEOs of KRS/CERS
- f. The internal auditor has the authority to appoint the employees under their direct supervision

As a result of the changes from this legislation, several things must happen. First and foremost, the CERS/KRS Joint Audit Committee will no longer exist, as the KPPA internal auditor will report directly to the KPPA Board. This will require amendments to the CERS and KRS By-laws to remove the language forming the Joint Audit Committee.

Second, the KPPA Board is faced with several tasks: they must appoint the internal auditor and set the compensation and terms of employment for the internal auditor. The terms of employment should include a position description. The KPPA Board is free to adopt the position description and compensation currently in place, making changes where necessary to reflect the removal of the internal auditor from the provision of KRS 18A, or they may adopt an entirely new position description and compensation. Adoption of a position description is important because the KPPA Board is required to perform an annual performance evaluation of the internal auditor.

The KPPA Board may choose to form an Audit Committee and delegate these tasks to that committee. The members of any KPPA Audit Committee must come from the eight (8) members of the KPPA Board. Forming a KPPA Audit Committee would require amending the KPPA By-laws. In creating the Audit Committee and amending the By-laws, the KPPA Board must decide the level of authority given to the Audit Committee: Are they able to act on behalf of the Board and then report their actions, or will their votes require ratification by the Board before action can be taken?

Once the KPPA Board has decided how it will carry out its responsibilities relating to internal audit, either the KPPA Board Chair or the Audit Committee Chair (if there is one) will be required to approve the internal auditor's timesheet on a weekly basis. This person will also be responsible for approving the internal auditor's leave requests (including day-to-day requests for medical appointments, school functions, etc.), approving a flex schedule, determining if the internal auditor may work from home and, if so, on what days, and approving travel and/or ongoing educational opportunities. The most efficient and effective way to handle these approvals is for the KPPA Board or Audit Committee to delegate this limited authority to the KPPA Executive Director.

There are several action items that must be completed to fully implement this legislation. Due to the number of action items, the KPPA Office of Legal Services proposes the following timeline:

- I. April Annual Meetings
  - a. All Boards review this memo
  - b. The KPPA Board should make initial decisions regarding whether they want to create an Audit Committee and, if so, its membership, and what authority it will have
- II. Between April Annual Meetings and June Board meetings
  - a. Staff will draft proposed amendments to By-Laws and Charters, and create a proposed position description for the internal auditor
- III. June Board Meetings
  - a. KPPA needs to decide how the hiring/appointment of an internal auditor will happen
  - b. KPPA will approve a position description and set the compensation for the internal auditor or delegate this to the Audit Committee
  - c. KRS and KPPA will vote on the By-law amendments
  - d. CERS will have the 1<sup>st</sup> reading of the By-law amendments
    - i. It is not a problem if the CERS By-laws are not fully amended when this legislation becomes effective
  - e. KPPA will vote on the Audit Charters

- f. KPPA will schedule the first meeting of the Audit Committee

This is a lot of information to digest, and lot of work to accomplish. We should move through this process slowly while ensuring we accomplish every step. There are also several internal questions to be answered while implementing this legislation. Staff will continue to work through those as well. One example of these internal issues is defining a process for the internal auditor to request new positions. While the internal auditor has the authority to appoint the positions that report directly to them, those positions are still subject to KRS 18A and KRS 64.640 and must still fit within the KPPA employee cap and the KPPA administrative budget.