

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES MEETING
DECEMBER 1, 2022, AT 10:00 AM ET
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the Kentucky Retirement Systems Board of Trustees held on December 1, 2022, the following members were present: Lynn Hampton (Chair), Keith Peercy, David Adkins, John Cheshire, Prewitt Lane, Pamela Thompson, Ramsey Bova, and Dr. Crystal Miller. Staff members present were KRS CEO John Chilton, CERS CEO Ed Owens, III, David Eager, Erin Surratt, Victoria Hale, Steve Willer, Kristen Coffey, Connie Davis, D’Juan Surratt, Leigh Ann Davis, Ann Case, Jared Crawford, Elizabeth Smith, Ashley Gabbard, Steve Willer, Katie Park, Shaun Case, and Sherry Rankin. Others present included Danny White and Janie Shaw with GRS, David Lindberg, Craig Morton, and Chris Tessman with Wilshire Advisors, LLC., and Allen Norvell, Ryan Graham, and Jordan Miller with Blue and Co.

Ms. Hampton called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

There being no *Public Comment* submitted, Ms. Hampton introduced agenda item *Approval of Minutes – November 1, 2022*. A motion was made by Mr. Adkins and seconded by Mr. Lane to approve the November 1, 2022, minutes as presented. The motion passed unanimously.

Ms. Hampton introduced agenda item *Approval of 2022 Actuarial Valuation and Contribution Rates (Video 00:09:40 to 00:14:29)*. Ms. Janie Shaw with GRS presented an overview of the 2022 Actuarial Valuation Results. Mr. Peercy made a motion to approve the 2022 Actuarial Valuation and Contribution Rates. Mr. Cheshire seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Joint Audit Committee Report and Recommendations (Video 00:14:30 to 00:23:15)*. Ms. Kristen Coffey presented the Joint Audit Committee Report and

Recommendations. She stated that the Joint Audit Committee met on November 28, 2022 and requested that the KRS Board of Trustees to ratify the actions taken by the Joint Audit Committee and approve the following items: (1) Draft results of the fiscal year ended June 30, 2022 audit, including the draft Financial Section of the Annual Report; and (2) Purchase of Infrastructure and Application Security Assessment. Ms. Connie Davis reported that the Joint Audit Committee also reviewed the draft results of the fiscal year ended June 30, 2022, audit, including the draft financial section of the Annual Report. Mr. Ryan Graham with Blue & Co. provided a brief overview of the draft results of the audit. Dr. Miller made a motion to approve the audited financial statements as presented. The motion was seconded by Mr. Adkins. The motion passed unanimously. Mr. Adkins made a motion to approve the purchase of the Infrastructure and Application Security Assessment for 2023. The motion was seconded by Ms. Bova and passed unanimously.

Ms. Hampton introduced agenda item *Quarterly Investment Performance Report* (Video 00:23:16 to 00:37:50). Mr. Steve Willer, Chief Investment Officer, presented the Quarterly Investment Performance Report. He provided an overview of the report presented to the KRS Investment Committee on November 10, 2022. Mr. Willer reported continued volatility and difficult market conditions; however, the plans held up well and outperformed their IPS benchmarks. Mr. Willer advised that volatility would likely continue into 2023. Next, he reviewed the multi-statistics as provided by Wilshire Advisors, LLC. Mr. Willer stated that a Special Called Meeting of the KRS Investment Committee would be scheduled before year end to present several mandates and request the funding of those mandates. Then, a Special Called Meeting of the KRS Board of Trustees would be scheduled to ratify the actions of the KRS Investment Committee. Mr. Willer also reported that the new Senior Investment Analyst position had been filled and would begin work in later in the month. The Portfolio Manager, Private Equity position had been posted externally and internally, and the Junior Analyst position would be backfilled in early 2023, said Mr. Willer.

Ms. Hampton introduced agenda item *Hazardous Duty Position Requests* (Video 00:37:51 to 00:39:47). Mr. D’Juan Surratt stated that the Kentucky State Police requested hazardous duty coverage for three positions: CVE Officer Senior, CVE Master Officer, and CVE Officer First Class. Mr. Surratt advised that all three positions meet the guidelines for hazardous duty coverage. Mr. Peercy made a motion to approve the Hazardous Duty Position Requests as presented. Mr. Cheshire seconded the motion and the motion passed unanimously.

Ms. Hampton introduced agenda item *Quarterly Financial Statements (Video 00:39:48 to 00:54:18)*. Ms. Connie Davis reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of September 30, 2022, and she advised the KRS Board of Trustees that a variance explanation for any percent change greater than 10% was included at the bottom of each statement. Next, Ms. Davis briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the three-month period ending September 30, 2022, Combining Statement of Fiduciary Net Position of Insurance Funds as of September 30, 2022, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the three-month period ending September 30, 2022, with the Board. Ms. Davis went on to present the CERS, KERS, and SPRS Pension and Insurance Funds Contribution Reports for three-month period ending September 30, 2022. Lastly, Ms. Davis briefly presented the KPPA Administrative Budget FY 2022-2023 for the three-month period ending September 30, 2022, CERS Outstanding Invoices by Type and Employer, and Penalty Invoices Report.

Ms. Hampton introduced agenda item *Update on Annual Comprehensive Financial Report and Summary Annual Financial Report (Video 00:54:19 to 00:57:00)*. Ms. Connie Davis advised that the Executive Letter from last year's publication was included (pp. 8-9) in error. She reported that the Annual Comprehensive Financial Report (ACFR) was almost complete and was being formatted and thoroughly reviewed. The ACFR is due to the Government Finance Officers Association (GFOA) by December 31, 2022. The Summary Annual Financial Report (SAFR) was also being reviewed and would be sent to the printers in mid-December in time for the legislative session in January, said Ms. Davis. Mr. Eager echoed that the SAFR was in the final stages advised that the Executive Letter for the ACFR would be ready within the next few days.

Ms. Hampton introduced agenda item *CEO Update (Video 00:57:01 to 01:30:30)*. Mr. Chilton briefly mentioned items in which he had recently been involved, the Housekeeping Bill, litigation matters, and the Annual Report. He stated that a joint CERS and KRS response to the letter received from the Kentucky Attorney General regarding ESG would be drafted and sent mid-December. Mr. Eager stated that the drafted response letter was to be voted on during the meeting. Mr. Michael Board advised that the letter was included in the meeting materials. Mr. Eager reviewed the drafted response letter with the KRS Board of Trustees and modifications were discussed. It was decided to prepare separate response letters for CERS and KRS. Ms. Hampton directed Mr. Chilton to prepare the modified response letter as discussed by the Board of Trustees with the assistance of Mr. Board.

Mr. Adkins made a motion to delegate CEO John Chilton to draft a response to the request from the Attorney General and the State Treasurer on behalf of KRS consistent with the comments and advice offered and discussed by the Board of Trustees. Mr. Lane seconded the motion and the motion passed unanimously.

Mr. Board wished to clarify a statement made during item *Joint Audit Committee Report and Recommendations*. A Trustee asked if the recommendations approved by the Joint Audit Committee would also be taken to the KPPA Board of Trustees for approval. He clarified that approved recommendations of the Joint Audit Committee are ratified by the CERS and KRS Board of Trustees; however, the Audit of Financial Statements does require approval from the KPPA Board of Trustees.

Ms. Hampton introduced agenda item *KPPA Update (Video 01:30:31 to 01:32:20)*. Mr. David Eager reported that the new Chief Financial Officer had been selected and would begin work during the second week of January. Additionally, there were 14 new employees hired and 11 departures within the last three months, said Mr. Eager. He announced that Representative Tipton, the bill sponsor, would present the Housekeeping Bill to the Public Pension Oversight Board (PPOB) on December 19, 2022.

Ms. Hampton stated that there would be no *New Business*.

Ms. Hampton introduced agenda item *Closed Session*. A motion was made by Mr. Adkins and seconded by Ms. Bova to enter closed session. The motion passed unanimously.

Mr. Board 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 the dismissal of an employee pursuant to KRS 61.810(f) and 61.810(1)(k), it is necessary to enter closed session because of the sensitive nature of the material to be considered regarding this employee and the requirement of KRS 61.661(1) that each member's account be administered in a confidential manner and 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.

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

Ms. Hampton requested a motion to *adjourn*. Mr. Lane made a motion and was seconded by Mr. Cheshire 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 December 1, 2022, 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.


Recording Secretary

I, the Chair of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting held on December 1, 2022, were approved on March 1, 2023.


Chair of the Board of Trustees

I have reviewed the Minutes of the December 1, 2022, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services