

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
SPECIAL CALLED INVESTMENT COMMITTEE MEETING
FEBRUARY 28, 2022, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the February 28, 2022 Kentucky Retirement Systems' (KRS) Special Called Investment Committee Meeting, the following Committee members were present: C. Prewitt Lane (Chair), Keith Percy, John Cheshire, III and Lynn Hampton. Also in attendance was County Employees Retirement System's (CERS) CEO Ed Owens. Staff members present were David Eager, Steven Herbert, Victoria Hale, Rebecca Adkins, Erin Surratt, Ashley Gabbard, Kristen Coffey, Anthony Chiu, Joseph Gilbert, Jared Crawford, Sherry Rankin and Carol Johnson.

Mr. Lane called the meeting to order and Ms. Johnson called roll.

Mr. Lane introduced agenda item *Public Comment*. Ms. Johnson stated that no public comments were submitted.

Mr. Lane introduced agenda item *Approval of Minutes – February 8, 2022*. Mr. Percy moved and was seconded by Ms. Hampton to approve the minutes as presented. The motion passed unanimously.

Mr. Lane introduced agenda item *KRS Asset Allocations*. Mr. Herbert reviewed the changes made to the asset allocations with the Committee members. Mr. Herbert stated that the asset allocations formatting and names changed slightly and it was in conformity with the CERS Plan. Mr. Herbert

stated that staff merged U.S. equity and non U.S. equity and it was now called public equity since many times it was difficult to tell them apart. Mr. Herbert reviewed pages 15 and 16 of Board Books with the Committee members. Mr. Herbert stated that the column on the left-hand side was KRS's current asset allocations and the right-hand side shows the proposed new asset allocations for KRS. Mr. Herbert stated that it is mainly a name or categorization change and the old categorization of growth, liquidity, diversifying and opportunistic were changed and would now become equity, fixed income and inflation protected. Mr. Herbert also stated that staff moved specialty credit under fixed income and the opportunistic asset class was removed. Mr. Lane stated that previously the asset classes were named by outcomes instead of by the labels that a typical board member and the public would recognize. He believes the new asset allocations were clearer. Mr. Herbert stated that the risk profile did not change so this would not change the target return, just a categorization update. This item was provided for informational purposes only.

Mr. Lane introduced agenda item *KRS Investment Policy Statement*. Mr. Herbert first pointed to the report completed by Wilshire which could be found on page 17 of Board Books. Mr. Herbert stated that the report was a mean variance optimization exercise and it provides a detailed look at the asset allocation. Mr. Herbert stated that staff asked Wilshire to do the study to ensure that the changes made to the asset allocations made sense from a risk return perspective and mean variance observation. Mr. Herbert stated that the draft Investment Policy Statement (IPS) contained on page 25 of Board Books was the second document change and it contained the changes which were approved at the February 8, 2022 KRS Investment Committee meeting. Mr. Herbert stated that both the February 8, 2022 approved IPS and, if the proposed additional changes to the IPS were approved by the Investment Committee at the present meeting, the proposed IPS would be sent to

the KRS Board of Trustees for its approval. Mr. Herbert then reviewed the change to the IPS which could be found on page 28 of Board Books. Mr. Herbert stated that the first paragraph, in section E. Custody Bank, the change was to replace the Board with KPPA. KPPA shall hire custodians and other agents who will be fiduciaries to the Systems and who will assume responsibility for the safekeeping and accounting of all assets held on behalf of the Systems, as well as other duties as agreed to by contract. Mr. Herbert stated that this matches up with KRS 61.660. Mr. Herbert then reviewed the changes contained on pages 29 and 30 of Board Books and stated that these are the changes to the asset allocations that were just discussed with the Committee members and would match up with the changes shown on pages 15 and 16 of Board Books. Mr. Herbert then reviewed the changes made on pages 37 and 38 of Board Books to the required benchmarks. Mr. Herbert stated that it changed to reflect the global equity allocation and also some adjustments were made to where the asset class was placed and how the asset class was categorized. For instance, specialty credit was moved under fixed income. Mr. Herbert stated that the index benchmarks remained the same, except for global equity. Mr. Peercy asked Mr. Herbert why the names were changed in the tables, but not in the document itself. For instance, on page 31 of Board Books we still have the headings of growth, on page 33 of Board Books you have fixed income and liquidity and on page 34 of Board Books you have diversifying strategies. Mr. Peercy asked if that terminology be changed as well. Mr. Herbert stated yes and that was in error and would be updated. Mr. Herbert stated that he believes the IPS could still be voted on with the recommended changes proposed. Ms. Hale stated yes that the motion would be to approve the IPS as verbally revised and then the changes could be made and sent for the KRS Board of Trustees to approve. Mr. Herbert stated that the last change made could be found on page 40 of Board Books regarding the site visit language. Mr. Herbert stated that Investment staff would perform site visits with at least one-third of all

current managers on a yearly basis. Mr. Lane asked if there was a motion to approve the IPS as presented along with the verbal changes that Mr. Peercy and Mr. Eager recommended. Ms. Hampton moved and was seconded by Mr. Peercy to approve the IPS with the amendments recommended by Mr. Peercy and Mr. Eager. The motion passed unanimously.

There being no further business, Mr. Peercy moved and was seconded by Ms. Hampton to adjourn the meeting at 10:20 a.m. The next meeting of the Kentucky Retirement Systems Investment Committee is scheduled for 10:00 a.m. on May 16, 2022. Copies of all documents presented are incorporated as part of the minutes of the Kentucky Retirement Systems Investment Committee meeting held February 28, 2022.

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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

I, as Chair of the Kentucky Retirement Systems Investment Committee of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on February 8, 2022 were approved by the Kentucky Retirement Systems Investment Committee on February 28, 2022.


Committee Chair

I have reviewed the Minutes of the Kentucky Retirement Systems Special Called Investment Committee Meeting on February 28, 2022 for form, content, and legality.


Office of Legal Services