

MINUTES OF MEETING NO. 340
BOARD OF TRUSTEES
KENTUCKY RETIREMENT SYSTEMS
February 21, 2008 at 9:00 AM., E.T.
Board Room
Perimeter Park West, 1270 Louisville Road
Frankfort, Kentucky 40601

Item 1

At the Quarterly Meeting of the Board of Trustees held on February 21, 2008, the following members answered to their name: Randy J. Overstreet, Chair, Walter J. Pagan, Bobby D. Henson, Lynn T. Harpring, Patricia R. Ballenger, Vince Lang, Susan S. Horne, W. Lewis Reynolds III, and Tim Longmeyer, Personnel Cabinet, proxy for Nikki R. Jackson.

In addition, those present were Robert M. Burnside, Executive Director, and Amy Doss Fields, Recording Secretary. Also present were William A. Thielen, Gerri D. Miller, Adam C. Tosh, J. Eric Wampler, Todd Coleman, Joe Gilbert, Marlane Robinson and Richard Schultz, KRS, Ed Davis, Fraternal Order of Police, Rebecca Heckler and Mary Helen Peter, Kentucky Public Retirees, Margaret Hurst, Legislative Research Commission, and Mark Coleman, Office of State Budget Director.

Mr. Overstreet advised that Mr. Longmeyer was sitting in for Ms. Jackson. An Attorney General's ruling from Scott White, Assistant Deputy Attorney General, advises that KRS 18A.035(1) provides that the Secretary "...may from time to time designate in writing an employee of the cabinet to act for him in case of his absence or inability from any cause to discharge the powers and duties of his position. In this case, the powers and duties of the secretary shall devolve upon his designee."

Item 2

It was moved by Mr. Pagan, seconded by Mr. Lang and carried by the majority to approve the Minutes of Meeting numbers 335 & 336 as presented. Mr. Reynolds abstained.

Item 3

Mr. Overstreet presented the memorandum "Affirmative Action Plan."

Ms. Robinson reviewed the memorandum.

This memorandum was presented for informational purposes.

Ms. Robinson departed.

Item 4

Mr. Overstreet presented the memorandum "Retiree Cost of Living Adjustment."

This memorandum was presented for informational purposes.

Item 5

Mr. Overstreet presented the memorandum "Initial Retirement Cases, Second Quarter, 07-08."

It was moved by Ms. Ballenger, seconded by Mr. Reynolds and carried by the Board to ratify the action of staff and approve the payment of initial retirement benefits as presented.

Item 6

Mr. Overstreet presented the memorandum "Death Benefit Payments, Second Quarter, 07-08."

It was moved by Mr. Lang, seconded by Mr. Reynolds and carried by the Board to ratify the action of staff and approve the payment of death benefits as presented.

Item 7

Mr. Overstreet presented the memorandum "Refund of Member Contributions for the Quarter Ended December 31, 2007."

It was moved by Mr. Pagan, seconded by Ms. Ballenger and carried by the Board to approve the action of staff in the refund of member contributions for the quarter ended December 31, 2007.

Item 8

Mr. Overstreet presented the memorandum "Legislative Update."

The Board was advised of retirement related legislation that staff is monitoring and that KRS' housekeeping bill has been filed. Staff informed the Board of some of the provisions in the Governor's pension reform bill, which will be announced today. The Board was advised that staff has not seen final language on the pension reform bill, but was asked to review and provide actuarial analyses on some of the provisions.

This memorandum was presented for informational purposes.

Item 9

Mr. Overstreet presented the memorandum "Audit Committee Report."

Ms. Ballenger reviewed the memorandum.

It was moved by Ms. Ballenger, seconded by Mr. Harpring, and carried by the Board to ratify the action of the Audit Committee and approve the contract with Dean, Dorton & Ford to provide

external audit services for Kentucky Retirement Systems and Perimeter Park West, Inc. for a three-year period beginning the fiscal year ending June 30, 2008, to be renegotiated on an annual basis for fiscal years 2009 and 2010 pursuant to the Request for Proposal.

Ms. Ballenger advised that the Audit Committee also approved changes to the Annual Audit Plan which included moving the corporate governance audit from fiscal year 2008 to 2009 and the addition of a health care dependent audit beginning in fiscal year 2008 to carryover into fiscal year 2009.

It was moved by Ms. Ballenger, seconded by Mr. Pagan, and carried by the Board to ratify the action of the Audit Committee and approve changes to Annual Audit Plan.

Item 10

Mr. Overstreet presented the memorandum "Financial Statements as of December 31, 2007."

Mr. Thielen reviewed the memorandum.

This memorandum was presented for informational purposes.

Item 11

Mr. Overstreet presented the memorandum "Kentucky Group Health Insurance Board."

It was moved by Mr. Lang, seconded by Mr. Pagan, and carried by the Board to re-appoint Bobby Henson to the Kentucky Group Health Insurance Board for a two-year term, with Rick Schultz serving as Mr. Henson's permanent proxy.

Item 12

Mr. Overstreet presented the memorandum "Retiree Health Plan Committee Report."

Mr. Henson reviewed the memorandum.

This memorandum was presented for informational purposes.

Mr. Schultz departed.
Chris Clark entered the meeting.

Item 13

Mr. Overstreet presented the memorandum "Investment Portfolio, December 31, 2007."

Mr. Tosh reviewed the memorandum.

This memorandum was presented for informational purposes.

Item 14

Mr. Overstreet presented the memorandum "Investment Committee Quarterly Report."

Mr. Tosh reviewed the memorandum.

It was moved by Mr. Reynolds, seconded by Mr. Henson and carried by the Board to ratify the action of the Investment Committee and approve a commitment of \$30 million to Mill Road Capital Fund I, a small buyout strategy, pending satisfactory completion of due diligence and successful negotiation of partnership terms, and the selection Aberdeen Asset Managers Limited and Wellington Management to manage KRS' initial dedicated allocation to the emerging equity markets, subject to satisfactory contract and fee negotiations.

Item 15

Mr. Overstreet presented the memorandum "Review of Commissions."

Mr. Tosh reviewed the memorandum.

This memorandum was presented for informational purposes.

Mr. Davis and Mr. Mark Coleman departed.

Item 16

Mr. Overstreet presented the memorandum "Quarterly Report on Strategic Technology Advancements for the Retirement of Tomorrow (START) Project."

Staff provided an update on the project, which is currently dealing with design in both phase four, the new imaging system, and phase five, the new retiree payroll system. Staff noted that there has been no change in the project budget since the last quarterly report.

This memorandum was presented for informational purposes.

Mr. Clark departed.

Item 17

Mr. Overstreet presented the memorandum “KRS Strategic Plan Progress Report.”

Staff advised the Board that KRS is in the midst of the strategic planning process. An employee survey was conducted and four focus groups have been created to look at specific areas. Staff indicated that a comprehensive report on the process will be provided to the Board at a later date.

This memorandum was presented for informational purposes.

Item 18

Mr. Overstreet presented the memorandum “Fiduciary and Ethics Reports from Around the Country.”

Mr. Wampler reviewed the memorandum and related articles.

This memorandum was presented for informational purposes.

Mark McChesney entered the meeting.

Item 19

Mr. Overstreet presented the memorandum "Participation of Additional Agencies."

Ms. Miller reviewed the memorandum.

It was moved by Mr. Henson, seconded by Mr. Harpring and carried by the Board to approve CERS participation of Columbia/Adair County Water Commission and Lake Barkley Tourism.

The Board discussed the request for hazardous duty coverage for the position of Court Security Officer. The Board requested that staff obtain additional information regarding the position's statutory law enforcement authority and arrest powers.

It was the consensus of the Board to defer the position of Court Security Officer, Franklin County Fiscal Court, to a future meeting.

Item 20

Mr. Overstreet presented the memorandum “Contracts.”

Mr. Wampler reviewed the memorandum.

It was moved by Ms. Horne, seconded by Mr. Henson and carried by the Board to authorize a contract with Pension Benefit Information, Inc. under the following fee schedule:

Confirmed Address Location Services (ad hoc):

1-100	\$15.00
200	\$13.25
300	\$12.75
500	\$11.80
700	\$10.80
1000	\$10.00
2000	\$ 8.00

Per person/address searched

NCOA annual match:

- \$.015 per record (approximately 260,000 records)
- \$.030 per record (approximately 27,000 records)

Death Audit Services annual match (approximately 260,000 records)

\$.013 per record

Death Audit Services quarterly match (approximately 78,000 records)

\$.020 per record

Death Audit Services monthly match (approximately 78,000 records)

\$.010 per record

Social Security Number Verification one time match (approximately 315,000 records)

\$3,000 flat fee

Social Security Number Verification annual match (approximately 15,000 records)

\$1,000 flat fee

Unconfirmed address locations

\$4.00 to \$.70 depending on volume.

It was moved by Mr. Reynolds, seconded by Mr. Lang and carried by the Board to authorize a contract with Brink's Global Services USA, Inc. under the following fee schedule, subject to final contract negotiations:

Base Rate \$100.00

Pick Up Charge	\$150.00
Air Freight	\$2.50 per lb. of packed weight
Airport Security	\$8.00 per shipment
Fuel Surcharge	\$0.60 per lb. of packed weight

It was moved by Mr. Pagan, seconded by Mr. Henson and carried by the Board to enter into "Closed Session" for the purposes of 1) discussing litigation 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; 2) discussing public records and information pursuant to KRS 61.810(1)(l) and (m); and 3) discussing member accounts pursuant to KRS 61.810(1)(k) due to the sensitive and personal nature of the medical records to be considered and the requirement of KRS 61.661(1) that each member's account be administered in a confidential manner.

Mr. Burnside, Mr. Thielen, Ms. Heckler, Ms. Hurst,
Ms. Peter, Mr. Gilbert, and Mr. Todd Coleman departed.

It was moved by Ms. Horne, seconded by Ms. Ballenger and carried by the Board to return to "Open Session" after discussion of litigation, public records and information, and member accounts in "Closed Session" under the provisions of KRS 61.810(1)(c), (k), (l), (m), and KRS 61.661(1) with no action being taken in "Closed Session."

Item 21

Mr. Overstreet presented the memorandum "Security Update."

A security update was provided in closed session with no action being taken.

This memorandum was presented for informational purposes.

Item 22

Mr. Overstreet presented the memorandum "Pending Litigation."

Pending litigation was reviewed in closed session with no action being taken.

This memorandum was presented for informational purposes.

Item 23

Mr. Overstreet presented the memorandum "Medical Examiners Approvals/Denials of Disability Retirement."

It was moved by Mr. Pagan, seconded by Mr. Harpring and carried by the Board to ratify the action of staff in the denial of 113 disability applications and approval of 33 disability applications, for the quarter ending December 31, 2007.

Item 24

Mr. Overstreet presented the memorandum "Disability Appeals Committee Quarterly Report."

It was moved by Mr. Reynolds, seconded by Mr. Henson and carried by the Board to ratify the action of the Disability Appeals Committee for the quarter ending December 31, 2007.

Item 25

Mr. Overstreet presented the memorandum "Administrative Appeals Committee Quarterly Report."

It was moved by Mr. Henson, seconded by Mr. Pagan and carried by the Board to ratify the action of the Administrative Appeals Committee for the quarter ending December 31, 2007.

Item 26

Mr. Overstreet presented the memorandum "Annual Review Update for Recipients Receiving Disability Benefits."

It was moved by Mr. Pagan, seconded by Mr. Henson and carried by the Board to ratify the action of staff in the termination of disability retirement benefits for ten recipients.

Item 27

Mr. Overstreet presented the memorandum "Recommendations for Hazardous Disability Retirement."

It was moved by Ms. Horne, seconded by Mr. Henson and carried by the Board to ratify the action of staff and approve hazardous disability retirement benefits for three applicants, with two of those being approved for in-the-line-of-duty benefits.

Item 28

There being no further business, the meeting adjourned at 12:25 P.M. E.T., to meet on April 3, 2008, or upon the call of the Chair, Executive Director, or at the request of five members of the Board.

CERTIFICATION

I, Amy Doss Fields, do certify that I was present at this meeting and that I have recorded above the action of the Board on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805 through 61.850 were met in connection with this meeting. Finally, I certify that the Minutes and supporting materials have been forwarded to each member of the Board and have been included in the permanent records of the Board.

Amy Doss Fields
Recording Secretary

We, the Chair and the Executive Director of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of Meeting No. 340 were approved by the Board on May 15, 2008.

Signed: _____
Chair

Signed: _____
Executive Director

I, J. Eric Wampler, have reviewed the Minutes of Meeting No. 340 for form, content and legality.

Signed: _____
General Counsel