

MINUTES OF THE JOINT MEETING  
OF THE BOARD OF TRUSTEES OF  
THE KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM,  
THE INVESTMENT COMMITTEE FOR THE  
KENTUCKY JUDICIAL RETIREMENT FUND,  
AND THE INVESTMENT COMMITTEE FOR THE  
KENTUCKY LEGISLATORS RETIREMENT FUND

**October 23, 2020**

The Board of Trustees of the Kentucky Judicial Form Retirement System (JFRS), the Investment Committee for the Kentucky Judicial Retirement Fund, and the Investment Committee for the Kentucky Legislators Retirement Fund, convened at the Administrative Office of the Courts, 1001 Vandalay Drive, Frankfort, Kentucky 40601 and via Video-Conference utilizing Microsoft Teams on Friday, October 23, 2020, at 10:00 a.m. All Board members were in attendance. Rebecca Stephens, Interim Executive Director, participated in person, while Mr. Don Asfahl, Mr. Tom Watkins, and Mr. Andy Means of Hilliard Lyons attended via video-conference. Ms. Debbie Smith of MCM, Mr. Wesley Wickenheiser and Mr. Matthew Widick of Findley, Inc. also participated by video-conference.

Chairman Grise called the meeting to order at 10:05 a.m.

The trustees considered the adoption of the previously distributed *Minutes* of the July 31, 2020 meeting. Upon motion by Mr. Stephen LeLaurin, second by Judge Douglas George, the Board unanimously approved the *Minutes* of the July 31 meeting.

Chairman Grise recognized the absence of Mr. Stan Kerrick with the Lexington Investment Company. Ms. Stephens previously distributed electronic copies of *Lexington Investments' Kentucky Judicial & Legislators Retirement Funds* dated September 30, 2020.

Chairman Grise recognized the representatives of Hilliard Lyons Trust Company. Ms. Stephens previously distributed copies of Hilliard Lyons' *Investment Review for Kentucky Judicial Retirement Fund and Kentucky Legislators Retirement Fund* dated October 23, 2020. In accordance with Board policy, the System maintains a copy of the *Investment Review*.

Mr. Watkins began Hilliard's Market Commentary presentation by reviewing his article, "Politics and Investing Don't Mix Well."

Mr. Asfahl reminded the Board that the Systems' portfolios were structured with tough times in mind. He reviewed the investment activity for the Judicial Retirement Defined Benefit and Hybrid Cash Balance accounts and the Legislators Retirement Defined Benefit and Hybrid

Cash Balance accounts through September 30, 2020. His review included asset allocation, top equity performers, largest holdings, fixed income, yield and additions.

Mr. Asfahl advised that Hilliard Lyons is pleased with the balance of the Systems' portfolio. The stocks have great recovery potential and the balance has served and will serve the Systems well. He reminded the Board that as Hybrid Cash Balance Plans grow larger, a more diversified portfolio will be considered.

Mr. Asfahl concluded his presentation by reminding the trustees that equities cannot exceed 80% of each Fund's portfolio and when an individual portion exceeds 8%, the *Investment Policy Statement* grants discretion to Hilliard Lyons to make changes. He advised that when something gets to 8%, they don't immediately sell to get below 8%. Instead, they wait until something is meaningfully above 8% and for a consistent period of time.

Mr. Asfahl, Mr. Andrew Means, and Mr. Tom Watkins departed the video-conference at 11:25.

Chairman Grise introduced Ms. Debbie Smith, CPA and Assurance Partner with MCM. Ms. Smith made a presentation to the Board advising of MCM's Independent Auditor's Report for the 2019 and 2020 Financial Statements of each Plan. Ms. Smith confirmed the financial statements were fairly presented and reviewed the following: Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to the Financial Statements, Required Supplementary Information, and Required Compliance Reporting.

Ms. Smith also reviewed the *2020 Auditor's Communication* dated June 30, 2020, which Ms. Stephens had electronically distributed to the Board prior to the meeting. Ms. Smith departed the meeting at 11:50.

The meeting recessed for lunch at 11:50 and reconvened at 12:05 p.m.

For the next agenda item, Chairman Grise recognized Mr. Wesley Wickenheiser and Mr. Matthew Widick of Findley, Inc., the Systems' Actuary. Mr. Wickenheiser presented an actuarial update in which he discussed the valuation process, the current actuarial assumptions and methods, a review of the 2019-2020 GASB results, and a review of the 2019 Valuation results.

Next, Mr. Wickenheiser and Mr. Widick presented System's *Pension Plan Experience Study*. The Study was performed based on plan experience from 2013 through 2019. Demographic and Economic assumptions were reviewed. General Considerations were given to factors influencing retirement behavior and the trend that more employees are working beyond age 65. An overview of the current assumptions, observations, and recommendations was presented.

Mr. Wickenheiser and Mr. Widick departed the meeting at 1:45 p.m.

Chairman Grise recognized Ms. Rebecca Stephens to provide reports as follows:

Public Pension Oversight Board (PPOB).

Ms. Stephens gave a summary of the PPOB meetings since the last JFRS meeting.

**August 24, 2020.** The presentation of each state-supported retirement system/plan included an actuarial and financial update. JFRS' PowerPoint presentation was presented by Ms. Stephens. She and Mr. LeLaurin attended the meeting virtually. TRS's and KRS's presentations included fund stress testing. Kentucky Deferred Compensation Authority also provided an update.

**September 22, 2020.** TRS's presentation from August 24, 2020, was continued; the Community Mental Health Centers provided a presentation; KRS and TRS gave a joint presentation concerning an LRC *Study Topic from 2019 Annual Report* with regards to allocation of health premium subsidy costs for retirees with service in multiple retirement systems.

Legislation Pre-filed for 2021 General Assembly.

Ms. Stephens reported that **Bill Request 17** was pre-filed on October 7, 2020, by sponsor Rep. Jerry Miller to amend KRS 6.350 to establish additional standards and requirements for the completion of the actuarial analysis required for bills pertaining to state-administered retirement systems, including a projection of costs/savings over a 30-year period rather than 20 years. Ms. Stephens reminded the Board this was similar to **Bill Request 149** pre-filed bill by Rep. Joe Graviss on July 14, 2020. **Bill Request 260** was pre-filed by sponsor Rep. Laferty on October 6, 2020, to increase the pension income exclusion from \$31,110 to \$41,100.

Fiduciary Liability Insurance.

Ms. Stephens advised that the System's policy for fiduciary liability insurance was renewed effective October 1, 2020 at a premium of \$49,316.25.

The next agenda item was Executive Session. A motion was made by Judge Douglas George and seconded by Rep. Brad Montell to go into Executive Session for the purpose of considering a permanent Executive Director of JFRS.

A motion was made by Mr. A.C. Donahue and seconded by Mr. Stephen LeLaurin to return to open session. No action was taken during the closed session.

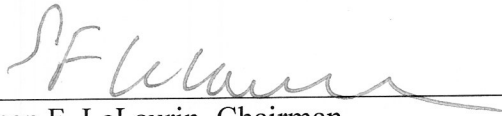
The trustees tentatively scheduled its 2021 quarterly meetings. The trustees will meet next January 22, and thereafter on April 23, July 23, and October 22.

There being no further business, the meeting adjourned at 3:00 p.m.



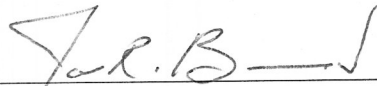
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Judge John R. Grise, Chairman  
Judicial Form Retirement System Board of Trustees



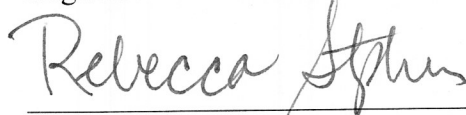
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Stephen F. LeLaurin, Chairman  
Judicial Retirement Fund Investment Committee



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Joe R. Bowen, Chairman  
Legislators Retirement Fund Investment Committee



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Rebecca Stephens, Interim Executive Director