

KENTUCKY TEACHERS' RETIREMENT SYSTEM
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JUNE 15, 2015

Minutes of Meeting:

After giving proper notice of a regular quarterly meeting, and a quorum being present, Chair Laura Zimmerman called the KTRS Board of Trustees to order at 12:30 p.m., Monday, June 15, 2015, in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present:

Laura Zimmerman, Chair
Arthur Green, Vice Chair
Hollis Gritton
Jay Morgan
Quin Sutton
Ruth Ann Sweazy
Charles Harman, proxy for Commissioner of Education
Todd Hollenbach, State Treasurer

Others present:

Gary L. Harbin, Kentucky Teachers' Retirement System
Robert Barnes, Kentucky Teachers' Retirement System
Eric Wampler, Kentucky Teachers' Retirement System
Paul Yancey, Kentucky Teachers' Retirement System
Tom Siderewicz, Kentucky Teachers' Retirement System
Mark Whelan, Kentucky Teachers' Retirement System
Nate Van Sichel, Kentucky Teachers' Retirement System
Jane Gilbert, Kentucky Teachers' Retirement System
Felicia Penn, Kentucky Teachers' Retirement System
Patsy K. Rainey, Kentucky Retired Teachers Association
Tom Shelton, Kentucky Association of School Superintendents
Teresa Sanders, Office of the State Budget Director
Jennifer Rowe, Legislative Research Commission
Chuck Truesdell, Legislative Research Commission
Greg Woosley, Legislative Research Commission

1. Reports for Consent: Chair Zimmerman reviewed the draft minutes of the March 16, 2015 meeting and asked the Board to take action on the minutes.

Board Action: The Board considered the minutes of the Quarterly Meeting of the Board of Trustees held on March 16, 2015. Upon motion duly made by Ms. Sweazy, and seconded by Mr. Green, the minutes were unanimously approved by the Board as written.

Chair Zimmerman reviewed the draft minutes of the March 16, 2015 Special Meeting of the Nominating Committee and asked the Committee to take action on the minutes.

Committee Action: The Committee considered the minutes of the Special Meeting of the Nominating Committee held on March 16, 2015. Upon motion duly made by Mr. Green and seconded by Dr. Morgan, the minutes were approved by the Committee as written.

Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds: Mr. Wampler reported to the Board regarding benefit payments. Chair Zimmerman asked the Board to take action on the report of benefit payments.

Board Action: Upon motion duly made by Mr. Gritton, and seconded by Ms. Sweazy, the Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were approved by the Board as reported.

Interim Financial Statements: The Board considered the report on the Interim Financial Statements for the quarter ended March 31, 2015. The report was informational and the Board took no action on the Interim Financial Statements.

2. Report of Results of Trustee Election: Mr. Harbin reported to the Board concerning the results of the election for the active teacher and lay trustee positions on the Board of Trustees. The election was held in May 2015 and Dr. Terry Holliday, Commissioner of the Department of Education, certified the results on June 10, 2015. A copy of the letter certifying the results of the election is incorporated into the minutes.

Alison Wright was elected as the active teacher trustee. Ms. Wright's term of office will be July 1, 2015 through June 30, 2019. Ronald Sanders was re-elected as the lay trustee. Mr. Sanders' term of office will be July 1, 2015 through June 30, 2019.

3. Election of 2015-2016 Board Chair and Vice Chair: Mr. Harbin reported that KRS 161.340 provides that the Board shall elect from its membership a chair and a vice chair on an annual basis.

Nominations for Chair of the Board: Chair Zimmerman asked for nominations for the position of Chair of the Board for fiscal year 2015-2016. Dr. Morgan nominated Arthur Green to serve as Chair. Chair Zimmerman called for other nominations. Upon motion duly made by Mr. Gritton, and seconded by Mr. Hollenbach, the Board voted unanimously that nominations cease.

Board Action: By unanimous vote of the Board, Arthur Green was elected to the position of Chair of the Board for fiscal year 2015-2016. Mr. Green abstained from voting.

Nominations for Vice Chair of the Board: Chair Zimmerman asked for nominations for the position of Vice Chair of the Board for fiscal year 2015-2016. Ms. Sweazy nominated Jay Morgan to serve as Vice Chair. Chair Zimmerman called for other nominations. Upon motion duly made by Mr. Green, and seconded by Mr. Hollenbach, the Board voted unanimously that nominations cease.

Board Action: By unanimous vote of the Board, Jay Morgan was elected to the position of Vice Chair of the Board for fiscal year 2015-2016. Dr. Morgan abstained from voting.

4. 2015-2016 Committee Appointments: Chair Zimmerman reported to the Board concerning the standing committees of the Board. She instructed the Board to notify Chair-Elect Green concerning proposed changes to any committee.

5. Board Appointment of Investment Committee: Chair Zimmerman reported to the Board concerning the appointment of Board members to the Investment Committee. Chair Zimmerman referenced information in the memorandum set forth under Tab 5 of the materials provided to the Board. Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to take action on the appointment of Board members to the Investment Committee.

Board Action: Upon motion duly made by Mr. Green, and seconded by Ms. Sweazy, the Board voted unanimously to appoint Ron Sanders (Chair), Arthur Green (Vice Chair), Hollis Gritton, Jay Morgan, Alison Wright, and Quin Sutton (alternate) to serve on the Investment Committee for the period from July 1, 2015 through June 30, 2016.

Mr. Harbin reported to the Board concerning the appointment of two non-voting investment experts to the Investment Committee. Mr. Harbin referenced information in paragraph 2 of the memorandum set forth under Tab 5 of the materials provided to the Board.

Board Action: Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Sutton, the Board voted unanimously to ratify the appointment of Bevis Longstreth and George Philip to serve on the Investment Committee for the period from July 1, 2015 through June 30, 2016.

6. Resolution Regarding Purchases or Sales of Investment Instruments: Mr. Harbin reported to the Board concerning the resolution regarding the purchases and sales of investment instruments. Mr. Harbin referenced information in the memorandum set forth under Tab 6 of the materials provided to the Board.

Board Action: Upon motion duly made by Mr. Gritton, and seconded by Dr. Morgan, the Board voted unanimously to adopt the following resolution to confirm the authority granted to the Executive Secretary and the Chief Investment Officer to execute purchases or sales of investment instruments on behalf of the Board.

“BE IT RESOLVED, by the Board of Trustees of the Teachers’ Retirement System of the State of Kentucky, that the Executive Secretary or Chief Investment Officer, be and hereby are authorized and empowered to execute purchases or sales of all investment instruments in the name of, or belonging to, the Teachers’ Retirement System of the State of Kentucky, or in its nominee name “KENTRES”, in any capacity.”

7. Report of the Investment Committee: Mr. Yancey reported to the Board concerning the activities of the Investment Committee and Investment Performance for the quarter ending March 31, 2015 and the Special Meeting of the Investment Committee held on June 4, 2015.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to take action on the report by Mr. Yancey.

Board Action: Upon motion duly made by Mr. Green, and seconded by Dr. Morgan, the Board voted unanimously to accept and ratify the report of the Investment Committee.

Mr. Harbin reported to the Board an analysis of the investment manager contracts which require consideration for renewal for fiscal year 2016.

Board Action: Upon motion duly made by Mr. Hollenbach, and seconded by Ms. Sweazy, the Board voted unanimously to renew standard investment contracts for the period from July 1, 2015 through June 30, 2016 as follows: Galliard Capital Management; GE Asset Management Incorporated; UBS Global Asset Management (Americas) Inc.; UBS Global Asset Management (Americas) Inc.; Wellington Management Company; Todd Asset Management LLC; and Fort Washington Investment Advisors, Inc.

8. Transfer of Interest: Mr. Harbin reported to the Board that KRS 161.440 requires that a transfer of interest be made from the Guarantee Fund to other funds, except the Expense Fund and Medical Insurance Fund.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to take action and direct the Executive Secretary to transfer interest as required by KRS 161.440.

Board Action: Upon motion duly made by Mr. Harman, and seconded by Mr. Gritton, the Board unanimously issued the following directive:

“In accordance with KRS 161.440, the Executive Secretary is authorized and directed to credit the required interest on average monthly balances to (1) Teachers’ Savings Fund, (2) State Accumulation Fund, and (3) Allowance Reserve Fund, such credits to be transferred from the Guarantee Fund and credited on July 1, 2015.”

9. Report of the Governance and Audit Committee: Mr. Wampler reported that the Governance and Audit Committee met in special session on June 15, 2015, prior to the regular quarterly meeting of the Board. The Governance and Audit Committee took the following actions:

- The Committee reviewed and approved the Fiscal Year 2016 Audit Plan.
- The Committee considered and approved the draft Procurement Procedures for inclusion in the Board Governance Manual.

- The Committee reviewed and approved the terms for standard contract renewals for the general investment consultant; investment experts; actuary; investment legal counsel; and the IT project oversight and quality assurance consultant. The Committee took action to recommend to the Board renewal of the contracts for the period from July 1, 2015 through June 30, 2016.
- The Committee reviewed responses to the RFP for Actuarial Audit and received a report from staff. The Committee took action to recommend to the Board contracting with Segal Consulting to perform the Actuarial Audit.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to take action on the Report of the Governance and Audit Committee.

Board Action: Upon motion duly made by Mr. Green, and seconded by Mr. Sutton, the Board voted unanimously to accept and ratify the Report of the Governance and Audit Committee.

10. Transfer of Reserve Funds: Mr. Harbin reported to the Board that KRS 161.420 requires KTRS to transfer an amount equal to the accounts of members retiring on July 1, along with an equal amount from the State Accumulation Fund, to the Allowance Reserve Fund each year. In addition, sufficient sums must be transferred during the year at the time of retirement of individual teachers.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to consider the recommendation of the Executive Secretary.

Board Action: Upon motion duly made by Mr. Gritton, and seconded by Mr. Hollenbach, the Board unanimously issued the following directive:

“The Executive Secretary is directed to determine the aggregate amount of the accumulated accounts of teachers retiring during 2015-2016 and to transfer from the Teachers’ Savings Fund to the Allowance Reserve Fund a sum equal to that amount; and further, to transfer a matching amount from the State Accumulation fund to the Allowance Reserve Fund, both of which transfers are authorized by KRS 161.420(2), and (3).”

11. Report of the Insurance Committee: Ms. Gilbert reported to the Board that the Insurance Committee met in special session on June 15, 2015 prior to the regular quarterly meeting of the Board. The Committee reviewed and approved staff’s recommendation to renew the contract with AON Consulting for August 1, 2015 through July 31, 2016. The Committee reviewed and approved staff’s recommendation of \$.50 medication therapy management fee per prescription for the Know Your Rx Coalition beginning May 1, 2015 through December 31, 2015.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to consider the recommendation of the Insurance Committee.

Board Action: Upon motion duly made by Ms. Sweazy, and seconded by Mr. Sutton, the Board voted unanimously to accept and ratify the Report of the Insurance Committee.

12. 2015-2016 Administrative Expense Fund Budget: Mr. Harbin reported to the Board on the 2014-2015 and proposed 2015-2016 Administrative Expense Fund Budget.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to take action on the report by Mr. Harbin.

Board Action: Upon motion duly made by Mr. Green, and seconded by Mr. Gritton, the Board unanimously voted to approve the 2015-2016 Administrative Expense Fund Budget as presented.

13. IRC Section 415(b) Limit: Mr. Harbin reported to the Board that KRS 161.611 authorizes a supplemental retirement benefit plan for the sole purpose of enabling KTRS to apply the same formula for determining benefits payable to all members of the retirement system whose benefits under the retirement system are limited by Section 415 of the Internal Revenue Code. This plan requires annual transfers from employer contributions to fund the limited benefit.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to consider the recommendation of the Executive Secretary.

Board Action: Upon motion duly made by Mr. Sutton, and seconded by Dr. Morgan, the Board unanimously voted to authorize the Executive Secretary to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2015-2016.

14. Personnel Matters: Mr. Harbin reported the KTRS Employee Compensation Plan provides that all employees eligible for annual salary increments shall receive increments equal to the percent funding available for state employees that is provided in the budget approved by the General Assembly. In 2014, a law was enacted that provides for state employee annual increments. Therefore, Mr. Harbin recommended that the Board of Trustees approve normal salary advancements that will maintain salary increments for KTRS employees equal to that received by state employees, as provided by the System's Employee Compensation Plan, during fiscal year 2015-2016.

Chair Zimmerman asked for questions or comments. Chair Zimmerman asked the Board to consider the recommendation of the Executive Secretary.

Board Action: Upon motion duly made by Dr. Morgan, and seconded by Mr. Hollenbach, the Board unanimously voted to approve normal salary advancements that will maintain salary increments for KTRS employees equal to that received by state employees, as provided by the System's Employee Compensation Plan, during fiscal year 2015-2016.

15. Executive Secretary's Observations and Comments: Mr. Harbin reported to the Board on the volume of retirements, activities of the Public Sector Healthcare Roundtable, recent meetings of

the Executive Secretary, the status of the Pathway Project, and other matters. The Executive Secretary's Report was informational and the Board took no action.

Resolution Honoring Education Organizations: Chair Zimmerman recognized Kentucky's Education Organizations for supporting a long-term funding solution for the retirement obligations due to teachers during the 2015 Regular Session of the General Assembly. Chair Zimmerman read to the Board the resolution honoring the Jefferson County Teachers Association; Kentucky Association of School Administrators; Kentucky Association of School Superintendents; Kentucky Education Action Team; Kentucky Education Association; Kentucky Education Association-Retired; Kentucky Retired Teachers Association; Kentucky School Boards Association; and 3KT.

Board Action: The Board unanimously approved the Resolution honoring Kentucky's Education Organizations. The Chair directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

Resolution Honoring Tom Shelton: Chair Zimmerman recognized Tom Shelton for his service on the Board as an active teacher trustee from July 1, 2008 through December 31, 2014 and noted that Dr. Shelton served as Chair of the Board from June 1, 2012 through December 31, 2014. Chair Zimmerman directed that a Resolution regarding Dr. Shelton be read to the Board.

Board Action: The Board unanimously approved the Resolution honoring Dr. Shelton. The Chair directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

Resolution Honoring Ruth Ann Sweazy: Chair Zimmerman recognized Ruth Ann Sweazy for her service on the Board as an active teacher trustee from July 1, 2003 through June 30, 2015 and noted that Ms. Sweazy served as Chair of the Administrative Appeals Committee and Insurance Committee during her tenure on the Board. Chair Zimmerman directed that a Resolution regarding Ms. Sweazy be read to the Board.

Board Action: The Board unanimously approved the Resolution honoring Ms. Sweazy. The Chair directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

Resolution Honoring Laura Zimmerman: Gary Harbin recognized Laura Zimmerman for her service on the Board as an active teacher trustee from September 15, 2003 through June 30, 2015 and noted that Ms. Zimmerman served as Chair of the Board from January 1, 2015 through June 30, 2015 and Vice Chair of the Board from July 1, 2013 through December 31, 2014. Mr. Harbin read a Resolution regarding Ms. Zimmerman to the Board.

Board Action: The Board unanimously approved the Resolution honoring Ms. Zimmerman. Mr. Harbin directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

Adjournment: There being no further business to come before the Board, and upon motion duly made by Ms. Sweazy, and seconded by Dr. Morgan, and by unanimous consent of the Board, Chair Zimmerman declared the meeting adjourned at 2:06 p.m.

CERTIFICATIONS

We, the Chair and the Executive Secretary of the Board of Trustees of the Kentucky Teachers' Retirement System, do certify that the Minutes of Meeting were approved by the Board on September 21, 2015.

Arthur Green, Chair

Gary L. Harbin, Executive Secretary

I, Robert B. Barnes, do certify adherence to the Kentucky Open Meetings Act, KRS 61.800 et seq., in the conduct of this meeting. I have reviewed the minutes for form, content, and legality.

Robert B. Barnes, Deputy Executive Secretary
and General Counsel

I, Felicia Penn, do certify that I was present at the meeting and duly recorded the actions of the Board of Trustees of the Kentucky Teachers' Retirement System at its meeting on June 15, 2015.

Felicia Penn
Recording Secretary