

KENTUCKY TEACHERS' RETIREMENT SYSTEM
SPECIAL MEETING OF THE INVESTMENT COMMITTEE
FEBRUARY 25, 2016

Minutes of Meeting:

After giving proper notice of a special meeting, and a quorum being present, Chair Ron Sanders called the KTRS Investment Committee to order at 9 a.m., Thursday, February 25, 2016, in the Board Room of the Kentucky Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present:

Ron Sanders, Chair
Arthur Green, Vice Chair
Alison Wright
Bevis Longstreth (non-voting member)
George Philip (non-voting member)

Others present:

Gary L. Harbin, Kentucky Teachers' Retirement System
Robert Barnes, Kentucky Teachers' Retirement System
Eric Wampler, Kentucky Teachers' Retirement System
Greg Hall, Kentucky Teachers' Retirement System
Tom Siderewicz, Kentucky Teachers' Retirement System
Karen Ashby, Kentucky Teachers' Retirement System
John Browning, Kentucky Teachers' Retirement System
Norman Combest, Kentucky Teachers' Retirement System
Mike Nohalty, Kentucky Teachers' Retirement System
Lindsey Davis, Kentucky Teachers' Retirement System
Felicia Penn, Kentucky Teachers' Retirement System
P. J. Kelly, Aon Hewitt
Bo Cracraft, Legislative Research Commission
Charles Burbeck, UBS
Tom Digenan, UBS
Nicole Jenkins, UBS
Bos Todd, Todd Asset Management
Curt Scott, Todd Asset Management
Jack Holden, Todd Asset Management
Jack White, Todd Asset Management

1. Consideration/Approval of Minutes: The Investment Committee considered the minutes of the previous meeting held on November 12, 2015.

Committee Action: Upon motion duly made by Mr. Green, and seconded by Ms. Wright, the minutes of meeting held on November 12, 2015 were unanimously approved.

2. Reports by KTRS Staff

2.1. CIO Observations and Comments: Mr. Siderewicz reported to the Committee the information on the Quarterly Investment Update for the quarter ending December 31, 2015. Mr. Siderewicz's report was informational and the Committee took no action.

2.2. Limitations on investment options due to lack of funding/negative cash flow: Mr. Siderewicz presented a report concerning the recent sale of investment assets to meet retiree payroll and the overall effect on the KTRS investment program. Mr. Siderewicz's report was informational and the Committee took no action.

2.3. Report on Alternative Investments: Ms. Ashby reported to the Committee on the KTRS Private Equity Portfolio for the quarter ending December 31, 2015. Ms. Ashby's report was informational and the Committee took no action.

2.4. Private Equity Fund Discussion – Apax Fund IX, LP: Ms. Ashby presented a report to the Investment Committee describing the Apax Fund IX, LP.

Committee Action: Upon motion duly made by Mr. Green, and seconded by Ms. Wright, the Committee unanimously approved staff's recommended investment of \$50 million from the Retirement Annuity Trust Fund and \$10 million from the Medical Insurance Trust Fund to the Apax Fund IX, LP, subject to completion of all due diligence and legal review.

2.5. Private Equity Fund Discussion - Fort Washington Fund IX, LP: Ms. Ashby presented a report to the Investment Committee describing the Fort Washington Fund IX, LP.

Committee Action: Upon motion duly made by Ms. Wright, and seconded by Mr. Green, the Committee unanimously approved staff's recommended investment of \$35 million from the Retirement Annuity Trust Fund and \$10 million from the Medical Insurance Trust Fund to the Fort Washington Fund IX, LP, and \$35 million from the Retirement Annuity Trust Fund and \$10 million from the Medical Insurance Trust Fund to the Fort Washington Fund IX Side Car, subject to completion of all due diligence and legal review.

2.6. Private Equity Fund Discussion – KKR Americas Fund XII, LP: Ms. Ashby presented a report to the Investment Committee describing the KKR Americas Fund XII, LP.

Committee Action: Upon motion duly made by Mr. Green, and seconded by Ms. Wright, the Committee unanimously approved staff's recommended investment of \$50 million from the Retirement Annuity Trust Fund and \$10 million from the Medical Insurance Trust Fund to the KKR Americas Fund XII, LP, subject to completion of all due diligence and legal review.

2.7. Private Equity Fund Discussion – Public Pension Capital, LP: Ms. Ashby presented a report to the Investment Committee describing the Public Pension Capital, LP.

Committee Action: Upon motion duly made by Ms. Wright, and seconded by Mr. Green, the Committee unanimously approved staff's recommended investment of \$50 million from the

Retirement Annuity Trust Fund to the Public Pension Capital, LP, subject to completion of all due diligence and legal review.

2.8. High Yield Manager Discussion: Mr. Combest presented a report to the Investment Committee describing Columbia Threadneedle Investments.

Committee Action: Upon motion duly made by Mr. Green, and seconded by Ms. Wright, the Committee unanimously approved staff's recommended investment of \$100 million from the Retirement Annuity Trust Fund and a potential investment of \$30 million from the Medical Insurance Trust Fund to Columbia Threadneedle Investments.

The Committee recessed at 10:50 a.m. and resumed its meeting at 11:05 a.m.

2.9. Report on Internally Managed Portfolios: Mr. Siderewicz presented the report on internally managed portfolios for the quarter ending December 31, 2015. This report was informational and the Committee took no action.

2.10. Report on Proposed Amendments to Investment Strategies: Mr. Wampler presented a report detailing staff's proposed amendments to Sections 040 and 080 of the Strategy for Implementation of Investment Policies Established by Administrative Regulations manual.

Committee Action: Upon motion duly made by Mr. Green, and seconded by Ms. Wright, the Committee unanimously approved staff's recommended changes to Sections 040 and 080 of the Strategy for Implementation of Investment Policies Established by Administrative Regulations manual.

2.11. Quarterly Report on Securities Litigation: Mr. Wampler presented the Securities Litigation Report detailing information on securities litigation activities during the quarter ending December 31, 2015. Mr. Wampler's report was informational and the Committee took no action.

2.12. Discussion on Issuing RFP for Consulting Services: Mr. Harbin reported information to the Committee concerning the publication of an RFP or RFQ for a consultant for the alternative investments portfolio.

Committee Action: Upon motion duly made by Ms. Wright, and seconded by Mr. Green, the Committee unanimously approved staff's recommendation to publish an RFP or RFQ for a consultant for the alternative investments portfolio.

2.13. Executive Secretary's Report on Fixed Income Manager: Mr. Harbin reported to the Committee concerning the withdrawal of all funds invested with Rogge Global Partners International Fixed Income Fund. Mr. Harbin's report was informational and the Committee took no action.

The Committee recessed for lunch at 12:05 p.m. and resumed its meeting at 12:34 p.m.

3. Quarterly Reports by Managers

3.1. UBS Asset Management: Representatives from UBS Asset Management presented a report on the KTRS funds managed by the firm. The report was informational and the Committee took no action.

3.2. Todd Asset Management: Representatives from Todd Asset Management presented a report on the KTRS funds managed by the firm. The report was informational and the Committee took no action.

Adjournment: There being no further business to come before the Committee, and upon motion duly made by Ms. Wright, and seconded by Mr. Green, Chair Sanders declared the meeting adjourned at 2:07 p.m.

CERTIFICATIONS

We, the Chair of the Investment Committee 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 Investment Committee on May 24, 2016.

Ronald Sanders, 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 Investment Committee of the Board of Trustees of the Kentucky Teachers' Retirement System at its meeting on February 25, 2016.

Felicia Penn, Recording Secretary