

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY
SPECIAL MEETING OF THE INVESTMENT COMMITTEE
MAY 24, 2016

Minutes of Meeting:

After giving proper notice of a special meeting, and a quorum being present, Chair Ron Sanders called the TRS Investment Committee to order at 9 a.m., Tuesday, May 24, 2016, in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present:

Ron Sanders, Chair
Arthur Green, Vice Chair
Hollis Gritton
Joseph Morgan
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
Steve Baker, Fort Washington Investment Advisors
Margaret Bell, Fort Washington Investment Advisors
Tim Jossart, Fort Washington Investment Advisors
Tim Policinski, Fort Washington Investment Advisors
Rob Maeder, Fort Washington Investment Advisors

1. Consideration/Approval of Minutes: The Investment Committee considered the minutes of the previous meeting held on February 25, 2016.

Committee Action: Upon motion duly made by Mr. Green, and seconded by Dr. Morgan, the minutes of meeting held on February 25, 2016 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 March 31, 2016. Mr. Siderewicz's report was informational and the Committee took no action.

2.2. Asset Allocation Targets and Ranges Discussion: Mr. Siderewicz presented reports detailing staff's proposed changes to the asset allocation targets and ranges for the 2016-2017 fiscal year for the Retirement Annuity Trust Fund and the Medical Insurance Trust Fund. The presentation included memorandums from Aon Consulting concurring with all staff recommendations.

Committee Action: Upon motion duly made by Ms. Wright, and seconded by Mr. Gritton, the Committee unanimously approved staff's proposed changes to the asset allocation targets and ranges for the 2016-2017 fiscal year for the Retirement Annuity Trust Fund and the Medical Insurance Trust Fund.

2.3. Quarterly Report on Securities Litigation: Mr. Barnes presented the Securities Litigation Report detailing information on securities litigation activities during the quarter ending March 31, 2016. Mr. Barnes' report was informational and the Committee took no action.

2.4. Report on Alternative Investments: Ms. Ashby reported to the Committee on the TRS Private Equity Portfolio for the quarter ending March 31, 2016. Ms. Ashby's report was informational and the Committee took no action.

2.5. Alternative Credit Manager Discussion: Mr. Combest presented a report to the Investment Committee describing the Highbridge Principal Strategies – Specialty Loan Fund 2016, L.P.

Committee Action: Upon motion duly made by Dr. Morgan, and seconded by Mr. Green, the Committee unanimously approved staff's recommendation of a \$75 million commitment from the Retirement Annuity Trust Fund and a \$10 million commitment from the Medical Insurance Trust Fund to the Highbridge Principal Strategies – Specialty Loan Fund 2016, L.P. subject to completion of all due diligence and legal review.

2.6. Real Estate Manager Discussion: Mr. Nohalty presented a report to the Investment Committee describing the Carlyle Property Investors Fund.

Committee Action: Upon motion duly made by Mr. Gritton, and seconded by Mr. Green, the Committee unanimously approved staff's recommendation of a \$50 million commitment from the Retirement Annuity Trust Fund and a \$10 million commitment from the Medical Insurance Trust Fund to the Carlyle Property Investors Fund subject to completion of all due diligence and legal review.

2.7. Report on Internally Managed Portfolios: Mr. Siderewicz presented the report on internally managed portfolios for the quarter ending March 31, 2016. The report was informational and the Committee took no action.

The Committee recessed at 10:09 a.m. and resumed its meeting at 10:23 a.m.

Chair Sanders announced in open session that agenda items 2.8, 2.9 and 2.10 should be considered in closed session. Chair Sanders stated that it was necessary to go into closed session to consider staff's reports on those items in accordance with KRS 61.810(1)(g).

Committee Action: Upon motion duly made by Mr. Green, and seconded by Dr. Morgan, the Committee voted unanimously to enter into closed session.

The Committee returned to open session at 11:19 a.m. with no action being taken in closed session.

Committee Action: While in open session, the Committee voted unanimously to end closed session.

2.8. Securities Lending Discussion: By consensus, the Committee directed that staff conduct additional research and due diligence on the securities lending proposal and report at the August meeting.

2.9. Contracts Discussion – Investment Managers: Mr. Harbin reported to the Committee an analysis of the investment manager contracts for renewal for fiscal year 2017. He recommended that the investment manager contracts for fiscal year 2017 be renewed under the same fees and terms as last fiscal year for Wellington, Todd, UBS, Baillie Gifford, Baring, Blackrock, Fort Washington and Galliard. In regard to GE Asset Management, Mr. Harbin recommended contracting for fiscal year 2017 under the same fees, but noted the contract should be reviewed each quarter during fiscal year 2017.

Committee Action: Upon motion duly made by Dr. Morgan, and seconded by Mr. Green, the Committee unanimously approved the Executive Secretary's recommendation that the investment manager contracts be renewed for fiscal year 2017 as recommended by Mr. Harbin.

2.10. Report on RFQ – Private Equity Consultant: The Committee reviewed and evaluated responses to the request for quote for private equity consultant. By consensus, the Committee decided to take no action at this time concerning the RFQ for private equity consultant.

The Committee recessed for lunch at 12:03 p.m. and resumed its meeting at 12:52 p.m.

3. Quarterly Reports by Managers

3.1. Fort Washington Private Equity: Representatives from Fort Washington Investment Advisors presented a report on the TRS funds managed by the firm. The report was informational and the Committee took no action.

3.2. Fort Washington Fixed Income and High Yield: Representatives from Fort Washington Investment Advisors presented a report on the TRS 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 Mr. Green, and seconded by Ms. Wright, Chair Sanders declared the meeting adjourned at 1:53 p.m.

CERTIFICATIONS

We, the Chair of the Investment Committee and the Executive Secretary of the Board of Trustees of the Teachers' Retirement System of Kentucky, do certify that the Minutes of Meeting were approved by the Investment Committee on August 25, 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 Teachers' Retirement System of Kentucky at its meeting on May 24, 2016.

Felicia Penn, Recording Secretary