



TEACHERS' RETIREMENT SYSTEM of the State of Kentucky

Regular Quarterly Meeting
TRS Board of Trustees
A G E N D A
June 19, 2017, 12:30 p.m.

BOARD OF TRUSTEES

ARTHUR GREEN
Chair, Elkton

JAY MORGAN, Ph.D.
Vice Chair, Murray

MARY ADAMS
Brodhead

JOHN BOARDMAN
Lexington

FRANK COLLECCHIA
Louisville

HOLLIS GRITTON
Union

RONALD SANDERS
Hodgenville

JOSH UNDERWOOD
Tollesboro

ALISON WRIGHT
Georgetown

ALLISON BALL
State Treasurer

STEPHEN PRUITT, Ph.D.
Education Commissioner

GARY L. HARBIN, CPA
Executive Secretary

Board Called to Order
Roll Call

1. Reports for Consent
 - 1.1. Consideration/Approval of Minutes
 - 1.1.1. Quarterly Board Meeting held March 20, 2017
 - 1.1.2. Special Board Meeting held April 24, 2017
 - 1.1.3. Special Governance and Audit Committee Meeting held March 20, 2017
 - 1.2. Applications for Retirement and Annuity
 - 1.3. Survivor Benefits
 - 1.4. Life Insurance Benefits
 - 1.5. Refunds
 - 1.6. Interim Financial Statements
2. Standard Annual Board Actions
 - 2.1. Report of Results of Trustee Election
 - 2.2. Election of 2017-2018 Board Chair and Vice Chair
 - 2.3. 2017-2018 Committee Appointments
 - 2.4. Board Appointment of Investment Committee
 - 2.5. Resolution Regarding Purchases or Sales of Investment Instruments
 - 2.6. Transfer of Interest
 - 2.7. Transfer of Reserve Funds
 - 2.8. 2017-2018 Administrative Expense Fund Budget
 - 2.9. IRC Section 415(b) Limit
 - 2.10. Personnel Matters
3. Report of the Investment Committee
4. Investment Procurement Policy
5. Report of the Governance and Audit Committee
6. Report of the Insurance Committee
7. Amendment of Administrative Regulation
8. Executive Secretary's Observations and Comments

General Discussion
Adjournment

The meeting will take place in the Boardroom at the offices of the Teachers' Retirement System of the State of Kentucky, 479 Versailles Road, Frankfort, Kentucky.

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Reports for Consent

1.1. Consideration/Approval of Minutes

- 1.1.1. Regular Quarterly Meeting of the Board of Trustees held March 20, 2017
- 1.1.2. Special Meeting of the Board of Trustees held April 24, 2017
- 1.1.3. Special Meeting of the Governance and Audit Committee held March 20, 2017

1.2. Applications for Retirement and Annuity

The lists of members who retired in March, April and May 2017 will be available for examination at the meeting. Attached is a summary of the particular payments and a comparison to the same period last year. Initial retirements for the period included 162 retirees with monthly payments totaling \$366,469.70. During the same period last year, there were 162 retirements with monthly payments totaling \$383,533.95.

Recommendation: The board is requested to approve the initial payments listed in the report.

1.3. Survivor Benefits

The list of persons qualifying for survivor benefit payments for the quarter January 1 through March 31, 2017 will be available for examination at the meeting. During the period, there were 9 survivor benefits with a total monthly payment of \$3,193.30.

Recommendation: The board is requested to approve the survivor benefit payments for the period January 1 through March 31, 2017 as listed in the report.

1.4. Life Insurance Benefits

The list of payments of life insurance benefits due to death of active and retired teachers for the period January 1 through March 31, 2017 will be available for examination at the meeting. There were 7 payments to the estates or beneficiaries of active teachers and 267 payments to the estates or beneficiaries of retired teachers for total payments of \$1,349,000. During the same quarter in 2016, there were 208 payments in the amount of \$995,000.

Recommendation: The board is requested to approve the payment of life insurance benefits as listed in the report.

1.5. Refunds

The report of refunds for the quarter ended March 31, 2017 is attached. There were 723 refunds for the quarter January 1 through March 31, 2017, and the amount refunded was \$5,630,874.61. The refunds are for the following categories:

Regular withdrawals	703	\$5,517,049.65
Deaths	<u>20</u>	<u>\$ 113,824.96</u>
Totals	723	\$5,630,874.61

During the same quarter in 2016 there were 653 refunds totaling \$6,037,494.14.

Recommendation: The board is requested to approve the payment of refunds as listed in the report.

1.6. Interim Financial Statements

Attached are the Interim Financial Statements for the quarter ended March 31, 2017.

Recommendation: The Interim Financial Statements are provided for informational purposes only and require no action by the board.

Teachers' Retirement System of Kentucky
Initial Applications for Retirement and Annuity
2017

	March	April	May	Total	Same Period 2016
Handicapped Child	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00
Disability Retirement	<i>8</i> \$26,563.95	<i>14</i> \$38,434.28	<i>8</i> \$22,212.91	<i>30</i> \$87,211.14	<i>36</i> \$95,288.30
Service Retirement	<i>43</i> \$103,546.35	<i>45</i> \$101,309.49	<i>39</i> \$57,784.08	<i>127</i> \$262,639.92	<i>122</i> \$275,317.28
Beneficiary of Member Eligible to Retire	<i>0</i> \$0.00	<i>2</i> \$7,561.76	<i>3</i> \$9,056.88	<i>5</i> \$16,618.64	<i>4</i> \$12,928.37
TOTALS	<i>51</i> \$130,110.30	<i>61</i> \$147,305.53	<i>50</i> \$89,053.87	<i>162</i> \$366,469.70	<i>162</i> \$383,533.95

Reports for Consent
Member Account Refunds
For the period January 2017 - March 2017

Active Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	315	1,372,606.20	330,885.62	744,869.65	2,448,361.47
February	224	816,577.86	203,714.21	518,231.46	1,538,523.53
March	165	563,652.80	140,942.79	825,569.06	1,530,164.65
Total	703				5,517,049.65

Deceased Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	2	50.55	12.64	22,143.16	22,206.35
February	8	13,452.85	1,917.33	2,522.08	17,892.26
March	10	59,469.55	14,256.80	0.00	73,726.35
Total	20				113,824.96

Total Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	317	1,372,656.75	330,898.26	767,012.81	2,470,567.82
February	232	830,030.71	205,631.54	520,753.54	1,556,415.79
March	175	623,122.35	155,199.59	825,569.06	1,603,891.00
Total	723				5,630,874.61

TEACHERS' RETIREMENT SYSTEM

OF THE STATE OF KENTUCKY



INTERIM FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2017
(UNAUDITED)

Statements of Plan Net Assets
as of March 31, 2017 and 2016
 (Book Basis - Unadjusted)

	Defined Benefit Plan		Health Insurance Plans		Life Insurance Plan		Other Funds		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS										
Cash	\$ 122,625,631	\$ 86,448,159	\$ 57,701,211	\$ 50,452,781	\$ 118,886	\$ 70,199	\$ 64,596	\$ 16,933	\$ 180,510,324	\$ 136,988,072
Receivables										
Contributions	34,664,070	43,498,115	21,525,458	7,531,532	95,285	67,161			56,284,813	51,096,808
State of Kentucky	16,272,123	26,885,159	1,359,808	2,580,839	54,392	61,789			17,686,323	29,527,787
Investment Income	39,619,872	40,683,260	1,333,953	1,289,669	1,090,402	999,217	2,417	2,434	42,046,644	42,974,580
Investment Sales Receivable	20,508,794	38,258,306	701,154	1,920,260	-	-			21,209,948	40,178,566
Installment Account Receivable	434,851	443,344							434,851	443,344
Other Receivables	81,004	96,208	33,476,310	-					33,557,314	96,208
Total Receivables	111,580,714	149,864,392	58,396,683	13,322,300	1,240,079	1,128,167	2,417	2,434	171,219,893	164,317,293
Investments at Book Value										
Short Term Investments	628,266,035	413,975,619	36,484,934	34,374,776	3,471,023	738,565	394,082	406,865	668,616,074	449,495,825
Bonds and Mortgages	2,589,618,708	2,614,353,652	61,430,597	58,645,255	79,326,765	83,262,223	199,485	199,485	2,730,575,555	2,756,460,615
Stocks	8,098,259,701	8,235,293,452	312,948,789	287,010,754			185,574	185,574	8,411,394,064	8,522,489,780
Alternative Investments	857,338,999	757,566,489	31,013,353	17,161,970					888,352,352	774,728,459
Real Estate	867,385,981	801,504,770	31,710,915	19,265,229					899,096,896	820,769,999
Additional Categories	1,356,957,337	1,310,557,432	157,793,455	137,368,918					1,514,750,792	1,447,926,350
Total Investments	14,397,826,761	14,133,251,414	631,382,043	553,826,902	82,797,788	84,000,788	779,141	791,924	15,112,785,733	14,771,871,028
Capital Assets	16,973,670	14,906,438							16,973,670	14,906,438
(net of accumulated depreciation)										
Total Assets	14,649,006,776	14,384,470,403	747,479,937	617,601,983	84,156,753	85,199,154	846,154	811,291	15,481,489,620	15,088,082,831
LIABILITIES										
Liabilities										
Accounts Payable	1,166,764	-	19,811	38,128					1,186,575	38,128
Contributions Not Posted	24,060,508	11,849,168	-	12,211,346					24,060,508	24,060,514
Investment Purchases Payable	32,972,510	47,143,777	3,337,543	1,957,449			-	-	36,310,053	49,101,226
Investment Fees Payable	11,447,198	10,975,711	709,100	328,327			-	-	12,156,298	11,304,038
Revenues Collected in Advance	-	-	2,040,004	4,904,913					2,040,004	4,904,913
Total Liabilities	69,646,980	69,968,656	6,106,458	19,440,163	-	-	-	-	75,753,438	89,408,819
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 14,579,359,796	\$ 14,314,501,747	\$ 741,373,479	\$ 598,161,820	\$ 84,156,753	\$ 85,199,154	\$ 846,154	\$ 811,291	\$ 15,405,736,182	\$ 14,998,674,012

Statements of Changes in Plan Net Assets
For the Nine Months Ended March 31, 2017 and 2016
 (Book Basis - Unadjusted)

	Defined Benefit Plan		Medical Insurance Plan		Life Insurance Plan		Other Funds		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ADDITIONS										
Contributions										
Employer- State Paid	\$ 714,446,977	\$ 338,605,287	\$ 50,313,809	\$ 61,244,417	\$ 608,064	\$ 603,759	\$ -	\$ -	\$ 765,368,850	\$ 400,453,463
Employer- LSD, Other	57,095,577	74,965,508	72,882,342	59,621,468	121,273	168,496	220,001	-	130,319,193	134,755,472
Member- Active	218,137,491	222,969,025	89,325,626	90,312,989					307,463,117	313,282,014
Member- Retired			43,540,353	47,157,064					43,540,353	47,157,064
Recovery Income			19,123,594	17,952,519					19,123,594	17,952,519
Total Contribution	989,680,045	636,539,820	275,185,724	276,288,457	729,337	772,255	220,001	-	1,265,815,107	913,600,532
Investment Income (at book value)										
Net Gain/(Loss) on Investment Sales	564,313,531	191,771,463	11,934,875	(7,347,566)	(16,648)	13,050	-	-	576,231,758	184,436,947
Interest	115,214,781	130,094,773	2,410,245	5,144,130	2,311,058	2,340,345	5,614	5,022	119,941,698	137,584,270
Dividends	134,341,548	151,098,185	2,568,387	695,050			3,888	3,770	136,913,823	151,797,005
Rental Income, Net	22,848,942	20,293,479							22,848,942	20,293,479
Securities Lending, Net	1,393,511	1,573,220			1,940	2,414	50	276	1,395,501	1,575,910
Gross Investment Income	838,112,313	494,831,120	16,913,507	(1,508,386)	2,296,350	2,355,809	9,552	9,068	857,331,722	495,687,611
Less Investment Expense	(36,196,782)	(32,560,275)	(2,128,029)	(1,320,275)					(38,324,811)	(33,880,550)
Net Investment Income	801,915,531	462,270,845	14,785,478	(2,828,661)	2,296,350	2,355,809	9,552	9,068	819,006,911	461,807,061
Total Additions	1,791,595,576	1,098,810,665	289,971,202	273,459,796	3,025,687	3,128,064	229,553	9,068	2,084,822,018	1,375,407,593
DEDUCTIONS										
Benefits	1,437,961,991	1,373,316,880			3,898,120	3,465,489	181,287	75,617	1,442,041,398	1,376,857,986
Refunds of Contributions	22,374,917	24,476,693							22,374,917	24,476,693
Under 65 Insurance Expenses			91,802,676	96,949,300					91,802,676	96,949,300
Over 65 Insurance Expenses			120,749,444	110,981,872					120,749,444	110,981,872
Administrative Expense	11,309,171	11,734,648	-	-	-	-	-	-	11,309,171	11,734,648
Total Deductions	1,471,646,079	1,409,528,221	212,552,120	207,931,172	3,898,120	3,465,489	181,287	75,617	1,688,277,606	1,621,000,499
Net Increase (Decrease)	319,949,497	(310,717,556)	77,419,082	65,528,624	(872,433)	(337,425)	48,266	(66,549)	396,544,412	(245,592,906)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS										
Beginning of year	14,259,410,299	14,625,219,303	663,954,397	532,633,196	85,029,186	85,536,579	797,888	877,840	15,009,191,770	15,244,266,918
Ending of period	\$ 14,579,359,796	\$ 14,314,501,747	\$ 741,373,479	\$ 598,161,820	\$ 84,156,753	\$ 85,199,154	\$ 846,154	\$ 811,291	\$ 15,405,736,182	\$ 14,998,674,012

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Report of Results of Trustee Election

In accordance with KRS 161.260, the results of the election of one active teacher trustee and the retired teacher trustee, as certified by the Department of Education, will be announced at the meeting of the board.

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Election of 2017-2018 Board Chair and Vice Chair

KRS 161.340 provides that the Board of Trustees shall elect from its membership a chair and a vice chair on an annual basis. Additionally, 102 KAR 2:010, Section 1 provides that the election will be conducted at the last meeting of the fiscal year (the fourth quarter meeting) for the succeeding fiscal year.

KRS 161.340 was amended by HB 300 (2012 Regular Session of the General Assembly) to limit a trustee to no more than four consecutive years serving as chair or vice chair of the board. The amendment was effective on April 11, 2012 and expressly includes years of service as chair or vice chair served prior to the effective date of the law.

Recommendation: The Executive Secretary recommends that the board take action and elect a chair and vice chair consistent with KRS 161.340 and 102 KAR 2:010.

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: 2017-2018 Committee Appointments

The chair of the board identifies standing committees that are to report and make recommendations to the full board. The chair also appoints members of the board to the committees for terms that correspond to the term of the chair. The chair will make committee appointments for the coming year and will notify those appointed. If you have any particular interest in serving on a committee, please notify the chair. The following committees are currently in effect, with membership as follows:

Administrative Appeals

Hollis Gritton, Chair
Ron Sanders, Vice Chair
Mary Adams
Alison Wright, Alternate

Governance & Audit

Mary Adams, Chair
Ron Sanders, Vice Chair
Jay Morgan
Josh Underwood, Alternate

Insurance

Charles Harman, Chair
Arthur Green, Vice Chair
Josh Underwood
Jay Morgan, Alternate

Investments

Ron Sanders, Chair
Arthur Green, Vice Chair
Hollis Gritton
Jay Morgan
Alison Wright
Josh Underwood, Alternate
Mary Adams, Alternate

Legislative

Arthur Green, Chair
Josh Underwood, Vice
Chair
Jay Morgan
Ron Sanders, Alternate

Nominating

Alison Wright, Chair
Jay Morgan, Vice Chair
Arthur Green
Hollis Gritton, Alternate

Personnel

Jay Morgan, Chair
Mary Adams, Vice Chair
Hollis Gritton
Ron Sanders
Alison Wright
Charles Harman, Alternate

Scholarship

Josh Underwood, Chair
Alison Wright, Vice Chair
Charles Harman
Hollis Gritton
Arthur Green, Alternate

**Special Committee on
Benefits
And Funding**

Jay Morgan, Chair
Arthur Green, Vice Chair
Ron Sanders
Josh Underwood, Alternate

TO: Board of Trustees of the
Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Board Appointment of Investment Committee and Appointment of Non-voting
Members

KRS 161.430 provides that the board may appoint an Investment Committee to "... act for the board in all matters of investment, subject to approval of the board of trustees..." At its meeting on December 15, 2008, the board adopted certain recommendations concerning the TRS investment program, which were promoted by a coalition of constituency groups (including KEA, KEA-R, KRTA, 3KTS, KASA, KASS, KSBA and JCTA) and endorsed by the Governor and members of the Governor's Public Pension Working Group. The board delegated authority to the Investment Committee to implement the recommendations adopted by the board.

Senate Bill 2 (RS 2017) provides for two trustees with investment experience appointed by the Governor. On June 2, the Governor appointed two trustees to the TRS board.

1. The Chair will review at the meeting his recommendations for seven members and two alternates to serve on the Investment Committee. The board will be asked to consider the recommendations and appoint the Investment Committee for fiscal year 2017-2018.

Chair's Recommendations for the Investment Committee for fiscal year 2017-2018:

Ron Sanders, Chair
Hollis Gritton
Mary Adams
John Boardman
Frank Collecchia
Josh Underwood
Alison Wright

The individuals elected as active teacher trustee and retired teacher trustee will serve as alternates on the Investment Committee for fiscal year 2017-2018.

2. In 2009, the Investment Committee appointed two highly respected, nationally recognized, investment experts to serve as non-voting members of the Investment Committee. This action was taken consistent with the direction of the board on December 15, 2008, to implement the recommendations concerning the TRS investment program. In June 2009, the board ratified the action of the Investment Committee, and both investment experts served on the Investment Committee during the current fiscal year. The Chair recommends that the board ratify the appointment of Bevis Longstreth and George Philip to serve on the Investment Committee for fiscal year 2017-2018.

Recommendation: The board should ratify the appointment of Bevis Longstreth and George Philip to serve on the Investment Committee for fiscal year 2017-2018.

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Resolution Regarding Purchases or Sales of Investment Instruments

The laws and regulations governing the administration of TRS specifically authorize the board to delegate authority to the Executive Secretary and Chief Investment Officer to execute purchases and sales of investment instruments on behalf of the board.

KRS 161.430 reads in pertinent part as follows:

“No investment or disbursement of funds shall be made unless authorized by the board of trustees, except that the board, in order to ensure timely market transactions, shall establish investment guidelines, by administrative regulation, and may permit its staff...to execute purchases and sales of investment instruments within those guidelines without prior board approval.”

102 KAR 1:175, Section 1.(1)(c) reads as follows:

“To ensure a timely market transaction, the executive secretary and the chief investment officer may make a purchase or sale of an investment instrument without prior board approval if the action conforms to the provisions established in this administrative regulation.”

From time to time, TRS staff must present proof that they are authorized to execute purchases and sales of investment instruments on behalf of the board. Historically, the board has adopted a resolution for this purpose which is copied into the minutes of the board meeting. Staff then presents a copy of the resolution to interested parties when necessary to execute purchases or sales of investment instruments on behalf of the board.

Recommendation: The Executive Secretary recommends that the board 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.”

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Transfer of Interest

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. The Executive Secretary requests authority from the board to make the required transfer of funds as of July 1, 2017.

Recommendation: The Executive Secretary recommends that the board issue a directive as follows:

“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, 2017.”

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Transfer of Reserve Funds

KRS 161.420 requires TRS 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.

Recommendation: The Executive Secretary recommends that the board issue a directive authorizing the transfer of reserve funds and requests that the authorization cover the transfer of accounts of teachers who will retire during the 2017-2018 fiscal year as follows:

“The Executive Secretary is directed to determine the aggregate amount of the accumulated accounts of teachers retiring during 2017-2018 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).”

TO: Board of Trustees of the
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: 2017-2018 Administrative Expense Fund Budget

Administrative Expense Fund Budget. The state budget makes no appropriations to TRS for administrative expenses; however, the biennial budget adopted by the Legislature does set amounts that the retirement system may expend for administration during a two-year period. The allowable budget of \$13,515,000 was approved by the Legislature for the 2017-2018 fiscal year. The amount approved was \$1,039,000 less than the proposed budget recommended to the Legislature by the Board.

A copy of the proposed 2017-2018 administrative budget is attached. Also attached are additional materials comparing TRS's administrative expenses with those of other retirement systems and a schedule of actual administrative expenses during the current fiscal year through April 30, 2017.

Recommendation: The Executive Secretary recommends that the Board approve the proposed 2017-2018 Administrative Expense Fund Budget as presented.

Teachers' Retirement System Kentucky

Administrative Budget

	Budget 2016-17	Proposed Budget 2017-18
PERSONNEL COSTS		
Salaries & Wages	\$ 7,266,700	\$ 7,397,100
FICA/Medicare	196,200	196,200
Retirement	1,429,100	1,619,800
Health/Life Insurance	797,500	802,200
SUB TOTAL PERSONNEL	9,689,500	10,015,300
Worker's Compensation	15,700	16,500
Unemployment Compensation	4,400	4,600
Employee Training	47,100	59,500
Legal Services	232,300	221,700
Auditing	70,800	112,800
Medical Review	120,100	120,100
Consulting Services	220,000	100,000
Actuarial	361,000	383,100
Communications Specialist	120,000	120,000
Investigative Services	24,000	24,000
Janitorial Services	40,000	40,200
Other	21,700	21,700
TOTAL PERSONNEL COSTS	10,966,600	11,239,500
OPERATING EXPENSES		
Natural Gas	24,700	24,700
Electricity	72,900	80,200
Water & Sewage	21,800	21,800
Meeting Room Rentals	8,800	8,800
Copy Machine Rental	16,700	17,000
Motorpool Rental	5,700	5,700
Maintenance-Building & Grounds	77,100	77,600
Equipment Maintenance	26,000	26,000
Computer Maintenance	35,600	35,600
Postage & Postage Meters	434,900	464,900
Printing	198,900	238,900
Insurance	199,500	209,500
Other	10,100	10,100
Telephone	43,200	43,200
Computer Services	78,000	113,000
Office Supplies	58,500	58,500
Information Technology Supplies	24,500	24,500

Teachers' Retirement System Kentucky Administrative Budget

Furniture under \$5000	14,100	14,100
Computer Software	337,700	522,700
Storage	6,900	6,900
Travel-In State	33,600	33,600
Travel-Out-of-State	45,000	45,000
Subscriptions & Dues	44,000	44,000
Other	10,100	10,100
Computers (PC) Under \$5,000	<u>43,200</u>	<u>43,200</u>
TOTAL OPERATING EXPENSES	1,871,500	2,179,600
CAPITAL OUTLAY		
Furniture/Office Equipment	34,900	34,900
Computers over \$5,000	<u>61,000</u>	<u>61,000</u>
TOTAL CAPITAL OUTLAY	<u>95,900</u>	<u>95,900</u>
TOTAL EXPENDITURES	<u><u>\$ 12,934,000</u></u>	<u><u>\$ 13,515,000</u></u>

**TEACHERS RETIREMENT SYSTEM KENTUCKY
ADMINISTRATIVE EXPENSES ANALYSIS**

Our actual expenses vs. Budget	Assets End of Year	Actual Expenses	Basis Points	Budgeted Expenses	% Expended	Amount returned to Pension Fund at year end
<i>Through Current Year 4/30/17</i>		9,851,158		10,778,333.00	91.40%	
Fiscal Year 6/30/16	17,638,549,089	10,960,754	0.0621%	12,196,600.00	89.87%	1,235,845.70
Fiscal Year 6/30/15	18,766,823,240	10,440,118	0.0556%	12,196,600.00	85.60%	2,020,284.36
Fiscal Year 6/30/14	18,720,359,574	9,078,009	0.0485%	12,030,300.00	75.46%	3,814,011.56
Fiscal Year 6/30/13	16,613,402,131	9,677,241	0.0582%	12,030,300.00	80.44%	5,179,859.68
Fiscal Year 6/30/12	15,229,062,321	8,987,875	0.0590%	12,030,300.00	74.71%	3,208,685.47
Fiscal Year 6/30/11	15,514,921,656	8,530,724	0.0550%	11,428,700.00	74.64%	3,104,778.23
Fiscal Year 6/30/10	12,786,733,551	8,830,054	0.0691%	10,851,000.00	81.38%	2,187,712.93
Fiscal Year 6/30/09	11,830,163,585	8,165,757	0.0690%	10,102,600.00	80.83%	2,118,883.81
Fiscal Year 6/30/08	14,340,732,528	7,551,936	0.0527%	9,453,500.00	79.89%	2,044,217.34
Fiscal Year 6/30/07	15,633,802,824	7,351,846	0.0470%	9,075,400.00	81.01%	1,877,948.70
Fiscal Year 6/30/06	13,983,541,499	6,839,859	0.0489%	8,613,500.00	79.41%	1,902,090.55
Fiscal Year 6/30/05	13,667,841,114	6,652,673	0.0487%	8,147,900.00	81.65%	1,751,527.21

Our expenses compared to similar size systems	Assets End of Year	Actual Expenses	Basis Points
Indiana Public Employees 6/30/16	13,870,502,000	24,098,000	0.1737%
Georgia Employees 6/30/16	16,381,352,000	16,245,000	0.0992%
Louisiana Teachers 6/30/16	17,537,950,955	14,532,681	0.0829%
Kentucky Teachers 6/30/16	17,638,549,089	10,960,754	0.0621%
Kansas Public Employees 6/30/16	17,256,593,498	12,768,964	0.0740%
Kentucky Retirement System 6/30/16	10,877,800,000	32,300,000	0.2969%
New Mexico Public Employees 6/30/16	13,826,658,367	10,753,722	0.0778%
Ohio Teachers Retirement System 6/30/16	70,469,036,000	69,720,000	0.0989%

**ACTUAL SPENDING V. BUDGET
FOR PERIOD ENDING APRIL,**

2017

	ACTUAL Y T D	BUDGET Y T D	VARIANCE
Regular Salaries & Wages	\$ 5,950,525.63	\$ 6,055,583.30	105,057.67
Employers FICA	151,728.80	163,500.00	11,771.20
Employers Retirement Credit	1,346,388.53	1,190,916.70	(155,471.83)
Employer Health Insurance	672,112.86	661,583.30	(10,529.56)
Employer Life Insurance	1,022.00	3,000.00	1,978.00
Worker's Compensation	13,973.67	13,083.30	(890.37)
Unemployment Compensation	75.00	3,666.70	3,591.70
Employee Training	44,376.76	39,250.00	(5,126.76)
Employee Uniforms	-	833.30	833.30
Legal Services	14,583.05	193,583.30	179,000.25
Auditing Service	60,560.00	59,000.00	(1,560.00)
Medical & Dental Services	61,450.00	100,083.30	38,633.30
Consulting Services	101,344.00	283,333.30	181,989.30
Misc. Services	24,054.15	36,250.00	12,195.85
Court Reporting	-	1,000.00	1,000.00
Actuarial Services	117,789.00	300,833.30	183,044.30
Janitorial Services	32,683.60	33,333.30	649.70
Natural Gas	11,700.15	20,583.30	8,883.15
Electricity	65,141.93	60,750.00	(4,391.93)
Water & Sewage	8,475.42	18,166.70	9,691.28
Rent of Non-St Owned Build/Land	4,670.00	3,500.00	(1,170.00)
Rent of State Owned Build/Land	2,087.79	3,833.30	1,745.51
Rent of Equipment	-	416.60	416.60
Copy Machine Rental	9,699.11	13,500.00	3,800.89
State Carpool Rental	2,675.57	4,750.00	2,074.43
Maintenance-Buildings & Grounds	41,543.88	64,250.00	22,706.12
Maintenance of Equipment	5,540.32	16,333.30	10,792.98
Computer Maintenance	3,855.74	29,666.70	25,810.96
Postage & Postage Meters	387,072.66	357,000.00	(30,072.66)
Other Parcel Delivery Services	1,001.14	5,416.60	4,415.46
Printing Pd to State Agency	-	2,916.70	2,916.70
Printing Pd to Vendor	155,309.60	162,833.30	7,523.70
Insurance Premium	175,564.25	166,250.00	(9,314.25)
Garbage Collection	1,236.87	2,500.00	1,263.13
Service Not Otherwise Classified	2,584.32	5,916.60	3,332.28
Telephone Paid to Vendor	16,451.72	36,000.00	19,548.28
Dept Tech Serv Computer Charges	81,052.37	67,916.60	(13,135.77)
Comp Modem-Line Chg	6,690.03	3,333.30	(3,356.73)
Computer Equip Under \$5000	29,146.94	36,000.00	6,853.06
MARS Charges	20,700.00	14,166.60	(6,533.40)
Office Supplies	58,276.05	47,583.30	(10,692.75)
Motor Vehicle Supplies & Parts	735.49	1,000.00	264.51
Building Material & Supplies	147.08	2,583.30	2,436.22
Motor Fuel & Lube	775.94	1,750.00	974.06
Furn/Fixtures/Equip Under \$5000	9,691.51	11,750.00	2,058.49
Books for Dept Use	464.73	1,166.60	701.87
Computer Software	56,516.13	281,416.70	224,900.57
Banking Service & Fees	15.00	-	(15.00)
Storage	5,710.08	5,750.00	39.92
In-State Travel	13,615.38	27,000.00	13,384.62
Out-of-State Travel	15,959.38	37,500.00	21,540.62
Travel Non-State Employees	1,199.41	1,000.00	(199.41)
Dues & Subscriptions	57,738.59	36,666.70	(21,071.89)
Other	5,446.12	8,416.70	2,970.58
Furniture/Fixture/Equip Over \$5000	-	29,083.30	29,083.30
Telephone/Telecom Equipment	-	-	-
Computer Equip Over \$5000	-	50,833.30	50,833.30
	<u>\$ 9,851,157.75</u>	<u>\$ 10,778,332.60</u>	<u>\$ 927,174.85</u>

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: IRC Section 415(b) Limit

KRS 161.611 authorizes a supplemental retirement benefit plan for the sole purpose of enabling TRS 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.

Recommendation: The Executive Secretary requests authorization to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2017-2018.

TO: Board of Trustees
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Personnel Matters: Employee annual salary increments

KRS 161.340(2) provides that the board shall employ all personnel required to transact the business of the retirement system. The law also provides that "...the power over and the control for determining and maintaining an adequate complement of employees in the system shall be under the exclusive jurisdiction of the Board of Trustees...."

The personnel system established by the board for employees of the retirement plan is in many respects very different than the personnel system for other state employees. The board has established a different system because it is the board's duty to attract and retain qualified employees in order to satisfy the mission of the retirement plan. The board's personnel system has helped TRS maintain high employee job satisfaction and very low levels of employee turnover. TRS has also departed from many of the standards established in the state's personnel system. For example, TRS transitioned to a 40-hour work week (compared to the state's 37.5-hour work week) because the 40-hour week was a better fit for TRS's strategic objectives.

Although the TRS personnel system is separate and distinct from the state system, the board remains mindful of the state system. The TRS 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 the 2016 Regular Session of the General Assembly a budget was passed that provides for no state employee annual increments.

The Executive Secretary requests authorization from the Board of Trustees to approve normal salary advancements that will maintain salary increments for TRS employees equal to that received by state employees, as provided by the System's Employee Compensation Plan, during fiscal year 2017-2018.

All eligible TRS employees are included in this authorization except for the Executive Secretary. Personnel Committee members will conduct the performance evaluation of the Executive Secretary at a meeting to be scheduled by the chair of the Personnel Committee. The Committee will report its recommendations to the board at a meeting most closely following the evaluation. If the board chooses to provide an increment for the Executive Secretary, the board must determine the increase and authorize the Chair to implement the increment.

Recommendation: The Executive Secretary recommends that the Board of Trustees approve normal salary advancements that will maintain salary increments for TRS employees equal to that received by state employees, as provided by the System's Employee Compensation Plan, during fiscal year 2017-2018.

TO: Board of Trustees of the
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Report of the Investment Committee

1. Investment Committee Meeting and Actions: The investments approved at the May 16, 2017 Investment Committee meeting are as follows: \$50 million from the Retirement Annuity Trust Fund and \$10 million from the Medical Insurance Trust Fund to Carlyle Global Financial Services Partners III, L.P. \$50 million from the Retirement Annuity Trust Fund and \$10 million from the Medical Insurance Trust Fund to NGP Natural Resources XII L.P. Additionally, outside managers Marathon Asset Management and Galliard Capital Management reported to the committee on their respective portfolios.

The Investment Committee approved an investment procurement policy presented by staff. The Investment Committee recommended that the Board of Trustees adopt the investment procurement policy effective July 1, 2017.

Staff reported to the Investment Committee an analysis of the investment manager contracts requiring consideration for renewal for fiscal year 2017-2018. The Committee approved standard investment contracts for the period from July 1, 2017 through June 30, 2018 as follows:

Money Managers: Galliard Capital Management; State Street Global Advisors Trust Company; UBS Global Asset Management (Americas) Inc.; UBS Global Asset Management (Americas) Inc. and UBS Asset Management Trust Company; Wellington Management Company; Todd Asset Management LLC; and Fort Washington Investment Advisors Inc.

Staff also reviewed with the Committee the fees for managers Baillie Gifford, Baring, BlackRock, Columbia ThreadNeedle, and Prudential.

2. Purchases and Disposals: The Report of the Investment Committee for the quarter ending March 31, 2017 is presented for review and approval. During this quarter, there were 2,152 purchases amounting to \$2,718,594,276.19 and 3,146 disposals amounting to \$2,512,347,056.54. The disposals consisted of 2,752 sales, 345 principal payments and 49 redemptions. While the TRS investment office initiates each of these transactions, the custodian of securities is responsible for handling and securing each stock, bond or other type of investment. At the end of the quarter, the system's invested securities had a book value of \$14,495,277,098.16 and a market value of \$18,100,367,969.99.

3. Staff's comments on the economic and market conditions: The quarter ending March 31, 2017 was positive for risk assets, driven largely by continued positive expectations for US fiscal policy, as well as continued improvements in global economic growth and inflation. Duration

sensitive assets, however, traded with less conviction and direction, as sovereign debt yields of developed economies ended the quarter relatively unchanged.

In the US, the new administration provided few details regarding proposed pro-growth policies, which may include infrastructure spending, tax reform and easing of regulations. Nevertheless, elevated valuations in domestic equity markets suggested that investors anticipate positive changes and are comfortable with near-term equity risk. US economic fundamentals posted performance consistent with gradual improvement. This environment also prompted the FOMC to raise policy rates at its March meeting. The committee cited strengthened labor market conditions and progress toward its inflation objectives as key decision drivers while guiding markets toward two additional rate hikes this year. Even though US rates over the quarter were largely unchanged, the potential for a more hawkish Federal Reserve drove interest rate volatility higher over the period.

International markets outperformed US domestic markets, largely as a result of the improvements in global growth and inflation. That said, emerging markets generally outperformed developed, with market participants reacting to improvements in earnings expectations amidst the backdrop of a marginally weaker US dollar. In Europe, the European Central Bank (ECB) noted improvements in euro-zone economic fundamentals, and inflation measures consistent with the ECB's 2.0% target. Though policy rates remained unchanged, ECB President Draghi stated that new supplements to the QE program are increasingly unlikely, which resulted in some relative price action. The Bank of Japan similarly held policy rates steady, but did not suggest that tightening is on the horizon, as the country's core CPI is barely positive at 0.1%.

As suggested, US equity markets finished the quarter in positive territory, despite a general slowdown across market caps and styles during March. The Russell 3000 Index returned 5.7% as markets favored large cap, growth-oriented names, as well as momentum and quality factors, largely because of expectations for continued improvements in US fundamentals to drive improved corporate earnings. This marks a notable reversal from the fourth quarter of 2016, which favored small cap, value-oriented names.

The first quarter was further marked by strong S&P earnings growth and continued muted volatility. Specifically, the year-over-year earnings growth rate for the S&P 500 was estimated at 9.2% by FactSet, which would mark the highest growth rate since 2011. Combining this with lower levels of stock correlation and investor comfort with market risks led to an environment where active manager performance generally improved over the quarter.

In a reversal from last quarter, international equity growth stocks outperformed value in both developed and emerging markets. Similarly, sector leadership rotated from energy to technology, healthcare and consumer discretionary largely for the same reason as US equities. From a regional standpoint, emerging markets outperformed developed markets with India, Korea and Mexico all posting mid-teen returns for the quarter. Conversely, commodity sensitive economies such as Canada and Norway lagged.

Underpinning the positive international equity performance was the expectation, supported by improving economic fundamentals, that the global economy is on more stable footing than previously believed. This was especially true in the UK, where recent economic data showed a steady expansion in the face of potentially leaving the EU Common Market. Other notable political news includes the Dutch election reaffirming the establishment party which resulted in modest price action.

Short-dated global rates continued to be impacted by global central bank policy actions, while longer-dated rates reacted to broader economic developments and expectations for continued, albeit modest, improvements in global growth. Short-dated rate moves were highlighted as providing more attractive opportunities for equivalent duration investors, although longer-dated investors saw the lack of price action alongside minimal credit spread moves as more of a “coupon clipping” quarter. Indeed, the Bloomberg Barclays Aggregate Bond Index returned 0.8% for the quarter, while bond issuance throughout the US was comparable to prior quarters.

4. Performance: Financial performance for the system was generally strong for the quarter ending March 31, 2017. All asset classes posted positive returns for the quarter. The system’s total assets returned 5.3% for the quarter, outperforming the Policy Index which returned 4.7%. The system’s domestic stocks gained 6.5%, besting the S&P 1500 Stock Index which returned 5.7% for the quarter. The system’s international stocks were up 9.4%, outpacing the MSCI All Country ex US Index which had a return of 8.0% for the quarter. Private equity and additional categories were positive contributors returning 2.8% and 2.6% respectively. The system’s bonds returned 1.0%, matching the Bloomberg Barclays Gov/Credit Bond Index for the quarter. Real estate and timberland provided strong returns for the quarter and year.

Recommendation: The Executive Secretary recommends that the board accept and ratify the Report of the Investment Committee.

Teachers' Retirement System of Kentucky

Quarterly Investment Update

For the period ended March 31, 2017

(\$ in millions)	Market Value (\$ Millions)	QTD	Fiscal Y-T-D	1-Year ⁽²⁾	3-Years ⁽²⁾	5-Years ⁽²⁾	10-Years ⁽²⁾	20-Years ⁽²⁾
Total Fund								
TRS	18,100.4	5.3%	11.4%	12.9%	6.4%	8.8%	6.3%	7.0%
Policy Index ⁽¹⁾		4.7%	10.5%	13.0%	6.4%	8.6%	-	-
Equities								
Domestic Equities	7,678.4	6.5%	17.4%	19.1%	9.7%	13.3%	7.8%	8.3%
S & P Blended Index ⁽³⁾		5.7%	14.7%	17.7%	10.3%	13.3%	7.7%	7.9%
International Equities ⁽⁴⁾	3,685.7	9.4%	14.8%	14.1%	1.6%	5.5%	2.4%	-
MSCI EAFE		7.4%	13.6%	12.3%	1.0%	6.3%	1.5%	-
MSCI AC World (Ex US)		8.0%	14.2%	13.7%	1.0%	4.8%	1.8%	-
Total Equities	11,364.1	7.4%	16.6%	17.5%	7.3%	11.0%	6.3%	7.6%
Fixed Income								
Total Fixed Income	2,868.8	1.0%	-1.4%	1.3%	3.2%	3.1%	5.3%	6.0%
Barclays Govt/Credit Index		1.0%	-2.1%	0.5%	2.7%	2.5%	4.3%	5.4%
Real Estate								
Non-Core Real Estate	279.3	1.4%	7.5%	11.1%	17.1%	18.9%	-	-
NCREIF Index		1.6%	5.1%	7.3%	10.6%	10.7%	-	-
Core Real Estate	329.5	2.3%	6.3%	8.6%	12.4%	12.2%	-	-
NCREIF ODCE		1.8%	6.1%	8.3%	11.8%	12.0%	-	-
Triple Net Lease	392.6	2.0%	6.8%	9.0%	8.8%	8.2%	8.3%	8.8%
CPI plus 2%		0.9%	3.2%	4.4%	3.1%	3.3%	3.8%	4.1%
Alternative Investments								
Private Equity ⁽⁵⁾	826.4	2.8%	6.6%	7.5%	9.6%	11.0%	-	-
Timberland	206.7	3.5%	4.6%	6.0%	7.4%	5.6%	-	-
NCREIF Timberland Index		0.8%	2.6%	3.6%	5.7%	7.1%	-	-
Additional Categories								
Additional Categories	1,417.8	2.6%	8.8%	12.0%	3.4%	7.2%	-	-
B of A Merrill Lynch High Yield Master		2.7%	10.4%	16.9%	4.6%	6.9%	-	-
Cash								
Cash (Unallocated)	415.2	0.1%	0.4%	0.5%	0.2%	0.2%	0.8%	2.5%
90 Day T-Bill		0.1%	0.2%	0.3%	0.1%	0.1%	0.7%	2.1%

⁽¹⁾ Prior to July 1, 2008, TRS did not benchmark overall fund performance. Effective July 1, 2008, the Board of Trustees approved a Policy Index which represents the returns of appropriate benchmarks for the various asset classes weighted by the mid-point of the strategic range for the current fiscal year.

⁽²⁾ Annualized

⁽³⁾ Total Domestic Equity is benchmarked to a S&P Blended Index. Total domestic equity was benchmarked to the S&P 500 through the fiscal year ending 6/30/2007. As of 7/1/2007, domestic equity is benchmarked to the S&P 1500 Index since the System's domestic stock mix is most comparable to this index.

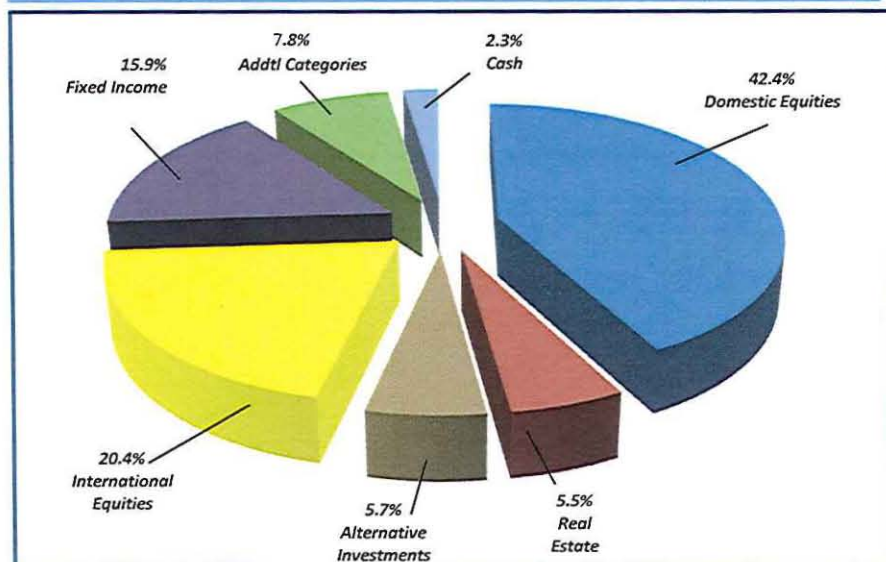
⁽⁴⁾ As of 3/31/17 19.7% of Total International Equities were invested in emerging markets.

⁽⁵⁾ For a period of five years private equity investments will be benchmarked against their own returns. The primary reason for this is that these investments have a minimum investment horizon of ten years and there is no market benchmark that would be expected to track these types of assets in their early years. Beginning five years after the first capital call, investments in this class shall be benchmarked versus the S & P 500 plus 3%, which is the System's long-term expected return for this asset class.

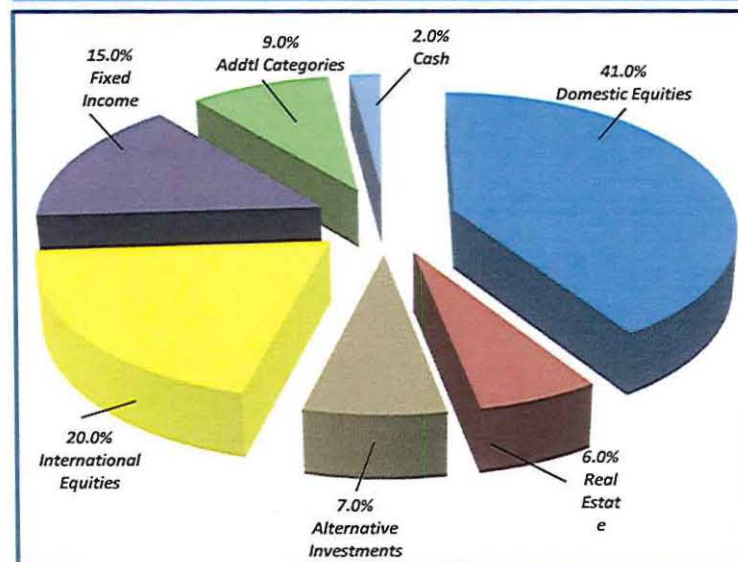
Teachers' Retirement System of Kentucky
Quarterly Investment Update
For the period ended March 31, 2017

(\$ in millions)	\$'s	Actual %	Target %	Strategic Ranges
Domestic Equities	\$7,678.4	42.4%	41.0%	34.0 - 48.0%
Real Estate	1,001.4	5.5%	6.0%	4.0 - 8.0%
Alternative Inv.	1,033.0	5.7%	7.0%	4.0 - 10.0%
International Equities	3,685.7	20.4%	20.0%	17.0 - 23.0%
Fixed Income	2,868.8	15.9%	15.0%	12.0 - 19.0%
Addtl Categories	1,417.9	7.8%	9.0%	6.0 - 12.0%
Cash	\$415.2	2.3%	2.0%	1.0 - 3.0%
Total	\$18,100.4	100.0%	100.0%	

ACTUAL %



TARGET %



INVESTMENT PERFORMANCE
TOTAL RETURN (%)
for periods ending March 31, 2017

	Market Value Millions \$	Quarter Ending 3/31/2017	One Year*	Three Years*	Five Years*	Ten Years*	Fifteen Years*	Twenty Years*
Total Plan Policy Index**	18,100.4	5.3 4.7	12.9 13.0	6.4 6.4	8.8 8.6	6.3 -	6.4 -	7.0 -
<u>Stocks</u>								
Total Stocks	11,364.1	7.4	17.5	7.3	11.0	6.3	6.4	7.6
All Cap Stocks	226.6	4.4	-	-	-	-	-	-
Russell 3000		5.7	-	-	-	-	-	-
Large Cap Stocks	6,334.6	7.1	18.8	9.8	13.2	7.7	-	-
S & P 500 Index		6.1	17.2	10.4	13.3	7.5	7.1	7.9
Mid Cap Stocks	680.6	5.1	20.1	9.5	13.9	8.1	-	-
S & P 400 Index		3.9	20.9	9.4	13.3	9.0	-	-
Small Cap Stocks	436.6	2.1	24.5	9.5	14.5	8.8	-	-
S & P 600 Index		1.1	24.6	9.5	14.3	8.8	-	-
Domestic Stocks	7,678.4	6.5	19.1	9.7	13.3	7.8	7.3	8.3
S & P Blended Index***		5.7	17.7	10.3	13.3	7.7	7.2	7.9
International Stocks	3,685.7	9.4	14.1	1.6	5.5	2.4	-	-
MSCI AC World (Ex US)		8.0	13.7	1.0	4.8	1.8	-	-
<u>Fixed Income</u>								
Fixed Income	2,868.8	1.0	1.3	3.2	3.1	5.3	5.5	6.0
Barclays Govt/Credit Index		1.0	0.5	2.7	2.5	4.3	4.8	5.4
Triple Net Lease Real Estate	392.6	2.0	9.0	8.8	8.2	8.3	8.6	8.8
CPI + 2%		0.9	4.4	3.1	3.3	3.8	4.1	4.1
Core Real Estate	329.5	2.3	8.6	12.4	12.2	-	-	-
NCREIF ODCE		1.8	8.3	11.8	12.0	-	-	-
Non-Core Real Estate	279.3	1.4	11.1	17.1	18.9	-	-	-
NCREIF Property Index		1.6	7.3	10.6	10.7	-	-	-
Cash (Unallocated)	415.2	0.1	0.5	0.2	0.2	0.8	1.5	2.5
90 day Treasury Bill		0.1	0.3	0.1	0.1	0.7	1.2	2.1
<u>Alternative Investments</u>								
Timberland Investments	206.7	3.5	6.0	7.4	5.6	-	-	-
NCREIF Timberland Index		0.8	3.6	5.7	7.1	-	-	-
Private Equity Investments****	826.4	2.8	7.5	9.6	11.0	-	-	-
<u>Additional Categories</u>								
Special Situations Fund	33.0	10.4	-8.4	-5.1	3.8	-	-	-
High Yield Bond	327.8	2.6	13.2	3.6	5.8	-	-	-
TRS Credit Fund	284.4	4.1	25.1	2.6	8.5	-	-	-
Oaktree Opportunites Fund IX, LP	47.3	3.9	11.3	2.8	-	-	-	-
Oaktree Opportunites Fund X, LP	8.2	12.4	74.0	-	-	-	-	-
AG Select Partners Advantage Fund LP	1.3	12.3	25.1	-2.1	-	-	-	-
B of A Merrill Lynch High Yield Master II		2.7	16.9	4.6	6.9	-	-	-
Shenkman Capital Management	173.9	1.0	8.9	3.2	-	-	-	-
Highbridge Principle Strategies III	36.9	1.8	9.3	8.7	-	-	-	-
Golub Capital Pearls 11	123.3	1.9	6.3	6.1	-	-	-	-
Oaktree European Dislocation Fund, LP	8.3	-4.6	11.8	11.7	-	-	-	-
Marathon Eur Credit Opp Fund II	59.5	2.6	10.5	6.1	-	-	-	-
Oaktree European Capital Solutions	18.8	-2.5	-2.8	-	-	-	-	-
Marathon Eur Credit Opp Fund III	33.4	-0.9	8.3	-	-	-	-	-
S & P LSTA Leverage Loan Index		1.2	9.7	3.6	-	-	-	-
Barings European Loan Fund (Babson)	102.8	1.7	8.7	-	-	-	-	-
CS Institutional WELL1, no USD, hedged to EUR (USD version)		1.6	7.4	-	-	-	-	-
Columbia High Yield Bond Fund	158.9	2.3	10.6	-	-	-	-	-
B of A Merrill Lynch High Yield Constrained Index		2.7	16.9	-	-	-	-	-

*Annualized

** Prior to 7/1/2008 TRS did not benchmark overall fund performance.

*** Total Domestic Equity is benchmarked to a S & P Blended Index. Total domestic equity was benchmarked to the S & P 500 through the fiscal year ending 6/30/2007. As of 7/1/2007 total domestic equity is benchmarked to the S & P 1500 Index since the System's domestic stock mix is most comparable to this index.

**** For a period of 5 years, the private equity investments will be benchmarked against their own returns. The primary reason for this is that these investments have a minimum investment horizon of ten years and there is no market benchmark that would be expected to track these types of assets in their early years. Beginning five years after the first capital call, investments in this class shall be benchmarked versus the S & P 500 plus 3%, which is the System's long-term expected return for this asset class.

TOTAL BV INVESTED AT 12/31/16 \$ 14,289,029,878.51

January Activity

Purchases	761,398,668.58	
Disposals	(853,543,969.49)	
Paydowns	(2,269,935.44)	
Redemptions	(8,176,413.07)	
Short-Term Pool Net	<u>164,880,701.69</u>	62,289,052.27

February Activity

Purchases	493,346,898.71	
Disposals	(353,942,703.44)	
Paydowns	(2,917,418.43)	
Redemptions	(20,681,587.16)	
Short-Term Pool Net	<u>74,565,535.32</u>	190,370,725.00

March Activity

Purchases	548,396,838.17	
Disposals	(480,220,916.43)	
Paydowns	(2,371,669.55)	
Redemptions	(25,989,457.08)	
Short-Term Pool Net	<u>(86,227,352.73)</u>	(46,412,557.62)

TOTAL BV INVESTED AT 3/31/17 \$ 14,495,277,098.16

* TRS recognizes investment transactions on the date they occur. Transaction settlements, generally, occur days following transactions. The interim period between transaction date and settlement date represents a "pending period". At the time this statement was produced, (\$12,463,716.62) in net transactions had occurred but had not settled. The statement does not include either expected cash receipts or disbursements associated with these pending trades. Upon settlement of these pending transactions, the net effect would be as follows:

Total Short Term	646,389,608
- Pending Payable	<u>(12,463,717)</u>
Net	<u><u>633,925,891</u></u>

INVESTMENT ACTIVITY

January 1, 2017 -- March 31, 2017

Total Book Value Invested @ 1/1/17 \$ 14,289,029,878.51

Purchases:

377	Cash Equivalents	\$ 915,451,870.73	
151	Fixed Income Securities	667,981,064.24	
1378	Equity Securities	813,186,133.48	
24	Real Estate	43,800,316.96	
63	Alternative Investments	71,455,819.54	
159	Additional Categories	206,719,071.24	
2152	Total Purchases	\$ 2,718,594,276.19	

Disposals:

315	Cash Equivalents	\$ 762,232,986.45	
74	Fixed Income Securities	518,956,791.25	
345	Principal Paydowns	7,559,023.42	
36	Redemptions / Maturities	49,458,622.43	
2135	Equity Securities	920,875,848.65	
23	Real Estate	13,825,754.80	
72	Alternative Investments	28,481,311.67	
133	Additional Categories	205,567,882.99	
0	Additional Principal Paydowns	-	
13	Additional Redemptions / Maturities	5,388,834.88	
3146	Total Disposals	\$ 2,512,347,056.54	

Total Book Value Invested @ 3/31/17 \$ 14,495,277,098.16

Total Par Value Invested @ 3/31/17 \$ 14,480,575,325.06

Total Market Value Invested @ 3/31/17 \$ 18,100,367,969.99

* TRS recognizes investment transactions on the date they occur. Transaction settlements, generally, occur days following transactions. The interim period between transaction date and settlement date represents a "pending period". At the time this statement was produced, (\$12,463,716.62) in net transactions had occurred but had not settled. The statement does not include either expected cash receipts or disbursements associated with these pending trades. Upon settlement of these pending transactions, the net effect would be as follows:

Total Short Term	646,389,608
- Pending Payable	(12,463,717)
Net	633,925,891

TO: Board of Trustees of the
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

RE: Investment Procurement Policy

Senate Bill 2 (RS 2017) provided that TRS consult with the secretary of the Kentucky Finance and Administration Cabinet to develop an investment procurement policy that incorporates best practices in investment management procurement. The legislation specifically provided that TRS consult with the secretary on or before July 1.

TRS staff met with the secretary on March 28 to discuss TRS's investment program. Thereafter, TRS delivered a draft procurement policy to the secretary and met with him and members of his staff on April 26. The secretary's staff provided final comments on the draft prior to the meeting of the Investment Committee on May 16.

Aon Hewitt Investment Consulting assisted with reviewing the policy and confirmed it meets best practices. The Investment Committee reviewed the draft procurement policy, discussed changes to definitions and approved the draft procurement policy.

The enclosed investment procurement policy incorporates changes and edits recommended by the secretary, Aon Hewitt and the Investment Committee.

Recommendation: The executive secretary recommends that the board adopt the investment procurement policy with an effective date of July 1, 2017.

INVESTMENT PROCUREMENT POLICY

INTRODUCTION

Kentucky law mandates that the Teachers' Retirement System of the State of Kentucky (TRS), through the Board of Trustees, develop and adopt an investment procurement policy (KRS 161.430). The policy must be designed, in consultation with the secretary of the Finance and Administration Cabinet, to follow best practices for investment procurement. This policy functions in concert with other statutes, administrative regulations and guidelines detailing fiduciary and ethical requirements and parameters for investing trust funds. The law shall control if any inconsistency exists between it and this policy.

The procurement procedures in this policy will be implemented consistent with the board's fiduciary duty established by law to procure the managers, goods and services needed to support the investment or management of TRS assets. The board has delegated investment authority to its Investment Committee.

The board also has designated a portion of TRS's funds to be managed externally, including by investment managers specializing in mandates such as equities, bonds, other publicly traded securities, alternative investments, real estate, timberland and/or any other asset type authorized by Kentucky law. Additionally, the board is responsible for the procurement of investment analytical, professional, research and technical services to carry out the investment or management of TRS assets.

Investment procurements will promote the highest level of competition and best value, giving due consideration to factors including, but not limited to, timing (including emergencies), execution, quality, service and price. Whenever TRS is considering an investment procurement, staff – rather than members of the TRS board and Investment Committee – will communicate directly with the principals of the potential vendor to ensure transparency, accountability and compliance with laws and board policies, including those banning payment of fees or commissions to placement agents.

1. Definitions

Alternative investments (alternatives): investments with general partners or managers in assets such as timberland, private equity and infrastructure that are long-term and illiquid in nature.

External investment manager: a vendor selected by an authorized competitive selection process and that is approved by the Investment Committee, subject to ratification by the board, to invest TRS funds in a manner specified by contract.

Highest level of competition and best value: seeking vendors that provide the best performance at the lowest cost (economic efficiency) giving due consideration to factors including, but not limited to, performance improvements (faster, more suitable), timing (including emergencies), execution, quality, trust, reputation, service and price.

Independent: not having conflicts of interest.

Investment consultant: an external firm or individual retained to advise the board and the Investment Committee and assist investment staff in a variety of ways, including as outlined in this policy.

Specialty investment consultant: an external firm or individual retained to advise the board and Investment Committee and assist investment staff in a variety of ways, including recommending general partners or managers for alternative investments.

Investment procurement: all contracts for the investment or management of assets of TRS undertaken subject to fiduciary duty and other legal and ethical standards in accordance with KRS 161.430 (7).

Performance attribution: quantifies the relationship between a portfolio's returns and the active decisions of the portfolio manager.

Placement agents: a third party or firm banned by KRS 161.430 (6) and board policies from receiving fees or commissions incident to an investment by TRS.

Qualitative analysis: a review of a potential vendor that uses unquantifiable information, such as the impact of vendor management expertise, processes and ownership structure on an investment.

Quantitative analysis: economic, business or financial reviews that aim to understand or predict behavior or events through the use of mathematical measurements and calculations, statistical modeling and research.

Quiet Period: a specified timeframe when board members and staff are restricted in communications with potential vendors in designated procurements.

Request For Information (RFI): a document sent to vendors to request specific information or clarification on a service or product.

Request For Proposals (RFP): a document soliciting proposals for a procurement based on the terms listed in the offering document.

Request For Quotations (RFQ): an invitation to suppliers to bid on providing specific products or services.

2. External Manager Selection

External investment managers are to be chosen through a competitive selection process coordinated by TRS investment staff and based upon established criteria. The selection process, which typically involves the assistance of TRS's independent investment consultant, results in a recommendation of a manager. The recommendation will be made to the TRS Investment

Committee for its review and approval, with ratification by the board no later than at its next quarterly meeting.

TRS normally will use an open search process when conducting a manager search. TRS will identify a list of suitable candidates that are appropriate for the mandate. The list of suitable candidates will be developed by TRS staff and/or the independent investment consultant using a broad-based list of potential managers that meet the screening criteria provided by TRS.

TRS also may use a request process such as an RFP, RFI or RFQ when conducting a manager search. The request may be sent directly to known vendors, will be listed on the TRS website and may be advertised through other means such as financial media. Any advertisement will state clearly the mandate for which TRS is seeking a manager. The advertisement also will state certain minimum requirements that a manager must meet.

A written report documenting the particulars of the search process will be given to the Investment Committee with the recommendation of a manager. The report will include matters such as the screening criteria, the number of managers considered, the number of managers interviewed, the number of firms in the candidate pool, any prior TRS history with the manager, references checked and summaries of other qualitative and quantitative analyses.

A. Determination of Screening Criteria

Screening criteria may include, but are not limited to: investment processes; investment products; dollar value and composition of assets under management; historical performance; years of experience; growth of firm; a manager's history with TRS; other client relationships (including experience with large public funds); ownership; the number and depth of investment professionals; research capabilities; structure of the proposed investment (separate account, commingled account, limited partnership, etc.); compliance with standard contractual provisions; compliance with the Chartered Financial Analyst (CFA) Institute Code of Ethics; compliance with Global Investment Performance Standards as administered by the CFA Institute; and reporting consistent with the Institutional Limited Partners Association standards. Other criteria may be added for any search.

B. Preliminary Screening

- 1) TRS staff and/or the investment consultant identify a preliminary list of firms that meet the initial set of screening criteria.
- 2) TRS staff and/or the investment consultant contact each firm on the preliminary list to obtain the most current information and any additional information, as required. Follow-up telephone calls, interviews or on-site visits are made as necessary.
- 3) Based upon the established criteria, staff and/or the investment consultant narrows the preliminary list to a candidate pool.

C. Candidate Pool

- 1) TRS staff and/or the investment consultant conduct a more in-depth interview with each candidate. The interview allows for the interaction with and evaluation of the person or persons who will be investing on behalf of TRS. Interview topics may include:
 - a) Investment process
 - b) Any action or investigation concerning a candidate by a regulatory or civil or criminal enforcement agency
 - c) Any SEC forms, other similar agency reports or prospectuses
 - d) Qualifications of the firm's representatives, including the portfolio management team
 - e) A list of institutional references
 - f) Communication with the firm
 - g) Employee compensation and ownership structure
 - h) Availability of the contact person and portfolio manager to meet with TRS and responsiveness to board and staff concerns
 - i) Validation of performance and the continued management by key individuals who will be responsible for fulfilling assignment
 - j) Accommodation of TRS's priorities
 - k) Experience with large public funds
 - l) Fee discussions
 - m) Conflicts of interest, including the appearance of conflicts of interest. Potential or actual conflicts of interest must be evaluated during due diligence and after engagement under the board's Conflict of Interest and Confidentiality Policy and applicable statutes and regulations. The investment staff will employ reasonable efforts to identify conflicts of interest affecting TRS trustees, employees and managers with respect to all investments.
 - n) Placement agents. Staff will employ reasonable due diligence to ensure that no fees or commissions are paid to a third party or firm banned, either by KRS 161.430 (6) or board policies, from receiving fees or commissions incident to an

investment by TRS.

- 2) Quantitative analyses also are conducted in addition to the qualitative analyses above. This analysis will include performance attribution and risk management.
 - 3) Additional due diligence factors may be necessary in selecting general partners or managers for alternatives (such as timberland, private equity and infrastructure) because of the long-term and illiquid nature of these types of investments. The additional factors include particular considerations such as risk management; diversification; and legal and business matters.
 - a) TRS may engage independent specialized consultants to assist in the selection of these managers.
 - b) TRS staff and/or consultants will narrow potential funds to seek best-in-class managers.
 - c) Any new fund offering by an existing manager (also known as a reup) will be evaluated consistent with the process described above (understanding that some of the materials and knowledge for conducting due diligence already may have been obtained based on the prior investment with the manager).
 - 4) TRS staff and – if involved in the process – the investment consultant (or, in the case of alternative investments, any engaged specialty investment consultant), will reach a consensus regarding a manager for the final written recommendation to the Investment Committee. Any approval by the Investment Committee is subject to the review by and ratification of the board, the completion of due diligence and the negotiation and execution of a contract.
 - a) It is critical that the terms of the contract accurately reflect the terms and conditions of the authorization. The process may involve highly specialized contract provisions, including investment guidelines, and result in protracted negotiations. Staff may retain outside counsel to assist in the contract process.
 - b) The investment manager must certify that no fees or commissions are paid to a third party or firm banned, either by KRS 161.430 (6) or board policies, from receiving fees or commissions incident to an investment by TRS.
- D. An approval of a manager by the Investment Committee is reported to the board no later than at its next quarterly meeting for review and ratification.

3. Procurement of investment analytical, professional, research and technical services

TRS will procure investment-related goods and services through one of the methods below. Nothing in this section shall apply to the procurement of ordinary goods and services that are common to other TRS administrative functions.

- A. Procurement of goods and services costing less than \$5,000 during a fiscal year will be by TRS staff based upon best value comparing known vendors. In comparing vendors, staff will promote the highest level of competition.
- B. Procurement of goods and services costing \$5,000 or more during a fiscal year will be by TRS staff based upon best value comparing known vendors. In comparing vendors, staff will promote the highest level of competition. Staff will collect (if available) three or more bids, quotes or catalog prices from known vendors. The evaluation will be documented by TRS.
- C. TRS may utilize a price contract established by the Commonwealth of Kentucky, the U.S. General Services Administration or U.S. Communities (a national government purchasing cooperative) so long as the vendor sells to TRS at or below the contract price and under the same terms and conditions.
- D. TRS may publish a request, such as an RFP, RFI, RFQ or other invitation, for goods or services. The request may be sent directly to known vendors; will be listed on the TRS website; and may be advertised through other means, such as financial media, as appropriate to promote the highest level of competition. The request will describe the goods or services required, the type of information and data required of each vendor, the relative importance of qualifications and the evaluation factors to be used. After determining the best value of proposals received, TRS may negotiate a contract for goods or services with a vendor. If contract terms cannot be agreed upon with the highest-ranking vendor, negotiations may be conducted with other vendor(s) in the order of ranking as defined by the request. The evaluation of best value will be documented by TRS. The documentation will include specifics of the process used in selecting the vendor. Those specifics may include: price, the number of vendors considered, the number of vendors interviewed, any prior TRS history with the vendor, references checked and summaries of other qualitative and quantitative analyses.
- E. Exceptions to using the methods of procurement above include, but are not limited to: goods and services available only from one uniquely qualified source; advertisements and public notices; and copyrighted computer software. The reason for the exception will be documented by the executive secretary or a deputy executive secretary.

4. Contract Renewal

As applicable, contract renewals, whether they be annual or longer-term agreements, use criteria such as continued need of vendor and/or asset class; level of trust; continuity of ownership, leadership and process; long-term performance; and competitiveness of fees. TRS staff will submit a formal recommendation regarding the renewal of a contract to the Investment Committee for approval. The submission to the committee will include a description of the process used in making the recommendation to renew the contract. Any approval by the Investment Committee is subject to the review by and ratification of the board, the completion of due diligence and the negotiation and execution of a contract.

5. Emergency Procurement

The existence of an emergency may cause an immediate need for managers, goods and/or services that cannot be procured through TRS's normal investment procurement procedures. The determination that an emergency exists is to be made by, and procurement actions approved by, any two of the executive secretary, a deputy executive secretary or the chief investment officer. Thereafter, no later than at the next quarterly meetings of the board and Investment Committee, the emergency and procurement actions incident to the emergency will be reported.

6. Quiet Period

To ensure a competitive and fair procurement, TRS staff, the board and committee members will follow a quiet period with potential vendors during specified timeframes. A quiet period is a specified timeframe when staff, the board and committee members are restricted in communications with potential vendors in designated procurements. Staff assigned to the procurement are not covered by the quiet period and will notify the board, committee and other staff upon initiation of a quiet period and a description of the types of vendors to whom it applies. During quiet periods, covered staff, the board and committee members will not communicate with potential vendors or with an existing vendor on matters pertaining to the procurement, except during board or committee meetings.

A quiet period will cease when the approval of a vendor has been ratified by the board, or if the search process or quiet period are otherwise ended.

7. Other Laws and Policies that Comprise TRS Investment Procurement Policy

This policy is to be implemented in conjunction and accordance with the laws and other policies that, cumulatively, establish the comprehensive TRS Investment Procurement Policy under which all TRS investment procurements are made. These laws and other policies are as follows, but are not limited to:

- A. Executive Branch Code of Ethics (KRS 11A);
- B. Board as fiduciary (KRS 161.420);
- C. Pension Fund investment requirements (KRS 161.430 and 102 KAR 1:175);
- D. TRS conflict of interest prohibitions (KRS 161.460);
- E. TRS confidentiality requirement (KRS 161.585);
- F. Insurance Fund investment requirements (KRS 161.677 and 102 KAR 1:178); and
- G. Board Governance Manual (including Communication Policy, Conflict of Interest and Confidentiality Policy, External Service Provider Conflict of Interest Statement and Board of Trustees and Employees Conflict of Interest Statement).

Adopted _____, 2017

CERTIFICATION

This certifies that the Investment Procurement Policy of the Teachers' Retirement System of the State of Kentucky meets best practices for investment management procurement as specified by KRS 161.430 (7).

William M. Landrum III
Secretary of the Finance and Administration Cabinet
Commonwealth of Kentucky

Date

TO: Board of Trustees of the
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Report of the Governance and Audit Committee

The Governance and Audit Committee will have a special meeting on June 19, 2017, prior to the regular quarterly meeting of the board. The committee will present a report to the board during the regular quarterly meeting.

TO: Board of Trustees of the
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Report of the Insurance Committee

The Insurance Committee will have a special meeting on June 19, 2017, prior to the regular quarterly meeting of the board. The committee will present a report to the board during the regular quarterly meeting.

TO: Board of Trustees of the
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Amendment of Administrative Regulation

Staff is recommending an amendment to 102 KAR 1:070 to reflect a member's ability to file an application for service retirement on-line using the TRS Pathway system. Currently, about 20 percent of members apply for retirement electronically through the Pathway system. The application for retirement used in Pathway needs to be referenced in the regulation.

Additionally, the paper and electronic versions of the application for retirement need to be updated to clarify when it is necessary to file copies of a beneficiary's certified birth certificate and signed Social Security card and provide other documentation for health care coverage.

Recommendation: Staff requests the board's approval to file an amendment to 102 KAR 1:070 and work with the Administrative Regulation Review Subcommittee of the General Assembly to make necessary changes to the regulation.

TO: Board of Trustees of the
Teachers' Retirement System of Kentucky

FROM: Gary L. Harbin, CPA

DATE: June 19, 2017

SUBJECT: Executive Secretary's Observations and Comments

1. Number of Retirements: The number of retirements for June/July this year was 25 less than the number for the same period last year. The number of retirements this year was in line with the average (1,249) for the last 15 years. The chart below lists the number of retirements during June/July over the past 15 years.

<u>School Year Ended</u>	<u>Number of Retirees</u>
2017	1,269
2016	1,294
2015	1,699
2014	1,267
2013	1,310
2012	1,405
2011	1,159
2010	1,203
2009	1,010
2008	1,353
2007	979
2006	1,098
2005	1,100
2004	1,363
2003	1,022
2002	1,471

2. Executive Secretary serving as President of Public Sector Healthcare Roundtable: Gary Harbin is serving as the President of the Public Sector Healthcare Roundtable. The Roundtable is a national coalition of public sector health care purchasers that has been formed to insure that the interests of the public sector are properly represented during the formulation and debate of federal health care reform initiatives. The Roundtable is governed by a Board of Directors and is managed by a governmental affairs firm based in Alexandria, VA.

3. Executive Secretary's Meetings: The Executive Secretary has had meetings with several groups recently and will report to the Board concerning the following:

March 23, 2017	Meeting with State Budget Director Chilton
March 28, 2017	Meeting with Secretary Landrum, Finance and Administration Cabinet
April 11, 2017	Meeting with Wellington Asset Management
April 13, 2017	Meeting with public relations consultant

April 19, 2017	Pharmacogenetics meeting with YouScript and Know Your Rx Coalition
April 25, 2017	Attended KRTA Annual Convention
April 26, 2017	Meeting with Secretary Landrum, Finance and Administration Cabinet
April 27, 2017	Meeting with external money manager
April 28, 2017	Meeting with external real estate manager
May 2, 2017	Pharmacogenetics meeting with Coriell and Know Your Rx Coalition
May 3, 2017	Conference call with actuary
May 8, 2017	Conference with State Budget Director John Chilton

4. Director of Retiree Health Care appointed to SALGBA board: Jane Gilbert was appointed to the board of the State and Local Government Benefits Association (SALGBA), which is a national organization whose purpose is to provide its members with educational and collaborative support. Since its inception in 1982, SALGBA members have held educational conferences in major cities across the country. SALGBA offers a continuing education program that provides accreditation as a Certified Government Benefits Administrator.

5. Chief Financial Officer serving on GFOA committee: Mark Whelan serves on the Government Finance Officers Association, Committee on Retirement Benefits and Administration. GFOA is a national organization with more than 19,000 members. The committee works with state and local administrators, trustees and personnel officials to effectively manage state and local retirement funds and employee benefits. The committee tracks new industry practices, regulatory and legislative developments and issues best practices to assist public pension and personnel officers.

6. TRS On the Road: TRS employee Lorri Stepp leads retirement education efforts for the system. On March 11, she began a new Saturday workshop that will take place three times per year, once each in the eastern, western and southern parts of the state.

Ms. Stepp also has initiated webinars that replicate our in-person seminars, focus on specific topics and that are tailored to specific groups of members. Just in the early stages, already more than 400 people have attended webinars, and recordings of them have had 317 registered views.

7. Know Your Rx Coalition: Effective July 1, the Know Your Rx Coalition will serve all retirees under age 65 participating in the Kentucky Employees Health Plan (KEHP). The retirees covered will increase to 51,000 from 15,000.

TRS introduced the KEHP to the services provided by the Coalition through a six-month pilot program in 2015. Thereafter, the KEHP retained the Coalition to serve 15,000 retired teachers and now expanding to serve all retirees.

The Coalition is a governmental purchasing collaborative managed by the University of Kentucky and includes about 25 employers (non-profit higher education and public sector). The Coalition helps its members provide cost-effective prescription benefits while using best practices to improve clinical outcomes. The number of people covered by the coalition, including all the retirees and employees of other participating partners, is up to 160,000.

5. Next Meeting: The next Quarterly Meeting of the Board will be September 18, 2017.