

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
MEETING OF THE INVESTMENT COMMITTEE
November 27, 2018

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, November 27, 2018, in the boardroom of the Teachers' Retirement System office, 479 Versailles Road, Frankfort, Kentucky.

Members present:

Ron Sanders, Chair
John Boardman
Frank Collecchia
Brenda McGown
Lynn Patterson
Josh Underwood
Bevis Longstreth (non-voting) via telephone
George Philip (non-voting)

Others present:

Gary L. Harbin, Teachers' Retirement System
Robert Barnes, Teachers' Retirement System
Eric Wampler, Teachers' Retirement System
Greg Hall, Teachers' Retirement System
Tom Siderewicz, Teachers' Retirement System
Karen Ashby, Teachers' Retirement System
John Browning, Teachers' Retirement System
Norman Combest, Teachers' Retirement System
Lindsey Davis, Teachers' Retirement System
Kenny Domilise, Teachers' Retirement System
Mike Nohalty, Teachers' Retirement System
Felicia Penn, Teachers' Retirement System
P. J. Kelly, Aon Hewitt Investment Consulting, via telephone
Mary Green, State Street Global Advisors
William Sandow, State Street Global Advisors
Mary Guy, State Street Global Advisors
Marty Flesher, Fort Washington Investment Advisors
Brendan White, Fort Washington Investment Advisors
Tim Jossart, Fort Washington Investment Advisors
Tim Policinski, Fort Washington Investment Advisors

1. Consideration/Approval of Minutes: The Investment Committee considered the minutes of the previous meeting held on August 23, 2018.

Committee Action: Upon motion duly made by Ms. McGown and seconded by Mr. Boardman, the minutes of meeting held on August 23, 2018, were approved unanimously.

2. Reports by TRS Staff

2.1. CIO Observations and Comments: Mr. Siderewicz reported to the committee the information on the Quarterly Investment Update for the quarter ended September 30, 2018. Mr. Siderewicz's report was informational, and the committee took no action.

2.2. Quarterly Report on Securities Litigation: Mr. Wampler presented the Securities Litigation Report detailing information on securities litigation activities during the quarter ended September 30, 2018. Mr. Wampler's report was informational, and the committee took no action.

2.3. Report on Alternative Investments: Ms. Ashby reported to the committee on the TRS private equity portfolio for the quarter ended September 30, 2018. Ms. Ashby's report was informational, and the committee took no action.

2.4. Private Equity Manager Discussion – Secondary Fund: Ms. Ashby reported to the committee on the Lexington Capital Partners IX LP fund.

Committee Action: Upon motion duly made by Mr. Boardman and seconded by Ms. McGown, the committee unanimously approved staff's recommendation of up to \$50 million from the TRS pension fund, up to \$5 million from the TRS medical trust and up to \$500,000 from the life insurance fund into the Lexington Capital Partners IX LP fund.

2.5. Real Estate Manager Discussion – Net Lease Realty Fund: Mr. Nohalty reported to the committee on the Angelo Gordon Net Lease Realty Fund IV fund.

Committee Action: Upon motion duly made by Mr. Collecchia and seconded by Dr. Patterson, the committee unanimously approved staff's recommendation of a commitment of \$50 million from the TRS pension fund, \$10 million from the TRS medical trust and \$500,000 from the life insurance fund into Angelo Gordon Net Lease Realty Fund IV fund.

2.6. Real Estate Manager Discussion – Opportunistic Realty Fund: Mr. Nohalty reported to the committee on the Blackstone Real Estate Partners IX fund.

Committee Action: Upon motion duly made by Mr. Collecchia and seconded by Mr. Boardman, the committee unanimously approved staff's recommendation of a commitment of \$50 million from the TRS pension fund, \$10 million from the TRS medical trust and \$500,000 from the life insurance fund into the Blackstone Real Estate Partners IX fund.

2.7. Private Manager Contract Discussion: Mr. Harbin and Mr. Wampler updated the committee on the investments approved at the August 23, 2018, committee meeting in the Audax Private Equity VI LP, the KKR European V LP and the Hellman and Friedman Capital Partners IX funds. The investments were approved subject to completion of legal due diligence.

The only investment to close successfully was Audax Private Equity Fund VI LP. The general partners for the other two investments refused to accept the requirement of KRS 161.430(1) that

provides managers “shall adhere” to the various codes of conduct promulgated by the CFA Institute.

Each general partner noted that the various codes of conduct promulgated by the CFA Institute do not apply to GP/LP investments. Managers for both noted that their firms’ codes are stricter than the CFA codes and that their firms also are governed by the Securities and Exchange Commission. Additionally, one investment manager commented that they perceive a general negative business environment in Kentucky.

The report was informational, and the committee took no action.

2.8. Securities Lending Review: Mr. Siderewicz reported to the committee on the TRS securities lending program. The report was informational, and the committee took no action.

2.9. Report on Internally Managed Portfolios: Mr. Siderewicz reported to the committee on the TRS internally managed portfolios for the quarter ended September 30, 2018. The report was informational, and the committee took no action.

The committee recessed for lunch at 11:50 a.m. and resumed its meeting at 12:50 p.m.

3. Quarterly Reports by Managers

3.1. State Street Global Advisors: Representatives from State Street Global 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 Investment Advisors: 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. Underwood and seconded by Mr. Collecchia, the committee adjourned at 1:45 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 the State of Kentucky, do certify that the minutes of meeting were approved by the Investment Committee on February 14, 2019.

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 the State of Kentucky at its meeting on November 27, 2018.

Felicia Penn, Recording Secretary