

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY  
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
JUNE 17, 2019

Minutes of Meeting:

After giving proper notice of a regular quarterly meeting, and a quorum being present, Chair Ron Sanders called the TRS Board of Trustees to order at 12:30 p.m., Monday, June 17, 2019, in the boardroom of the Teachers' Retirement System of the State of Kentucky, 479 Versailles Road, Frankfort, Kentucky.

Members present:

Ron Sanders, Chair  
Alison Wright, Vice Chair  
John Boardman  
Frank Collecchia  
Hollis Gritton  
Brenda McGown  
Lynn Patterson  
Laura Schneider  
Joshua Underwood  
Allison Ball, State Treasurer  
Charles Harman, proxy for Commissioner of Education

Others present:

Gary L. Harbin, Teachers' Retirement System  
Robert Barnes, Teachers' Retirement System  
Eric Wampler, Teachers' Retirement System  
Tom Siderewicz, Teachers' Retirement System  
Karen Ashby, Teachers' Retirement System  
Mark Whelan, Teachers' Retirement System  
Nate Van Sickle, Teachers' Retirement System  
Jane Gilbert, Teachers' Retirement System  
Gregory Hall, Teachers' Retirement System  
Felicia Penn, Teachers' Retirement System  
Noah Friend, Office of the State Treasurer  
Teresa Sanders, Office of the State Budget Director  
Chuck Truesdell, Legislative Research Commission  
Bo Cracraft, Legislative Research Commission

1. Reports for Consent: Chair Sanders reviewed the draft minutes of the March 18, 2019, Board of Trustees quarterly meeting and the draft minutes of the June 3, 2019, Governance and Audit Committee special meeting and asked the board to act on the minutes.

Board Action: The board considered the minutes of the quarterly meeting of the Board of Trustees held on March 18, 2019, and the special meeting of the Governance and Audit

Committee held on June 3, 2019. Upon motion duly made by Mr. Collecchia and seconded by Ms. McGown, the board unanimously approved the minutes as written.

Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits and Refunds: Mr. Wampler reported to the board regarding benefit payments. Chair Sanders asked the board to act on the report of benefit payments.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Mr. Boardman, the applications for retirement and annuity, survivor benefits, life insurance benefits and refunds were approved by the board as reported.

Interim Financial Statements: The board considered the report on the Interim Financial Statements for the quarter ended March 31, 2019. The report was informational, and the board took no action on the Interim Financial Statements.

## 2. Standard Annual Board Actions

2.1. Report of Results of Trustee Election: Mr. Harbin reported to the board concerning the results of the elections for an active teacher trustee position and a lay trustee position. The election was held in April and May of 2019, and Dr. Wayne Lewis, commissioner of the Department of Education, certified the results on June 13, 2019. A copy of the letter certifying the results of the election is incorporated into the minutes.

Alison Wright was re-elected as the active teacher trustee. Her term of office will be July 1, 2019, through June 30, 2023. William Alverson was elected as the lay trustee. His term of office will be July 1, 2019, through June 30, 2023.

2.2. Election of 2018-2019 Board Chair and Vice Chair: Mr. Harbin reported that KRS 161.340 provides that the board shall elect from its membership a chair and a vice chair on an annual basis.

Nominations for Chair and Vice Chair of the Board: Mr. Harbin asked for nominations for the position of chair and vice chair of the board for fiscal year 2020. Dr. Patterson nominated Alison Wright to serve as chair, and Mr. Underwood nominated Hollis Gritton to serve as vice chair. Mr. Harbin called for other nominations.

Board Action: Upon motion duly made by Ms. McGown and seconded by Mr. Boardman, the board voted to elect Alison Wright as chair of the board for fiscal year 2020. Ms. Wright abstained from voting.

Board Action: Upon motion duly made by Dr. Patterson and seconded by Mr. Collecchia, the board voted unanimously to elect Mr. Gritton as vice chair of the board for fiscal year 2020. Mr. Gritton abstained from voting.

2.3. 2019-2020 Committee Appointments: Mr. Harbin reported to the board concerning the standing committees of the board. Mr. Harbin asked members to contact Chair Wright to express interest in serving on any particular committees.

2.4. Board Appointment of Investment Committee: Mr. Harbin reported to the board concerning the appointment of board members to the Investment Committee. Mr. Harbin referenced information in the memorandum set forth under Tab 2.4. of the materials provided to the board. Mr. Sanders asked for questions or comments. Mr. Sanders asked the board to act on the appointment of board members to the Investment Committee.

Board Action: Upon motion duly made by Mr. Harman and seconded by Mr. Underwood, the board voted unanimously to appoint Hollis Gritton (chair), Brenda McGown (vice chair), John Boardman, Frank Collecchia, Josh Underwood, Alison Wright and William Alverson to the Investment Committee as members; and Laura Schneider and Lynn Patterson as alternate members.

Board Action: Upon motion duly made by Mr. Boardman and seconded by Ms. Schneider, the board voted unanimously to appoint as investment experts Bevis Longstreth and George Philip to serve on the Investment Committee for the period from July 1, 2019, through June 30, 2020.

2.5. Resolution Regarding Purchases or Sales of Investment Instruments: Mr. Harbin reported to the board concerning the resolution regarding the purchases and sales of investment instruments. Mr. Harbin referenced information in the memorandum set forth under Tab 2.5. of the materials provided to the board.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Dr. Patterson, the board voted unanimously to adopt the following resolution to confirm the authority granted to the executive secretary and the chief investment officer to execute purchases or sales of investment instruments on behalf of the board.

“BE IT RESOLVED, by the Board of Trustees of the Teachers’ Retirement System of the State of Kentucky, that the executive secretary or chief investment officer be, and they 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 and includes all investment instruments of the retirement system provided for in KRS 161.220 to 161.716 and KRS 161.990, whether designated pension, life insurance, medical insurance fund or the Kentucky Teachers’ Retirement System insurance trust fund.”

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

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act and direct the executive secretary to transfer interest as required by KRS 161.440.

Board Action: Upon motion duly made by Ms. Schneider and seconded by Ms. Wright, the board unanimously issued the following directive:

“In accordance with KRS 161.440, the executive secretary is authorized and directed to credit the required interest on average monthly balances to (1) Teachers’ Savings Fund, (2) State Accumulation Fund and (3) Allowance Reserve Fund, such credits to be transferred from the Guarantee Fund and credited on July 1, 2019.”

2.7. Transfer of Reserve Funds: Mr. Harbin reported to the board that 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.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to consider the recommendation of the executive secretary.

Board Action: Upon motion duly made by Mr. Boardman and seconded by Ms. Schneider, the board unanimously issued the following directive:

“The executive secretary is directed to determine the aggregate amount of the accumulated accounts of teachers retiring during 2019-2020 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).”

2.8. 2019-2020 Administrative Expense Fund Budget: Mr. Harbin reported to the board on the 2018-2019 and proposed 2019-2020 Administrative Expense Fund Budget.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report by the executive secretary.

Board Action: Upon motion duly made by Mr. Harman and seconded by Dr. Patterson, the board unanimously voted to approve the 2019-2020 Administrative Expense Fund Budget as presented.

2.9. IRC Section 415(b) Limit: Mr. Harbin reported to the board that KRS 161.611 authorizes a supplemental retirement benefit plan for the sole purpose of enabling 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.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to consider the recommendation of the executive secretary.

Board Action: Upon motion duly made by Mr. Boardman and seconded by Mr. Gritton, the board unanimously voted to authorize the executive secretary to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2020.

2.10. Personnel Matters: Mr. Harbin reported 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 2018 Regular Session of the General Assembly a budget was passed that provides for no state employee annual increments. Therefore, 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 2020.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to consider the recommendation of the executive secretary.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Ms. Schneider, the board unanimously voted 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 2020.

3. Report of the Investment Committee: Mr. Siderewicz reported to the board concerning the activities of the Investment Committee and investment performance for the quarter ended March 31, 2019, and the quarterly meeting of the Investment Committee held on May 23, 2019.

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report by Mr. Siderewicz.

Board Action: Upon motion duly made by Dr. Patterson and seconded by Ms. Schneider, the board voted unanimously to accept and ratify the report of the Investment Committee.

4. Report of the Governance and Audit Committee: Mr. Wampler reported that the Governance and Audit Committee met in special session on June 3, 2019. The Governance and Audit Committee took the following actions:

- Software solution and services for financial reports
- Contract renewals
- Investment service provider contracts
- Report of the internal auditor

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report of the Governance and Audit Committee.

Board Action: Upon motion duly made by Mr. Collecchia and seconded by Ms. Wright, the board voted unanimously to accept and ratify the report of the Governance and Audit Committee.

5. Report of the Legislative Committee: Mr. Barnes reported that the Legislative Committee met in special session on June 17, 2019, prior to the quarterly meeting of the board. The Legislative Committee took the following action:

- Recommend to the full board approval of the staff-recommended changes to the return-to-work administrative regulations.

Board Action: Upon motion duly made by Mr. Underwood and seconded by Ms. Wright, the board voted unanimously to accept and ratify the report of the Legislative Committee.

6. Report of the Insurance Committee: Ms. Gilbert reported that the Insurance Committee met in special session on June 17, 2019, prior to the quarterly meeting of the board. The Insurance Committee took the following action:

- increase the member copay to \$120 for a visit to an emergency room; decrease the member copay to \$25 for a visit to an urgent care center; and increase the member copay to \$80 per day for days 21-100 in a skilled nursing facility
- to add one pharmacist at the rate of \$0.28 and increase two pharmacists to \$0.28 at the Know Your Rx Coalition

Chair Sanders asked for questions or comments. Chair Sanders asked the board to act on the report of the Insurance Committee.

Board Action: Upon motion duly made by Ms. Schneider and seconded by Dr. Patterson, the board voted unanimously to accept and ratify the report of the Insurance Committee.

6. Executive Secretary's Observations and Comments: Mr. Harbin reported to the board on the number of retirements; activities of the Public Sector Healthcare Roundtable; recent meetings of the executive secretary; federal health care issues; Pathway update, including the maintenance and support agreement with Sagitec; director of retiree health care serving on SALGBA board; chief financial officer serving on GGFOA committee; and update on the TRS personalized medicine pilot.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Ms. McGown, the board voted unanimously to approve and ratify the Sagitec agreement.

Resolution Honoring Ron Sanders: Mr. Harbin read a resolution recognizing Ron Sanders for his service on the board. A copy of the resolution is incorporated into the minutes.

Adjournment: There being no further business to come before the board, and upon motion duly made by Mr. Harman and seconded by Mr. Collecchia, and by unanimous consent of the board, Chair Sanders declared the meeting adjourned at 1:26 p.m.

#### CERTIFICATIONS

We, the chair 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 board on September 16, 2019.

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Alison Wright, Chair

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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.

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Robert B. Barnes, Deputy Executive Secretary  
and General Counsel

I, Felicia Penn, do certify that I was present at the meeting and duly recorded the actions of the Board of Trustees of the Teachers' Retirement System of the State of Kentucky at its meeting on June 17, 2019.

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Felicia Penn  
Recording Secretary