

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JUNE 15, 2020

Minutes of Meeting:

After giving proper notice of a regular quarterly meeting, and a quorum being present, Vice Chair Hollis Gritton called the TRS Board of Trustees to order at 12:30 p.m., Monday, June 15, 2020. The meeting was conducted by live video teleconference.

Members present:

Hollis Gritton, Vice Chair
William Alverson
John Boardman
Frank Collecchia
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
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

1. Reports for Consent: Vice Chair Gritton reviewed the draft minutes of the March 16, 2020, Board of Trustees quarterly 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 16, 2020. Upon motion duly made by Treasurer Ball and seconded by Ms. Schneider, the board unanimously approved the minutes as written.

Vice Chair Gritton reviewed the draft minutes of the May 4, 2020, Insurance Committee meeting and asked the committee to act on the minutes.

Committee Action: The committee considered the minutes of the May 4, 2020, Insurance Committee meeting. Upon motion duly made by Dr. Patterson and seconded by Ms. Schneider, the committee 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. Vice Chair Gritton asked the board to act on the report of benefit payments.

Board Action: Upon motion duly made by Ms. Schneider 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, 2020. The report was informational, and the board took no action on the Interim Financial Statements.

2. Deferred Action from March 16, 2020, Quarterly Board of Trustees Meeting

Board Action: Upon motion duly made by Ms. McGown and seconded by Dr. Patterson, the board unanimously approved those items deferred from the March 16, 2020, quarterly Board of Trustees meeting.

3. Standard Annual Board Actions

3.1. Report of Results of Trustee Election: Mr. Harbin reported to the board concerning the results of the election for an active teacher trustee position. The election was held in April and May of 2020, and Kevin Brown, interim commissioner of the Department of Education, certified the results on June 9, 2020. A copy of the letter certifying the results of the election is incorporated into the minutes.

Joshua Underwood was reelected as the active teacher trustee. His term of office will be July 1, 2020, through June 30, 2024.

3.2. Election of 2020-2021 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 2021. Vice Chair Gritton nominated Alison Wright to serve as chair, and Ms. McGown nominated Hollis Gritton to serve as vice chair. Mr. Harbin called for other nominations.

Board Action: Upon motion duly made by Vice Chair Gritton and seconded by Mr. Boardman, the board unanimously reelected Alison Wright as board chair for fiscal year 2021.

Board Action: Upon motion duly made by Ms. McGown and seconded by Mr. Alverson, the board unanimously reelected Mr. Gritton as vice chair of the board for fiscal year 2021. Vice Chair Gritton abstained from voting.

3.3. 2020-2021 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.

3.4. 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 3.4. of the materials provided to the board. Mr. Gritton asked for questions or comments. Vice Gritton asked the board to act on the appointment of board members to the Investment Committee.

Board Action: Upon motion duly made by Dr. Patterson and seconded by Mr. Alverson, 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.

3.5. 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 3.5. of the materials provided to the board.

Board Action: Upon motion duly made by Mr. Underwood and seconded by Ms. Schneider, the board unanimously adopted 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 retirement annuity, life insurance, health insurance trust or the Kentucky Teachers’ Retirement System insurance trust.”

3.6. 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.

Vice Chair Gritton asked for questions or comments. Vice Chair Gritton 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. McGown and seconded by Dr. Patterson, 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) the Teachers’ Savings Fund, (2) the State Accumulation Fund and (3) the Allowance Reserve Fund, such credits to be transferred from the Guarantee Fund and credited on July 1, 2020.”

3.7. 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.

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

Board Action: Upon motion duly made by Mr. Alverson and seconded by Ms. McGown, 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 2020-2021 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).”

3.8. 2020-2021 Administrative Expense Fund Budget: Mr. Harbin reported to the board on the 2019-2020 Administrative Expense Fund Budget and the proposed 2020-2021 budget.

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

Board Action: Upon motion duly made by Mr. Boardman and seconded by Mr. Underwood, the board unanimously approved the 2020-2021 Administrative Expense Fund Budget as presented.

3.9. 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.

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

Board Action: Upon motion duly made by Mr. Alverson and seconded by Mr. Underwood the board unanimously authorized the executive secretary to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2021.

3.10. 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 2020 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 2021.

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

Board Action: Upon motion duly made by Ms. Schneider and seconded by Ms. McGown, 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 2021.

4. 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, 2020, and the quarterly meeting of the Investment Committee held on May 21, 2020.

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

Board Action: Upon motion duly made by Ms. McGown and seconded by Dr. Patterson, the board unanimously accepted and ratify the report of the Investment Committee.

5. Report of the Legislative Committee: Mr. Barnes reported that the Legislative Committee met in special session on June 15, 2020, 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 pension spiking administrative regulation.

Board Action: Upon motion duly made by Dr. Patterson and seconded by Ms. McGown, the board unanimously accepted and ratified the report of the Legislative Committee.

6. Report of the Governance and Audit Committee: Mr. Wampler reported that the Governance and Audit Committee met in special session on June 15, 2020, prior to the quarterly meeting of the board. The Governance and Audit Committee approved the following:

- Vendor contract for Pathway security audit
- Vendor and investment expert contracts for fiscal year 2021
- Report of the internal auditor for fiscal year 2020 work and plan for fiscal year 2021 work

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

Board Action: Upon motion duly made by Mr. Underwood and seconded by Mr. Boardman, the board unanimously accepted and ratified the report of the Governance and Audit Committee.

7. Report of the Insurance Committee: Ms. Gilbert reported that the Insurance Committee met in special session on June 15, 2020, prior to the quarterly meeting of the board. Information regarding medical insurance contracts; Coriell and the Know Your Rx Coalition personalized medicine program; and UnitedHealthcare's response to the COVID-19 coronavirus pandemic were presented to the committee. The report was informational, and the board took no action on the Report of the Insurance Committee.

8. 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; the COVID-19 coronavirus pandemic; director of retiree health care serving on SALGBA board; chief financial officer serving on GFOA committee; and disabilities earnings limitations.

Board Action: Upon motion duly made by Ms. Schneider and seconded by Dr. Patterson, the board unanimously approved increasing the disabilities earnings limitation as reported.

Resolution Honoring Charles Harman: Mr. Harbin read a resolution recognizing Charles Harman 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, upon motion duly made by Mr. Underwood and seconded by Mr. Boardman, and by unanimous consent of the board, Vice Chair Gritton declared the meeting adjourned at 2:05 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 21, 2020.

Alison Wright, 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 Board of Trustees of the Teachers' Retirement System of the State of Kentucky at its meeting on June 15, 2020.

Felicia Penn
Recording Secretary