

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JUNE 19, 2023

Minutes of Meeting:

After giving proper notice of a regular quarterly meeting, and a quorum being present, Chair Brenda McGown called the TRS Board of Trustees to order at 12:30 p.m., Monday, June 19, 2023. The meeting was conducted in the TRS boardroom at 479 Versailles Road, Frankfort, Kentucky.

Members present:

Brenda McGown, Chair
John Boardman, Vice chair
William Alverson
Hollis Gritton
Dr. Ben Littlepage
Laura Schneider
Josh Underwood
Alison Wright
Allison Ball, State Treasurer
Matthew Ross, 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
Jane Gilbert, Teachers' Retirement System
Gregory Hall, Teachers' Retirement System
Becky Niece, Teachers' Retirement System
Nate Van Sickle, Teachers' Retirement System
Brad Cook, Teachers' Retirement System
Margaret Hockensmith, Teachers' Retirement System
Joy Pidgorodetska, State Treasurer's Office

1. Reports for Consent: Chair McGown reviewed the draft minutes of the March 20, 2023, 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 held on March 20, 2023. Upon motion duly made by Treasurer Ball and seconded by Ms. Schneider, the board unanimously approved the minutes as written.

Chair McGown reviewed the draft minutes of the March 20, 2023, Governance and Audit Committee meeting and asked the committee to act on the minutes.

Committee Action: The committee considered the minutes of the March 20, 2023, Governance and Audit Committee meeting. Upon motion duly made by Mr. Boardman 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. Chair McGown asked the board to act on the report of benefit payments.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Mr. Alverson, 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. 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 and a lay trustee. The election was held in April and May, and Jason Glass, commissioner of the Department of Education, certified the results on June 5. A copy of the letter certifying the results of the election is incorporated into the minutes.

Alison Wright was reelected as the active teacher trustee. Paul Bruce was elected as the lay trustee. Their terms of office are July 1, 2023, through June 30, 2027.

2.2. Election of 2023-2024 Board Chair and Vice Chair: Mr. Harbin reported that KRS 161.340 provides that the board shall elect on an annual basis from its membership a chair and a vice chair.

Nominations for Chair and Vice Chair of the Board: Mr. Harbin asked for nominations for the positions for fiscal 2024. Ms. Schneider nominated Ms. McGown to serve as chair. Mr. Alverson nominated Mr. Boardman to serve as vice chair. No other nominations were made.

Board Action: Upon motion duly made by Ms. Schneider and seconded by Mr. Alverson, the board unanimously reelected Ms. McGown as chair for fiscal 2024.

Board Action: Upon motion duly made by Mr. Alverson and seconded by Mr. Gritton, the board unanimously reelected Mr. Boardman as vice chair for fiscal 2024.

2.3. 2022-2023 Committee Appointments: Chair McGown reported to the board concerning the standing committees of the board.

2.4. Board Appointment of Investment Committee: Chair McGown reported to the board concerning the appointment of board members to the Investment Committee. Chair McGown referenced information in the memorandum provided to the board. Chair McGown asked for questions or comments. Chair McGown asked the board to act on the appointment of board members to the Investment Committee.

Board Action: Upon motion duly made by Ms. Schneider and seconded by Mr. Underwood, the board unanimously voted to appoint Mr. Gritton (chair), Ms. McGown (vice chair), Mr. Boardman, Mr. Littlepage, Mr. Underwood, the lay trustee elected in 2023, the new gubernatorial appointee and, as alternates, Ms. Schneider and Ms. Wright.

Board Action: Upon motion duly made by Mr. Underwood and seconded by Ms. Wright, the board voted unanimously to appoint Bevis Longstreth and George Philip as expert, non-voting members of the Investment Committee.

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 in the materials provided to the board.

Board Action: Upon motion duly made by Mr. Gritton and seconded by Mr. Boardman, 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.”

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 Health Insurance Trust.

Chair McGown asked for questions or comments. Chair McGown 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 Mr. Boardman and seconded by Ms. Schneider, 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, 2022.”

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

Board Action: Upon motion duly made by Mr. Alverson and seconded by Mr. Gritton, 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 fiscal year 2023 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. 2022-2023 Administrative Expense Fund Budget: Mr. Harbin reported to the board on the 2022-2023 Administrative Expense Fund Budget and the proposed 2023-2024 budget.

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

Board Action: Upon motion duly made by Mr. Underwood and seconded by Ms. Schneider, the board unanimously approved the 2023-2024 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 McGown asked for questions or comments. Chair McGown 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 authorized the executive secretary to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal 2024.

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 2023 regular session, a 6% increase for state employees effective July 1 was enacted.

The executive secretary requested authorization from the board to approve salary advancements for all eligible TRS employees as provided by TRS's Employee Compensation Plan consistent with the pay increase in the state budget for state employees during fiscal 2024.

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

Board Action: Upon motion duly made by Ms. Schneider and seconded by Ms. Wright, the board unanimously voted to approve salary advancements for all eligible TRS employees as provided by TRS's Employee Compensation Plan consistent with the pay increase in the state budget for state employees during fiscal 2024.

3. Report of the Investment Committee: Mr. Siderewicz reported to the board concerning the investment performance for the quarter ended March 31 and the quarterly meeting of the Investment Committee held on May 25.

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

Board Action: Upon motion duly made by Mr. Underwood and seconded by Ms. Schneider, the board unanimously accepted and ratified the report of the Investment Committee.

4. Report on the 2023 Regular Session of the General Assembly: Mr. Barnes reported on legislation passed in the General Assembly's regular session that related to TRS. The report was informational, and the board took no action.

5. Report of the Governance and Audit Committee: Mr. Harbin reported on a special meeting of the Governance and Audit Committee held on June 19 prior to the board meeting. The Governance and Audit Committee approved the report of the internal auditor for fiscal 2023 work and plan for fiscal 2024 work.

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

Board Action: Upon motion duly made by Ms. Wright and seconded by Mr. Boardman, the

board unanimously accepted and ratified the report of the Governance and Audit 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; the director of retiree health care serving as co-chair for the Kentuckiana Health Collaborative (KHC) board; the chief financial officer serving on the GFOA Education Advisory Council; the internal auditor's work on the GASB 68 and 75 audit reports; and the next meeting.

Resolutions Honoring Mr. Alverson and Mr. Collecchia: Mr. Harbin presented resolutions recognizing Mr. William Alverson and Mr. Frank Collecchia for their service on the board. Copies of the resolutions are incorporated into the minutes.

Board Action: Upon motion duly made by Ms. Schneider and seconded by Mr. Boardman, the board unanimously accepted and ratified the resolutions recognizing Mr. Alverson and Mr. Collecchia.

Adjournment: There being no further business to come before the board, upon motion duly made by Dr. Littlepage and seconded by Mr. Underwood, and by unanimous consent of the board, Chair McGown declared the meeting adjourned at 1:34 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 18, 2023.

Brenda McGown, 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, Margaret Hockensmith, 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 19, 2023.

Margaret Hockensmith
Recording Secretary