

**KENTUCKY TEACHERS' RETIREMENT SYSTEM
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES
December 21, 2009**

Under authority of KRS 161.290(1), the Board of Trustees of the Teachers' Retirement System of the State of Kentucky convened in Regular Session in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky, at 9:00 a.m., ET, Monday, December 21, 2009.

Board Called to Order

Barbara G. Sterrett, Chair, called the meeting to order.

Roll Call

Members present were:

Laura A. Zimmerman
Barbara G. Sterrett
Ruth Ann Sweazy
Ronald L. Sanders
Robert M. Conley
Jay Morgan
Tom Shelton
Todd Hollenbach, State Treasurer
Ruth Webb, Proxy for the Commissioner of Education

Others present were:

Gary L. Harbin, Kentucky Teachers' Retirement System
Eric Wampler, Kentucky Teachers' Retirement System
Robert Barnes, Kentucky Teachers' Retirement System
Sandra Shroat Bush, Kentucky Teachers' Retirement System
Paul Yancey, Kentucky Teachers' Retirement System
Kevin Carrico, Kentucky Teachers' Retirement System
Mark Whelan, Kentucky Teachers' Retirement System
Brad Gross, Legislative Research Commission
Ed Cook, Kentucky Retired Teachers' Association
Erlynn Crowe, Kentucky Education Association-Retired
Fred Hester, Kentucky Education Association-Retired
Tom Willis, Legislative Research Commission
Eric Gary, Cavanaugh Macdonald
Ed Koebel, Cavanaugh Macdonald
Bob Shimer, Office of Management and Budget

Item 1 – Reports for Consent:

Mr. Wampler reported to the Board regarding "Reports for Consent." Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the reports for consent.

BOARD ACTION:

Minutes of Last Quarterly Meeting

The Board considered the minutes of the previous meeting held September 21, 2009. Upon motion duly made by Mr. Hollenbach, and seconded by Ms. Webb, the minutes were unanimously approved as written.

Special Board Meeting Held November 24, 2009

The Board considered the minutes of the Special Board Meeting held on November 24, 2009. Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Sanders, the minutes were unanimously approved as written.

Appeals Committee Meeting Held September 21, 2009

The Appeals Committee considered the minutes of the Appeals Committee Meeting held September 21, 2009. Upon motion duly made by Ms. Sweazy, and seconded by Ms. Zimmerman, the minutes were unanimously approved as written.

Reports for Consent: Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds

Upon motion duly made by Mr. Sanders, and seconded by Ms. Sweazy, the Reports for Consent were unanimously approved by the Board as reported.

Note: Ms. Webb asked about the reference to the number and amount of refunds issued during the same period in 2008 in Paragraph "E" of the Reports for Consent. The written materials contained an error. The report should have read: "During the same quarter in 2008 there were 605 refunds totaling 5,863,699.82."

Interim Financial Statements: The Interim Financial Statements for the quarter ended September 30, 2009 were presented to the Board. The report was informational and the Board took no action on the Interim Financial Statements.

Item 2 – Report of the Investment Committee

The special meeting of the Investment Committee was held on September 21, 2009. Asset targets and ranges for the remainder of fiscal year ending June 30, 2010 were approved.

The KTRS Investment Committee met for its regular quarterly meeting on November 3, 2009. Mr. Yancey reported to the Board concerning other activities of the Investment Committee and Investment Performance for the quarter ending September 30, 2009.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Investment Committee."

BOARD ACTION: Upon motion duly made by Mr. Conley, and seconded by Dr. Morgan, the Board unanimously approved the "Report of the Investment Committee" and ratified the actions of the Investment Committee.

Item 3 – Actuarial Valuation Reports

Mr. Koebel, from Cavanaugh Macdonald presented the report of the Actuary on the Pension Valuation Results prepared as of June 30, 2009.

Mr. Gary, from Cavanaugh Macdonald presented the report of the Actuary on the OPEB Valuation Results prepared as of June 30, 2009.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the Actuary's reports.

BOARD ACTION: Upon motion duly made by Mr. Shelton, and seconded by Mr. Hollenbach, the Board unanimously approved the Actuary's reports.

Item 4 – Report of the Insurance Committee

Mr. Harbin reported to the Board concerning a joint meeting of Insurance and Legislative Committees on December 16, 2009. Mr. Harbin reviewed the activities of staff and KTRS's actuary regarding potential scenarios for funding retiree health insurance benefits. He reported on meetings with various interest groups to discuss various options. Mr. Harbin asked that the Board authorize staff to continue to work with various interest groups to facilitate a legislative plan for funding retiree health benefits.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the report by Mr. Harbin on the actions of the Insurance Committee.

BOARD ACTION: Upon motion duly made by Mr. Hollenbach, and seconded by Dr. Morgan, the Board unanimously approved Mr. Harbin's report on the actions of the Insurance Committee and also authorized staff to continue working with various interest groups to facilitate a legislative plan for funding retiree health benefits.

Item 5 – Report of the Legislative Committee

Mr. Barnes reported to the Board on legislative matters approved at the joint meeting of the Insurance and Legislative Committees on December 16, 2009. In particular, Mr. Barnes reported on proposed amendments to administrative regulations, and the first amendment to the Kentucky Teachers' Retirement System 403(b) Tax-Sheltered Annuity Program, and proposed additional matters to be addressed in the KTRS Housekeeping Bill.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Legislative Committee."

BOARD ACTION: Upon motion duly made by Dr. Morgan and seconded by Ms. Zimmerman, the Board unanimously approved the actions of the Legislative Committee as reported. Additionally, the Board authorized staff to file with the LRC the proposed amendments to the administrative regulations and to work with LRC to make recommended changes that do not alter the effect of the amendments to the administrative regulations. The Board also authorized the Executive Secretary to execute the First Amendment to the Kentucky Teachers' Retirement System 403(b) Tax-Sheltered Annuity Program and thereafter take all appropriate action to implement the amendment to the Plan.

Item 6 – Report of the Governance and Audit Committee

Mr. Sanders reported that the Governance and Audit Committee met in special session prior to the regular quarterly meeting of the Board on December 21, 2009. The Committee reviewed and accepted audit reports prepared by KTRS internal auditor Daryl Dunagan. The Committee reviewed and accepted the external audit report of Charles T. Mitchell Company, which was present by Bernadette Smith, CPA.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Mr. Sanders moved that the Board approve the report of the Governance and Audit Committee and the Board unanimously approved the report.

Item 7 – Report of the Scholarship Committee

Ms. Zimmerman reported that the Scholarship Committee met in special session prior to the regular quarterly meeting of the Board on December 21, 2009. The Committee voted unanimously to recommend to the full Board that a \$2,000 yearly scholarship be granted to each of the eight public universities in Kentucky and a \$2,000 yearly scholarship to a Campbell County High School senior who intends to major in education in a Kentucky public university. Ms. Zimmerman reported that the criteria for selection of candidates for the Junita Losey scholarship award, as well as the monetary value of the scholarship, remain the same for calendar year 2010 as in past years.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Ms. Zimmerman moved the Board accept the report and recommendation of the Scholarship Committee, and the Board unanimously approved the report and recommendation.

Item 8 – Report on the Pathway Project

Mr. Wampler reported on staff's recommendation to hire L.R. Wechsler, Ltd. (LRWL) for professional and technical consulting on the Pathway Project.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Pathway Project."

BOARD ACTION: Upon motion duly made by Mr. Sanders, and seconded by Mr. Conley, the Board unanimously approved the "Report of the Pathway Project" and authorized staff to contract with LRWL for a "Phase 1" feasibility study and project plan for the Pathway Project in an amount that shall not exceed \$77,000.

Item 9 - Executive Secretary's Observation and Comments

Mr. Harbin reported to the Board concerning KTRS's receipt of an award from the Public Pension Coordinating Council and a Certificate of Achievement from the Government Finance Officers Association. Mr. Harbin's report was informational, and the Board took no action.

Adjournment

There being no further business to come before the Board of Trustees, and upon motion duly made by Mr. Hollenbach, and seconded by Ms. Webb, and by unanimous consent of the Board, Chair Sterrett declared the meeting adjourned at 11:47 a.m.

CERTIFICATIONS

We, the Chair and the Executive Secretary of the Board of Trustees of the Kentucky Teachers' Retirement System, do certify that the Minutes of Meeting were approved by the Board on March 15, 2010.

Barbara Sterrett, Chair

Gary 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, Sandra Bush, do certify that I was present at the meeting and duly recorded the actions of the Board of Trustees of the Kentucky Teachers' Retirement System at its meeting on December 21, 2009.

Sandra Bush
Recording Secretary