

**KENTUCKY TEACHERS' RETIREMENT SYSTEM  
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
June 21, 2010**

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, June 21, 2010.

**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 (Mr. Hollenbach joined the meeting at 9:10 A.M.)

Ruth Webb, Proxy for the Commissioner of Education (Ms. Webb joined the meeting at 10:15 A.M.)

**Others present were:**

Gary L. Harbin, Kentucky Teachers' Retirement System

Eric Wampler, Kentucky Teachers' Retirement System

Robert Barnes, Kentucky Teachers' Retirement System

Jane Gilbert, Kentucky Teachers' Retirement System

Daryl Dunagan, Kentucky Teachers' Retirement System

Paul Yancey, Kentucky Teachers' Retirement System

Kevin Carrico, Kentucky Teachers' Retirement System

Mark Whelan, Kentucky Teachers' Retirement System

Sandra Shroat Bush, Kentucky Teachers' Retirement System

Leeann G. Uebel, Kentucky Teachers' Retirement System

Erlynn Crowe, Kentucky Education Association-Retired

Fred Hester, Kentucky Education Association-Retired

Edwin Cook, Kentucky Retired Teachers Association

Tracy Herman, Legislative Research Commission

Kelly Dudley, Legislative Research Commission

Brad Gross, Legislative Research Commission

**Robert Conley addresses the Board of Trustees**

Mr. Conley sought permission from the Chair to address the Board. Chair Sterrett yielded the floor to Mr. Conley.

Mr. Conley reported that his wife, Barbara A. Conley, passed away on April 30, 2010. Mr. Conley expressed his appreciation to the Board and members of staff for supporting him during that difficult time.

The Chair noted that members of the board and staff have very fond memories of Mrs. Conley. The Board was informed that Mrs. Conley was born on October 9, 1920 in Monticello, Kentucky and she was a retired teacher of the Paintsville City School System. The Board was also informed that Mrs. Conley is also survived by her daughter, Brenda, two grandchildren, and four great-grandchildren.

**Resolution opening the June 21, 2010 meeting in honor and memory of W.D. Bruce, Jr.**

Chair Sterrett asked the Board to open its June 21, 2010 quarterly meeting in honor, gratitude and memory of W. D. Bruce, Jr. The Chair directed that a Resolution regarding W.D. Bruce, Jr. be read to the Board.

**BOARD ACTION:** Upon motion duly made by Mr. Conley, and seconded by Dr. Morgan, the Board unanimously approved the Resolution opening its meeting in honor, gratitude and memory of W.D. Bruce, Jr. The Chair directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

At the request of the Chair, the Board observed a moment of remembrance in honor of Mrs. Conley and Mr. Bruce.

**Item 1 – Reports for Consent:**

Mr. Wampler reported to the Board regarding the “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:**

**Special Joint Insurance and Legislative Committees Meeting Held December 16, 2009**

The Insurance and Legislative Committees considered the minutes of the Special Joint Insurance and Legislative Committees Meeting held December 16, 2009. Upon motion duly made by Dr. Morgan, and seconded by Ms. Sweazy, the minutes were unanimously approved by the Committees as written.

**Quarterly Meeting of the Board of Trustees held March 15, 2010**

The Board considered the minutes of the Quarterly Meeting of the Board of Trustees held March 15, 2010. Upon motion duly made by Dr. Morgan, and seconded by Ms. Zimmerman, the minutes were unanimously approved by the Board as written.

#### Special Meeting of the Governance and Audit Committee Meeting Held June 9, 2010

The Governance and Audit Committee considered the minutes of the Special Governance and Audit Committee Meeting held June 9, 2010. Upon motion duly made by Mr. Sanders, and seconded by Dr. Morgan, the minutes were unanimously approved by the Committee as written.

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

Upon motion duly made by Ms. Sweazy, and seconded by Mr. Sanders, the Reports for Consent on Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were unanimously approved by the Board as reported.

Interim Financial Statements: The Interim Financial Statements for the quarter ended March 31, 2010 were presented to the Board. The report was informational and the Board took no action on the Interim Financial Statements.

### **Item 2 – Report of Results of Trustee Election**

Mr. Harbin reported to the Board concerning the results of the election for two positions on the Board of Trustees. The election was held in May and Dr. Terry Holliday, Commissioner of the Department of Education, certified the results on June 7, 2010. A copy of the letter certifying the results of the election is incorporated herein by reference.

Laura Zimmerman was elected as the active teacher trustee. Ms. Zimmerman's term of office will be July 1, 2010 through June 30, 2014.

Robert Conley was elected as the lay trustee. Mr. Conley's term of office will be July 1, 2010 through June 30, 2014.

### **Item 3 - Election of 2010—2011 Board Chair and Vice Chair**

Mr. Harbin explained that KRS 161.340 provides that the Board of Trustees shall elect from its membership a chair and a vice chair on an annual basis.

Nominations for Chair of the Board: Mr. Harbin asked for nominations for the position of Chair of the Board for fiscal year 2010—2011. Dr. Morgan nominated Barbara G. Sterrett to serve as Chair. Mr. Harbin called for other nominations. Upon motion duly made by Mr. Conley and seconded by Mr. Hollenbach, the Board voted unanimously that nominations cease.

**BOARD ACTION:** By unanimous vote of the Board, Barbara G. Sterrett was elected to the position of Chair of the Board for fiscal year 2010—2011. Ms. Sterrett abstained from voting.

Nominations for Vice Chair of the Board: Chair Sterrett asked for nominations for the position of Vice Chair of the Board for fiscal year 2010—2011. Mr. Conley nominated Jay Morgan to serve as Vice Chair. Chair Sterrett called for other nominations. Upon motion duly made by Mr. Hollenbach and seconded by Mr. Sanders, the Board voted unanimously that nominations cease.

**BOARD ACTION:** By unanimous vote of the Board, Jay Morgan was elected to the position of Vice Chair of the Board for fiscal year 2010—2011. Dr. Morgan abstained from voting.

#### **Item 4 - Committee Appointments**

Chair Sterrett reported to the Board concerning the standing committees of the Board. The Chair stated that she will be making committee appointments for the coming year and notify those appointed.

**Note on order of business:** The Chair announced that Agenda Items 5, 7, and 16 would be taken up as the next items of business for consideration by the Board.

#### **Item 5 – Board Appointment of Investment Committee**

Mr. Harbin reported to the Board concerning the appointment of Board members to the Investment Committee. Mr. Harbin referenced the information in paragraph 1 of the memorandum set forth under Tab 5 of the materials provided to the Board.

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

**BOARD ACTION:** Upon motion duly made by Mr. Hollenbach and seconded by Dr. Morgan, the Board voted unanimously to appoint Robert Conley (Chair), Ron Sanders, Barbara Sterrett, Jay Morgan, Tom Shelton, Laura Zimmerman (alternate) and Ruth Ann Sweazy (alternate) to serve on the Investment Committee for the period from July 1, 2010 through June 30, 2011.

#### **Item 7 – Report of the Investment Committee**

A meeting of the KTRS Investment Committee was held on May 7, 2010. Mr. Yancey reported to the Board concerning other activities of the Investment Committee and Investment Performance for the quarter ending March 31, 2010. Mr. Yancey referenced information in the “Report of the Investment Committee” set forth under Tab 7 of the materials provided to the Board.

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 Ms. Zimmerman, and seconded by Mr. Hollenbach, the Board unanimously approved the “Report of the Investment Committee” and ratified the actions of the Investment Committee.

### **Item 16 – Investments Contracts**

Mr. Harbin reviewed the memorandum and schedule of fees regarding the renewal of the Standard Investment Contracts. Mr. Harbin referenced information in the memorandum set forth under Tab 16 of the materials provided to the Board.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on Mr. Harbin’s report regarding the Annual Renewal of Standard Investment Contracts for Fiscal year 2010—2011.

**BOARD ACTION:** Upon motion duly made by Mr. Conley, and seconded by Dr. Morgan, the Board unanimously approved the renewal of the contracts for the General Investment Consultant, Money Managers, and Actuary as reported. The Board also authorized entering into a direct contractual relationship with the Bank of New York Mellon for Custodial Banking Services.

Mr. Harbin also reported to the Board concerning the appointment of two non-voting investment experts to the Investment Committee. Mr. Harbin referenced information in paragraph 2 of the memorandum set forth under Tab 5 and the memorandum set forth under Tab 16 of the materials provided to the Board.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the appointment of two non-voting investment experts to the Investment Committee.

**BOARD ACTION:** Upon motion duly made by Mr. Hollenbach and seconded by Dr. Morgan, the Board voted unanimously to ratify the action of the Investment Committee to appoint Bevis Longstreth and George Philip to serve on the Investment Committee as non-voting members for the period from July 1, 2010 through June 30, 2011.

### **Item 6 – Resolution Regarding Purchases and Sales of Investment Instruments**

Mr. Harbin reported to the Board that the laws and regulations governing the administration of KTRS specifically authorize the Board to delegate authority to the Executive Secretary and Chief Investment Officer to execute purchases and sales of investment instruments on behalf of the Board. Historically, the Board has adopted a resolution for this purpose which is copied into the minutes of the Board meeting. A copy of the resolution may be presented to interested parties when necessary to execute purchases or sales of investment instruments on behalf of the Board.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the proposed resolution.

**BOARD ACTION:** Upon motion duly made by Mr. Shelton and seconded by Ms.

Zimmerman, the Board unanimously adopted the following resolution:

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 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.

**Item 8 – Report of the Insurance Committee**

Mr. Harbin presented the report of the Insurance Committee and the recommendation regarding waiving insurance coverage by retirees who return to work.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the recommendation.

**BOARD ACTION:** Upon motion duly made by Ms. Sweazy, and seconded by Mr. Shelton, the Board unanimously approved the recommendation that effective July 1, 2010, all retirees who return to work in a position in which they are eligible to participate in the Kentucky Employees Health Plan, regardless of position, age or employer, shall be required to waive their coverage through KTRS for as long as they remain eligible for coverage through their active employer.

Mr. Harbin also reported that HB 540 requires the Board to take affirmative action to require Non-Medicare eligible retirees to phase into paying an amount equal to the Standard Medicare Part B premium.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the recommendation.

**BOARD ACTION:** Upon motion duly made by Ms. Sweazy, and seconded by Mr. Conley, the Board unanimously approved requiring Non-Medicare eligible retirees covered by the KEHP to phase into paying an amount equivalent to the Standard Medicare Part B premium in the percentages as follows:

July 1, 2010 .....	Thirty-three percent (33%)
July 1, 2011 .....	Sixty-seven percent (67%)
July 1, 2012 and thereafter .....	One hundred percent (100%)

**Item 9 – Report of the Governance and Audit Committee**

Mr. Harbin presented the report of the Governance and Audit Committee and reviewed with the Board the recommendations of the Committee.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the recommendations.

**BOARD ACTION:** Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Sanders, the Board voted unanimously to authorize staff to commence preparing an RFP for completion of the Pathway Project. The Board further authorized staff to negotiate a contract with L. R. Wechsler, Ltd. to assist with preparing the RFP.

#### **Item 10 – 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 Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action and direct the Executive Secretary to transfer interest as required by KRS 161.440.

**BOARD ACTION:** Upon motion duly made by Dr. Morgan, and seconded by Mr. Conley, 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, 2010.

#### **Item 11 – Transfer of Reserve Funds**

Mr. Harbin reported to the Board that KRS 161.420 requires KTRS 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 Sterrett asked for questions or comments. Chair Sterrett asked the Board to consider the recommendation of the Executive Secretary.

**BOARD ACTION:** Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Shelton, 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 2010—2011 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).

The Board recessed at 10:00 a.m. and resumed its meeting at 10:15 a.m.

**Item 12 – 2010-2011 Administrative Expense Fund Budget**

Mr. Harbin reported to the Board regarding the proposed Administrative Expense Fund Budget for fiscal year 2010—2011.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to consider the recommendation of the Executive Secretary.

**BOARD ACTION:** Upon motion duly made by Mr. Shelton, and seconded by Mr. Hollenbach, the Board unanimously approved the amended Administrative Expense Fund Budget for fiscal year 2010—2011.

**Item 13 – 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 KTRS 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 Sterrett asked for questions or comments. Chair Sterrett asked the Board to consider the recommendation of the Executive Secretary.

**BOARD ACTION:** Upon motion duly made by Mr. Hollenbach and seconded by Dr. Morgan, the Board unanimously granted to the Executive Secretary the authorization to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2010—2011.

**Item 14 – Personnel Matters**

Mr. Harbin reported that the state budget provided no funding for salary increments for state employees. Mr. Harbin also noted that the KTRS Employee Compensation Plan provides that eligible KTRS employees receive the same increments as those provided to state employees. The Executive Secretary recommends that the Board of Trustees approve normal salary advancements that will maintain salary increments for KTRS employees equal to that received by state employees, as provided by the System's Employee Compensation Plan, during fiscal year 2010—2011.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to consider the recommendation of the Executive Secretary.



**BOARD ACTION:** Upon motion duly made by Ms. Webb, and seconded by Mr. Conley, the Board unanimously authorized the Executive Secretary to approve normal salary advancements that will maintain salary increments for KTRS employees equal to that received by state employees, as provided by the System's Employee Compensation Plan, during fiscal year 2010—2011.

#### **Item 15 – Legislative Update**

Mr. Barnes reported that several laws were enacted during the 2010 regular session of the General Assembly that affects the operations of KTRS. The laws provide for the Board to take action to adopt certain administrative regulations and establish a medical insurance trust fund. Additionally, unrelated to the legislative session, tax counsel discovered a typographical error in an administrative regulation that needs to be corrected for purposes of federal tax compliance.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to consider the recommendations of the Executive Secretary concerning 102 KAR 1:330E Travel and Administrative Expenses, 102 KAR 1:320E Qualified Domestic Relations Orders, the Kentucky Teachers' Retirement System Insurance Trust Fund, and 102 KAR 1:230 Limitations on Benefits.

**BOARD ACTION:** Upon motion duly made by Mr. Hollenbach, and seconded by Ms. Zimmerman, the Board unanimously approved authorizing staff to file with the LRC the proposed administrative regulations and amendment to administrative regulation and to work with LRC to make recommended changes that do not alter the effect of the action by the Board. Furthermore, the Board unanimously adopted the Kentucky Teachers' Retirement System Insurance Trust Fund.

#### **Item 17 – Executive Secretary's Observations and Comments**

Mr. Harbin reported to the Board concerning the volume of retirements, trainings, and other matters concerning the administration of the retirement system. 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 Mr. Shelton, and by unanimous consent of the Board, Chair Sterrett declared the meeting adjourned at 11:15 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 September 20, 2010.

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Barbara Sterrett, Chair

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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.

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Robert B. Barnes, Deputy Executive Secretary and General Counsel

I, Leeann Uebel, 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 June 21, 2010.

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Leeann G. Uebel  
Recording Secretary