

KENTUCKY TEACHERS' RETIREMENT SYSTEM
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JUNE 18, 2012

Minutes of Meeting:

After giving proper notice of a regular quarterly meeting, and a quorum being present, Chair Barbara Sterrett called the KTRS Board of Trustees to order at 9:00 a.m., Monday, June 18, 2012 in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present were:

Robert Conley
Charles Ludwig
Tom Shelton
Barbara Sterrett
Ruth Ann Sweazy
Laura Zimmerman
Todd Hollenbach, State Treasurer (joined the meeting at 10:10 a.m.)
Kathy Jennings, 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
Paul Yancey, Kentucky Teachers' Retirement System
Kevin Carrico, Kentucky Teachers' Retirement System
Mark Whelan, Kentucky Teachers' Retirement System
Jane Gilbert, Kentucky Teachers' Retirement System
Nathan Van Sickel, Kentucky Teachers' Retirement System
Felicia Penn, Kentucky Teachers' Retirement System
Patti Hester, Kentucky Education Association-Retired
Fred Hester, Kentucky Education Association-Retired
Carolyn M. Falin, Kentucky Retired Teachers Association
Rick Graycarek, Legislative Research Commission
Katie Kirkland, Legislative Research Commission
Teresa Sanders, Office of the State Budget Director

1. Reports for Consent

Chair Sterrett reviewed the draft minutes of the March 19, 2012 meeting and asked the Board to take action on the minutes.

Board Action: The Board considered the minutes of the Quarterly Meeting of the Board of Trustees held March 19, 2012. Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Ludwig, the minutes were unanimously approved by the Board as written.

Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds: Mr. Wampler reported to the Board regarding benefit payments. Chair Sterrett asked the Board to take action on the report of benefit payments.

Board Action: Upon motion duly made by Ms. Jennings, and seconded by Mr. Conley, the Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were approved by the Board as reported. Mr. Ludwig abstained from voting.

Interim Financial Statements: The Board considered the report on the Interim Financial Statements for the quarter ended March 31, 2012. The report was informational and the Board took no action on the Interim Financial Statements.

2. Report of Results of Trustee Election

Mr. Harbin reported to the Board concerning the results of the election for an active teacher position on the Board of Trustees. The election was held in May 2012 and Dr. Terry Holliday, Commissioner of the Department of Education, certified the results on June 7, 2012. A copy of the letter certifying the results of the election is incorporated into the minutes.

Dr. Tom Shelton was elected as the active teacher trustee. Dr. Shelton's term of office will be July 1, 2012 through June 30, 2016.

3. Election of Board Chair and Vice Chair

Mr. Barnes reported on House Bill 300 which was enacted during the 2012 Regular Session of the General Assembly. Mr. Barnes detailed the provisions of the law and the affect on the KTRS Board of Trustees.

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: Chair Sterrett asked for nominations for the position of Chair of the Board for fiscal year 2012-2013. Ms. Zimmerman nominated Tom Shelton to serve as Chair. Chair Sterrett called for other nominations. Upon motion duly made by Mr. Ludwig, and seconded by Ms. Jennings, the Board voted unanimously that nominations cease.

Board Action: By unanimous vote of the Board, Tom Shelton was elected to the position of Chair of the Board for fiscal year 2012-2013. Dr. Shelton 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 2012-2013. Dr. Shelton nominated Ron Sanders to serve as Vice Chair. Chair Sterrett called for other nominations. Upon motion duly made by Mr. Ludwig, and seconded by Ms. Jennings, the Board voted unanimously that nominations cease.

Board Action: By unanimous vote of the Board, Ron Sanders was elected to the position of Vice Chair of the Board for fiscal year 2012-2013.

4. 2012-2013 Committee Appointments

Chair Sterrett reported to the Board concerning the standing committees of the Board. She instructed the Board to notify Dr. Shelton concerning proposed changes to any committee.

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 information in 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 Ms. Jennings, and seconded by Ms. Sweazy, the Board voted unanimously to appoint Ron Sanders, Barbara Sterrett, Tom Shelton, Laura Zimmerman, Ruth Ann Sweazy (alternate), and Charles Ludwig (alternate) to serve on the Investment Committee for the period from July 1, 2012 through June 30, 2013.

Nominations for Chair of the Investment Committee: Chair Sterrett asked for nominations for the position of Chair of the Investment Committee for fiscal year 2012-2013. Dr. Shelton nominated Ron Sanders to serve as Chair of the Investment Committee. Chair Sterrett called for other nominations. Upon motion duly made by Mr. Ludwig and seconded by Ms. Jennings, the Board voted unanimously that nominations cease.

Board Action: By unanimous vote of the Board, Ron Sanders was elected to the position of Chair of the Investment Committee for fiscal year 2012-2013.

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 of the materials provided to the Board.

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Ms. Sweazy, the Board voted unanimously to ratify the appointment of Bevis Longstreth and George Philip to serve on the Investment Committee for the period from July 1, 2012 through June 30, 2013.

6. Resolution Regarding Purchases and 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 6 of the materials provided to the Board.

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Dr. Shelton, 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 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."

7. Report of the Investment Committee

Mr. Yancey reported to the Board concerning the activities of the Investment Committee and Investment Performance for the quarter ending March 31, 2012. Mr. Harbin reported on the investment contracts for the period from July 1, 2012 through June 30, 2013.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the reports by Mr. Harbin and Mr. Yancey.

Board Action: Upon motion duly made by Mr. Ludwig, and seconded by Mr. Conley, the Board voted unanimously to approve the standard investment contracts for the period from July 1, 2012 through June 30, 2013 as follows: General Investment Consultant: Hewitt Ennis Knupp; Money Managers: Galliard Capital Management; GE Asset Management Incorporated; UBS Global Asset Management (Americas) Inc.; UBS Global Asset Management (Americas) Inc. and UBS Global Asset Management Trust Company; Wellington Management Company; Todd-Veredus Asset Management LLC; and Fort Washington Investment Advisors, Inc.

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

8. Legislative Update

Mr. Barnes reported to the Board concerning laws that were enacted during the 2012 regular session of the General Assembly that affect the operations of KTRS. The report was informational and the Board took no action on the legislative update report.

9. 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 Mr. Ludwig, and seconded by Ms. Jennings, 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, 2012."

10. 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 Ms. Jennings, 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 2012-2013 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 10:10 a.m. and resumed its meeting at 10:20 a.m.

11. 2012-2013 Administrative Expense Fund Budget

Mr. Harbin reported to the Board on the 2011-2012 and proposed 2012-2013 Administrative Expense Fund Budget and the report on legal fees.

Chair Sterrett asked for questions or comments. The report was informational and the Board took no action.

12. 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 Mr. Ludwig, 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 2012-2013.

13. Actuary Contract

Mr. Harbin provided a summary of the standard actuary contract to be renewed for the period from July 1, 2012 through June 30, 2013. He reported on the fees for actuarial services. Mr.

Harbin asked for authorization from the Board to renew the standard contract with the actuary for fiscal year 2012-2013.

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

Board Action: Upon motion duly made by Dr. Shelton, and seconded by Mr. Hollenbach, the Board unanimously approved and authorized the Executive Secretary to renew the contract for the actuary for fiscal year 2012-2013.

14. Executive Secretary's Comments and Observations

Mr. Harbin reported to the Board on the volume of retirements, trainings, and other matters concerning the administration of the retirement system.

The Executive Secretary's report was informational and the Board took no action.

15. Resolution Honoring Robert M. Conley: Chair Sterrett announced the resignation of Mr. Conley effective June 30, 2012. Mr. Conley told the Board that serving the members of KTRS and helping to craft one of the best systems in America has been one of the greatest honors of his life. He also said he will miss working with the Board and staff. Chair Sterrett thanked Mr. Conley for his exemplary service and numerous contributions to the successful operation of the system.

Chair Sterrett directed that a Resolution regarding Mr. Conley be read to the Board.

Board Action: Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Ludwig, the Board unanimously approved the Resolution honoring Mr. Conley. The Chair directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

Adjournment: There being no further business to come before the Board of Trustees, and upon motion duly made by Ms. Zimmerman, and seconded by Mr. Hollenbach, 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 17, 2012.

Tom Shelton, 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 Kentucky Teachers' Retirement System at its meeting on June 18, 2012.

Felicia Penn
Recording Secretary