

KENTUCKY TEACHERS' RETIREMENT SYSTEM
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES
SEPTEMBER 17, 2012

Minutes of Meeting:

After giving proper notice of a regular quarterly meeting, and a quorum being present, Chair Tom Shelton called the KTRS Board of Trustees to order at 9:04 a.m., Monday, September 17, 2012 in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present were:

Charles Ludwig

Ron Sanders

Tom Shelton

Barbara Sterrett

Ruth Ann Sweazy

Laura Zimmerman

Todd Hollenbach, State Treasurer (joined the meeting at 9:09 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

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

Teresa Sanders, Office of the State Budget Director

1. Reports for Consent

Chair Shelton reviewed the draft minutes of the June 18, 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 June 18, 2012. Upon motion duly made by Mr. Sanders, and seconded by Ms. Zimmerman, the minutes were unanimously approved by the Board as written.

Chair Shelton reviewed the draft minutes of the September 7, 2012 special meeting of the Governance and Audit Committee and asked the Committee to take action on the minutes.

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Ms. Sterrett, the minutes of the special meeting of the Governance and Audit Committee held September 7, 2012 were unanimously approved by the Committee as written.

Chair Shelton reviewed the draft minutes of the September 7, 2012 special meeting of the KTRS Nominating Committee and asked the Committee to take action on the minutes.

Board Action: Upon motion duly made by Ms. Sterrett, and seconded by Ms. Sweazy, the minutes of the special meeting of the KTRS Nominating Committee held September 7, 2012 were unanimously approved by the Committee as written.

Chair Shelton reviewed the draft minutes of the September 7, 2012 special meeting of the Insurance Committee and asked the Committee to take action on the minutes.

Board Action: Upon motion duly made by Ms. Sweazy, and seconded by Mr. Ludwig, the minutes of the special meeting of the Insurance Committee held September 7, 2012 were unanimously approved by the Committee as written.

Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds

Mr. Wampler reported to the Board regarding benefit payments. Chair Shelton asked the Board to take action on the report of benefit payments.

Board Action: Upon motion duly made by Ms. Sterrett, and seconded by Mr. Hollenbach, the Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were unanimously approved by the Board as reported.

Interim Financial Statements

The Board considered the report on the Interim Financial Statements for the quarter ended June 30, 2012. The report was informational and the Board took no action on the Interim Financial Statements.

2. Report of the Investment Committee

Mr. Yancey reported to the Board concerning the Investment Performance for the quarter ended June 30, 2012. Mr. Harbin presented the report of the Investment Committee meeting held August 17, 2012.

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

Board Action: Upon motion duly made by Mr. Sanders, and seconded by Mr. Ludwig, the Board voted unanimously to accept and ratify the Report of the Investment Committee.

3. Report of the Governance and Audit Committee

On September 7, 2012, the Governance and Audit Committee met in special session. Mr. Harbin reported on the following matters considered by the Committee.

Approval of Fiscal Year 2013 Audit Plan: The Governance and Audit Committee took action and voted unanimously to approve the Fiscal Year 2013 Audit Plan.

Approval of Retirement Option Factors as of January 1, 2013: The Governance and Audit Committee took action and voted unanimously to recommend to the Board adoption of the Retirement Option Factors as of January 1, 2013 as recommended by the actuary.

Chair Shelton asked for questions or comments. Chair Shelton asked the Board to take action on the Report of the Governance and Audit Committee.

Board Action: Upon motion duly made by Mr. Ludwig, and seconded by Ms. Sterrett, the Board unanimously accepted and ratified the report of the Governance and Audit Committee. The Board also unanimously adopted the Retirement Option Factors as of January 1, 2013 as recommended by the actuary.

4. Report of the Nominating Committee

Mr. Harbin presented the report of the Nominating Committee meeting held September 7, 2012. The Committee unanimously agreed to recommend Mr. Hollis Gritton for election to the Board for the unexpired term of the lay trustee.

Board Action: Upon motion duly made by Mr. Sanders, and seconded by Ms. Sterrett, the Board voted unanimously to approve Mr. Hollis Gritton for election to the Board for the unexpired term of the lay trustee.

5. Report of the Insurance Committee

Mr. Harbin presented the report of the Insurance Committee meeting held September 7, 2012.

Board Action: Upon motion duly made by Mr. Ludwig, and seconded by Ms. Sweazy, the Board voted unanimously to renew the contract with AON Hewitt Consulting in the amount of \$16,666.67 per month for the term August 1, 2012 through July 31, 2013.

Board Action: Upon motion duly made by Ms. Sterrett, and seconded by Ms. Sweazy, the Board voted unanimously to approve a rate up to \$325 per month for the combined Medicare Advantage and Medicare Part D plan inside the MEHP.

Board Action: Upon motion duly made by Ms. Sweazy, and seconded by Mr. Hollenbach, the Board voted unanimously to approve a medical insurance benefit supplement up to \$618.64 per month for those retirees fulfilling the necessary service requirements.

Ms. Gilbert reported on the MEHP Health at Home Book Project, Spousal Shared Risk Waiver and the Patient Protection and Affordable Care Act. Mr. Harbin reported on the AON Audit of Medco claims. Ms. Gilbert's reports were informational only and the Board took no action.

Board Action: Upon motion duly made by Ms. Sweazy, and seconded by Mr. Hollenbach, the Board voted unanimously to ratify the report of the Insurance Committee.

The Board recessed at 10:05 a.m. and resumed its meeting at 10:23 a.m.

6. Report on Regulations

Mr. Barnes reported to the Board concerning proposed amendments to two existing regulations and a proposed new regulation.

- 102 KAR 1:225 General compliance with federal tax laws. The IRS has requested that KTRS amend this regulation to confirm that a member who completes at least five (5) years of service and terminates employment is vested in his or her accrued benefit and is entitled to that benefit upon the attainment of normal retirement age, which is age sixty (60), unless the member withdraws his or her accumulated contributions.
- 102 KAR 1:310 Benefit eligibility conditions for members providing part-time and substitute services. KRS 161.612(2) provides that the Board shall establish eligibility conditions for individuals providing part-time and substitute teaching services to participate in disability retirement benefits. Staff recommends amendment of the current disability retirement eligibility conditions to address cases in which a member who has limited service in KTRS becomes entitled to receive the minimum KTRS disability retirement benefit of \$500 per month as a result of having service in Kentucky Retirement Systems and combining that service with the limited KTRS service under the reciprocity retirement provisions.
- New administrative regulation. KRS 161.220(9)(b) limits, for inclusion in retirement calculations, increases in salary for the final three years of employment to a maximum of the greatest percentage increase for any one rank and step on the salary schedule. There are exceptions for a “corresponding” change in position or length of employment. Staff recommends defining the reference to “corresponding”.

Board Action: Upon motion duly made by Mr. Hollenbach, and seconded by Ms. Sterrett, the Board voted unanimously to amend 102 KAR 1:225, and 102 KAR 1:310, and also to promulgate a new regulation relative to KRS 161.220(9)(b) as recommended by staff. The Board authorized staff to work with LRC to make recommended changes to the amended regulations and new regulation that does not alter the effect of the administrative regulations.

7. Amendment of Board Governance Manual

Mr. Wampler reported staff’s recommendation that the Board take action and amend the Governance Manual to provide KRS 161.270 as the statutory reference in paragraph 6.F on page 14.

Board Action: Upon motion duly made by Mr. Sanders, and seconded by Mr. Hollenbach, the Board voted unanimously to amend the Governance Manual to provide KRS 161.270 as the statutory reference in paragraph 6.F on page 14.

General Discussion: Mr. Hollenbach asked whether it would be appropriate for the Board to support legislation that would make confidential member account information, including name and amount of annuity payments, a matter of public record. Mr. Ludwig noted that he was concerned that publishing such information could make vulnerable, elderly, retirees subject to undue influence by criminals that target those receiving annuity payments. The Board referred the matter to the Legislative Committee for further study.

8. Executive Secretary's Comments and Observations

Mr. Harbin reported to the Board on the Trustee Education Program, the Certificate of Achievement for Excellence in Financial Reporting, the status of the Pathway Project, the election of Mr. Wampler as President of the National Association of Public Pension Attorneys, and other matters concerning the operation of the System.

The Executive Secretary recommended renewing the contract with the communications consultant.

Board Action: Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Sanders, the Board voted unanimously to authorize staff to negotiate the renewal of the contract with the communications consultant not to exceed \$60,000.

9. Resolution Honoring Barbara G. Sterrett

Chair Shelton recognized Ms. Sterrett for her years of service as Chair and Vice Chair of the KTRS Board of Trustees. Chair Shelton read the resolution aloud to the Board. Chair Shelton thanked Ms. Sterrett for her exemplary service and numerous contributions to the successful operation of the system.

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Ludwig, the Board unanimously approved the Resolution honoring Ms. Sterrett. 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 Mr. Hollenbach, and seconded by Ms. Zimmerman, and by unanimous consent of the Board, Chair Shelton declared the meeting adjourned at 11:45 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 December 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 September 17, 2012.

Felicia Penn
Recording Secretary