

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
JUNE 17, 2013

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 9:00 a.m., Monday, June 17, 2013 in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present were:

Hollis Gritton  
Charles Ludwig  
Tom Shelton  
Barbara Sterrett  
Ruth Ann Sweazy  
Laura Zimmerman  
Charles Harman, 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  
Alex Fontana, Legislative Research Commission  
Sharron Oxendine, Retired Teacher  
Kayne Ishmael, Kentucky Education Association  
Joyce Dotson, Kentucky Education Association-Retired  
Patti Hester, Kentucky Education Association-Retired  
Fred Hester, Kentucky Education Association-Retired  
Carolyn M. Falin, Kentucky Retired Teachers Association

1. Reports for Consent

Chair Shelton reviewed the draft minutes of the March 18, 2013 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 18, 2013. Upon motion duly made by Mr. Harman, and seconded by Ms. Zimmerman, the minutes were unanimously approved by the Board as written.

Chair Shelton reviewed the draft minutes of the June 10, 2013 Special Meeting of the Governance and Audit Committee and asked the Committee to take action on the minutes.

Committee Action: The Committee considered the minutes of the Special Meeting of the Governance and Audit Committee held June 10, 2013. Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Harman, the minutes were approved by the Committee as written. Ms. Sterrett abstained.

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. Gritton, 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, 2013. 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 the active teacher and retired teacher positions on the Board of Trustees. The election was held in May 2013 and Dr. Terry Holliday, Commissioner of the Department of Education, certified the results on June 11, 2013. A copy of the letter certifying the results of the election is incorporated into the minutes.

Dr. Jay Morgan was elected as the active teacher trustee. Dr. Morgan's term of office will be July 1, 2013 through June 30, 2017. Mr. Arthur Green was elected as the retired teacher trustee. Mr. Green's term of office will be July 1, 2013 through June 30, 2017.

Resolution Honoring Sharron Oxendine: Chair Shelton recognized retired teacher Sharron Oxendine. Chair Shelton thanked Ms. Oxendine for her service as President of Kentucky Education Association and support of the Kentucky Teachers' Retirement System. Chair Shelton directed that a Resolution regarding Ms. Oxendine be read to the Board.

Board Action: The Board unanimously approved the Resolution honoring Ms. Oxendine. The Chair directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

Resolution Honoring Charles Ludwig: Chair Shelton recognized Charles Ludwig for his service on the Board from March 21, 2011 through June 30, 2013. Chair Shelton directed that a Resolution regarding Mr. Ludwig be read to the Board.

Board Action: The Board unanimously approved the Resolution honoring Mr. Ludwig. The Chair directed that a copy of the Resolution, which was read during the meeting, be included with the minutes of meeting.

Resolution Honoring Barbara Sterrett: Chair Shelton recognized Barbara Sterrett for her service on the Board as an active teacher trustee from July 1, 1990 through June 30, 2003 and as a retired teacher trustee from July 1, 2005 through June 30, 2013. Chair Shelton noted that Ms. Sterrett served as Vice Chair of the Board for two years and thereafter as Chair of the Board for four years. Chair Shelton directed that a Resolution regarding Ms. Sterrett be read to the Board.

Board Action: 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.

### 3. Election of Board Chair and Vice Chair

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

Nominations for Chair of the Board: Chair Shelton asked for nominations for the position of Chair of the Board for fiscal year 2013-2014. Ms. Zimmerman nominated Tom Shelton to serve as Chair. Chair Shelton called for other nominations. Upon motion duly made by Mr. Gritton, and seconded by Mr. Ludwig, the Board voted unanimously that nominations cease.

Board Action: By vote of the Board, Tom Shelton was elected to the position of Chair of the Board for fiscal year 2013-2014. Dr. Shelton abstained from voting.

Nominations for Vice Chair of the Board: Chair Shelton asked for nominations for the position of Vice Chair of the Board for fiscal year 2013-2014. Ms. Sterrett nominated Laura Zimmerman to serve as Vice Chair. Chair Shelton called for other nominations. Upon motion duly made by Mr. Gritton, and seconded by Mr. Ludwig, the Board voted unanimously that nominations cease.

Board Action: By vote of the Board, Laura Zimmerman was elected to the position of Vice Chair of the Board for fiscal year 2013-2014. Ms. Zimmerman abstained from voting.

### 4. 2012-2013 Committee Appointments

Chair Shelton reported to the Board concerning the standing committees of the Board. He instructed the Board to notify him concerning proposed changes to any committee.

### 5. Board Appointment of Investment Committee

Dr. Shelton reported to the Board concerning the appointment of Board members to the Investment Committee. Dr. Shelton referenced information in the memorandum set forth under Tab 5 of the materials provided to the Board.

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

Board Action: Upon motion duly made by Ms. Sterrett, and seconded by Mr. Ludwig, the Board voted unanimously to appoint Ron Sanders (Chair), Laura Zimmerman (Vice Chair), Hollis Gritton, Tom Shelton, Ruth Ann Sweazy, Arthur Green (alternate), and Jay Morgan (alternate) to serve on the Investment Committee for the period from July 1, 2013 through June 30, 2014.

Mr. Harbin 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 Mr. Ludwig, and seconded by Ms. Zimmerman, 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, 2013 through June 30, 2014.

#### 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 Mr. Gritton, and seconded by Ms. Sweazy, 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, 2013. Mr. Harbin reported on the investment contracts for the period from July 1, 2013 through June 30, 2014.

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

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

## 8. Report of the Personnel Committee

Chair Shelton reported the recommendations of the Personnel Committee from a special meeting held on June 10, 2013. The Personnel Committee recommended that the Board take action regarding the Executive Secretary as follows:

- a. Mr. Harbin should be offered a new contract for four years from July 1, 2013 to June 30, 2017.
- b. Mr. Harbin should receive a salary increase of 4% as an in grade promotion for highly superior job performance effective July 1, 2013.
- c. Mr. Harbin should receive a salary increase of 10% as a distinguished service award effective July 1, 2013.

Chair Shelton asked for questions or comments. Chair Shelton asked the Board to take action on the report of the Personnel Committee.

Board Action: Upon motion duly made by Chair Shelton, and seconded by Ms. Sterrett, the Board unanimously approved the recommendations of the Personnel Committee.

## 9. Report of the Governance and Audit Committee

Ms. Zimmerman reported that the Governance and Audit Committee met in special session on June 10, 2013. The Committee reviewed and approved the Fiscal Year 2014 Audit Plan.

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 Ms. Zimmerman, and seconded by Mr. Ludwig, the Board voted unanimously to accept and ratify the Report of the Governance and Audit Committee from the meeting held June 10, 2013.

## 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 Shelton asked for questions or comments. Chair Shelton 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 Ms. Sterrett, and seconded by Mr. Gritton, 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, 2013.”

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

Board Action: Upon motion duly made by Ms. Sterrett, and seconded by Ms. Sweazy, 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 2013-2014 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 9:59 a.m. and resumed its meeting at 10:18 a.m.

12. 2013-2014 Administrative Expense Fund Budget

Mr. Harbin reported to the Board on the 2012-2013 and proposed 2013-2014 Administrative Expense Fund Budget.

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

Board Action: Upon motion duly made by Mr. Harman, and seconded by Ms. Sterrett, the Board unanimously voted to approve the 2013-2014 administrative budget as presented.

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

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Ms. Sweazy, 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 2013-2014.

14. Actuary Contract

Mr. Wampler provided a summary of the standard actuary contract to be renewed for the period from July 1, 2013 through June 30, 2014. He reported on the fees for actuarial services. Mr. Wampler asked for authorization from the Board to renew the standard contract with the actuary for fiscal year 2013-2014.

Chair Shelton asked for questions or comments. Chair Shelton asked the Board to take action on the recommendation concerning the actuary contract.

Board Action: Upon motion duly made by Ms. Sterrett, and seconded by Mr. Gritton, the Board unanimously approved and authorized the Executive Secretary to renew the contract with the actuary for fiscal year 2013-2014.

15. Executive Secretary's Observations and Comments

Ms. Gilbert presented information concerning the KTRS medical insurance program and anticipated changes. Ms. Gilbert's report was informational and the Board took no action.

Mr. Harbin reported to the Board on staff appreciation day, recent articles concerning retirement issues, the volume of retirements, the SCTR annual conference, PSHCR, recent meetings attended by the Executive Secretary and the Pathway System. The next regular Quarterly Meeting date is September 16, 2013.

The Executive Secretary'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. Ludwig, and seconded by Ms. Sterrett, and by unanimous consent of the Board, Chair Shelton 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 16, 2013.

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Tom Shelton, Chair

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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.

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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 17, 2013.

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Felicia Penn  
Recording Secretary