

**KENTUCKY TEACHERS' RETIREMENT SYSTEM
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JUNE 15, 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 a.m., ET, Monday, June 15, 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 (Mr. Conley joined the meeting at 9:25 A.M.)

Jay Morgan

Tom Shelton

Todd Hollenbach, State Treasurer (Mr. Hollenbach joined the meeting at 9:05 A.M.)

Ruth Webb, Proxy for Elaine Farris, Interim 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

Jane C. Gilbert, Kentucky Teachers' Retirement System

Mark Whelan, Kentucky Teachers' Retirement System

Leeann G. Uebel, Kentucky Teachers' Retirement System

Cebert Gilbert, Kentucky Retired Teachers Association

Edwin S. Cook III, Kentucky Retired Teachers Association

Erlynn Crowe, Kentucky Education Association-Retired

Fred Hester, Kentucky Education Association-Retired

Item 1 - Minutes of Last Quarterly Meeting

The Board considered the minutes of the previous meeting held March 15, 2009. Upon motion duly made by Ms. Webb and seconded by Ms. Zimmerman, the minutes were unanimously approved as written.

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 Elaine Farris, Interim Commissioner of the Department of Education, certified the results on June 10, 2009. A copy of the letter certifying the results of the election is attached hereto in Tab 2 and made a part hereof.

Barbara Sterrett was elected as the retired teacher trustee. Ms. Sterrett's term of office will be July 1, 2009 through June 30, 2013.

Jay Morgan was elected as the active teacher trustee. Dr. Morgan's term of office will be July 1, 2009 through June 30, 2013.

Item 3 - Election of 2009-2010 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: Chair Sterrett asked for nominations for the position of Chair of the Board for fiscal year 2009-2010. Ms. Zimmerman nominated Barbara G. Sterrett to serve as Chair, and the nomination was seconded by Mr. Hollenbach. Chair Sterrett called for other nominations. Upon motion duly made by Ms. Webb and seconded by Mr. Shelton, 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 2009-2010. 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 2009-2010. Ms. Zimmerman nominated Jay Morgan to serve as Vice Chair, and the nomination was seconded by Mr. Hollenbach. Chair Sterrett called for other nominations. Upon motion duly made by Mr. Sanders and seconded by Ms. Webb, 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 2009-2010. 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.

Item 5 – Board Appointment of Investment Committee

Mr. Harbin reported to the Board concerning the appointment of members to the Investment Committee. Mr. Harbin also reported to the Board concerning the appointment of two non-voting members to the Investment Committee.

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

BOARD ACTION:

Upon motion duly made by Dr. Morgan and seconded by Mr. Hollenbach, the Board voted unanimously to appoint Robert Conley (Chair), Ron Sanders, Barbara Sterrett, Jay Morgan, and Tom Shelton to serve on the Investment Committee for the period from July 1, 2009 through June 30, 2010.

BOARD ACTION:

Upon motion duly made by Dr. Morgan and seconded by Mr. Hollenbach, 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, 2009 through June 30, 2010.

Item 6 – Reports for Consent

Mr. Wampler reported to the Board concerning Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds. Mr. Wampler referenced information in a memorandum regarding “Reports for Consent” that is attached hereto in Tab 6 and made a part hereof.

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

BOARD ACTION:

Upon motion duly made by Mr. Shelton and seconded by Dr. Morgan, the Reports for Consent were unanimously approved by the Board as reported.

Interim Financial Statements

The Interim Financial Statements for the quarter ended March 31, 2009 were presented to the Board. The report was informational and the Board took no action on the Interim Financial Statements.

Item 7 – Resolution regarding Purchases or 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. Hollenbach and seconded by Dr. Morgan, 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 Investment Committee

Mr. Yancey reported to the Board concerning the activities of the Investment Committee during the quarter. Mr. Yancey referenced information in a memorandum regarding "Report of the Investment Committee" that is attached hereto in Tab 8 and made a part hereof.

Mr. Yancey reported in particular detail regarding the Investment Committee's recommendation to invest in High Yield Bonds, alternative credit opportunities, distressed debt, and other opportunistic products. Investments in these categories of assets are not specifically established in the investment regulation. However, the regulation provides that the Board may by resolution invest in "an additional category or categories of investments" which in aggregate will "not equal more than 10% of the assets of the system." (See 102 KAR 1:175, Section 2.2(h)1 and 2). The Investment Committee considered this matter at its meeting on May 8, 2009 and recommended that the Board adopt a resolution to provide for an investment in High Yield Bonds, alternative credit opportunities, distressed debt, and other opportunistic products.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Investment Committee" and the Investment Committee's recommendation to invest in High Yield Bonds, alternative credit opportunities, distressed debt, and other opportunistic products.

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.

BOARD ACTION:

Upon motion duly made by Mr. Conley and seconded by Mr. Hollenbach, the Board unanimously adopted the following resolution:

BE IT RESOLVED, in accordance with 102 KAR 1:175, Section 2.2(h)1 and 2, the Board of Trustees of the Teachers' Retirement System of the State of Kentucky, hereby authorizes investments in High Yield Bonds, alternative credit products, distressed debt, and other opportunistic products, any of which may include some foreign exposure.

Item 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. Hollenbach and seconded by Ms. Zimmerman, 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, 2009.

Item 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 Mr. Conley and seconded by Mr. Hollenbach, 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 2009—2010 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).

Item 11 – 2009-2010 Administrative Expense Fund Budget

Mr. Harbin and Mr. Whelan reported to the Board concerning the 2009—2010 Administrative Expense Fund Budget.

Mr. Harbin noted that the State budget makes no appropriations to the Teachers' Retirement System for administrative expenses; however, the biennial Budget Act does set amounts that the System may expend for administration during a two-year period. The allowable budget submitted to the Legislature for the 2009-2010 fiscal year of \$10,851,000 was recommended by the Board in 2007 and approved by the Legislature in the 2008 Regular Session.

Mr. Whelan noted that since the original budget was submitted, a number of issues have developed that warrant amending the detail line items in this budget, but that in total will not increase the overall budget for the 2009—2010 fiscal year. Mr. Harbin and Mr. Whelan reviewed the particular proposed amendments with the Board.

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 Ms. Sweazy, the Board approved the Administrative Expense Fund Budget for fiscal 2009-2010 as presented.

Item 12 - IRC Section 415b 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. Conley and seconded by Mr. Sanders, 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 2009-2010.

Item 13 - Personnel Matters

Mr. Harbin reported to the Board that KRS 161.340(2) provides that the Board shall employ all personnel required to transact the business of the retirement system. Although the KTRS personnel system is separate, distinct, and very different than the state system, the Board remains cognizant of the state system. The KTRS Employee Compensation Plan provides that all employees eligible for annual salary increments shall receive increments equal to the percent funding available for state employees that is provided in the budget approved by the General Assembly. The 2008 Session of the General Assembly adopted a budget for the 2008—2009 fiscal year and the 2009—2010 fiscal year that provides funding for salary increments for state employees amounting to an annualized value of 1% of the employee's base salary on their anniversary date each fiscal year.

Mr. Harbin asked for authorization from the Board of Trustees 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 2009-2010. Sufficient funds for this expenditure are included in the System's 2009-2010 Administrative Expense Fund Budget. All eligible KTRS employees are included in this authorization except for the Executive Secretary.

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. Sanders 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 2009-2010.

Item 14 - Legislative Update

Mr. Barnes reported to the Board concerning the Board's prior action at its March 16, 2009 meeting to adopt new eligibility conditions for persons providing part-time and substitute teaching and other services for participation in the disability, life insurance and survivor benefits in accordance with KRS 161.612(2). Mr. Barnes reported that staff had drafted a proposed

administrative regulation consistent with the new eligibility conditions adopted by the Board at its March 16, 2009 meeting. Mr. Barnes reviewed the proposed administrative regulation with the Board.

Mr. Barnes recommended that the Board of Trustees adopt the proposed administrative regulation and also authorize KTRS staff to file the draft administrative regulation with the Legislative Research Commission and to work with the Commission to make recommended technical changes that do not alter the proposed administrative regulation's effect.

Chair Sterrett asked for questions or comments. Chair Sterrett asked that the Board consider the recommendation.

BOARD ACTION:

Upon motion duly made by Mr. Hollenbach and seconded by Ms. Webb, the Board unanimously adopted the proposed administrative regulation and authorized KTRS staff to file the proposed administrative regulation with the Legislative Research Commission and to work with the Commission to make recommended technical changes that do not alter the proposed administrative regulation's effect.

Item 15 - 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.

General Discussion

Ms. Sterrett reminded the Board that the Personnel, Legislative, Insurance and Governance and Audit Committees will be meeting in the coming months.

Ms. Sweazy expressed gratitude to KTRS staff for their participation in an April 2009 KEA meeting as well as to Mark Whelan for his assistance in speaking at an event.

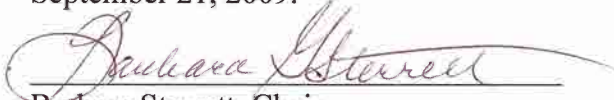
Ms. Webb commented on her satisfaction with the educational webinar facilitated by KTRS.

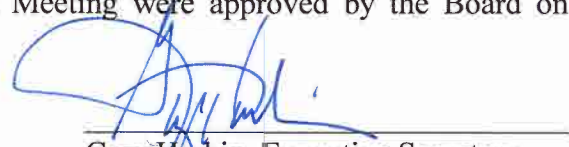
Adjournment

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 11:35 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 21, 2009.

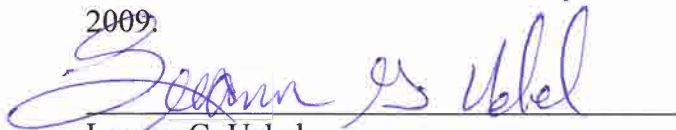

Barbara Sterrett, Chair


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, Leeann G. 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 15, 2009.


Leeann G. Uebel
Recording Secretary