

**KENTUCKY TEACHERS' RETIREMENT SYSTEM
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES
September 21, 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 9:15 a.m., ET, Monday, September 21, 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
Jay Morgan
Tom Shelton
Todd Hollenbach, State Treasurer
Ruth Webb, 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
Sandra Shroat Bush, Kentucky Teachers' Retirement System
Paul Yancey, Kentucky Teachers' Retirement System
Kevin Carrico, Kentucky Teachers' Retirement System
Julie Rogers, Kentucky Teachers' Retirement System
Grace Dotson, Kentucky Teachers' Retirement System
Mark Whelan, Kentucky Teachers' Retirement System
Brad Gross, Legislative Research Commission
Stephen Jones, Office of Financial Management
Erlynn Crowe, Kentucky Education Association-Retired
Fred Hester, Kentucky Education Association-Retired
PJ Kelly, Ennis Knupp
Nancy Williams, Ennis Knupp

Chair Sterrett announced there would be a change in the agenda. The Report of the Personnel Committee, Item 7, would be addressed as the third item on the agenda.

Item 1 - Minutes of Last Quarterly Meeting

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

Item 2 – 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 in Tab 2 of the materials for the Board.

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 Ms. Sweazy, and seconded by Mr. Shelton, the Reports for Consent were unanimously approved by the Board as reported.

Interim Financial Statements: The Interim Financial Statements for the quarter ended June 30, 2009 were presented to the Board. The report was informational and the Board took no action on the Interim Financial Statements.

Item 3 – Report of the Personnel Committee

Mr. Sanders reported to the Board concerning the August 28, 2009 meeting of the Personnel Committee. The Personnel Committee considered and adopted the Charter for the Personnel Committee and performed an evaluation of the performance of the Executive Secretary.

The Personnel Committee recommended voiding Mr. Harbin’s current contract and extending to him a new contract of four years which runs from June 1, 2009 to June 1, 2013. It was also recommended by the Committee to grant Mr. Harbin a one percent salary increase retroactive to the June 1, 2009 contract date.

Chair Sterrett asked for questions or comments. Chair Sterrett stated that the Personnel Charter on page four, paragraph 6(l) should also included language to specify that the Executive Secretary approves Board travel and expenses. Chair Sterrett asked the Board to take action on the report of the Personnel Committee and to accept the addition to the charter.

BOARD ACTION: Upon motion duly made by Mr. Sanders, the Report of the Personnel Committee, including the recommendations regarding the contract with the Executive Secretary, was unanimously approved by the Board.

Item 4 - Report of the Investment Committee

The Investment Committee met for a regular quarterly meeting on August 7, 2009. Mr. Harbin

reviewed the following significant actions by the Investment Committee at the meeting.

- A \$25 million commitment was approved for the Parish Capital Fund III.
- A \$30 million commitment was approved for Lexington Capital Partners Fund VII.
- Another \$30 million commitment was approved for the Landmark Equity Partners Fund XIV.
- Fort Washington Investment Advisors was awarded the mandate to manage a \$200 million high yield bond portfolio.
- Additionally, a search was conducted to hire managers for participation in the Public-Private Investment Program (PPIP)

Mr. Yancey reported to the Board concerning other activities of the Investment Committee and Investment Performance for the quarter ending June 30, 2009.

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 Mr. Hollenbach, and seconded by Dr. Morgan, the Board unanimously approved the "Report of the Investment Committee" and ratified the actions of the Investment Committee.

Operational and Governance Review: Nancy Williams and PJ Kelly of Ennis Knupp presented to the Board the Operational and Governance review of the Investment program.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Operational and Governance Review of the Investment Program of the Kentucky Teachers' Retirement System" by Ennis Knupp.

BOARD ACTION: Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Conley, the Board unanimously approved the "Operational and Governance Review of the Investment Program of the Kentucky Teachers' Retirement System" by Ennis Knupp.

Item 5 – Report of the Governance and Audit Committee

Mr. Harbin reported on the actions of the Governance and Audit Committee which met on August 28, 2009, in special session. The Governance and Audit Committee considered and adopted charters for the Governance and Audit Committee and the Office of Internal Audit and reviewed and approved the proposed Internal Audit Plan for Fiscal Year 2010.

Chair Sterrett asked for questions or comments. Chair Sterrett 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. Conley, the Board unanimously approved the "Report of the Governance and Audit Committee."

Item 6 – Report of the Insurance Committee

Mr. Harbin reported that the Insurance Committee met on August 28, 2009. The Insurance Committee considered and adopted a charter. For plan year 2010, the Insurance Committee approved setting the medical insurance benefit supplement up to \$610 per month for those retirees in the Kentucky Employees Health Plan fulfilling the necessary service requirements. For plan year 2010, the Insurance Committee approved setting the medical insurance benefit supplement up to \$375 per month for those retirees in the Medicare Eligible Health Plan fulfilling the necessary service requirements. The Medicare Part D subsidy savings increased to \$12.6 million for FYE June 30, 2009 compared to \$11.9 million for FYE June 30, 2008.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Insurance Committee."

BOARD ACTION: Upon motion duly made by Mr. Shelton, and seconded by Ms. Sweazy, the Board unanimously approved the "Report of the Insurance Committee."

Item 7 --Report of the Legislative Committee

On August 28, 2009, the Legislative Committee met in special session. Mr. Barnes reported to the Board concerning the activities of the Legislative Committee. The Legislative Committee considered and adopted a charter. Mr. Barnes reported the Legislative Committee considered and approved staff-recommended legislative proposals for the 2010 Session of the General Assembly. Mr. Barnes reviewed each of the legislative proposals and stressed that these would not be all of the proposals for the 2010 Session.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Legislative Committee."

BOARD ACTION: Upon motion duly made by Dr. Morgan and seconded by Mr. Hollenbach, the Board unanimously approved the "Report of the Legislative Committee."

Item 8 – Report of the Appeals Committee

Mr. Wampler reported that the Appeals Committee met in special session prior to the regular quarterly meeting of the Board on September 21, 2009. The Appeals Committee adopted a charter. The Committee considered a member appeal and took action to uphold the hearing officer's recommended order.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Appeals Committee."

BOARD ACTION: Upon motion duly made by Ms. Sweazy, and seconded by Ms. Webb, the Board unanimously approved the "Report of the Appeals Committee."

Item 9 – Amendments to the Board Governance Manual

Mr. Wampler reported on proposed amendments to the Board Governance Manual, which included references to the administrative charters that were adopted by the Personnel, Governance and Audit, Insurance, and Legislative Committees on August 28, 2009 and the Appeals Committee on September 21, 2009. Following ratification of the proposed amendments, the Manual and documents referenced within the Manual will be published to the KTRS website.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action and approve the amendments to the Board Governance Manual.

BOARD ACTION: Upon motion duly made by Ms. Webb, and seconded by Ms. Zimmerman, the Board unanimously approved the amendments to the Board Governance Manual.

Item 10 – Executive Secretary’s Observations and Comments

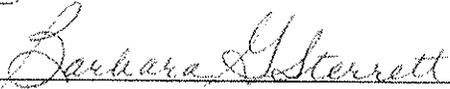
Mr. Harbin reported to the Board concerning the Trustee Education Program, the System’s receipt of the “Certificate of Achievement for Excellence in Financial Reporting,” future funding of health care for retired teachers, and the hiring of a communications consultant. Mr. Harbin’s report was informational 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 Ms. Sweazy, and seconded by Mr. Hollenbach, and by unanimous consent of the Board, Chair Sterrett declared the meeting adjourned at 11:40 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 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, Sandra Bush, 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 21, 2009.

A handwritten signature in cursive script that reads "Sandra Bush". The signature is written in black ink and is positioned above a horizontal line.

Sandra Bush
Recording Secretary