

**KENTUCKY TEACHERS' RETIREMENT SYSTEM  
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
September 19, 2011**

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 9:30 a.m., Monday, September 19, 2011.

**Board Called to Order**

Barbara G. Sterrett, Chair, called the meeting to order at 9:30 a.m.

**Roll Call**

**Members present were:**

Barbara Sterrett  
Ron Sanders  
Robert Conley  
Charles Ludwig  
Ruth Ann Sweazy  
Laura Zimmerman  
Todd Hollenbach, State Treasurer (joined the meeting at 9:47 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  
Nate Van Sickel, Kentucky Teachers' Retirement System  
Mark Whalen, Kentucky Teachers' Retirement System  
Kathy Brewer, Kentucky Teachers' Retirement System  
Brad Cook, Kentucky Teachers' Retirement System  
Grace Dotson, Kentucky Teachers' Retirement System  
Julie Rogers, Kentucky Teachers' Retirement System  
Felicia Penn, Kentucky Teachers' Retirement System  
Carolyn Falin, Kentucky Retired Teachers Association  
Fred E. Hester, Kentucky Education Association-Retired  
Patti Hester, Kentucky Education Association-Retired  
Ed Macdonald, Cavanaugh Macdonald Consultants  
Mark Mulloy, Peritus

**Item 1 – Reports for Consent:**

Mr. Wampler reported to the Board regarding Reports for Consent. Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the Reports for Consent.

**BOARD ACTION:**

Minutes of Last Quarterly Meeting

The Board considered the minutes of the previous meeting held June 20, 2011. Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Sanders, the minutes were unanimously approved as written.

**COMMITTEE ACTION**

Special Meeting of the Governance and Audit Committee and Personnel Committee

The Governance and Audit and Personnel Committees considered the minutes of the Special Governance and Audit Committee and Personnel Committee meeting held August 30, 2011. Upon motion duly made by Mr. Sanders and seconded by Ms. Zimmerman, the minutes were unanimously approved by the Committees 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. Sweazy, and seconded by Ms. Jennings, the Reports for Consent on Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were unanimously approved by the Board as reported.

Interim Financial Statements: The Interim Financial Statements for the quarter ended June 30, 2011 were presented to the Board. The report was informational and the Board took no action on the Interim Financial Statements.

**Item 2 – Report of the Investment Committee**

The regular quarterly meeting of the Investment Committee was held on August 25, 2011. Mr. Yancey reported to the Board concerning other activities of the Investment Committee and Investment Performance for the quarter ending June 30, 2011.

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. Sanders, and seconded by Mr. Ludwig, the

Board unanimously approved the report and ratified the actions of the Investment Committee.

### **Item 3 - Actuarial Experience Study**

Mr. Ed Macdonald of Cavanaugh Macdonald Consulting, LLC, reviewed the results of the actuarial experience study covering the five year period from July 1, 2005 to June 30, 2010. As a result of the investigation Mr. Macdonald recommended that the Board take action and adopt new actuarial tables that more closely reflect the actual experience of the membership. Mr. Macdonald reviewed in detail recommended changes detailed in the report associated with economic assumptions, including price inflation, ultimate investment rate of return, wage inflation, and an enhanced smoothed interest rate methodology. Mr. Macdonald also reviewed in detail recommended changes detailed in the report associated with demographic assumptions, including withdrawal, pre-retirement mortality, disability, service retirement, post-retirement mortality, and salary scale. Mr. Macdonald also reviewed other assumption changes, including changing the actuarial cost method from Projected Unit Credit to Entry Age Normal as required by GASB and increasing the unused sick leave assumption.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the recommendation of Mr. Ed Macdonald of Cavanaugh Macdonald Consulting.

**BOARD ACTION:** Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Sanders, the Board unanimously approved the Executive Secretary's recommendation to adopt a resolution to implement the new actuarial tables as recommended by the actuary. The Board also unanimously approved changes to Economic Assumptions, Demographic Assumptions, Entry Age Normal Cost Method, and other changes to actuarial assumptions as recommended by the actuary and detailed in the report.

The Board recessed at 10:42 a.m. and resumed its meeting at 10:52 a.m.

### **Item 4 – Report of the Governance and Audit and Personnel Committees**

On August 30, 2011, the Governance and Audit and Personnel Committees met in special session. The following is a summary of matters considered by the Committees.

- **Approval of Fiscal Year 2012 Audit Plan:** The Governance and Audit Committee took action and voted unanimously to approve the Fiscal Year 2012 Audit Plan.
- **Discussion of Employee Compensation:** Mr. Harbin reported to the Committees concerning the compensation system for KTRS employees. The Committees asked Mr. Harbin to collect additional information and report back to the Committees at a future meeting. Mr. Harbin's report was informational and the Committees took no action.
- **General Discussion:** Mr. Wampler reported to the Committees concerning the examination of the Kentucky Retirement Systems by the Auditor of Public Accounts. In light of the recommendations in the Auditor's report, Mr. Wampler noted that KTRS staff members are reviewing the Board Governance Manual, policies, and strategies, and will

be recommending appropriate amendments to KTRS's governance documents at a future meeting of the Governance and Audit Committee. Mr. Wampler's report was informational and the Committees took no action.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the Report of the Governance and Audit and Personnel Committees.

**BOARD ACTION:** Upon motion duly made by Mr. Sanders, and seconded by Mr. Hollenbach, the Board unanimously accepted and ratified the report of the Governance and Audit and Personnel Committees.

#### **Item 5 – Report of the Insurance Committee**

Mr. Harbin reported that a special meeting of the Insurance Committee was held on September 19, 2011 prior to the Board meeting. The Insurance Committee recommended that the Board approve the following medical insurance benefit supplements:

- KEHP Rates: For plan year 2012, a medical insurance benefit supplement up to \$606.63 per month for those retirees fulfilling the necessary service requirements.
- MEHP Rates: For plan year 2012, a medical insurance benefit supplement up to \$270 per month for those retirees fulfilling the necessary service requirements.

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 Ms. Sweazy, and seconded by Mr. Ludwig, the Board unanimously approved the Report of the Insurance Committee and adopted the recommended rates for the plan year 2012 as reported.

#### **Item 6 – Report on Federal Tax Compliance**

Mr. Wampler presented a report regarding federal tax compliance issues concerning participants taking required minimum distributions as required by IRC 401(a)(9). KTRS is taking action to attempt to inform plan participants of their obligations to take required minimum distributions. Mr. Wampler's report was informational and the Board took no action.

#### **Item 7 – Report on the Pathway Project**

Mr. Harbin and Mr. Wampler provided a report on the status of the Pathway Project. Sagitec Solutions LLC and L. R. Wechsler, Ltd. are both on site working and implementation of the second phase of the Pathway Project is underway. Staff's report was informational and no action was taken by the Board.

**Item 8 - Executive Secretary's Observations and Comments**

Mr. Harbin reported to the Board regarding the Trustee Education Program, KTRS's receipt of a Certificate of Achievement for Excellence in Financial Reporting, and plans for the 2011 Trustee Workshop to be held in November. Mr. Harbin's report was informational and the Board took no action.

Mr. Harbin, Mr. Wampler, and Mr. Whelan reported on the Governmental Accounting Standards Board's proposed changes to pension accounting and financial reporting. Staff recommended that the Board authorize KTRS to join a consortium of six other public pension plans to offer specific comments on the proposed rules. The comments would be drafted and presented on behalf of the consortium by the Groom Law Group.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the staff's recommendation.

**BOARD ACTION:** Upon motion duly made by Ms. Jennings, and seconded by Mr. Sanders, the Board voted unanimously to accept the staff's recommendation to join a consortium of other public pension plans and submit comments to GASB through the Groom Law Group.

Mr. Mark Mulloy provided a report on communications consulting services provided to KTRS. Mr. Mulloy left the meeting after reporting to the Board.

Mr. Harbin reported that the contract with the communications consulting firm would end in October 2011. Mr. Harbin recommended that the Board authorize him to negotiate a new contract with the communications consulting firm in the coming year.

**BOARD ACTION:** Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Ludwig, the Board unanimously approved authorizing the Executive Secretary to negotiate a reasonable hourly rate for communications consulting services for the period October 1, 2011 through September 30, 2012.

Mr. Harbin's reported to the Board that Mr. Wampler was elected to serve as Vice President of the National Association of Public Pension Attorneys at its annual meeting in June, 2011.

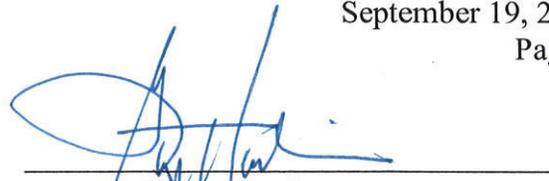
**Adjournment**

There being no further business to come before the Board of Trustees, and upon motion duly made by Mr. Sanders, and seconded by Mr. Hollenbach, and by unanimous consent of the Board, Chair Sterrett declared the meeting adjourned at 12:30 p.m.

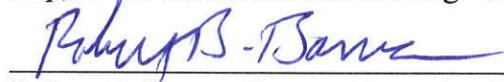
**CERTIFICATIONS**

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 19, 2011.

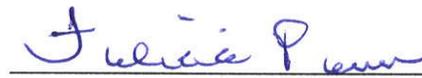
  
\_\_\_\_\_  
Barbara Sterrett, Chair

  
\_\_\_\_\_  
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.

  
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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 September 19, 2011.

  
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Felicia Penn  
Recording Secretary