

KENTUCKY TEACHERS' RETIREMENT SYSTEM
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES
December 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 10:15 a.m., Monday, December 19, 2011.

Board Called to Order

Barbara G. Sterrett, Chair, called the meeting to order.

Members present were:

Barbara Sterrett
Ron Sanders
Robert Conley
Charles Ludwig
Tom Shelton
Laura Zimmerman
Todd Hollenbach, State Treasurer
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
Mark Whelan, Kentucky Teachers' Retirement System
Jane Gilbert, Kentucky Teachers' Retirement System
Bill Leach, Kentucky Teachers' Retirement System
Nate Van Sickle, Kentucky Teachers' Retirement System
Felicia Penn, Kentucky Teachers' Retirement System
Fred Hester, Kentucky Education Association-Retired
Patti Hester, Kentucky Education Association-Retired
Carolyn Falin, Kentucky Retired Teachers Association
Brad Gross, Kentucky Legislative Research Commission
Ed Koebel, Cavanaugh Macdonald Consulting, LLC
Eric Gary, Cavanaugh Macdonald Consulting, LLC

Item 1 – Reports for Consent:

Mr. Wampler presented the Reports for Consent which included minutes of meetings, applications for retirement and annuity, survivor benefits, life insurance benefits, refunds and interim financial statements. Chair Sterrett asked for questions or comments. Chair Sterrett

asked the Board to take action on the Reports for Consent.

BOARD ACTION:

Minutes of Quarterly Meeting

The Board considered the minutes of the meeting held September 19, 2011. Upon motion duly made by Mr. Hollenbach and seconded by Ms. Jennings, the minutes were unanimously approved as written.

COMMITTEE ACTION:

Special Meeting of the Insurance Committee

The Insurance Committee considered the minutes of the Special Meeting of the Insurance Committee held September 19, 2011. Upon motion duly made by Mr. Hollenbach and seconded by Mr. Ludwig, the minutes were unanimously approved by the Committee as written.

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

BOARD ACTION: Upon motion duly made by Mr. Sanders and seconded by Ms. Jennings, the Reports for Consent which included 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 September 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

A Special Meeting of the Investment Committee was held on November 18, 2011. Mr. Yancey reviewed the information referenced in the Report of the Investment Committee set forth under Tab 2 of the materials provided to the Board, which included the activities of the Investment Committee and Investment Performance for the quarter ending September 30, 2011. Mr. Harbin distributed an article from the current issue of Pensions and Investments reporting on the poor investment performance of endowment funds at several of the country's largest universities.

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. Conley and seconded by Ms. Jennings, the Board unanimously approved the Report of the Investment Committee and ratified the actions of the Investment Committee at the meeting on November 18, 2011.

Item 3 – Actuarial Valuation Reports

Ed Koebel and Eric Gary of Cavanaugh Macdonald Consulting, LLC presented the annual actuarial valuations of the Kentucky Teachers' Retirement System.

Mr. Koebel presented the Report of the Actuary on the Annual Pension Valuation prepared as of June 30, 2011.

Mr. Gary presented the Report of the Actuary on the Annual Valuation of the Retiree Medical and Life Insurance Plans prepared as of June 30, 2011.

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

BOARD ACTION: Upon motion duly made by Dr. Shelton and seconded by Mr. Hollenbach, the Board unanimously approved the Reports of the Actuary on the Annual Valuations.

The Board recessed at 11:25 a.m. and resumed its meeting at 11:35 a.m.

Item 4 – Report of the Governance and Audit Committee

Mr. Sanders reported that the Governance and Audit Committee met in special session prior to the regular quarterly meeting of the Board on December 19, 2011. The Committee reviewed and accepted the external audit report of the Charles T. Mitchell Company, which was presented by Kim Field, CPA. The Committee also reviewed the Internal Audit Strategy for Fiscal Year 2012, which was prepared by KTRS internal auditor Nate Van Sickel. Staff reviewed with the Committee a draft External Auditor RFP. The Committee directed staff to publish the RFP in January 2012. The Committee expects to have a recommendation concerning responses to the RFP by the regular quarterly meeting of the Board on March 19, 2012.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Upon motion duly made by Mr. Sanders and seconded by Mr. Ludwig, the Board unanimously approved the Report of the Governance and Audit Committee and ratified the actions of the Governance and Audit Committee.

Item 5 – Report of the Legislative Committee

Mr. Barnes reported that the Legislative Committee met in special session prior to the regular quarterly meeting of the Board on December 19, 2011. The Committee reviewed and approved staff-recommended legislative proposals for the 2012 session of the General Assembly. Mr. Barnes reviewed the proposed legislative changes with the entire Board.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Upon motion duly made by Ms. Zimmerman and seconded by Mr. Sanders, the Board approved the Report of the Legislative Committee. Treasurer Hollenbach voted "no"

on the proposed amendment to KRS 161.290(4), but otherwise voted “yes” to approve the Report of the Legislative Committee.

Item 6 – Report of the Scholarship Committee

Mr. Harbin reported that the Scholarship Committee met in special session prior to the regular quarterly meeting of the Board on December 19, 2011. The Committee voted unanimously to recommend to the full Board that a \$2,000 yearly scholarship be granted to each of the eight public universities in Kentucky and a \$2,000 scholarship to a Campbell County High School senior who intends to major in education at a Kentucky public university.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Upon motion duly made by Ms. Zimmerman and seconded by Mr. Ludwig, the Board unanimously voted to continue awarding the Junita Losey Scholarships as recommended by the Scholarship Committee.

Item 7 – Report on the Pathway Project

Mr. Harbin reported to the Board on the current status of the Pathway Project. The report was informational and the Board took no action on the Report on the Pathway Project.

Item 8 – Executive Secretary’s Observations and Comments

Mr. Harbin reported to the Board on the spousal waiver stipulation of the MEHP. Insurance staff is preparing an implementation plan and procedures to take effect July 1, 2012 for any spouse aging into the MEHP at that time, and catching the remainder of spouses already on MEHP coverage or currently waiving MEHP coverage during the annual open enrollment in the fall of 2012 for an effective date of January 1, 2013.

Mr. Harbin distributed copies of the article “A Business-Like Arrangement” which appeared in the November-December 2011 edition of the KTRS Newsletter and was reprinted in the Kentucky Labor Institute Newsletter.

Mr. Harbin presented a report on the economic impact of the retirement and insurance benefits in Kentucky broken down by Congressional district and by county.

Mr. Harbin reported that the Public Pension Coordinating Council awarded the Certificate of Achievement to KTRS for 2011 for implementing and maintaining high professional standards in administering the affairs of the System. KTRS was also awarded the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010.

Mr. Harbin reported the meeting dates for the Board of Trustees for 2012 will be Monday, March 19, Monday, June 18, Monday, September 17 and Monday, December 17.

Mr. Harbin presented a report concerning the KTRS Insurance Trust Fund Request for a Private Letter Ruling and a proposed resolution amending the Trust Agreement.

Chair Sterrett asked for questions or comments.

BOARD ACTION: Upon motion duly made by Mr. Ludwig and seconded by Ms. Jennings, the Board voted unanimously to approve the Executive Secretary's recommendation to adopt the resolution amending the Trust Agreement.

Mr. Harbin announced to the Board the retirement of Bill Leach, Director of Member Services, to be effective January 31, 2012. Mr. Leach has been with KTRS since November 1986. Mr. Harbin thanked Mr. Leach for his years of service to KTRS and its members.

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. Ludwig, and by unanimous consent of the Board, Chair Sterrett declared the meeting adjourned at 12:45 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 March 19, 2012.

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, 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 December 19, 2011.

Felicia Penn
Recording Secretary