

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
DECEMBER 17, 2012

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 9:06 a.m., Monday, December 17, 2012 in the Board Room of the Kentucky Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present were:

Tom Shelton, Chair  
Ron Sanders, Vice Chair  
Hollis Gritton  
Charles Ludwig  
Barbara Sterrett  
Ruth Ann Sweazy  
Laura Zimmerman  
Todd Hollenbach, State Treasurer (arrived at 10:10 a.m.)  
Kathy Jennings, Proxy for the Commissioner of Education

Others present were:

Gary 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  
Nate Van Sickle, Kentucky Teachers' Retirement System  
Glenn Tucker, Kentucky Teachers' Retirement System  
Felicia Penn, Kentucky Teachers' Retirement System  
Fred Hester, Kentucky Education Association-Retired  
Patti Hester, Kentucky Education Association-Retired  
Edwin Cook, Kentucky Retired Teachers Association  
Teresa Sanders, Office of the State Budget Director  
Eric Gary, Cavanaugh Macdonald Consulting, LLC

1. Reports for Consent: Chair Shelton reviewed the draft minutes of the September 17, 2012 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 September 17, 2012. Upon motion duly made by Ms. Zimmerman, and seconded by Ms. Jennings, the minutes were unanimously approved by the Board as written.

Chair Shelton reviewed the draft minutes of the November 26, 2012 Special Meeting and asked the Board to take action on the minutes.

Board Action: The Board considered the minutes of the Special Meeting of the Board of Trustees held November 26, 2012. Upon motion duly made by Mr. Sanders, and seconded by Ms. Zimmerman, the minutes were unanimously approved by the Board as written.

Chair Shelton reviewed the draft minutes of the December 10, 2012 Special Meeting of the Legislative Committee and asked the Committee to take action on the minutes.

Committee Action: The Committee considered the minutes of the Special Meeting of the Legislative Committee held December 10, 2012. Upon motion duly made by Ms. Sweazy, and seconded by Ms. Zimmerman, the minutes were unanimously approved by the Committee as written.

Chair Shelton reviewed the draft minutes of the December 10, 2012 Special Meeting of the Scholarship Committee and asked the Committee to take action on the minutes.

Committee Action: The Committee considered the minutes of the Special Meeting of the Scholarship Committee held December 10, 2012. Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Ludwig, the minutes were unanimously approved by the Committee with revisions.

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 Ms. Zimmerman, the Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits and Refunds were unanimously approved by the Board as reported.

Interim Financial Statements: The Board considered the report on the Interim Financial Statements for the quarter ended September 30, 2012. The report was informational and the Board took no action on the Interim Financial Statements.

2. Report of the Investment Committee: Mr. Yancey reported to the Board concerning the Investment Performance for the quarter ended September 30, 2012 and the Special Meeting of the Investment Committee held November 16, 2012.

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

Board Action: Upon motion duly made by Mr. Sanders, and seconded by Ms. Sterrett, the Board voted unanimously to accept and ratify the Report of the Investment Committee.

3. Actuarial Valuation Reports: Eric Gary of Cavanaugh Macdonald Consulting, LLC

presented the Report of the Actuary on the Annual Pension Valuation prepared as of June 30, 2012 and the Report of the Actuary on the Annual Valuation of the Retiree Medical and Life Insurance Plans prepared as of June 30, 2012 for Kentucky Teachers' Retirement System.

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

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Ms. Sweazy, the Board voted unanimously to approve the Reports of the Actuary on the Annual Valuations.

The Board recessed at 10:20 a.m. and resumed its meeting at 10:30 a.m.

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 17, 2012. The Committee reviewed and accepted the external audit report of Mountjoy Chilton Medley, which was presented by Patricia Featherston, CPA. The Committee also reviewed the Internal Audit Strategy for Fiscal Year 2013, which was prepared by KTRS internal auditor Nate Van Sichel.

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 Mr. Sanders, and seconded by Mr. Gritton, the Board voted unanimously to accept and ratify the Report of the Governance and Audit Committee held December 17, 2012.

5. Report of the Legislative Committee: Mr. Barnes reported that the Legislative Committee met in special session on December 10, 2012. The Committee reviewed and approved legislative proposals for the 2013 session of the General Assembly. Mr. Barnes reviewed the proposed legislative changes and other matters reviewed by the Committee with the entire Board.

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

Board Action: Upon motion duly made by Ms. Sterrett, and seconded by Mr. Hollenbach, the Board voted unanimously to accept and ratify the Report of the Legislative Committee held December 10, 2012.

6. Report of the Scholarship Committee: Mr. Harbin reported that the Scholarship Committee met in special session on December 10, 2012. The Committee received a report from investment staff concerning funds available for scholarship awards and voted unanimously to amend the "Policy and Objective" for the Scholarship Fund. 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 yearly scholarship to a Campbell County High School senior who intends to major in education at a Kentucky public university.

Chair Shelton asked for questions or comments. Chair Shelton asked the Board to take action on the Report of the Scholarship 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 Scholarship Committee held December 10, 2012.

7. Report on Board Governance Manual: Mr. Wampler reported to the Board on staff's proposed amendments to the Board Governance Manual.

Chair Shelton asked for questions or comments. Mr. Hollenbach suggested modifying a sentence in the proposed language in paragraph 8 of the Board Governance Manual to read in pertinent part as follows: "...However, the Executive Secretary shall have the power, subject to the authority of the Board, to retain or terminate any service provider as required to transact the business of the System..." Chair Shelton asked the Board to take action on staff's proposed amendments to the Board Governance Manual and the modification recommended by Mr. Hollenbach.

Board Action: Upon motion duly made by Mr. Hollenbach, and seconded by Mr. Ludwig, the Board voted unanimously to adopt the proposed amendments (as modified) to the Board Governance Manual.

8. Executive Secretary's Observations and Comments: Mr. Harbin reported to the Board on the Pathway Project and the 2012 Award for Administration from the Public Pension Coordinating Council. He reported the meeting dates for the Board of Trustees for 2013 will be Monday, March 18, Monday, June 17, Monday, September 16, and Monday, December 16.

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. Hollenbach and seconded by Ms. Sterrett, and by unanimous consent of the Board, Chair Shelton declared the meeting adjourned at 11:42 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 March 18, 2013.

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Tom Shelton, Chair

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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 December 17, 2012.

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Felicia Penn  
Recording Secretary