

KENTUCKY TEACHERS' RETIREMENT SYSTEM
REGULAR QUARTERLY MEETING OF THE BOARD OF TRUSTEES
JUNE 16, 2014

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, June 16, 2014, in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky.

Members present:

Tom Shelton, Chair
Laura Zimmerman, Vice Chair
Arthur Green
Hollis Gritton
Jay Morgan
Ruth Ann Sweazy
Charles Harman, proxy for Commissioner of Education
Thomas Scally, attending on behalf of the State Treasurer

Others present:

Gary L. Harbin, Kentucky Teachers' Retirement System
Robert Barnes, Kentucky Teachers' Retirement System
Eric Wampler, Kentucky Teachers' Retirement System
Paul Yancey, Kentucky Teachers' Retirement System
Kevin Carrico, Kentucky Teachers' Retirement System
Tom Siderewicz, Kentucky Teachers' Retirement System
Mark Whelan, Kentucky Teachers' Retirement System
Nate Van Sickel, Kentucky Teachers' Retirement System
Jane Gilbert, Kentucky Teachers' Retirement System
Felicia Penn, Kentucky Teachers' Retirement System
Kayne Ishmael, Kentucky Education Association
Linda Hinton, Office of the State Auditor of Public Accounts
Teresa Sanders, Office of the State Budget Director
Patsy K. Rainey, Kentucky Retired Teachers Association
Joyce Dotson, Kentucky Education Association-Retired
Fred Hester, Kentucky Education Association-Retired
Patti Hester, Kentucky Education Association-Retired
Randy Wieck, Jefferson County teacher
Betsey Bell, Jefferson County teacher

1. Reports for Consent: Chair Shelton reviewed the draft minutes of the March 17, 2014 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 on March 17, 2014. Upon motion duly made by Mr. Gritton, and seconded by Mr. Green, the minutes were unanimously approved by the Board as written.

Chair Shelton reviewed the draft minutes of the June 10, 2014 Special Meeting of the Benefits and Funding Committee and asked the Committee to take action on the minutes.

Board Action: The Committee considered the minutes of the Special Meeting of the Benefits and Funding Committee held on June 10, 2014. Upon motion duly made by Dr. Morgan and seconded by Mr. Green, the minutes were approved by the Committee as written.

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. Sweazy, and seconded by Mr. Harman, the Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were approved by the Board as reported.

Interim Financial Statements: The Board considered the report on the Interim Financial Statements for the quarter ended March 31, 2014. The report was informational and the Board took no action on the Interim Financial Statements.

2. Report of Results of Trustee Election: Mr. Harbin reported to the Board concerning the results of the election for the active teacher and lay trustee positions on the Board of Trustees. The election was held in May 2014 and Dr. Terry Holliday, Commissioner of the Department of Education, certified the results on June 9, 2014. A copy of the letter certifying the results of the election is incorporated into the minutes.

Laura Zimmerman was elected as the active teacher trustee. Ms. Zimmerman's term of office will be July 1, 2014 through June 30, 2018. Hollis Gritton was elected as the lay trustee. Mr. Gritton's term of office will be July 1, 2014 through June 30, 2018.

3. Election of 2014-2015 Board Chair and Vice Chair: Mr. Harbin reported that KRS 161.340 provides that the Board shall elect from its membership a chair and a vice chair on an annual basis.

Nominations for Chair of the Board: Mr. Harbin asked for nominations for the position of Chair of the Board for fiscal year 2014-2015. Ms. Zimmerman nominated Tom Shelton to serve as Chair. Mr. Harbin called for other nominations. Upon motion duly made by Mr. Gritton, and seconded by Mr. Green, the Board voted unanimously that nominations cease.

Board Action: By unanimous vote of the Board, Tom Shelton was elected to the position of Chair of the Board for fiscal year 2014-2015. Dr. Shelton abstained from voting.

Nominations for Vice Chair of the Board: Chair Shelton asked for nominations for the position of Vice Chair of the Board for fiscal year 2014-2015. Ms. Sweazy nominated Laura Zimmerman to serve as Vice Chair. Chair Shelton called for other nominations. Upon motion duly made by Mr. Gritton, and seconded by Mr. Green, the Board voted unanimously that nominations cease.

Board Action: By unanimous vote of the Board, Laura Zimmerman was elected to the position of Vice Chair of the Board for fiscal year 2014-2015. Ms. Zimmerman abstained from voting.

4. 2014-2015 Committee Appointments: Chair Shelton reported to the Board concerning the standing committees of the Board. He instructed the Board to notify him concerning proposed changes to any committee.

5. Board Appointment of Investment Committee: Chair Shelton reported to the Board concerning the appointment of Board members to the Investment Committee. Chair Shelton referenced information in the memorandum set forth under Tab 5 of the materials provided to the Board. Chair Shelton asked for questions or comments. Chair Shelton asked the Board to take action on the appointment of Board members to the Investment Committee.

Board Action: Upon motion duly made by Mr. Harman, and seconded by Dr. Morgan, the Board voted unanimously to appoint Ron Sanders (Chair), Laura Zimmerman (Vice Chair), Hollis Gritton, Tom Shelton, Ruth Ann Sweazy, Arthur Green (alternate), and Jay Morgan (alternate) to serve on the Investment Committee for the period from July 1, 2014 through June 30, 2015.

Mr. Harbin reported to the Board concerning the appointment of two non-voting investment experts to the Investment Committee. Mr. Harbin referenced information in paragraph 2 of the memorandum set forth under Tab 5 of the materials provided to the Board.

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Ms. Sweazy, the Board voted unanimously to ratify the appointment of Bevis Longstreth and George Philip to serve on the Investment Committee for the period from July 1, 2014 through June 30, 2015.

6. Resolution Regarding Purchases or Sales of Investment Instruments: Mr. Harbin reported to the Board concerning the resolution regarding the purchases and sales of investment instruments. Mr. Harbin referenced information in the memorandum set forth under Tab 6 of the materials provided to the Board.

Board Action: Upon motion duly made by Mr. Gritton, and seconded by Mr. Green, the Board voted unanimously to adopt the following resolution to confirm the authority granted to the Executive Secretary and the Chief Investment Officer to execute purchases or sales of investment instruments on behalf of the Board.

“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.”

7. Report of the Investment Committee: Mr. Yancey reported to the Board concerning the activities of the Investment Committee and Investment Performance for the quarter ending March 31, 2014 and the Special Meeting of the Investment Committee held on May 22, 2014.

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

Board Action: Upon motion duly made by Mr. Green, and seconded by Dr. Morgan, the Board voted unanimously to accept and ratify the report of the Investment Committee.

8. 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 Shelton asked for questions or comments. Chair Shelton 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. Gritton, and seconded by Ms. Sweazy, 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, 2014.”

9. Report of the Governance and Audit Committee: Mr. Harbin reported that the Governance and Audit Committee met in special session on June 16, 2014, prior to the regular quarterly Board of Trustees meeting. The Committee reviewed and approved the Fiscal Year 2015 Audit Plan. The Committee also reviewed the terms for standard contract renewals for the general investment consultant; investment experts; actuary; and investment legal counsel and recommended to the full Board that the contracts be renewed for the period from July 1, 2014 through June 30, 2015. The Committee also reviewed fees paid to the communications consultant and recommended that the full Board ratify fees paid to the communications consultant during fiscal year 2014.

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. Green, and seconded by Dr. Morgan, the Board voted unanimously to accept and ratify the Report of the Governance and Audit Committee from the meeting held on June 16, 2014.

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 Shelton asked for questions or comments. Chair Shelton asked the Board to consider the recommendation of the Executive Secretary.

Board Action: Upon motion duly made by Ms. Zimmerman, and seconded by Mr. Gritton, 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 2014-2015 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).”

11. Report of the Insurance Committee: Ms. Gilbert reported to the Board that the Insurance Committee met in special session on June 10, 2014 to consider proposals for the Medicare Advantage Plan for 2015. The Committee evaluated the proposals and recommended to the full Board approval of United Health Care as the provider of the Medicare Advantage Plan for 2015.

Chair Shelton asked for questions or comments. Chair Shelton asked the Board to consider the recommendation of the Insurance Committee.

Board Action: Upon motion duly made by Mr. Green, and seconded by Ms. Sweazy, the Board voted unanimously to accept and ratify the Report of the Insurance Committee from the meeting held on June 10, 2014.

12. 2014-2015 Administrative Expense Fund Budget: Mr. Harbin reported to the Board on the 2013-2014 and proposed 2014-2015 Administrative Expense Fund Budget.

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

Board Action: Upon motion duly made by Mr. Harman, and seconded by Mr. Gritton, the Board unanimously voted to approve the 2014-2015 Administrative Expense Fund Budget as presented.

13. IRC Section 415(b) 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 Shelton asked for questions or comments. Chair Shelton asked the Board to consider the recommendation of the Executive Secretary.

Board Action: Upon motion duly made by Dr. Morgan, and seconded by Ms. Zimmerman, the Board unanimously voted to authorize the Executive Secretary to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2014-2015.

14. Personnel Matters: Mr. Harbin reported 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. In 2014, a law was enacted that provides for state employee annual increments. Therefore, Mr. Harbin recommended that the Board of Trustees 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 2014-2015.

Chair Shelton asked for questions or comments. Chair Shelton asked the Board to consider the recommendation of the Executive Secretary.

Board Action: Upon motion duly made by Mr. Gritton, and seconded by Mr. Green, the Board unanimously voted 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 2014-2015.

15. Report of the Benefits and Funding Committee: Mr. Harbin reported to the Board that the Benefits and Funding Committee met in special session on Tuesday, June 10, 2014. The Committee received a report concerning the funding plan to ensure teachers' retirement security and on-going communication efforts with legislators, legislative staff, the State Budget Director, the Auditor of Public Accounts, and constituent groups. The Committee reviewed KTRS's field of membership as mandated by state law and a preliminary retirement benefit evaluation based upon the 2013 actuarial valuation of the pension fund. This report was informational and the Board took no action.

16. Executive Secretary's Observations and Comments: Mr. Harbin reported to the Board on the volume of retirements, activities of the Public Sector Healthcare Roundtable, recent meetings of the Executive Secretary, the status of the Pathway Project, and other matters. 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 by unanimous consent of the Board, Chair Shelton declared the meeting adjourned at 10:27 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 15, 2014.

Tom Shelton, Chair

Gary L. 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 June 16, 2014.

Felicia Penn
Recording Secretary