

KENTUCKY ASSET/LIABILITY COMMISSION
MINUTES
JULY 16, 2010

The Kentucky Asset/Liability Commission (“ALCo” or the “Commission”) was called to order on Friday, July 16, 2010 at 1:00 p.m. in Room 182 of the Capitol Annex by Jonathan Miller, Secretary, Finance and Administration Cabinet and Chairman to the Commission. Other members present were Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Mary Lassiter, State Budget Director, Corey Bellamy, proxy for Attorney General, Jack Conway, and Eugene Harrell, proxy for Treasurer, Todd Hollenbach.

The Office of Financial Management (OFM) Staff Members Present: Mr. Tom Howard, Executive Director of OFM and Secretary to the Commission, Deputy Director Brett Antle, Tom Midkiff, Rob Ramsey, and Marcia Adams.

Other Guests Present: Shannon Morgan, Deputy Secretary, Finance and Administration Cabinet, Ryan Green from the Office of the State Budget Director (OSBD), and Kristi Culpepper from the Legislative Research Commission (LRC).

Secretary Miller verified with staff that a quorum was present and that the press had been notified of the meeting.

A motion was made by Mr. Ed Ross and seconded by Ms. Mary Lassiter to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the January 15, 2010 meeting were approved as written.

Secretary Miller introduced **Resolution 2010-02**:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED \$500,000,000 FUNDING NOTES, 2010 GENERAL FUND FIRST SERIES OF THE KENTUCKY ASSET/LIABILITY COMMISSION, IN ONE OR MORE SERIES, FOR THE PURPOSE OF FINANCING OR REFINANCING OF OBLIGATIONS OWED UNDER SECTION 161.550(2) OF THE KENTUCKY REVISED STATUTES; AND AUTHORIZING A TRUST INDENTURE, FINANCING AGREEMENT, NOTE PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT AND OTHER AGREEMENTS THAT MAY BE ENTERED INTO, ALL RELATED TO SUCH NOTES.

Mr. Rob Ramsey stated that Resolution 2010-02 is for the financing or refinancing of obligations owed under KRS 161.550(2) and KRS 161.553(2) for the Kentucky Teachers’ Retirement System (KTRS) Pension Fund for transitional funding provided to the KTRS State Medical Insurance Fund in Fiscal Years 2005-2010. The Funding Notes will reimburse the KTRS Pension Fund for one hundred percent of the outstanding loan balances plus accrued interest through the date of settlement. This transaction was authorized under provisions in H.B. 531 of the 2010 Regular Session of the General Assembly. The proposed date of sale is August 18, 2010 with an expected delivery date of September 1, 2010. This will be a negotiated sale with the Underwriter as J.P. Morgan; Bond Counsel is Kutak Rock LLP; Underwriter’s Counsel is Peck, Shaffer & Williams LLP; the Trustee is to be determined; and the OFM is the Financial Advisor.

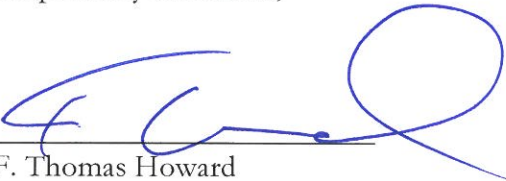
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Secretary Miller asked how the Trustee is determined. Mr. Ramsey answered that it will be bid out in approximately a week and handled by OFM. Ms. Lassiter commented for the record that the Commonwealth is paying 7.5% in interest on the on the unamortized portion of the debt and this transaction will be a cost savings to the Commonwealth. Mr. Brett Antle added that the current, estimated savings is approximately \$60 million over ten years for this portion of the transaction, which is the first of two contemplated transactions. Mr. Tom Howard continued that the balance of the authorization would represent a future borrowing that will be based upon an amount net of contributions relating to H.B. 540. These amounts are unknown at this time, but the calculations on the fully anticipated amount owed, approximately \$340 million, produce an aggregate savings estimated at \$ 96 to \$100 million, depending on market conditions. The structure of the bonds is the same as the existing loan, therefore not changing the amortization schedule.

A motion was made by Ms. Mary Lassiter and seconded by Mr. Ed Ross to approve Resolution 2010-02. Motion **CARRIED** and Resolution **2010-02** was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



F. Thomas Howard
Secretary