

## CHAPTER 27

## ( HB 47 )

AN ACT relating to the Public Pension Oversight Board.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

➔Section 1. KRS 7A.200 is amended to read as follows:

The Public Pension Oversight Board of the Kentucky General Assembly is hereby established. The purpose of the board shall be to review, analyze, and provide oversight to the General Assembly on the benefits, administration, investments, funding, laws and administrative regulations, and legislation pertaining to the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~.

➔Section 2. KRS 7A.210 is amended to read as follows:

As used in KRS 7A.200 to 7A.260, unless the context requires otherwise:

- (1) "Board" means the Public Pension Oversight Board;
- (2) "*State-administered retirement systems*~~[Kentucky Retirement Systems]~~" means:
  - (a) The State Police Retirement System as provided by KRS 16.505 to 16.652;
  - (b) The Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705;~~[and]~~
  - (c) The County Employees Retirement System as provided by KRS 78.510 to 78.852;
  - (d) *The Legislators' Retirement Plan as provided by KRS 6.500 to 6.577;*
  - (e) *The Judicial Retirement Plan as provided by KRS 21.345 to 21.580;* and
  - (f) *The Kentucky Teachers' Retirement System as provided by KRS 161.220 to 161.716;* and
- (3) "State agency" means any department, commission, council, board, bureau, committee, institution, legislative body, agency, government corporation, or other entity of the executive, judicial, or legislative branch of the state government.

➔Section 3. KRS 7A.220 is amended to read as follows:

- (1) The Public Pension Oversight Board shall be composed of the following thirteen (13) members:
  - (a) Two (2) members of the General Assembly appointed by the Speaker of the House of Representatives, each of whom shall serve while a member of the House for the term for which he or she has been elected, and one (1) of whom the Speaker shall designate as co-chair;
  - (b) Two (2) members of the General Assembly appointed by the President of the Senate, each of whom shall serve while a member of the Senate for the term for which he or she has been elected, and one (1) of whom the President shall designate as co-chair;
  - (c) One (1) member of the General Assembly appointed by the Minority Floor Leader of the Senate, who shall serve while a member of the Senate for the term for which he or she has been elected;
  - (d) One (1) member of the General Assembly appointed by the Minority Floor Leader of the House of Representatives, who shall serve while a member of the House for the term for which he or she has been elected;
  - (e) One (1) individual appointed by the Speaker of the House of Representatives, who shall be certified as a chartered financial analyst (CFA) with at least ten (10) years of investment experience or who shall possess at least ten (10) years of retirement experience as defined by subsection (2) of this section;
  - (f) One (1) individual appointed by the President of the Senate, who shall be certified as a chartered financial analyst (CFA) with at least ten (10) years of investment experience or who shall possess at least ten (10) years of retirement experience as defined by subsection (2) of this section;
  - (g) The state budget director or his or her designee;
  - (h) The Auditor of Public Accounts or his or her designee;
  - (i) The Attorney General or his or her designee; and

- (j) Two (2) individuals appointed by the Governor, one (1) of whom shall be certified as a chartered financial analyst (CFA) with at least ten (10) years of investment experience and one (1) of whom shall possess at least ten (10) years of retirement experience as defined by subsection (2) of this section.
- (2) For purposes of this section, "retirement experience" means:
  - (a) Experience in retirement or pension plan management;
  - (b) A certified public accountant with relevant experience in retirement or pension plan accounting;
  - (c) An actuary with relevant experience in retirement or pension plan consulting;
  - (d) An attorney licensed to practice law in the Commonwealth of Kentucky with relevant experience in retirement or pension plans; or
  - (e) A current or former university professor whose primary area of emphasis is economics or finance.
- (3) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall not:
  - (a) Be a member of the General Assembly;
  - (b) Be employed by a state agency of the Commonwealth of Kentucky or receiving a contractual payment for services rendered to a state agency of the Commonwealth of Kentucky that would conflict with his or her service to the board; *or*
  - (c) ~~Be a member or retired member of the Kentucky Retirement Systems; or~~
  - (~~d~~) Serve more than three (3) consecutive *four (4) year* terms on the board.
- (4) Any vacancy which may occur in the membership of the board shall be filled by the appointing authority who made the original appointment.
- (5) *Individuals appointed under subsection (1)(e), (f), and (j) of this section shall serve a term of four (4) years.*

➔Section 4. KRS 7A.240 is amended to read as follows:

The Public Pension Oversight Board shall have the authority to:

- (1) Except *for information protected under* ~~[as provided by]~~ KRS 61.661 *or 161.585 or information specific to the account of a current or former employee or retiree*, require the *state-administered retirement systems* ~~[Kentucky Retirement Systems]~~, or any other state agency, to provide any and all information necessary to carry out the duties of the board, including any actuarial analysis. The cost of providing the information to the board, including any actuarial analysis, shall be included in the administrative budget of the *state-administered retirement systems* ~~[Kentucky Retirement Systems]~~ or the state agency;
- (2) Conduct public hearings in furtherance of its general duties, at which it may request the appearance of officials of any state agency and solicit the testimony of interested groups and the general public;
- (3) Establish a uniform format for reports and data submitted to the board by the *state-administered retirement systems* ~~[Kentucky Retirement Systems]~~ and the frequency and due dates for the reports and data;
- (4) Request the Auditor of Public Accounts to perform a financial or special audit of the *state-administered retirement systems* ~~[Kentucky Retirement Systems]~~; and
- (5) Subject to selection and approval by the Legislative Research Commission, utilize the services of consultants, actuaries, managers, legal counsel, and auditors to render professional, managerial, and technical assistance, as needed.

➔Section 5. KRS 7A.250 is amended to read as follows:

The Public Pension Oversight Board:

- (1) Shall, from time to time, conduct an impartial review of all the laws governing the *state-administered retirement systems* ~~[Kentucky Retirement Systems]~~ and recommend any changes it may find desirable with respect to benefits and administration, funding of benefits, investments of funds, and the improvement of language, structure, and organization of the statutes;
- (2) Shall, once every five (5) years, review the benefits provided to employees who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014, and recommend any changes to the provisions affecting these employees that are necessary to maintain the actuarial soundness of the systems;

- (3) Shall review semiannually the investment programs of the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~, including a review of asset allocation targets and ranges, risk factors, asset class benchmarks, total return objectives, relative volatility, performance evaluation guidelines, investment policies, and securities litigation policies and recoveries from fraud or other corporate malfeasance. The board may establish an advisory committee, as provided by KRS 7A.260, which may include investment professionals to assist in complying with the provisions of this subsection;
- (4) May review any benefits, bylaws, policies, or charters established by the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~;
- (5) Shall, at the request of the Speaker of the House of Representatives or the President of the Senate, evaluate proposed changes to laws affecting the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~ and report to the Speaker or the President on the probable costs, actuarial implications, and desirability as a matter of public policy;
- (6) May review all new or amended administrative regulations of the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~ and provide comments to the Administrative Regulation Review Subcommittee established by KRS 13A.020;
- (7) Shall research issues related to the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~ as directed by the Legislative Research Commission; and
- (8) Shall publish an annual report covering the board's evaluation and recommendations with respect to the operations of the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~. The report shall be submitted to the Legislative Research Commission no later than December 31 of each year and shall include at a minimum any legislative recommendations made by the board, a summary of the financial and actuarial condition of the *state-administered retirement systems*~~[Kentucky Retirement Systems]~~, and an analysis of the adequacy of the current levels of funding.

**Signed by Governor March 20, 2015.**