

**161.250 Board of trustees to control retirement -- Membership -- Appeals -- Trustee education program -- Public disclosure of best practices model -- Administrative regulations for authorized benefit improvements.**

- (1) (a) The general administration and management of the retirement system, and the responsibility for its proper operation and for making effective provisions of KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be known as the "Board of Trustees of the Teachers' Retirement System of the State of Kentucky."
- (b) The board of trustees shall consist of the following:
  1. The chief state school officer;
  2. The State Treasurer;
  3. Two (2) trustees, appointed by the Governor of the Commonwealth, subject to Senate confirmation in accordance with KRS 11.160 for each appointment or reappointment. These two (2) trustees shall have investment experience. For purposes of this subparagraph, a trustee with "investment experience" means an individual who does not have a conflict of interest, as provided by KRS 161.460, and who has at least ten (10) years of experience in one (1) of the following areas of expertise:
    - a. A portfolio manager acting in a fiduciary capacity;
    - b. A professional securities analyst or investment consultant;
    - c. A current or retired employee or principal of a trust institution, investment or finance organization, or endowment fund acting in an investment-related capacity;
    - d. A chartered financial analyst in good standing as determined by the CFA Institute; or
    - e. A university professor, teaching investment-related studies; and
  4. Seven (7) other trustees elected as provided in KRS 161.260. Four (4) of the elective trustees shall be members of the retirement system, to be known as teacher trustees, two (2) shall be persons who are not members of the teaching profession, to be known as the lay trustees, and one (1) shall be an annuitant of the retirement system to be known as the retired teacher trustee. One (1) teacher trustee shall be elected annually for a four-year term. The retired teacher trustee shall be elected every four (4) years. The chief state school officer and the State Treasurer are considered ex officio members of the board of trustees and may designate in writing a person to represent them at board meetings.
- (c)
  1. Elective trustees shall not serve more than three (3) consecutive four (4) year terms. An elective trustee who has served three (3) consecutive terms may be elected again after an absence of four (4) years from the board of trustees.
  2. The term limits established by subparagraph 1. of this paragraph shall apply to elective trustees serving on or after July 1, 2012, and

all terms of office served prior to July 1, 2012, shall be used to determine if the elective trustee has exceeded the term limits provided by subparagraph 1. of this paragraph.

- (d)
  1. Each appointed trustee shall serve a term of four (4) years. An appointed trustee shall not serve more than three (3) consecutive four (4) year terms. An appointed trustee who has served three (3) consecutive terms may be appointed again after an absence of four (4) years from the board of trustees.
  2. Any vacancy that occurs in an appointed position shall be filled in the same manner that provides for the selection of the trustee; however, any vacancy shall be filled only for the duration of the unexpired term.
- (2) A member, retired member, or designated beneficiary may appeal the retirement system's decisions that materially affect the amount of service retirement allowance, amount of service credit, eligibility for service retirement, or eligibility for survivorship benefits to which that member, retired member, or designated beneficiary claims to be entitled. All appeals must be in writing and filed with the retirement system within thirty (30) days of the claimant's first notice of the retirement system's decision. For purposes of this section, notice shall be complete and effective upon the date of mailing of the retirement system's decision to the claimant at the claimant's last known address. Failure by the claimant to file a written appeal with the retirement system within the thirty (30) day period shall result in the decision of the retirement system becoming permanent with the effect of a final and unappealable order. Appeals may include a request for an administrative hearing which shall be conducted in accordance with the provisions of KRS Chapter 13B. The board of trustees may establish an appeals committee whose members shall be appointed by the chairperson and who shall have the authority to act upon the report and recommendation of the hearing officer by issuing a final order on behalf of the full board of trustees. A member, retired member, or designated beneficiary who has filed a timely, written appeal of a decision of the retirement system may, following the administrative hearing and issuance of the final order by the board of trustees, appeal the final order of the board of trustees to the Franklin Circuit Court in accordance with the provisions of KRS Chapter 13B.
- (3) The board of trustees shall establish a formal trustee education program for all trustees of the board. The program shall include but not be limited to the following:
  - (a) A required orientation program for all new trustees to the board. The orientation program shall include training on:
    1. Benefits and benefits administration;
    2. Investment concepts, policies, and current composition and administration of retirement system investments;
    3. Laws, bylaws, and administrative regulations pertaining to the retirement system and to fiduciaries; and
    4. Actuarial and financial concepts pertaining to the retirement system.If a trustee fails to complete the orientation program within one (1) year

from the beginning of his or her first term on the board, the retirement system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the trustee has completed the orientation program;

- (b) Annual required training for trustees on the administration, benefits, financing, and investing of the retirement system. If a trustee fails to complete the annual required training during the calendar or fiscal year, the retirement system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the board member has met the annual training requirements; and
  - (c) The retirement system shall incorporate by reference in an administrative regulation, pursuant to KRS 13A.2251, the trustee education program.
- (4) In order to improve public transparency regarding the administration of the system, the board of trustees shall adopt a best practices model by posting the following information to the retirement system's Web site and shall make available to the public:
- (a) Meeting notices and agendas for all meetings of the board. Notices and agendas shall be posted to the retirement system's Web site at least seventy-two (72) hours in advance of the board or committee meetings, except in the case of special or emergency meetings as provided by KRS 61.823;
  - (b) The Comprehensive Annual Financial Report with the information as follows:
    1. A general overview and update on the retirement system by the executive secretary;
    2. A listing of the board of trustees;
    3. A listing of key staff;
    4. An organizational chart;
    5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding progress, and other supporting data;
    6. Investment information, including a general overview, a list of the retirement system's professional consultants, a total net return on retirement system investments over a historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;
    7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and
    8. A general statistical section, including information on contributions, benefit payouts, and retirement system demographic data;
  - (c) All external audits;
  - (d) All board minutes or other materials that require adoption or ratification by the board of trustees. The items listed in this paragraph shall be posted within seventy-two (72) hours of adoption or ratification of the board;

- (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- (f) The retirement system's summary plan description;
- (g) The retirement system's law book;
- (h) A listing of the members of the board of trustees and membership on each committee established by the board, including any investment committees;
- (i) All investment holdings in aggregate, fees, and commissions for each fund administered by the board, which shall be updated on a quarterly basis for fiscal years beginning on or after July 1, 2017. The system shall request from all managers, partnerships, and any other available sources all information regarding fees and commissions and shall, based on the requested information received:
  1. Disclose the dollar value of fees or commissions paid to each individual manager or partnership;
  2. Disclose the dollar value of any profit sharing, carried interest, or any other partnership incentive arrangements, partnership agreements, or any other partnership expenses received by or paid to each manager or partnership; and
  3. As applicable, report each fee or commission by manager or partnership consistent with standards established by the Institutional Limited Partners Association (ILPA).

In addition to the requirements of this paragraph, the system shall also disclose the name and address of all individual underlying managers or partners in any fund of funds in which system assets are invested;

- (j) An update of net of fees investment returns, asset allocations, and the performance of the funds against benchmarks adopted by the board for each fund, for each asset class administered by the board, and for each manager. The update shall be posted on a quarterly basis for fiscal years beginning on or after July 1, 2017;
  - (k) All contracts or offering documents for services, goods, or property purchased or utilized by the system; and
  - (l) A searchable database of the system's expenditures and a listing of each individual employed by the system along with the employee's salary or wages. In lieu of posting the information required by this paragraph to the system's Web site, the system may provide the information through a Web site established by the executive branch to inform the public about executive branch agency expenditures and public employee salaries and wages.
- (5) Notwithstanding the requirements of subsection (4) of this section, the retirement system shall not be required to furnish information that is protected under KRS 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the retirement system's ability to competitively invest in real estate or other asset classes, except that no provision of this section or KRS 61.878 shall exclude disclosure and review of all contracts, including investment contracts, by the board, the Auditor of Public Accounts, and the Government

Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this section. If any public record contains material which is not excepted under this section, the system shall separate the excepted material by removal, segregation, or redaction, and make the nonexcepted material available for examination.

- (6) For any benefit improvements the General Assembly has authorized the board of trustees to establish under KRS 161.220 to 161.716 and that require formal adoption by the board, the board shall establish the benefits by promulgation of administrative regulations in accordance with KRS Chapter 13A.

**Effective:** March 10, 2017

**History:** Amended 2017 Ky. Acts ch. 12, sec. 5, effective March 10, 2017. -- Amended 2012 Ky. Acts ch. 75, sec. 10, effective April 11, 2012. -- Amended 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 30, effective June 27, 2008. -- Amended 2002 Ky. Acts ch. 275, sec. 4, effective July 1, 2002. -- Amended 2000 Ky. Acts ch. 498, sec. 6, effective July 1, 2000. -- Amended 1990 Ky. Acts ch. 476, Pt. IV, sec. 244, effective July 13, 1990. -- Amended 1982 Ky. Acts ch. 326, sec. 3, effective July 1, 1982. -- Amended 1974 Ky. Acts ch. 395, sec. 2, effective July 1, 1974. -- Amended 1972 Ky. Acts ch. 82, sec. 3. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 4506b-5.

**Legislative Research Commission Note (3/10/2017).** 2017 Ky. Acts ch. 12, sec. 15 provided that, for the purposes of providing staggered appointments of the two trustees established by subsection (1)(b) of this statute, the Governor shall appoint one trustee for an initial term of four years and one trustee for an initial term of two years, provided that the initial term of two years shall not count towards the term limitations in subsection (1)(d) of this statute for the one trustee so appointed.

**Legislative Research Commission Note (6/27/2008).** 2008 (1st Extra Sess.) Ky. Acts ch. 1, sec. 44, provides "The provisions of...subsection (1)(c) of Section 30 of this Act (this statute) that reduce the term limits of elected or appointed members of the board of trustees of the...Kentucky Teachers' Retirement System shall apply to terms of office beginning after July 1, 2008."

**Legislative Research Commission Note (6/27/2008).** The Reviser of Statutes has altered the numbering of subsection (3)(a) of this statute from the way it appeared in 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 30, under the authority of KRS 7.136(1)(c).