

1 AN ACT relating to the Kentucky Retirement Systems.

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

3 ➔Section 1. KRS 16.642 is amended to read as follows:

- 4 (1) The board shall be the trustee of the several funds created by KRS 16.505 to 16.652
5 and shall have full power to invest and reinvest such funds pursuant to KRS
6 61.650~~[, subject to the limitations that no investments shall be made except upon~~
7 ~~the exercise of bona fide discretion, in securities which, at the time of making the~~
8 ~~investment, are, by law, permitted for the investment of funds by fiduciaries in this~~
9 ~~state, except that the board may, at its discretion, purchase common stock in~~
10 ~~corporations that do not have a record of paying dividends to their stockholders.~~
11 ~~Subject to such limitations, the board shall have full power to hold, purchase, sell,~~
12 ~~assign, transfer or dispose of any of the securities or investments in which any of the~~
13 ~~funds created herein have been invested, as well as of the proceeds of such~~
14 ~~investments and any moneys belonging to such funds].~~
- 15 (2) All securities acquired under authority of KRS 16.505 to 16.652 shall be registered
16 in the name "Kentucky Retirement Systems" or nominee name as provided by KRS
17 286.3-225, and every change in registration, by reason of sale or assignment of such
18 securities shall be accomplished pursuant to written policies adopted by the board.
- 19 (3) The board, in keeping with its responsibility as trustee and wherever feasible, shall
20 give priority to the investment of funds in obligations calculated to improve the
21 industrial development and enhance the economic welfare of the Commonwealth.
- 22 (4) The investment committee established pursuant to KRS 61.650 shall serve as the
23 investment committee of the funds established by KRS 16.505 to 16.652.
- 24 (5) Based upon market value at the time of purchase, the board shall limit the amount
25 of assets managed by any one (1) active or passive investment manager to fifteen
26 percent (15%) of the assets in the pension and insurance funds.

27 ➔Section 2. KRS 61.645 is amended to read as follows:

- 1 (1) The County Employees Retirement System, Kentucky Employees Retirement
2 System, and State Police Retirement System shall be administered by the board of
3 trustees of the Kentucky Retirement Systems composed of thirteen (13) members,
4 who shall be selected as follows:
- 5 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he
6 occupies the position of secretary under KRS 18A.015, except as provided
7 under subsections (5) and (6) of this section;
- 8 (b) Three (3) trustees, who shall be members or retired from the County
9 Employees Retirement System, elected by the members and retired members
10 of the County Employees Retirement System;
- 11 (c) One (1) trustee, who shall be a member or retired from the State Police
12 Retirement System, elected by the members and retired members of the State
13 Police Retirement System;
- 14 (d) Two (2) trustees, who shall be members or retired from the Kentucky
15 Employees Retirement System, elected by the members and retired members
16 of the Kentucky Employees Retirement System; and
- 17 (e) Six (6) trustees, appointed by the Governor of the Commonwealth. Of the six
18 (6) trustees appointed by the Governor:
- 19 1. One (1) trustee shall be knowledgeable about the impact of pension
20 requirements on local governments;
- 21 2. One (1) trustee shall be appointed from a list of three (3) applicants
22 submitted by the Kentucky League of Cities;
- 23 3. One (1) trustee shall be appointed from a list of three (3) applicants
24 submitted by the Kentucky Association of Counties;
- 25 4. One (1) trustee shall be appointed from a list of three (3) applicants
26 submitted by the Kentucky School Boards Association; and
- 27 5. Two (2) trustees shall have investment experience. For purposes of this

1 subparagraph, a trustee with "investment experience" means an
2 individual who does not have a conflict of interest, as provided by KRS
3 61.655, and who has at least ten (10) years of experience in one (1) of
4 the following areas of expertise:

- 5 a. A portfolio manager acting in a fiduciary capacity;
- 6 b. A professional securities analyst or investment consultant;
- 7 c. A current or retired employee or principal of a trust institution,
8 investment or finance organization, or endowment fund acting in
9 an investment-related capacity;
- 10 d. A chartered financial analyst in good standing as determined by the
11 CFA Institute;
- 12 e. A university professor, teaching economics or investment-related
13 studies; or
- 14 f. Any other professional with exceptional experience in the field of
15 public or private finances.

16 (2) The board is hereby granted the powers and privileges of a corporation, including
17 but not limited to the following powers:

- 18 (a) To sue and be sued in its corporate name;
- 19 (b) To make bylaws not inconsistent with the law;
- 20 (c) To conduct the business and promote the purposes for which it was formed;
- 21 (d) To contract for investment counseling, actuarial, auditing, medical, and other
22 professional or technical services as required to carry out the obligations of
23 the board without limitation, notwithstanding the provisions of KRS Chapters
24 45, 45A, 56, and 57;
- 25 (e) To purchase fiduciary liability insurance;
- 26 (f) To acquire, hold, sell, dispose of, pledge, lease, or mortgage, the goods or
27 property necessary to exercise the board's powers and perform the board's

1 duties without limitation, notwithstanding the limitations of KRS Chapters 45,
2 45A, and 56; and

3 (g) The board shall reimburse any trustee, officer, or employee for any legal
4 expense resulting from a civil action arising out of the performance of his
5 official duties.

6 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
7 shall serve a term of four (4) years or until his successor is duly qualified
8 except as otherwise provided in this section. An elected trustee or a trustee
9 appointed by the Governor under subsection (1)(e) of this section, shall not
10 serve more than three (3) consecutive four (4) year terms. An elected trustee
11 or a trustee appointed by the Governor under subsection (1)(e) of this section,
12 who has served three (3) consecutive terms may be elected or appointed again
13 after an absence of four (4) years from the board.

14 (b) The term limits established by paragraph (a) of this subsection shall apply to
15 trustees serving on or after July 1, 2012, and all terms of office served prior to
16 July 1, 2012, shall be used to determine if the trustee has exceeded the term
17 limits provided by paragraph (a) of this subsection.

18 (4) (a) The trustees selected by the membership of each of the various retirement
19 systems shall be elected by ballot. For each trustee to be elected, the board
20 may nominate, not less than six (6) months before a term of office of a trustee
21 is due to expire, three (3) constitutionally eligible individuals.

22 (b) Individuals may be nominated by the retirement system members which are to
23 elect the trustee by presenting to the executive director, not less than four (4)
24 months before a term of office of a trustee is due to expire, a petition, bearing
25 the name, last four digits of the Social Security number, and signature of no
26 less than one-tenth (1/10) of the number voting in the last election by the
27 retirement system members.

- 1 (c) Within four (4) months of the nominations made in accordance with
2 paragraphs (a) and (b) of this subsection, the executive director shall cause to
3 be prepared an official ballot. The ballot shall ***include***~~[carry]~~ the name,
4 address, and position title of each individual nominated by the board and by
5 petition. Provisions shall also be made for write-in votes.
- 6 (d) ***Except as provided by paragraph (j) of this subsection,*** the ballots shall be
7 distributed to the eligible voters by mail to their last known residence address.
- 8 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
9 a predetermined box number at a United States Post Office located within
10 Kentucky ***or submitted electronically as provided by paragraph (j) of this***
11 ***subsection.*** Access to this post office box shall be limited to the board's
12 contracted auditing firm. The individual receiving a plurality of votes shall be
13 declared elected.
- 14 (f) The eligible voter shall cast his ballot by checking a square opposite the name
15 of the candidate of his choice. He shall sign and mail the ballot ***or submit the***
16 ***electronic ballot*** at least thirty (30) days prior to the date the term to be filled
17 is due to expire. The latest mailing date, ***or date of submission in the case of***
18 ***electronic ballots,*** shall be ***provided***~~[printed]~~ on the ballot.
- 19 (g) The board's contracted auditing firm shall report in writing the outcome to the
20 chair of the board of trustees. Cost of an election shall be payable from the
21 funds of the system for which the trustee is elected.
- 22 (h) For purposes of this subsection, an eligible voter shall be a person who was a
23 member of the retirement system on December 31 of the year preceding the
24 election year.
- 25 (i) Each individual who submits a request to be nominated by the board under
26 paragraph (a) of this subsection and each individual who is nominated by the
27 membership under paragraph (b) of this subsection shall:

- 1 1. Complete an application developed by the retirement systems which
2 shall include but not be limited to a disclosure of any prior felonies and
3 any conflicts of interest that would hinder the individual's ability to
4 serve on the board;
- 5 2. Submit a resume detailing the individual's education and employment
6 history and a cover letter detailing the member's qualifications for
7 serving as trustee to the board; and
- 8 3. Authorize the systems to have a criminal background check performed.
9 The criminal background check shall be performed by the Department of
10 Kentucky State Police.

11 *(j) In lieu of the ballots mailed to members and retired members as provided by*
12 *this subsection, the systems may by promulgation of administrative*
13 *regulation pursuant to KRS Chapter 13A conduct trustee elections using*
14 *electronic ballots.*

- 15 (5) Any vacancy which may occur in an appointed position shall be filled in the same
16 manner which provides for the selection of the particular trustee, and any vacancy
17 which may occur in an elected position shall be filled by appointment by a majority
18 vote of the remaining trustees, and if the secretary of the Personnel Cabinet resigns
19 his position as trustee, it shall be filled by appointment made by the Governor;
20 however, any vacancy shall be filled only for the duration of the unexpired term.
- 21 (6) (a) Membership on the board of trustees shall not be incompatible with any other
22 office unless a constitutional incompatibility exists. No trustee shall serve in
23 more than one (1) position as trustee on the board; and if a trustee holds more
24 than one (1) position as trustee on the board, he shall resign a position.
- 25 (b) A trustee shall be removed from office upon conviction of a felony or for a
26 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
27 of competent jurisdiction.

- 1 (c) A current or former employee of Kentucky Retirement Systems shall not be
2 eligible to serve as a member of the board.
- 3 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
4 a per diem of eighty dollars (\$80) for each day they are in session or on official
5 duty, and they shall be reimbursed for their actual and necessary expenses in
6 accordance with state administrative regulations and standards.
- 7 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
8 special session upon the call of the chair or the executive director.
- 9 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
10 than four (4) consecutive years as chair or vice-chair of the board. The vice-
11 chair shall not serve more than four (4) consecutive years as chair or vice-
12 chair of the board. A trustee who has served four (4) consecutive years as
13 chair or vice-chair of the board may be elected chair or vice-chair of the board
14 after an absence of two (2) years from the positions.
- 15 (c) A majority of the trustees shall constitute a quorum and all actions taken by
16 the board shall be by affirmative vote of a majority of the trustees present.
- 17 (9) (a) The board of trustees shall appoint or contract for the services of an executive
18 director and fix the compensation and other terms of employment for this
19 position without limitation of the provisions of KRS Chapters 18A and 45A
20 and KRS 64.640. The executive director shall be the chief administrative
21 officer of the board.
- 22 (b) The board of trustees shall authorize the executive director to appoint the
23 employees deemed necessary to transact the business of the system. For an
24 appointee deemed to be in a policy-making position, the board shall determine
25 the compensation and other terms of employment for the policy-making
26 position without limitation of the provisions of KRS Chapter 18A. Anything
27 in the Kentucky Revised Statutes to the contrary notwithstanding, the power

1 over and control of determining and maintaining an adequate complement of
2 employees shall be under the exclusive jurisdiction of the board of trustees.

3 (c) Effective December 1, 2002, all employees of the Kentucky Retirement
4 Systems shall be transferred to a personnel system adopted by the board.
5 Employees of Kentucky Retirement Systems covered by the personnel system
6 adopted by the board shall be:

- 7 1. Provided the same health insurance coverage as all other state
8 government employees as provided in KRS 18A.225;
- 9 2. Eligible to participate in the deferred compensation system provided for
10 all state government employees as provided in KRS 18A.250 to
11 18A.265;
- 12 3. Provided the same life insurance coverage provided all state employees
13 as provided in KRS 18A.205 to 18A.215;
- 14 4. Reimbursed for all reasonable and necessary travel expenses and
15 disbursements incurred or made in the performance of official duties in
16 accordance with KRS Chapter 45;
- 17 5. Ensured equal employment opportunity regardless of race, color, gender,
18 religion, national origin, disability, sexual orientation, or age;
- 19 6. Given those holidays and rights granted to state employees as provided
20 in KRS 18A.190;
- 21 7. Paid a salary not less than the salary paid as of the date of transfer to the
22 personnel system, unless voluntarily demoted or involuntarily demoted
23 for cause;
- 24 8. Credited with all accumulated sick leave, compensatory time, and
25 annual leave accumulated in accordance with KRS Chapter 18A, and for
26 an employee leaving service, the system shall attest to the employee's
27 accumulated sick leave, compensatory time, and annual leave which

1 shall be credited with other state and county employers to the extent
2 provided for by statute or policy. The Kentucky Retirement Systems
3 may, at the discretion of the board, accept from other state and county
4 employers all accumulated sick leave, compensatory time, and annual
5 leave for an employee leaving a state or county employer and accepting
6 employment with the Kentucky Retirement Systems. The executive
7 branch shall accept from the Kentucky Retirement Systems all
8 accumulated sick leave, compensatory time, and annual leave for an
9 employee leaving the Kentucky Retirement Systems and accepting
10 employment with the executive branch. The Kentucky Retirement
11 Systems shall accept from the executive branch all accumulated sick
12 leave, compensatory time, and annual leave for an employee leaving the
13 executive branch and accepting employment with the Kentucky
14 Retirement Systems;

15 9. Classified with status upon transfer to the personnel system on
16 December 1, 2002, if the employee was classified with status as a merit
17 employee under KRS Chapter 18A. Any employee of the Kentucky
18 Retirement Systems transferred on December 1, 2002, during the
19 probationary period before earning classified status as a merit system
20 employee under KRS Chapter 18A shall transfer all accrued
21 probationary time and the time shall be credited to the probationary time
22 required to attain classified status in the personnel system;

23 10. Ensured a grievance appeal procedure and the employee's right to have a
24 representative present at each step of the grievance procedure; and

25 11. Ensured of the right of appeal in a manner consistent with the provisions
26 of KRS 18A.095 to the Kentucky Personnel Board and employees
27 classified with status in the personnel system shall not be dismissed,

- 1 demoted, suspended, or otherwise penalized except for cause.
- 2 (d) The board shall adopt by administrative regulation a fair, equitable, and
3 comprehensive personnel policy with a minimum of the following provisions
4 for the personnel system:
- 5 1. A code of conduct including provisions describing performance of
6 duties, abuse of position, conflicts of interest, and outside employment;
 - 7 2. An appointments plan including provisions describing the appointing
8 authority, appointments, equal employment policy, sexual harassment
9 policy, and drug-free workplace policy;
 - 10 3. A classification plan including provisions describing class
11 specifications, position actions, and employee actions;
 - 12 4. A compensation plan based on qualifications, experience, and
13 responsibilities and including provisions which describe a salary
14 schedule, salary adjustments, salary advancements, and an employee
15 suggestion program;
 - 16 5. Separations, disciplinary actions, and appeal policies including
17 provisions describing classified with status, exemptions from classified
18 with status, lay-offs, abolishment of position, dismissals and notification
19 of dismissal, dismissals during probationary period, disciplinary actions,
20 right of appeal, grievance and appeal procedures, and an employee
21 grievance and appeal committee;
 - 22 6. Service and benefits regulations including provisions describing hours of
23 work, fringe benefits, workers' compensation, payroll deductions,
24 holidays, inclement weather days, compensatory time, retirement,
25 resignations, employee evaluations, and political activities; and
 - 26 7. Leave policies including provisions describing special leave, annual
27 leave, court leave and jury duty, military leave, voting leave, educational

1 leave, sick leave, family medical leave, leave without pay, absence
2 without leave, and blood donation leave.

3 (e) The board shall require the executive director and the employees as it thinks
4 proper to execute bonds for the faithful performance of their duties
5 notwithstanding the limitations of KRS Chapter 62.

6 (f) The board shall establish a system of accounting.

7 (g) The board shall do all things, take all actions, and promulgate all
8 administrative regulations, not inconsistent with the provisions of KRS 16.505
9 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in
10 order to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705,
11 and 78.510 to 78.852. Notwithstanding any other evidence of legislative
12 intent, it is hereby declared to be the controlling legislative intent that the
13 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852
14 conform with federal statute or regulation and meet the qualification
15 requirements under 26 U.S.C. sec. 401(a), applicable federal regulations, and
16 other published guidance. Provisions of KRS 16.505 to 16.652, 61.510 to
17 61.705, and 78.510 to 78.852 which conflict with federal statute or regulation
18 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,
19 and other published guidance shall not be available. The board shall have the
20 authority to promulgate administrative regulations to conform with federal
21 statute and regulation and to meet the qualification requirements under 26
22 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
23 U.S.C. sec. 401(a)(9). ~~The board shall have the authority to promulgate an
24 administrative regulation to comply with any consent decrees entered into by
25 the board in Civil Action No. 3:99CV500(C) in order to bring the systems into
26 compliance with the Age Discrimination in Employment Act, 29 U.S.C.
27 Section 621, et seq., as amended.~~

1 (10) All employees of the board shall serve during its will and pleasure. Notwithstanding
2 any statute to the contrary, employees shall not be considered legislative agents
3 under KRS 6.611.

4 (11) The Attorney General, or an assistant designated by him, may attend each meeting
5 of the board and may receive the agenda, board minutes, and other information
6 distributed to trustees of the board upon request. The Attorney General may act as
7 legal adviser and attorney for the board, and the board may contract for legal
8 services, notwithstanding the limitations of KRS Chapter 12 or 13B.

9 (12) (a) The system shall publish an annual financial report showing all receipts,
10 disbursements, assets, and liabilities. The annual report shall include a copy of
11 an audit conducted in accordance with generally accepted auditing standards.
12 Except as provided by paragraph (b) of this subsection, the board may select
13 an independent certified public accountant or the Auditor of Public Accounts
14 to perform the audit. If the audit is performed by an independent certified
15 public accountant, the Auditor of Public Accounts shall not be required to
16 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at
17 his discretion. All proceedings and records of the board shall be open for
18 inspection by the public. The system shall make copies of the audit required
19 by this subsection available for examination by any member, retiree, or
20 beneficiary in the office of the executive director of the Kentucky Retirement
21 Systems and in other places as necessary to make the audit available to all
22 members, retirees, and beneficiaries. A copy of the annual audit shall be sent
23 to the Legislative Research Commission no later than ten (10) days after
24 receipt by the board.

25 (b) At least once every five (5) years, the Auditor of Public Accounts shall
26 perform the audit described by this subsection, and the system shall reimburse
27 the Auditor of Public Accounts for all costs of the audit. The Auditor of

1 Public Accounts shall determine which fiscal year during the five (5) year
2 period the audit prescribed by this paragraph will be completed.

3 (13) All expenses incurred by or on behalf of the system and the board in the
4 administration of the system during a fiscal year shall be paid from the retirement
5 allowance account. Any other statute to the contrary notwithstanding, authorization
6 for all expenditures relating to the administrative operations of the system shall be
7 contained in the biennial budget unit request, branch budget recommendation, and
8 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

9 (14) Any person adversely affected by a decision of the board, except as provided under
10 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652,
11 61.510 to 61.705, and 78.510 to 78.852, may appeal the decision of the board to the
12 Franklin Circuit Court within sixty (60) days of the board action.

13 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a
14 member of a committee:

- 15 1. In good faith;
- 16 2. On an informed basis; and
- 17 3. In a manner he honestly believes to be in the best interest of the
18 Kentucky Retirement Systems.

19 (b) A trustee discharges his duties on an informed basis if, when he makes an
20 inquiry into the business and affairs of the Kentucky Retirement Systems or
21 into a particular action to be taken or decision to be made, he exercises the
22 care an ordinary prudent person in a like position would exercise under similar
23 circumstances.

24 (c) In discharging his duties, a trustee may rely on information, opinions, reports,
25 or statements, including financial statements and other financial data, if
26 prepared or presented by:

- 27 1. One (1) or more officers or employees of the Kentucky Retirement

- 1 Systems whom the trustee honestly believes to be reliable and competent
2 in the matters presented;
- 3 2. Legal counsel, public accountants, actuaries, or other persons as to
4 matters the trustee honestly believes are within the person's professional
5 or expert competence; or
- 6 3. A committee of the board of trustees of which he is not a member if the
7 trustee honestly believes the committee merits confidence.
- 8 (d) A trustee shall not be considered as acting in good faith if he has knowledge
9 concerning the matter in question that makes reliance otherwise permitted by
10 paragraph (c) of this subsection unwarranted.
- 11 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
12 shall not be the basis for monetary damages or injunctive relief unless:
- 13 1. The trustee has breached or failed to perform the duties of the trustee's
14 office in compliance with this section; and
- 15 2. In the case of an action for monetary damages, the breach or failure to
16 perform constitutes willful misconduct or wanton or reckless disregard
17 for human rights, safety, or property.
- 18 (f) A person bringing an action for monetary damages under this section shall
19 have the burden of proving by clear and convincing evidence the provisions of
20 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
21 breach or failure to perform was the legal cause of damages suffered by the
22 Kentucky Retirement Systems.
- 23 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
24 any act or omission occurring prior to July 15, 1988.
- 25 (h) In discharging his or her administrative duties under this section, a trustee
26 shall strive to administer the retirement system in an efficient and cost-
27 effective manner for the taxpayers of the Commonwealth of Kentucky.

1 (16) When an order by the system substantially impairs the benefits or rights of a
2 member, retired member, or recipient, except action which relates to entitlement to
3 disability benefits, or when an employer disagrees with an order of the system as
4 provided by KRS 61.598, the affected member, retired member, recipient, or
5 employer may request a hearing to be held in accordance with KRS Chapter 13B.
6 The board may establish an appeals committee whose members shall be appointed
7 by the chair and who shall have authority to act upon the recommendations and
8 reports of the hearing officer on behalf of the board. The member, retired member,
9 recipient, or employer aggrieved by a final order of the board following the hearing
10 may appeal the decision to the Franklin Circuit Court, in accordance with KRS
11 Chapter 13B.

12 (17) The board shall give the Kentucky Education Support Personnel Association
13 twenty-four (24) hours notice of the board meetings, to the extent possible.

14 (18) The board shall establish a formal trustee education program for all trustees of the
15 board. The program shall include but not be limited to the following:

16 (a) A required orientation program for all new trustees elected or appointed to the
17 board. The orientation program shall include training on:

- 18 1. Benefits and benefits administration;
- 19 2. Investment concepts, policies, and current composition and
20 administration of retirement systems investments;
- 21 3. Laws, bylaws, and administrative regulations pertaining to the
22 retirement systems and to fiduciaries; and
- 23 4. Actuarial and financial concepts pertaining to the retirement systems.

24 If a trustee fails to complete the orientation program within one (1) year from
25 the beginning of his or her first term on the board, the retirement systems shall
26 withhold payment of the per diem and travel expenses due to the board
27 member under this section and KRS 16.640 and 78.780 until the trustee has

- 1 completed the orientation program;
- 2 (b) Annual required training for board members on the administration, benefits,
3 financing, and investing of the retirement systems. If a trustee fails to
4 complete the annual required training during the calendar or fiscal year, the
5 retirement systems shall withhold payment of the per diem and travel
6 expenses due to the board member under this section and KRS 16.640 and
7 78.780 until the board member has met the annual training requirements; and
- 8 (c) The retirement systems shall incorporate by reference in an administrative
9 regulation, pursuant to KRS 13A.2251, the trustee education program.
- 10 (19) In order to improve public transparency regarding the administration of the systems,
11 the board of trustees shall adopt a best practices model by posting the following
12 information to the retirement systems' Web site and shall make available to the
13 public:
- 14 (a) Meeting notices and agendas for all meetings of the board. Notices and
15 agendas shall be posted to the retirement systems' Web site at least seventy-
16 two (72) hours in advance of the board or committee meetings, except in the
17 case of special or emergency meetings as provided by KRS 61.823;
- 18 (b) The Comprehensive Annual Financial Report with the information as follows:
- 19 1. A general overview and update on the retirement systems by the
20 executive director;
- 21 2. A listing of the board of trustees;
- 22 3. A listing of key staff;
- 23 4. An organizational chart;
- 24 5. Financial information, including a statement of plan net assets, a
25 statement of changes in plan net assets, an actuarial value of assets, a
26 schedule of investments, a statement of funded status and funding
27 progress, and other supporting data;

- 1 6. Investment information, including a general overview, a list of the
2 retirement system's professional consultants, a total return on retirement
3 systems investments over a historical period, an investment summary,
4 contracted investment management expenses, transaction commissions,
5 and a schedule of investments;
- 6 7. The annual actuarial valuation report on the pension benefit and the
7 medical insurance benefit; and
- 8 8. A general statistical section, including information on contributions,
9 benefit payouts, and retirement systems' demographic data;
- 10 (c) All external audits;
- 11 (d) All board minutes or other materials that require adoption or ratification by
12 the board of trustees. The items listed in this paragraph shall be posted within
13 seventy-two (72) hours of adoption or ratification of the board;
- 14 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 15 (f) The retirement systems' summary plan description;
- 16 (g) A document containing an unofficial copy of the statutes governing the
17 systems administered by Kentucky Retirement Systems;
- 18 (h) A listing of the members of the board of trustees and membership on each
19 committee established by the board, including any investment committees;
- 20 (i) All investment holdings and commissions for each fund administered by the
21 board. The board shall update the list of holdings and commissions on a
22 quarterly basis for fiscal years beginning on or after July 1, 2008;
- 23 (j) An update of investment returns, asset allocations, and the performance of the
24 funds against benchmarks adopted by the board for each fund and for each
25 asset class administered by the board. The update shall be posted on a
26 quarterly basis for fiscal years beginning on or after July 1, 2008;
- 27 (k) A searchable database of the systems' expenditures and a listing of each

1 individual employed by the systems along with the employee's salary or
 2 wages. In lieu of posting the information required by this paragraph to the
 3 systems' Web site, the systems may provide the information through a Web
 4 site established by the executive branch to inform the public about executive
 5 branch agency expenditures and public employee salaries and wages. No
 6 provision of this paragraph shall require the systems to disclose confidential
 7 member information protected under KRS 61.661; and

8 (l) Information regarding the systems' financial and actuarial condition that is
 9 easily understood by the members, retired members, and the public.

10 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
 11 systems shall not be required to furnish information that is protected under KRS
 12 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
 13 retirement systems' ability to competitively invest in real estate or other asset
 14 classes, or to competitively negotiate vendor fees.

15 (21) Notwithstanding any other provision of KRS 16.505 to 16.652, 61.510 to 61.705,
 16 and 78.510 to 78.852 to the contrary, no funds of the systems administered by Kentucky
 17 Retirement Systems, including fees and commissions paid to an investment manager,
 18 private fund, or company issuing securities, who manages systems assets, shall be used to
 19 pay fees and commissions to unregulated placement agents. For purposes of this
 20 subsection, "unregulated placement agent" means an individual or firm who solicits
 21 investments on behalf of an investment manager, private fund, or company issuing
 22 securities, who is prohibited by federal securities laws and regulations promulgated
 23 thereunder from receiving compensation for soliciting a government agency.

24 ➔Section 3. KRS 78.790 is amended to read as follows:

25 (1) The board shall be the trustee of the several funds created by KRS 78.510 to 78.852,
 26 and shall have full power to invest and reinvest such funds pursuant to KRS
 27 61.650 ~~subject to the limitations that no investments shall be made except upon the~~

1 ~~exercise of bona fide discretion, in securities which, at the time of making the~~
2 ~~investment, are, by law, permitted for the investment of funds by fiduciaries in this~~
3 ~~state except that the board may, at its discretion, purchase common stocks in~~
4 ~~corporations that do not have a record of paying dividends to their stockholders.~~
5 ~~Subject to such limitations, the board shall have full power to hold, purchase, sell,~~
6 ~~assign, transfer or dispose of any of the securities or investments in which any of the~~
7 ~~funds created herein have been invested, as well as of the proceeds of such~~
8 ~~investments and any moneys belonging to such funds].~~

9 (2) All securities acquired under the authority of KRS 78.510 to 78.852 shall be
10 registered in the name Kentucky Retirement Systems or nominee name as provided
11 by KRS 286.3-225 and every change in registration, by reason of sale or assignment
12 of such securities, shall be accomplished pursuant to written policies adopted by the
13 board.

14 (3) The board, in keeping with its responsibility as the trustee and wherever feasible,
15 shall give priority to the investment of funds in obligations calculated to improve
16 the industrial development and enhance the economic welfare of the
17 Commonwealth.

18 (4) The investment committee established pursuant to KRS 61.650 shall serve as the
19 investment committee of the funds established by KRS 78.510 to 78.852.

20 (5) Based upon market value at the time of purchase, the board shall limit the amount
21 of assets managed by any one (1) active or passive investment manager to fifteen
22 percent (15%) of the assets in the pension and insurance funds.

23 ➔Section 4. Notwithstanding the provisions of Section 2 of this Act or 2013 Ky.
24 Acts ch. 120 to the contrary, the successor of the County Employees Retirement System
25 trustee whose election as trustee was completed in accordance with 2013 Ky. Acts ch.
26 120, sec. 82, shall be elected during the period of January 1, 2021, through March 31,
27 2021, in accordance with procedures set forth in Section 2 of this Act and the election

1 policy adopted by the board of trustees, but shall not take office until November 1, 2021,
2 and shall serve a term of office ending March 31, 2025.

3 ➔Section 5. The amendments to Sections 1 and 3 of this Act are made to conform
4 with the amendments to KRS 61.650 that were made by the 2002 General Assembly in
5 2002 Ky. Acts ch. 52, sec. 12, which became effective July 15, 2002, and which show the
6 legislative intent to apply the provisions of KRS 61.650 to the investments of the State
7 Police Retirement System and the County Employees Retirement System.