

1 AN ACT relating to retirement and declaring an emergency.

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

3 ➔Section 1. KRS 21.530 is amended to read as follows:

4 (1) For administrative purposes only, as hereinafter provided, the Legislators'
5 Retirement Plan and the Judicial Retirement Plan shall be coordinated under the
6 name, Judicial Form Retirement System, but each of the plans shall maintain its
7 separate identity. A board of trustees of that system hereby is created, to consist of
8 eight (8) members, three (3) of whom shall be appointed by the Supreme Court, two
9 (2) by the Governor, ***subject to Senate confirmation in accordance with KRS***
10 ***11.160 for each appointment or reappointment,*** one (1) by the President of the
11 Senate, one (1) by the Speaker of the House of Representatives, and one (1) by the
12 president and speaker jointly. The appointments by the Governor shall not be from
13 among the members of either of the plans in the system, or from among the persons
14 drawing benefits from either of those plans.

15 (2) (a) The members of the board shall serve for terms of four (4) years, commencing
16 as of July 1, 1980, and until their successors are chosen and have qualified;
17 provided that if a member of the board who was a member of one (1) of the
18 plans in the system when he was appointed ceases to be a member of that
19 plan, a vacancy shall thereupon be deemed to exist in his position on the
20 board; and provided further, that the members of the Judicial Retirement
21 Board in office on July 1, 1980, shall serve for the remainder of the terms for
22 which they were appointed, as the members of the board created by this
23 section, in the positions appointable by the Supreme Court and the Governor.
24 Vacancies shall be filled by the appointing authority for the unexpired term.

25 (b) A trustee shall not serve more than three (3) consecutive four (4) year terms.
26 A trustee who has served three (3) consecutive terms may be appointed again
27 after an absence of four (4) years from the board. The term limits established

1 by this paragraph shall apply to trustees serving on or after July 1, 2012, and
2 all terms of office served prior to July 1, 2012, shall be used to determine if
3 the trustee has exceeded the term limits provided by this paragraph.

4 (3) The members of the board shall annually elect a chairman. The chairman shall not
5 serve more than four (4) consecutive years as chairman of the board. A trustee who
6 has served four (4) consecutive years as chairman of the board may be elected
7 chairman of the board after an absence of two (2) years from the position.

8 (4) Gubernatorial appointees, and judicial and legislative appointees who do not receive
9 an annual salary from the State Treasury in another capacity shall receive an amount
10 equal to the per diem compensation paid to members of the General Assembly for
11 each day they are in session. All members shall be reimbursed for their necessary
12 expenses.

13 ➔Section 2. KRS 21.540 is amended to read as follows:

14 (1) Except as provided in KRS 21.550, 21.560, and subsections~~[subsection]~~ (3) and (7)
15 of this section, the board of trustees of the Judicial Form Retirement System shall
16 be charged with the administration of that system and of KRS 21.350 to 21.510, and
17 shall have all powers necessary thereto, including the power to promulgate all
18 reasonable administrative regulations, pass upon questions of eligibility and
19 disability, make employments for services, and to contract for fiduciary liability
20 insurance, and for investment counseling, actuarial, auditing, and other professional
21 services subject to the~~[as required without the]~~ limitations of KRS Chapters 45,
22 45A, 56, and 57~~[45A.045]~~. The administrative expenses shall be paid out of an
23 administrative account which shall be funded by transfers of the necessary money,
24 in appropriate ratio, from the funds provided for in KRS 21.550 and 21.560.

25 (2) (a) A qualified domestic relations order issued by a court or administrative
26 agency shall be honored by the Judicial Form Retirement System if the order
27 is in compliance with the requirements established by the retirement system.

- 1 (b) Except in cases involving child support payments, the Judicial Form
2 Retirement System may charge reasonable and necessary fees and expenses to
3 the participant and the alternate payee of a qualified domestic relations order
4 for the administration of the qualified domestic relations order by the
5 retirement system. All fees and expenses shall be established by
6 administrative regulations promulgated by the board of trustees of the
7 retirement system. The qualified domestic relations order shall specify
8 whether the fees and expenses provided by this subsection shall be paid:
- 9 1. Solely by the participant;
 - 10 2. Solely by the alternate payee; or
 - 11 3. Equally shared by the participant and alternate payee.
- 12 (c) For purposes of this subsection, a "qualified domestic relations order" shall
13 mean any judgment, decree, or order, including approval of a property
14 settlement agreement, that:
- 15 1. Is issued by a court or administrative agency; and
 - 16 2. Relates to the provision of child support, alimony payments, or marital
17 property rights to a spouse, former spouse, child, or other dependent of a
18 member.
- 19 (3) Notwithstanding any other evidence of legislative intent, it is hereby declared to be
20 the controlling legislative intent that the provisions of KRS 21.345 to 21.580 and
21 6.500 to 6.577 shall conform with federal statutes or regulations and meet the
22 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
23 regulations, and other published guidance, and the board shall have the authority to
24 promulgate administrative regulations, with retroactive effect if required under
25 federal law, to conform the Legislators' Retirement Plan and the Judicial Retirement
26 Plan with federal statutes and regulations and to meet the qualification requirements
27 under 26 U.S.C. sec. 401(a).

- 1 (4) In order to improve public transparency regarding the administration of the
2 Legislative Retirement Plan and the Judicial Retirement Plan, the board of
3 trustees of the Judicial Form Retirement System shall adopt a best-practices
4 model by posting the following information to the system's Web site and shall
5 make it available to the public:
- 6 (a) Meeting notices and agendas for all meetings of the board. Notices and
7 agendas shall be posted to the system's Web site at least seventy-two (72)
8 hours in advance of the board or committee meetings, except in the case of
9 special or emergency meetings as provided by KRS 61.823;
- 10 (b) A list of the members of the board of trustees and membership on each
11 committee established by the board, including any investment committees;
- 12 (c) A list of system staff and each staff's salary;
- 13 (d) A list of the fund's professional consultants and their respective fees and
14 commissions paid by the system;
- 15 (e) A list of the system's expenditures;
- 16 (f) The annual financial audit of the system, which shall include but not be
17 limited to a statement of plan net assets, a statement of changes in plan net
18 assets, an actuarial value of assets, a schedule of investments, a statement
19 of funded status and funding progress, and other supporting data;
- 20 (g) All external audits;
- 21 (h) The annual actuarial valuation report of pension and retiree health benefits
22 of each retirement plan administered by the system, which shall include a
23 general statistical section and information on contributions, benefit
24 payouts, and retirement plan demographic data;
- 25 (i) All board minutes or other materials that require adoption or ratification by
26 the board of trustees or committees of the board. The items listed in this
27 paragraph shall be posted within seventy-two (72) hours of adoption or

1 ratification by the board or committees;

2 (j) All bylaws, policies, or procedures adopted or ratified by the board of
3 trustees or by committees of the board;

4 (k) The summary plan description for each plan administered by the system;

5 (l) A document or a link to documents containing an unofficial copy of the
6 statutes governing the plans administered by the Judicial Form Retirement
7 System;

8 (m) Investment information, including all investment holdings in aggregate,
9 fees, and commissions for each fund administered by the board, which shall
10 be updated on a quarterly basis for fiscal years beginning on or after July 1,
11 2017. The system shall request from all managers, partnerships, and any
12 other available sources all information regarding fees and commissions and
13 shall, based on the requested information received:

14 1. Disclose the dollar value of fees and commissions paid to each
15 individual manager or partnership;

16 2. Disclose the dollar value of any profit sharing, carried interest, or any
17 other partnership incentive arrangements, partnership agreements, or
18 any other partnership expenses received by or paid to each manager or
19 partnership; and

20 3. As applicable, report each fee or commission by manager or
21 partnership consistent with standards established by the Institutional
22 Limited Partners Association (ILPA).

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

26 (n) An update of net investment returns, asset allocations, and the performance
27 of the funds against benchmarks adopted by the board for each fund, for

1 each asset class administered by the board, and for each manager over a
 2 historical period. The update shall be posted on a quarterly basis for fiscal
 3 years beginning on or after July 1, 2017;

4 (o) All contracts or offering documents for services, goods, or property
 5 purchased or utilized by the system. Notwithstanding KRS 61.878, all
 6 contracts, including investment contracts, shall be subject to review by the
 7 board, the Auditor of Public Accounts, and the Government Contract
 8 Review Committee established pursuant to KRS 45A.705. If any public
 9 record contains material which is not excepted under KRS 61.878, the
 10 system shall separate the excepted material by removal, segregation, or
 11 redaction, and make the nonexcepted material available for examination;
 12 and

13 (p) Information regarding the system's financial and actuarial condition that is
 14 easily understood by the members, retired members, and the public.

15 ~~{The Judicial Form Retirement System shall make available on a public Web site, a~~
 16 ~~listing of all system expenditures and a listing of each individual employed by the~~
 17 ~~systems along with the employee's salary or wages. The system may provide the~~
 18 ~~information through a Web site established by the executive or judicial branch to~~
 19 ~~inform the public about executive or judicial branch agency expenditures and public~~
 20 ~~employee salaries and wages.} Nothing in this subsection shall require or compel~~
 21 ~~the Judicial Form Retirement System to disclose information specific to the account~~
 22 ~~of an individual member of the Legislators' Retirement Plan or the Judicial~~
 23 ~~Retirement Plan.~~

24 (5) No trustee or employee of the board shall:

25 (a) Have any interest, direct or indirect, in the gains or profits of any investment
 26 or transaction made by the board, provided that the provisions of this
 27 paragraph shall not prohibit a member or retiree of one (1) of the retirement

- 1 plans administered by the system from serving as a trustee;
- 2 (b) Directly or indirectly, for himself or herself or as an agent, use the assets of
3 the system, except to make current and necessary payments authorized by the
4 board;
- 5 (c) Become an endorser, surety, or obligor for moneys loaned by or borrowed
6 from the board;
- 7 (d) Have a contract or agreement with the retirement system, individually or
8 through a business owned by the trustee or the employee;
- 9 (e) Use his or her official position with the retirement system to obtain a financial
10 gain or benefit or advantage for himself or herself or a family member;
- 11 (f) Use confidential information acquired during his or her tenure with the
12 systems to further his or her own economic interests or that of another person;
13 or
- 14 (g) Hold outside employment with, or accept compensation from, any person or
15 business with which he or she has involvement as part of his or her official
16 position with the system. The provisions of this paragraph shall not prohibit:
- 17 1. A trustee from serving as a judge or member of the General Assembly;
18 or
- 19 2. A trustee from serving on the board if the compensation is de minimus
20 and incidental to the trustee's outside employment. If the compensation
21 is more than de minimus, the trustee shall disclose the amount of the
22 compensation to the other trustees and recuse himself or herself from
23 any matters involving hiring or retaining a person or a business from
24 whom more than de minimus amounts are received by the trustee. For
25 purposes of this section, "de minimus" means an insignificant amount
26 that does not raise a reasonable question as to the trustee's objectivity.
- 27 (6) Notwithstanding any other provision of KRS 6.500 to 6.577 and 21.345 to 21.580 to

1 the contrary, no funds of the Legislators' Retirement Plan or the Judicial Retirement
2 Plan, including fees and commissions paid to an investment manager, private fund,
3 or company issuing securities, who manages systems assets, shall be used to pay
4 fees and commissions to ~~unregulated~~ placement agents. For purposes of this
5 subsection, "~~unregulated~~ placement agent" means a third-party~~an~~ individual,
6 who is not an employee, or firm, wholly or partially owned by the entity being
7 hired, who solicits investments on behalf of an investment manager, private fund,
8 or company issuing securities~~, who is prohibited by federal securities laws and~~
9 ~~regulations promulgated thereunder from receiving compensation for soliciting a~~
10 ~~government agency~~.

11 (7) All contracts for the investment or management of assets of the system shall not
12 be subject to KRS Chapters 45, 45A, 56 and 57. Instead, the board shall conduct
13 the following process to develop and adopt an investment procurement policy
14 with which all prospective contracts for the investment or management of assets
15 of the system shall comply:

16 (a) On or before July 1, 2017, the board shall consult with the secretary of the
17 Finance and Administration Cabinet or his or her designee to develop an
18 investment procurement policy, which shall be written to meet best practices
19 in investment management procurement;

20 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
21 investment procurement policy to the secretary of the Finance and
22 Administration Cabinet or his or her designee for review and comment;

23 (c) Upon receipt of comments from the secretary of the Finance and
24 Administration Cabinet or his or her designee, the board shall choose to
25 adopt or not adopt any recommended changes;

26 (d) Upon adoption, the board shall tender the final investment procurement
27 policy to the secretary of the Finance and Administration Cabinet or his or

- 1 *her designee;*
 2 *(e) No later than thirty (30) days after receipt of the investment procurement*
 3 *policy, the secretary or his or her designee shall certify whether the board's*
 4 *investment procurement policy meets or does not meet best practices for*
 5 *investment management procurement; and*
 6 *(f) Any amendments to the investment procurement policy shall adhere to the*
 7 *requirements set forth by paragraphs (b) to (e) of this subsection.*

8 ➔Section 3. KRS 61.645 is amended to read as follows:

- 9 (1) The County Employees Retirement System, Kentucky Employees Retirement
 10 System, and State Police Retirement System shall be administered by the board of
 11 trustees of the Kentucky Retirement Systems composed of thirteen (13) members,
 12 who shall be selected as follows:
- 13 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he
 14 occupies the position of secretary under KRS 18A.015, except as provided
 15 under subsections (5) and (6) of this section;
- 16 (b) Three (3) trustees, who shall be members or retired from the County
 17 Employees Retirement System, elected by the members and retired members
 18 of the County Employees Retirement System;
- 19 (c) One (1) trustee, who shall be a member or retired from the State Police
 20 Retirement System, elected by the members and retired members of the State
 21 Police Retirement System;
- 22 (d) Two (2) trustees, who shall be members or retired from the Kentucky
 23 Employees Retirement System, elected by the members and retired members
 24 of the Kentucky Employees Retirement System; and
- 25 (e) Six (6) trustees, appointed by the Governor of the Commonwealth, *subject to*
 26 *Senate confirmation in accordance with KRS 11.160 for each appointment*
 27 *or reappointment.* Of the six (6) trustees appointed by the Governor:

- 1 1. One (1) trustee shall be knowledgeable about the impact of pension
2 requirements on local governments;
- 3 2. One (1) trustee shall be appointed from a list of three (3) applicants
4 submitted by the Kentucky League of Cities;
- 5 3 One (1) trustee shall be appointed from a list of three (3) applicants
6 submitted by the Kentucky Association of Counties;
- 7 4. One (1) trustee shall be appointed from a list of three (3) applicants
8 submitted by the Kentucky School Boards Association; and
- 9 5. Two (2) trustees shall have investment experience. For purposes of this
10 subparagraph, a trustee with "investment experience" means an
11 individual who does not have a conflict of interest, as provided by KRS
12 61.655, and who has at least ten (10) years of experience in one (1) of
13 the following areas of expertise:
- 14 a. A portfolio manager acting in a fiduciary capacity;
- 15 b. A professional securities analyst or investment consultant;
- 16 c. A current or retired employee or principal of a trust institution,
17 investment or finance organization, or endowment fund acting in
18 an investment-related capacity;
- 19 d. A chartered financial analyst in good standing as determined by the
20 CFA Institute; or
- 21 e. A university professor, teaching ~~[economics or]~~ investment-related
22 studies; ~~or~~
- 23 ~~f. Any other professional with exceptional experience in the field of~~
24 ~~public or private finances}.~~
- 25 (2) The board is hereby granted the powers and privileges of a corporation, including
26 but not limited to the following powers:
- 27 (a) To sue and be sued in its corporate name;

- 1 (b) To make bylaws not inconsistent with the law;
- 2 (c) To conduct the business and promote the purposes for which it was formed;
- 3 (d) **Except as provided in subsection (6) of Section 4 of this Act,** to contract for
4 investment counseling, actuarial, auditing, medical, and other professional or
5 technical services as required to carry out the obligations of the board **subject**
6 **to**~~[without limitation, notwithstanding the provisions of]~~ KRS Chapters 45,
7 45A, 56, and 57;
- 8 (e) To purchase fiduciary liability insurance;
- 9 (f) **Except as provided in subsection (6) of Section 4 of this Act,** to acquire,
10 hold, sell, dispose of, pledge, lease, or mortgage, the goods or property
11 necessary to exercise the board's powers and perform the board's duties
12 **subject to**~~[without limitation, notwithstanding the limitations of]~~ KRS
13 Chapters 45, 45A, and 56; and
- 14 (g) The board shall reimburse any trustee, officer, or employee for any legal
15 expense resulting from a civil action arising out of the performance of his
16 official duties. **The hourly rate of reimbursement for any contract for legal**
17 **services under this paragraph shall not exceed the maximum hourly rate**
18 **provided in the Legal Services Duties and Maximum Rate Schedule**
19 **promulgated by the Government Contract Review Committee established**
20 **pursuant to KRS 45A.705, unless a higher rate is specifically approved by**
21 **the secretary of the Finance and Administration Cabinet or his or her**
22 **designee.**
- 23 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
24 shall serve a term of four (4) years or until his successor is duly qualified
25 except as otherwise provided in this section. An elected trustee or a trustee
26 appointed by the Governor under subsection (1)(e) of this section, shall not
27 serve more than three (3) consecutive four (4) year terms. An elected trustee

1 or a trustee appointed by the Governor under subsection (1)(e) of this section,
2 who has served three (3) consecutive terms may be elected or appointed again
3 after an absence of four (4) years from the board.

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

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

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

18 (c) Within four (4) months of the nominations made in accordance with
19 paragraphs (a) and (b) of this subsection, the executive director shall cause to
20 be prepared an official ballot. The ballot shall carry the name, address, and
21 position title of each individual nominated by the board and by petition.
22 Provisions shall also be made for write-in votes.

23 (d) The ballots shall be distributed to the eligible voters by mail to their last
24 known residence address.

25 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
26 a predetermined box number at a United States Post Office located within
27 Kentucky. Access to this post office box shall be limited to the board's

1 contracted auditing firm. The individual receiving a plurality of votes shall be
2 declared elected.

3 (f) The eligible voter shall cast his ballot by checking a square opposite the name
4 of the candidate of his choice. He shall sign and mail the ballot at least thirty
5 (30) days prior to the date the term to be filled is due to expire. The latest
6 mailing date shall be printed on the ballot.

7 (g) The board's contracted auditing firm shall report in writing the outcome to the
8 chair of the board of trustees. Cost of an election shall be payable from the
9 funds of the system for which the trustee is elected.

10 (h) For purposes of this subsection, an eligible voter shall be a person who was a
11 member of the retirement system on December 31 of the year preceding the
12 election year.

13 (i) Each individual who submits a request to be nominated by the board under
14 paragraph (a) of this subsection and each individual who is nominated by the
15 membership under paragraph (b) of this subsection shall:

16 1. Complete an application developed by the retirement systems which
17 shall include but not be limited to a disclosure of any prior felonies and
18 any conflicts of interest that would hinder the individual's ability to
19 serve on the board;

20 2. Submit a resume detailing the individual's education and employment
21 history and a cover letter detailing the member's qualifications for
22 serving as trustee to the board; and

23 3. Authorize the systems to have a criminal background check performed.
24 The criminal background check shall be performed by the Department of
25 Kentucky State Police.

26 (5) Any vacancy which may occur in an appointed position shall be filled in the same
27 manner which provides for the selection of the particular trustee, and any vacancy

1 which may occur in an elected position shall be filled by appointment by a majority
2 vote of the remaining elect trustees with a person selected from the system in
3 which the vacancy occurs, and if the secretary of the Personnel Cabinet resigns his
4 position as trustee, it shall be filled by appointment made by the Governor;
5 however, any vacancy shall be filled only for the duration of the unexpired term. In
6 the event of a vacancy of an elected trustee, Kentucky Retirement Systems shall
7 notify members of the system in which the vacancy occurs of the vacancy and the
8 opportunity to be considered for the vacant position. Any vacancy shall be filled
9 within ninety (90) days of the position becoming vacant.

10 (6) (a) Membership on the board of trustees shall not be incompatible with any other
11 office unless a constitutional incompatibility exists. No trustee shall serve in
12 more than one (1) position as trustee on the board; and if a trustee holds more
13 than one (1) position as trustee on the board, he shall resign a position.

14 (b) A trustee shall be removed from office upon conviction of a felony or for a
15 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
16 of competent jurisdiction.

17 (c) A current or former employee of Kentucky Retirement Systems shall not be
18 eligible to serve as a member of the board.

19 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
20 a per diem of eighty dollars (\$80) for each day they are in session or on official
21 duty, and they shall be reimbursed for their actual and necessary expenses in
22 accordance with state administrative regulations and standards.

23 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
24 special session upon the call of the chair or the executive director.

25 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
26 than four (4) consecutive years as chair or vice-chair of the board. The vice-
27 chair shall not serve more than four (4) consecutive years as chair or vice-

1 chair of the board. A trustee who has served four (4) consecutive years as
2 chair or vice-chair of the board may be elected chair or vice-chair of the board
3 after an absence of two (2) years from the positions.

4 (c) A majority of the trustees shall constitute a quorum and all actions taken by
5 the board shall be by affirmative vote of a majority of the trustees present.

6 (9) (a) The board of trustees shall appoint or contract for the services of an executive
7 director and fix the compensation and other terms of employment for this
8 position without limitation of the provisions of KRS Chapters 18A ~~and 45A~~
9 and KRS 64.640. The executive director shall be the chief administrative
10 officer of the board.

11 (b) The board of trustees shall authorize the executive director to appoint the
12 employees deemed necessary to transact the business of the system. All
13 employees of the systems, except for the executive director, shall be subject
14 to the state personnel system established pursuant to KRS 18A.005 to
15 18A.204 and shall have their salaries determined by the secretary of the
16 Personnel Cabinet~~[For an appointee deemed to be in a policy-making~~
17 ~~position, the board shall determine the compensation and other terms of~~
18 ~~employment for the policy-making position without limitation of the~~
19 ~~provisions of KRS Chapter 18A. Anything in the Kentucky Revised Statutes~~
20 ~~to the contrary notwithstanding, the power over and control of determining~~
21 ~~and maintaining an adequate complement of employees shall be under the~~
22 ~~exclusive jurisdiction of the board of trustees.~~

23 ~~(c) Effective December 1, 2002, all employees of the Kentucky Retirement~~
24 ~~Systems shall be transferred to a personnel system adopted by the board.~~
25 ~~Employees of Kentucky Retirement Systems covered by the personnel system~~
26 ~~adopted by the board shall be:~~

27 1. ~~Provided the same health insurance coverage as all other state~~

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

1 ~~accumulated sick leave, compensatory time, and annual leave for an~~
2 ~~employee leaving the Kentucky Retirement Systems and accepting~~
3 ~~employment with the executive branch. The Kentucky Retirement~~
4 ~~Systems shall accept from the executive branch all accumulated sick~~
5 ~~leave, compensatory time, and annual leave for an employee leaving the~~
6 ~~executive branch and accepting employment with the Kentucky~~
7 ~~Retirement Systems;~~

8 ~~9. Classified with status upon transfer to the personnel system on~~
9 ~~December 1, 2002, if the employee was classified with status as a merit~~
10 ~~employee under KRS Chapter 18A. Any employee of the Kentucky~~
11 ~~Retirement Systems transferred on December 1, 2002, during the~~
12 ~~probationary period before earning classified status as a merit system~~
13 ~~employee under KRS Chapter 18A shall transfer all accrued~~
14 ~~probationary time and the time shall be credited to the probationary time~~
15 ~~required to attain classified status in the personnel system;~~

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

18 ~~11. Ensured of the right of appeal in a manner consistent with the provisions~~
19 ~~of KRS 18A.095 to the Kentucky Personnel Board and employees~~
20 ~~classified with status in the personnel system shall not be dismissed,~~
21 ~~demoted, suspended, or otherwise penalized except for cause.~~

22 ~~(d) The board shall adopt by administrative regulation a fair, equitable, and~~
23 ~~comprehensive personnel policy with a minimum of the following provisions~~
24 ~~for the personnel system:~~

25 ~~1. A code of conduct including provisions describing performance of~~
26 ~~duties, abuse of position, conflicts of interest, and outside employment;~~

27 ~~2. An appointments plan including provisions describing the appointing~~

1 authority, appointments, equal employment policy, sexual harassment
2 policy, and drug free workplace policy;

3 3. ~~A classification plan including provisions describing class
4 specifications, position actions, and employee actions;~~

5 4. ~~A compensation plan based on qualifications, experience, and
6 responsibilities and including provisions which describe a salary
7 schedule, salary adjustments, salary advancements, and an employee
8 suggestion program;~~

9 5. ~~Separations, disciplinary actions, and appeal policies including
10 provisions describing classified with status, exemptions from classified
11 with status, lay-offs, abolishment of position, dismissals and notification
12 of dismissal, dismissals during probationary period, disciplinary actions,
13 right of appeal, grievance and appeal procedures, and an employee
14 grievance and appeal committee;~~

15 6. ~~Service and benefits regulations including provisions describing hours of
16 work, fringe benefits, workers' compensation, payroll deductions,
17 holidays, inclement weather days, compensatory time, retirement,
18 resignations, employee evaluations, and political activities; and~~

19 7. ~~Leave policies including provisions describing special leave, annual
20 leave, court leave and jury duty, military leave, voting leave, educational
21 leave, sick leave, family medical leave, leave without pay, absence
22 without leave, and blood donation leave}.~~

23 ~~(c)~~~~(e)~~ The board shall require the executive director and the employees as it
24 thinks proper to execute bonds for the faithful performance of their duties
25 notwithstanding the limitations of KRS Chapter 62.

26 ~~(d)~~~~(f)~~ The board shall establish a system of accounting.

27 ~~(e)~~~~(g)~~ The board shall do all things, take all actions, and promulgate all

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

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

24 (11) The Attorney General, or an assistant designated by him, may attend each meeting
25 of the board and may receive the agenda, board minutes, and other information
26 distributed to trustees of the board upon request. The Attorney General may act as
27 legal adviser and attorney for the board, and the board may contract for legal

1 services, notwithstanding the limitations of KRS Chapter 12 or 13B.

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

18 (b) At least once every five (5) years, the Auditor of Public Accounts shall
19 perform the audit described by this subsection, and the system shall reimburse
20 the Auditor of Public Accounts for all costs of the audit. The Auditor of
21 Public Accounts shall determine which fiscal year during the five (5) year
22 period the audit prescribed by this paragraph will be completed.

23 (13) All expenses incurred by or on behalf of the system and the board in the
24 administration of the system during a fiscal year shall be paid from the retirement
25 allowance account. Any other statute to the contrary notwithstanding, authorization
26 for all expenditures relating to the administrative operations of the system shall be
27 contained in the biennial budget unit request, branch budget recommendation, and

1 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

2 (14) Any person adversely affected by a decision of the board, except as provided under
3 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652,
4 61.510 to 61.705, and 78.510 to 78.852, may appeal the decision of the board to the
5 Franklin Circuit Court within sixty (60) days of the board action.

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

8 1. In good faith;

9 2. On an informed basis; and

10 3. In a manner he honestly believes to be in the best interest of the
11 Kentucky Retirement Systems.

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

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

20 1. One (1) or more officers or employees of the Kentucky Retirement
21 Systems whom the trustee honestly believes to be reliable and competent
22 in the matters presented;

23 2. Legal counsel, public accountants, actuaries, or other persons as to
24 matters the trustee honestly believes are within the person's professional
25 or expert competence; or

26 3. A committee of the board of trustees of which he is not a member if the
27 trustee honestly believes the committee merits confidence.

- 1 (d) A trustee shall not be considered as acting in good faith if he has knowledge
2 concerning the matter in question that makes reliance otherwise permitted by
3 paragraph (c) of this subsection unwarranted.
- 4 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
5 shall not be the basis for monetary damages or injunctive relief unless:
- 6 1. The trustee has breached or failed to perform the duties of the trustee's
7 office in compliance with this section; and
- 8 2. In the case of an action for monetary damages, the breach or failure to
9 perform constitutes willful misconduct or wanton or reckless disregard
10 for human rights, safety, or property.
- 11 (f) A person bringing an action for monetary damages under this section shall
12 have the burden of proving by clear and convincing evidence the provisions of
13 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
14 breach or failure to perform was the legal cause of damages suffered by the
15 Kentucky Retirement Systems.
- 16 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
17 any act or omission occurring prior to July 15, 1988.
- 18 (h) In discharging his or her administrative duties under this section, a trustee
19 shall strive to administer the retirement system in an efficient and cost-
20 effective manner for the taxpayers of the Commonwealth of Kentucky.
- 21 (16) When an order by the system substantially impairs the benefits or rights of a
22 member, retired member, or recipient, except action which relates to entitlement to
23 disability benefits, or when an employer disagrees with an order of the system as
24 provided by KRS 61.598, the affected member, retired member, recipient, or
25 employer may request a hearing to be held in accordance with KRS Chapter 13B.
26 The board may establish an appeals committee whose members shall be appointed
27 by the chair and who shall have authority to act upon the recommendations and

1 reports of the hearing officer on behalf of the board. The member, retired member,
2 recipient, or employer aggrieved by a final order of the board following the hearing
3 may appeal the decision to the Franklin Circuit Court, in accordance with KRS
4 Chapter 13B.

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

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

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

- 11 1. Benefits and benefits administration;
- 12 2. Investment concepts, policies, and current composition and
13 administration of retirement systems investments;
- 14 3. Laws, bylaws, and administrative regulations pertaining to the
15 retirement systems and to fiduciaries; and
- 16 4. Actuarial and financial concepts pertaining to the retirement systems.

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

22 (b) Annual required training for board members on the administration, benefits,
23 financing, and investing of the retirement systems. If a trustee fails to
24 complete the annual required training during the calendar or fiscal year, the
25 retirement systems shall withhold payment of the per diem and travel
26 expenses due to the board member under this section and KRS 16.640 and
27 78.780 until the board member has met the annual training requirements; and

1 (c) The retirement systems shall incorporate by reference in an administrative
2 regulation, pursuant to KRS 13A.2251, the trustee education program.

3 (19) In order to improve public transparency regarding the administration of the systems,
4 the board of trustees shall adopt a best practices model by posting the following
5 information to the retirement systems' Web site and shall make available to the
6 public:

7 (a) Meeting notices and agendas for all meetings of the board. Notices and
8 agendas shall be posted to the retirement systems' Web site at least seventy-
9 two (72) hours in advance of the board or committee meetings, except in the
10 case of special or emergency meetings as provided by KRS 61.823;

11 (b) The Comprehensive Annual Financial Report with the information as follows:
12 1. A general overview and update on the retirement systems by the
13 executive director;
14 2. A listing of the board of trustees;
15 3. A listing of key staff;
16 4. An organizational chart;
17 5. Financial information, including a statement of plan net assets, a
18 statement of changes in plan net assets, an actuarial value of assets, a
19 schedule of investments, a statement of funded status and funding
20 progress, and other supporting data;
21 6. Investment information, including a general overview, a list of the
22 retirement system's professional consultants, a total *net of fees* return on
23 retirement systems investments over a historical period, an investment
24 summary, contracted investment management expenses, transaction
25 commissions, and a schedule of investments;
26 7. The annual actuarial valuation report on the pension benefit and the
27 medical insurance benefit; and

- 1 8. A general statistical section, including information on contributions,
2 benefit payouts, and retirement systems' demographic data;
- 3 (c) All external audits;
- 4 (d) All board minutes or other materials that require adoption or ratification by
5 the board of trustees. The items listed in this paragraph shall be posted within
6 seventy-two (72) hours of adoption or ratification of the board;
- 7 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 8 (f) The retirement systems' summary plan description;
- 9 (g) A document containing an unofficial copy of the statutes governing the
10 systems administered by Kentucky Retirement Systems;
- 11 (h) A listing of the members of the board of trustees and membership on each
12 committee established by the board, including any investment committees;
- 13 (i) All investment holdings *in aggregate, fees,* and commissions for each fund
14 administered by the board, *which shall be updated on a quarterly basis for*
15 *fiscal years beginning on or after July 1, 2017.* ~~The board shall update the~~
16 ~~list of holdings and commissions on a quarterly basis for fiscal years~~
17 ~~beginning on or after July 1, 2008~~ *The systems shall request from all*
18 *managers, partnerships, and any other available sources all information*
19 *regarding fees and commissions and shall, based on the requested*
20 *information received:*
- 21 *1. Disclose the dollar value of fees and commissions paid to each*
22 *individual manager or partnership;*
- 23 *2. Disclose the dollar value of any profit sharing, carried interest, or any*
24 *other partnership incentive arrangements, partnership agreements, or*
25 *any other partnership expenses received by or paid to each manager or*
26 *partnership; and*
- 27 *3. As applicable, report each fee or commission by manager or*

1 partnership consistent with standards established by the Institutional
 2 Limited Partners Association (ILPA).

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

6 (j) An update of net of fees investment returns, asset allocations, and the
 7 performance of the funds against benchmarks adopted by the board for each
 8 fund, ~~and~~ for each asset class administered by the board, and for each
 9 manager. The update shall be posted on a quarterly basis for fiscal years
 10 beginning on or after July 1, 2017 ~~July 1, 2008~~;

11 (k) A searchable database of the systems' expenditures and a listing of each
 12 individual employed by the systems along with the employee's salary or
 13 wages. In lieu of posting the information required by this paragraph to the
 14 systems' Web site, the systems may provide the information through a Web
 15 site established by the executive branch to inform the public about executive
 16 branch agency expenditures and public employee salaries and wages ~~. No~~
 17 ~~provision of this paragraph shall require the systems to disclose confidential~~
 18 ~~member information protected under KRS 61.661;~~ ~~and~~

19 (l) All contracts or offering documents for services, goods, or property
 20 purchased or utilized by the systems; and

21 (m) Information regarding the systems' financial and actuarial condition that is
 22 easily understood by the members, retired members, and the public.

23 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
 24 systems shall not be required to furnish information that is protected under KRS
 25 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
 26 retirement systems' ability to competitively invest in real estate or other asset
 27 classes, except that no provision of this section or KRS 61.878 shall exclude

1 disclosure and review of all contracts, including investment contracts, by the
 2 board, the Auditor of Public Accounts, and the Government Contract Review
 3 Committee established pursuant to KRS 45A.705 or the disclosure of investment
 4 fees and commissions as provided by this section. If any public record contains
 5 material which is not excepted under this section, the systems shall separate the
 6 excepted material by removal, segregation, or redaction, and make the
 7 nonexcepted material available for examination~~for to competitively negotiate~~
 8 ~~vendor fees~~].

9 (21) Notwithstanding any other provision of KRS 16.505 to 16.652, 61.510 to 61.705,
 10 and 78.510 to 78.852 to the contrary, no funds of the systems administered by
 11 Kentucky Retirement Systems, including fees and commissions paid to an
 12 investment manager, private fund, or company issuing securities, who manages
 13 systems assets, shall be used to pay fees and commissions to ~~unregulated~~
 14 ~~placement agents~~. For purposes of this subsection, "~~unregulated~~ placement agent"
 15 means a third-party~~an~~ individual, who is not an employee, or firm, wholly or
 16 partially owned by the entity being hired, who solicits investments on behalf of an
 17 investment manager, private fund, or company issuing securities~~, who is prohibited~~
 18 ~~by federal securities laws and regulations promulgated thereunder from receiving~~
 19 ~~compensation for soliciting a government agency~~].

20 ➔Section 4. KRS 61.650 is amended to read as follows:

- 21 (1) (a) The board shall be the trustee of the several funds created by KRS 16.510,
 22 61.515, 61.701, and 78.520, notwithstanding the provisions of any other
 23 statute to the contrary, and shall have exclusive power to invest and reinvest
 24 such funds in accordance with federal law.
- 25 (b) 1. The board shall establish an investment committee whose membership
 26 shall be composed of the following:
- 27 a. The two (2) trustees appointed by the Governor pursuant to KRS

1 61.645(1)(e)5.; and

2 b. Three (3) trustees appointed by the board chair.

3 2. The investment committee shall have authority to implement the
4 investment policies adopted by the board and act on behalf of the board
5 on all investment-related matters and to acquire, sell, safeguard,
6 monitor, and manage the assets and securities of the several funds.

7 (c) A trustee, officer, employee, or other fiduciary shall discharge duties with
8 respect to the retirement system:

9 1. Solely in the interest of the members and beneficiaries;

10 2. For the exclusive purpose of providing benefits to members and
11 beneficiaries and paying reasonable expenses of administering the
12 system;

13 3. With the care, skill, and caution under the circumstances then prevailing
14 that a prudent person acting in a like capacity and familiar with those
15 matters would use in the conduct of an activity of like character and
16 purpose;

17 4. Impartially, taking into account any differing interests of members and
18 beneficiaries;

19 5. Incurring any costs that are appropriate and reasonable; and

20 6. In accordance with a good-faith interpretation of the law governing the
21 retirement system.

22 **(d) In addition to the standards of conduct prescribed by paragraph (c) of this**
23 **subsection, all individuals associated with the investment and management**
24 **of retirement system assets, whether contracted investment advisors, board**
25 **members, or staff employees, shall adhere to "The Code of Ethics and**
26 **Standards of Professional Conduct," the "Asset Manager Code of**
27 **Professional Conduct" if the individual is managing retirement system**

1 assets, and the "Code of Conduct for Members of a Pension Scheme
2 Governing Body" if the individual is a board member. All codes cited in this
3 paragraph are promulgated by the CFA Institute.

4 (2) All securities acquired under authority of KRS 61.510 to 61.705 shall be registered
5 in the name "Kentucky Retirement Systems" or nominee name as provided by KRS
6 286.3-225 and every change in registration, by reason of sale or assignment of such
7 securities, shall be accomplished pursuant to written policies adopted by the board.

8 (3) The board, in keeping with its responsibility as trustee and wherever consistent with
9 its fiduciary responsibilities, shall give priority to the investment of funds in
10 obligation calculated to improve the industrial development and enhance the
11 economic welfare of the Commonwealth.

12 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
13 evaluations made by or for the system relative to the acquisition or disposition of
14 property, until such time as all of the property has been acquired or sold, shall be
15 excluded from the application of KRS 61.870 to 61.884 and shall be subject to
16 inspection only upon order of a court of competent jurisdiction.

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

20 (6) All contracts for the investment or management of assets of the systems shall not
21 be subject to KRS Chapters 45, 45A, 56 and 57. Instead, the board shall conduct
22 the following process to develop and adopt an investment procurement policy
23 with which all prospective contracts for the investment or management of assets
24 of the systems shall comply:

25 (a) On or before July 1, 2017, the board shall consult with the secretary of the
26 Finance and Administration Cabinet or his or her designee to develop an
27 investment procurement policy, which shall be written to meet best practices

- 1 *in investment management procurement;*
- 2 *(b) Thirty (30) days prior to adoption, the board shall tender the preliminary*
- 3 *investment procurement policy to the secretary of the Finance and*
- 4 *Administration Cabinet or his or her designee for review and comment;*
- 5 *(c) Upon receipt of comments from the secretary of the Finance and*
- 6 *Administration Cabinet or his or her designee, the board shall choose to*
- 7 *adopt or not adopt any recommended changes;*
- 8 *(d) Upon adoption, the board shall tender the final investment procurement*
- 9 *policy to the secretary of the Finance and Administration Cabinet or his or*
- 10 *her designee;*
- 11 *(e) No later than thirty (30) days after receipt of the investment procurement*
- 12 *policy, the secretary or his or her designee shall certify whether the board's*
- 13 *investment procurement policy meets or does not meet best practices for*
- 14 *investment management procurement; and*
- 15 *(f) Any amendments to the investment procurement policy shall adhere to the*
- 16 *requirements set forth by paragraphs (b) to (e) of this subsection.*

17 ➔Section 5. KRS 161.250 is amended to read as follows:

- 18 (1) (a) The general administration and management of the retirement system, and the
- 19 responsibility for its proper operation and for making effective provisions of
- 20 KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be
- 21 known as the "Board of Trustees of the Teachers' Retirement System of the
- 22 State of Kentucky."
- 23 (b) The board of trustees shall consist of *the following:*
- 24 *1.* The chief state school officer~~[,];~~;
- 25 *2.* The State Treasurer~~[,];~~;
- 26 *3. Two (2) trustees, appointed by the Governor of the Commonwealth,*
- 27 *subject to Senate confirmation in accordance with KRS 11.160 for*

1 each appointment or reappointment. These two (2) trustees shall have
 2 investment experience. For purposes of this subparagraph, a trustee
 3 with "investment experience" means an individual who does not have
 4 a conflict of interest, as provided by KRS 161.460, and who has at
 5 least ten (10) years of experience in one (1) of the following areas of
 6 expertise:

7 a. A portfolio manager acting in a fiduciary capacity;

8 b. A professional securities analyst or investment consultant;

9 c. A current or retired employee or principal of a trust institution,
 10 investment or finance organization, or endowment fund acting
 11 in an investment-related capacity;

12 d. A chartered financial analyst in good standing as determined by
 13 the CFA Institute; or

14 e. A university professor, teaching investment-related studies; and

15 4. Seven (7) other trustees elected as provided in KRS 161.260. Four (4) of
 16 the elective trustees shall be members of the retirement system, to be
 17 known as teacher trustees, two (2) shall be persons who are not members
 18 of the teaching profession, to be known as the lay trustees, and one (1)
 19 shall be an annuitant of the retirement system to be known as the retired
 20 teacher trustee. One (1) teacher trustee shall be elected annually for a
 21 four-year term. The retired teacher trustee shall be elected every four (4)
 22 years. The chief state school officer and the State Treasurer are
 23 considered ex officio members of the board of trustees and may
 24 designate in writing a person to represent them at board meetings.

25 (c) 1. Elective trustees shall not serve more than three (3) consecutive four (4)
 26 year terms. An elective trustee who has served three (3) consecutive
 27 terms may be elected again after an absence of four (4) years from the

1 board of trustees.

2 2. The term limits established by subparagraph 1. of this paragraph shall
3 apply to elective trustees serving on or after July 1, 2012, and all terms
4 of office served prior to July 1, 2012, shall be used to determine if the
5 elective trustee has exceeded the term limits provided by subparagraph
6 1. of this paragraph.

7 *(d) 1. Each appointed trustee shall serve a term of four (4) years. An*
8 *appointed trustee shall not serve more than three (3) consecutive four*
9 *(4) year terms. An appointed trustee who has served three (3)*
10 *consecutive terms may be appointed again after an absence of four (4)*
11 *years from the board of trustees.*

12 *2. Any vacancy that occurs in an appointed position shall be filled in the*
13 *same manner that provides for the selection of the trustee; however,*
14 *any vacancy shall be filled only for the duration of the unexpired term.*

15 (2) A member, retired member, or designated beneficiary may appeal the retirement
16 system's decisions that materially affect the amount of service retirement allowance,
17 amount of service credit, eligibility for service retirement, or eligibility for
18 survivorship benefits to which that member, retired member, or designated
19 beneficiary claims to be entitled. All appeals must be in writing and filed with the
20 retirement system within thirty (30) days of the claimant's first notice of the
21 retirement system's decision. For purposes of this section, notice shall be complete
22 and effective upon the date of mailing of the retirement system's decision to the
23 claimant at the claimant's last known address. Failure by the claimant to file a
24 written appeal with the retirement system within the thirty (30) day period shall
25 result in the decision of the retirement system becoming permanent with the effect
26 of a final and unappealable order. Appeals may include a request for an
27 administrative hearing which shall be conducted in accordance with the provisions

1 of KRS Chapter 13B. The board of trustees may establish an appeals committee
2 whose members shall be appointed by the chairperson and who shall have the
3 authority to act upon the report and recommendation of the hearing officer by
4 issuing a final order on behalf of the full board of trustees. A member, retired
5 member, or designated beneficiary who has filed a timely, written appeal of a
6 decision of the retirement system may, following the administrative hearing and
7 issuance of the final order by the board of trustees, appeal the final order of the
8 board of trustees to the Franklin Circuit Court in accordance with the provisions of
9 KRS Chapter 13B.

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

12 (a) A required orientation program for all new trustees to the board. The
13 orientation program shall include training on:

- 14 1. Benefits and benefits administration;
- 15 2. Investment concepts, policies, and current composition and
16 administration of retirement system investments;
- 17 3. Laws, bylaws, and administrative regulations pertaining to the
18 retirement system and to fiduciaries; and
- 19 4. Actuarial and financial concepts pertaining to the retirement system.

20 If a trustee fails to complete the orientation program within one (1) year from
21 the beginning of his or her first term on the board, the retirement system shall
22 withhold payment of the per diem and travel expenses due to the board
23 member under KRS 161.290 until the trustee has completed the orientation
24 program;

25 (b) Annual required training for trustees on the administration, benefits,
26 financing, and investing of the retirement system. If a trustee fails to complete
27 the annual required training during the calendar or fiscal year, the retirement

1 system shall withhold payment of the per diem and travel expenses due to the
2 board member under KRS 161.290 until the board member has met the annual
3 training requirements; and

4 (c) The retirement system shall incorporate by reference in an administrative
5 regulation, pursuant to KRS 13A.2251, the trustee education program.

6 (4) In order to improve public transparency regarding the administration of the system,
7 the board of trustees shall adopt a best practices model by posting the following
8 information to the retirement system's Web site and shall make available to the
9 public:

10 (a) Meeting notices and agendas for all meetings of the board. Notices and
11 agendas shall be posted to the retirement system's Web site at least seventy-
12 two (72) hours in advance of the board or committee meetings, except in the
13 case of special or emergency meetings as provided by KRS 61.823;

14 (b) The Comprehensive Annual Financial Report with the information as follows:

15 1. A general overview and update on the retirement system by the
16 executive secretary;

17 2. A listing of the board of trustees;

18 3. A listing of key staff;

19 4. An organizational chart;

20 5. Financial information, including a statement of plan net assets, a
21 statement of changes in plan net assets, an actuarial value of assets, a
22 schedule of investments, a statement of funded status and funding
23 progress, and other supporting data;

24 6. Investment information, including a general overview, a list of the
25 retirement system's professional consultants, a total net return on
26 retirement system investments over a historical period, an investment
27 summary, contracted investment management expenses, transaction

- 1 commissions, and a schedule of investments;
- 2 7. The annual actuarial valuation report on the pension benefit and the
- 3 medical insurance benefit; and
- 4 8. A general statistical section, including information on contributions,
- 5 benefit payouts, and retirement system demographic data;
- 6 (c) All external audits;
- 7 (d) All board minutes or other materials that require adoption or ratification by
- 8 the board of trustees. The items listed in this paragraph shall be posted within
- 9 seventy-two (72) hours of adoption or ratification of the board;
- 10 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 11 (f) The retirement system's summary plan description;
- 12 (g) The retirement system's law book;
- 13 (h) A listing of the members of the board of trustees and membership on each
- 14 committee established by the board, including any investment committees;
- 15 (i) All investment holdings *in aggregate, fees,* and commissions for each fund
- 16 administered by the board, *which shall be updated on a quarterly basis for*
- 17 *fiscal years beginning on or after July 1, 2017.* ~~The board shall update the~~
- 18 ~~list of holdings and commissions on a quarterly basis for fiscal years~~
- 19 ~~beginning on or after July 1, 2008.~~ *The system shall request from all*
- 20 *managers, partnerships, and any other available sources all information*
- 21 *regarding fees and commissions and shall, based on the requested*
- 22 *information received:*
- 23 *1. Disclose the dollar value of fees or commissions paid to each*
- 24 *individual manager or partnership;*
- 25 *2. Disclose the dollar value of any profit sharing, carried interest, or any*
- 26 *other partnership incentive arrangements, partnership agreements, or*
- 27 *any other partnership expenses received by or paid to each manager or*

1 partnership; and

2 3. As applicable, report each fee or commission by manager or
 3 partnership consistent with standards established by the Institutional
 4 Limited Partners Association (ILPA).

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

8 (j) An update of net of fees investment returns, asset allocations, and the
 9 performance of the funds against benchmarks adopted by the board for each
 10 fund, ~~and~~ for each asset class administered by the board, and for each
 11 manager. The update shall be posted on a quarterly basis for fiscal years
 12 beginning on or after July 1, 2017~~[July 1, 2008]; and~~

13 (k) All contracts or offering documents for services, goods, or property
 14 purchased or utilized by the system; and

15 (l) A searchable database of the system's expenditures and a listing of each
 16 individual employed by the system along with the employee's salary or wages.
 17 In lieu of posting the information required by this paragraph to the system's
 18 Web site, the system may provide the information through a Web site
 19 established by the executive branch to inform the public about executive
 20 branch agency expenditures and public employee salaries and wages. ~~No~~
 21 ~~provision of this paragraph shall require the system to disclose confidential~~
 22 ~~member information protected under KRS 161.585.]~~

23 (5) Notwithstanding the requirements of subsection (4) of this section, the retirement
 24 system shall not be required to furnish information that is protected under KRS
 25 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the
 26 retirement system's ability to competitively invest in real estate or other asset
 27 classes, except that no provision of this section or KRS 61.878 shall exclude

1 disclosure and review of all contracts, including investment contracts, by the
 2 board, the Auditor of Public Accounts, and the Government Contract Review
 3 Committee established pursuant to KRS 45A.705 or the disclosure of investment
 4 fees and commissions as provided by this section. If any public record contains
 5 material which is not excepted under this section, the system shall separate the
 6 excepted material by removal, segregation, or redaction, and make the
 7 nonexcepted material available for examination~~[or to competitively negotiate~~
 8 ~~vendor fees].~~

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

13 ➔Section 6. KRS 161.300 is amended to read as follows:

14 Seven (7)~~[Five (5)]~~ members of the board of trustees shall constitute a quorum. Each
 15 trustee shall be entitled to one (1) vote. Four (4) votes or a majority of the trustees present
 16 whichever is the larger number shall be necessary for a decision by the trustees at any
 17 meeting of the board.

18 ➔Section 7. KRS 161.340 is amended to read as follows:

- 19 (1) (a) The board of trustees shall elect from its membership a chairperson and a vice
 20 chairperson on an annual basis as prescribed by the administrative regulations
 21 of the board of trustees. The chairperson shall not serve more than four (4)
 22 consecutive years as chairperson or vice chairperson of the board. The vice
 23 chairperson shall not serve more than four (4) consecutive years as
 24 chairperson or vice chairperson of the board. A trustee who has served four
 25 (4) consecutive years as chairperson or vice chairperson of the board may be
 26 elected chairperson or vice chairperson of the board after an absence of two
 27 (2) years from the position.

- 1 (b) The board of trustees shall employ an executive secretary by means of a
 2 contract not to exceed a period of four (4) years and fix the compensation and
 3 other terms of employment for this position without limitation of the
 4 provisions of KRS Chapter~~[Chapters]~~ 18A~~[, 45A, 56,]~~ and KRS 64.640. The
 5 executive secretary shall be the chief administrative officer of the board. The
 6 executive secretary, at the time of employment, shall be a graduate of a four
 7 (4) year college or university, and shall possess qualifications as the board of
 8 trustees may require. The executive secretary shall not have held by
 9 appointment or election an elective public office within the five (5) year
 10 period next preceding the date of employment.
- 11 (2) The board shall employ clerical, administrative, and other personnel as are required
 12 to transact the business of the retirement system. The compensation of all persons
 13 employed by the board shall be paid at the rates and in amounts as the board
 14 approves. Anything in the Kentucky Revised Statutes to the contrary
 15 notwithstanding, the power over and the control of determining and maintaining an
 16 adequate complement of employees in the system shall be under the exclusive
 17 jurisdiction of the board of trustees.
- 18 (3) (a) Except as provided by subsection (7) of Section 8 of this Act, the board shall
 19 contract for actuarial, auditing, legal, medical, investment counseling, and
 20 other professional or technical services, and commodities, as are required to
 21 carry out the obligations of the board in accordance with the provisions of this
 22 chapter, subject to~~[without limitations, including]~~ KRS Chapters ~~[12, 13B,~~
 23 ~~]45, 45A, 56, and 57~~ but without the limitations provided by KRS Chapters
 24 12 and 13B.~~[, and]~~
- 25 (b) The board shall provide for legal counsel and other legal services as may be
 26 required in defense of trustees, officers, and employees of the system who
 27 may be subjected to civil action arising from the performance of their legally

1 assigned duties if counsel and services are not provided by the Attorney
2 General. The hourly rate of reimbursement for any contract for legal
3 services under this paragraph shall not exceed the maximum hourly rate
4 provided in the Legal Services Duties and Maximum Rate Schedule
5 promulgated by the Government Contract Review Committee established
6 pursuant to KRS 45A.705, unless a higher rate is specifically approved by
7 the secretary of the Finance and Administration Cabinet or his or her
8 designee.

9 (4) The board shall require the trustees, executive secretary, and employees it
10 determines proper to execute bonds for the faithful performance of their duties
11 notwithstanding the limitations of KRS Chapter 62.

12 (5) The board of trustees may expend funds from the expense fund as necessary to
13 insure the trustees, employees, and officials of the Teachers' Retirement System
14 against any liability arising out of an act or omission committed in the scope and
15 course of performing legal duties.

16 (6) Notwithstanding any statute to the contrary, employees shall not be considered
17 legislative agents as defined in KRS 6.611.

18 (7) Notwithstanding any statute to the contrary, the executive branch of government
19 shall accept from the Kentucky Teachers' Retirement System all accrued annual and
20 sick leave balances and service credits of employees leaving the Kentucky Teachers'
21 Retirement System and accepting appointments within the executive branch. These
22 leave balances shall be attested to by the Kentucky Teachers' Retirement System
23 and shall not exceed those limits established by statute or administrative regulation
24 for employees of the executive branch.

25 ➔Section 8. KRS 161.430 is amended to read as follows:

26 (1) The board of trustees shall be the trustee of the funds of the retirement system and
27 shall have full power and responsibility for the purchase, sale, exchange, transfer, or

1 other disposition of the investments and moneys of the retirement system. The
2 board shall, by administrative regulation, establish investment policies and
3 procedures to carry out their responsibilities. The board shall employ experienced
4 competent investment counselors to advise it on all matters pertaining to
5 investment, except the board may employ qualified investment personnel to advise
6 it on investment matters not to exceed fifty percent (50%) of the book value of the
7 system's assets. All individuals associated with the investment and management of
8 retirement system assets, whether contracted investment advisors, **board members,**
9 or staff employees, shall adhere to "The Code of Ethics["] and ["The]Standards of
10 Professional Conduct," **the "Asset Manager Code of Professional Conduct" if the**
11 **individual is managing retirement system assets, and the "Code of Conduct for**
12 **Members of a Pension Scheme Governing Body" if the individual is a board**
13 **member,** promulgated by the **CFA Institute**~~Association for Investment~~
14 ~~Management and Research~~. Effective July 1, 1991, no investment counselor shall
15 manage more than forty percent (40%) of the funds of the retirement system. The
16 board may appoint an investment committee consisting of the executive secretary
17 and two (2) trustees to act for the board in all matters of investment, subject to the
18 approval of the board of trustees. The board of trustees, in keeping with their
19 responsibilities as trustees and wherever consistent with their fiduciary
20 responsibilities, shall give priority to the investment of funds in obligations
21 calculated to improve the industrial development and enhance the economic welfare
22 of the Commonwealth. Toward this end, the board shall develop procedures for
23 informing the business community of the potential for in-state investments by the
24 retirement fund, accepting and evaluating applications for the in-state investment of
25 funds, and working with members of the business community in executing in-state
26 investments which are consistent with the board's fiduciary responsibilities. The
27 board shall include in the criteria it uses to evaluate in-state investments their

1 potential for creating new employment opportunities and adding to the total job
2 pool in Kentucky. The board may cooperate with the board of trustees of Kentucky
3 Retirement Systems in developing its program and procedures, and shall report to
4 the Legislative Research Commission annually on its progress in placing in-state
5 investments. The first report shall be submitted by October 1, 1991, and subsequent
6 reports shall be submitted by October 1 of each year thereafter. The report shall
7 include the number of applications for in-state investment received, the nature of
8 the investments proposed, the amount requested, the amount invested, and the
9 percentage of applications which resulted in investments.

10 (2) The board members and investment counselor shall discharge their duties with
11 respect to the assets of the system solely in the interests of the active contributing
12 members and annuitants and:

13 (a) For the exclusive purpose of providing benefits to members and annuitants
14 and defraying reasonable expenses of administering the system;

15 (b) With the care, skill, prudence, and diligence under the circumstances then
16 prevailing that a prudent person acting in a like capacity and familiar with
17 these matters would use in the conduct of an enterprise of a like character and
18 with like aims;

19 (c) By diversifying the investments of the plan so as to minimize the risk of large
20 losses, unless under the circumstances it is clearly prudent not to do so; and

21 (d) In accordance with the laws, administrative regulations, and other instruments
22 governing the system.

23 (3) (a) In choosing and contracting for professional investment management services
24 the board must do so prudently and in the interest of the members and
25 annuitants. Any contract that the board makes with an investment counselor
26 shall set forth policies and guidelines of the board with reference to standard
27 rating services and specific criteria for determining the quality of investments.

1 Expenses directly related to investment management services shall be
2 financed from the guarantee fund in amounts approved by the board.

3 (b) An investment counselor appointed under this section shall acknowledge in
4 writing his fiduciary responsibilities to the fund. To be eligible for
5 appointment, an investment counselor must be:

6 1. Registered under the Federal Investment Advisors Act of 1940; or

7 2. A bank as defined by that Act; or

8 3. An insurance company qualified to perform investment services under
9 the laws of more than one (1) state.

10 (4) No investment or disbursement of funds shall be made unless authorized by the
11 board of trustees, except that the board, in order to ensure timely market
12 transactions, shall establish investment guidelines, by administrative regulation, and
13 may permit its staff and investment counselors employed pursuant to this section to
14 execute purchases and sales of investment instruments within those guidelines
15 without prior board approval.

16 (5) In discharging his or her administrative duties under this section, a trustee shall
17 strive to administer the retirement system in an efficient and cost-effective manner
18 for the taxpayers of the Commonwealth of Kentucky.

19 (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the
20 Kentucky Teachers' Retirement System, including fees and commissions paid to an
21 investment manager, private fund, or company issuing securities, who manages
22 systems assets, shall be used to pay fees and commissions to ~~unregulated~~
23 ~~placement agents~~. For purposes of this subsection, ~~an~~ ~~unregulated~~ ~~placement~~
24 ~~agent~~" means **a third-party**~~an~~ individual, **who is not an employee,** or firm, **wholly**
25 **or partially owned by the entity being hired,** who solicits investments on behalf of
26 an investment manager, private fund, or company issuing securities~~, who is~~
27 ~~prohibited by federal securities laws and regulations promulgated thereunder from~~

1 receiving compensation for soliciting a government agency].

2 (7) All contracts for the investment or management of assets of the system shall not
3 be subject to KRS Chapters 45, 45A, 56 and 57. Instead, the board shall conduct
4 the following process to develop and adopt an investment procurement policy
5 with which all prospective contracts for the investment or management of assets
6 of the system shall comply:

7 (a) On or before July 1, 2017, the board shall consult with the secretary of the
8 Finance and Administration Cabinet or his or her designee to develop an
9 investment procurement policy, which shall be written to meet best practices
10 in investment management procurement;

11 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
12 investment procurement policy to the secretary of the Finance and
13 Administration Cabinet or his or her designee for review and comment;

14 (c) Upon receipt of comments from the secretary of the Finance and
15 Administration Cabinet or his or her designee, the board shall choose to
16 adopt or not adopt any recommended changes;

17 (d) Upon adoption, the board shall tender the final investment procurement
18 policy to the secretary of the Finance and Administration Cabinet or his or
19 her designee;

20 (e) No later than thirty (30) days after receipt of the investment procurement
21 policy, the secretary or his or her designee shall certify whether the board's
22 investment procurement policy meets or does not meet best practices for
23 investment management procurement; and

24 (f) Any amendments to the investment procurement policy shall adhere to the
25 requirements set forth by paragraphs (b) to (e) of this subsection.

26 ➔Section 9. KRS 7A.220 is amended to read as follows:

27 (1) The Public Pension Oversight Board shall be composed of the following nineteen

1 ~~(19)~~~~[thirteen (13)]~~ members:

- 2 (a) Four (4)~~[Two (2)]~~ members of the General Assembly appointed by the
3 Speaker of the House of Representatives, each of whom shall serve while a
4 member of the House for the term for which he or she has been elected, one
5 (1) of whom shall be the chair or a vice chair of the House Standing
6 Committee on Appropriations and Revenue, and one (1) of whom the
7 Speaker shall designate as co-chair of the board;
- 8 (b) Four (4)~~[Two (2)]~~ members of the General Assembly appointed by the
9 President of the Senate, each of whom shall serve while a member of the
10 Senate for the term for which he or she has been elected, one (1) of whom
11 shall be the chair or a vice chair of the Senate Standing Committee on
12 Appropriations and Revenue, and one (1) of whom the President shall
13 designate as co-chair of the board;
- 14 (c) Two (2) members~~[One (1) member]~~ of the General Assembly appointed by
15 the Minority Floor Leader of the Senate, who shall serve while a member of
16 the Senate for the term for which he or she has been elected;
- 17 (d) Two (2) members~~[One (1) member]~~ of the General Assembly appointed by
18 the Minority Floor Leader of the House of Representatives, who shall serve
19 while a member of the House for the term for which he or she has been
20 elected;
- 21 (e) One (1) individual appointed by the Speaker of the House of Representatives,
22 who shall be certified as a chartered financial analyst (CFA) with at least ten
23 (10) years of investment experience or who shall possess at least ten (10)
24 years of retirement experience as defined by subsection (2) of this section;
- 25 (f) One (1) individual appointed by the President of the Senate, who shall be
26 certified as a chartered financial analyst (CFA) with at least ten (10) years of
27 investment experience or who shall possess at least ten (10) years of

1 retirement experience as defined by subsection (2) of this section;

2 (g) The state budget director or his or her designee;

3 (h) The Auditor of Public Accounts or his or her designee;

4 (i) The Attorney General or his or her designee; and

5 (j) Two (2) individuals appointed by the Governor, one (1) of whom shall be
6 certified as a chartered financial analyst (CFA) with at least ten (10) years of
7 investment experience and one (1) of whom shall possess at least ten (10)
8 years of retirement experience as defined by subsection (2) of this section.

9 (2) For purposes of this section, "retirement experience" means:

10 (a) Experience in retirement or pension plan management;

11 (b) A certified public accountant with relevant experience in retirement or
12 pension plan accounting;

13 (c) An actuary with relevant experience in retirement or pension plan consulting;

14 (d) An attorney licensed to practice law in the Commonwealth of Kentucky with
15 relevant experience in retirement or pension plans; or

16 (e) A current or former university professor whose primary area of emphasis is
17 economics or finance.

18 (3) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall not:

19 (a) Be a member of the General Assembly;

20 (b) Be employed by a state agency of the Commonwealth of Kentucky or
21 receiving a contractual payment for services rendered to a state agency of the
22 Commonwealth of Kentucky that would conflict with his or her service to the
23 board; or

24 (c) Serve more than three (3) consecutive four (4) year terms on the board.

25 (4) Any vacancy which may occur in the membership of the board shall be filled by the
26 appointing authority who made the original appointment.

27 (5) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall serve

1 a term of four (4) years.

2 ➔Section 10. KRS 7A.255 is amended to read as follows:

3 (1) Notwithstanding KRS 21.345 to 21.580, 61.661, 61.870 to 61.884, or 161.585 to
4 the contrary, on or before November 15 following the close of each fiscal year, the
5 state-administered retirement systems shall collectively file a report with the Public
6 Pension Oversight Board that shall include the following information for each
7 member or recipient of a retirement allowance from any of the state-administered
8 retirement systems:

9 (a)~~[(1)]~~ A unique identification number for each member or recipient that is
10 created solely for purposes of compiling the report provided by this section
11 and which shall not be the member's Social Security number or personal
12 identification number issued by the systems. For individual members or
13 recipients with multiple accounts in the state-administered retirement systems,
14 all of the state-administered retirement systems shall use the same unique
15 identification number;

16 (b)~~[(2)]~~ The system or systems in which the member has an account or from
17 which the retired member is receiving a monthly retirement allowance;

18 (c)~~[(3)]~~ The status of the member or recipient, including but not limited to
19 whether he or she is a contributing member, a member who is not currently
20 contributing to the systems but has not retired, a retired member, a
21 beneficiary, or a retired member who has returned to work following
22 retirement with an agency participating in the systems;

23 (d)~~[(4)]~~ If the individual is a retired member or beneficiary, the annualized
24 monthly retirement allowance that he or she was receiving at the end of the
25 most recently completed fiscal year; and

26 (e)~~[(5)]~~ If the individual is a member who has not yet retired, the estimated
27 annual retirement allowance that he or she is eligible to receive at his or her

1 normal retirement date based upon his or her service credit, final
2 compensation, and accumulated account balance at the end of the most
3 recently completed fiscal year.

4 Under no circumstances shall the member's name, address, or Social Security
5 number be included in the information required to be reported to the board by this
6 section, nor shall the unique identification number established by subsection (1) of
7 this section be capable of being linked to a specific member's retirement account
8 with a state-administered retirement system.

9 **(2) On or before November 15 following the close of each fiscal year, the state-**
10 **administered retirement systems shall report to the Public Pension Oversight**
11 **Board the percentage of system assets and managers for which fees and**
12 **commissions are being reported in accordance with paragraph (m) of subsection**
13 **(4) of Section 2 of this Act, paragraph (i) of subsection (19) of Section 3 of this**
14 **Act, and paragraph (i) of subsection (4) of Section 5 of this Act. This subsection**
15 **shall apply on a fiscal year basis beginning on or after July 1, 2017.**

16 **(3) On or before November 15, 2017, the state-administered retirement systems shall**
17 **tender to the Public Pension Oversight Board a copy of their board-adopted**
18 **investment procurement policy along with certification from the secretary of the**
19 **Finance and Administration Cabinet that the investment procurement policy**
20 **meets or does not meet the best practices for investment management**
21 **procurement. If the board amends its investment procurement policy, it shall**
22 **tender a copy of its amended investment procurement policy to the Public**
23 **Pension Oversight Board within sixty (60) days of adoption along with**
24 **certification from the secretary of the Finance and Administration Cabinet that**
25 **the policy meets or does not meet the best practices for investment management**
26 **procurement.**

27 ➔Section 11. KRS 6.350 is amended to read as follows:

- 1 (1) A bill which would increase or decrease the benefits or increase or decrease
2 participation in the benefits or change the actuarial accrued liability of any state-
3 administered retirement system shall not be reported from a legislative committee of
4 either house of the General Assembly for consideration by the full membership of
5 that house unless the bill is accompanied by an actuarial analysis.
- 6 (2) (a) An actuarial analysis required by this section ~~shall~~^{must} show the economic
7 effect of the bill on the state-administered retirement system over a twenty
8 (20) year period, including:
- 9 1. An estimate of the effect on the unfunded actuarial accrued liabilities
10 and funding levels of the affected systems; and
 - 11 2. A projection of the annual employer costs to the systems of
12 implementing the legislation over the twenty (20) year period. The
13 annual employer cost projection shall include the effect on the
14 contributions of participating employers as a percentage of total payroll
15 and in total dollars of contributions.
- 16 (b) If a bill affects more than one (1) state-administered retirement system, the
17 actuarial analysis shall project costs for each affected state-administered
18 retirement system.
- 19 **(c) A statement that the cost is negligible or indeterminable shall not be**
20 **considered in compliance with this section. If a cost cannot be determined**
21 **by the actuary in accordance with paragraph (a) of this subsection, then the**
22 **systems shall certify in writing:**
- 23 **1. The estimated number of individuals affected;**
 - 24 **2. The estimated change in benefit payments;**
 - 25 **3. The estimated change to employer costs; and**
 - 26 **4. The estimated change to administrative expenses.**
- 27 ~~(d)~~^(e) An actuarial analysis shall state the actuarial assumptions and methods

1 of computation used in the analysis and shall state whether or not the bill or
2 resolution, if enacted, would, in the opinion of the actuary, make the affected
3 state-administered retirement system actuarially unsound or, in the case of a
4 system already actuarially unsound, more unsound. Actuarial cost methods
5 and assumptions that meet actuarial standards of practice established by the
6 Actuarial Standards Board shall be used in all cost projections.

7 ~~(e)~~~~(d)~~ An actuarial analysis required by this section shall be prepared by an
8 actuary who is a fellow of the Conference of Consulting Actuaries or a
9 member of the American Academy of Actuaries.

10 (3) (a) An actuary commissioned to make an actuarial analysis that is required by this
11 section, or for the purpose of seeking appropriations for a state-administered
12 retirement system, shall include in the analysis a complete definition of each
13 actuarial term used in the analysis and, either in the analysis or in a separate
14 actuarial valuation report made available as a public record, an enumeration
15 and explanation of each actuarial assumption used to complete the actuarial
16 analysis.

17 (b) If the actuary commissioned to complete the actuarial analysis is relying upon
18 assumptions that have not been previously established by the actuary in an
19 actuarial valuation of the affected state-administered retirement system, the
20 actuary shall clearly note and describe the new assumption and the basis for
21 selecting the assumption.

22 (4) The actuarial analysis required by this section shall be completed by the actuary
23 retained by the affected state-administered retirement system. The state-
24 administered retirement systems shall provide the analysis without cost to the
25 General Assembly.

26 (5) For purposes of this section, the terms:

27 (a) "State-administered retirement system" shall include:

- 1 1. The Kentucky Employees Retirement System, the County Employees
2 Retirement System, and the State Police Retirement System
3 administered by the Kentucky Retirement Systems and established under
4 the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510
5 to 78.852;
- 6 2. The Kentucky Teachers' Retirement System established under KRS
7 161.220 to 161.716;
- 8 3. The Judicial Retirement Plan established under KRS 21.345 to 21.580;
9 and
- 10 4. The Legislators' Retirement Plan established under KRS 6.500 to 6.577;
11 and

12 (b) "Funding level" means the actuarial value of assets divided by the actuarially
13 accrued liability expressed as a percentage.

14 ➔Section 12. The amendments to subsections (1) and (6) of Section 2 of this Act,
15 subsection (2) and (21) of Section 3 of this Act, subsection (3) of Section 7 of this Act,
16 and subsection (6) of Section 8 of this Act, governing placement agents and contracts or
17 offerings entered into by the state-administered retirement systems, shall apply to
18 contracts and offerings established or contracts or offerings renewed on or after July 1,
19 2017.

20 ➔Section 13. The amendments to subsections (1) and (7) of Section 2 of this Act,
21 subsection (2) of Section 3 of this Act, subsection (6) of Section 4 of this Act, subsection
22 (3) of Section 7 of this Act, and subsection (7) of Section 8 of this Act governing the
23 application of the Model Procurement Code, KRS Chapter 45A, and related statutes to
24 the state-administered retirement systems, shall apply to contracts and offerings
25 established or contracts or offerings renewed on or after July 1, 2017.

26 ➔Section 14. The amendments to subsection (1) of Section 1 of this Act and to
27 subsection (1)(e) of Section 3 of this Act that require Senate confirmation of the Judicial

1 Form Retirement System board of trustees and that require Senate confirmation of, and
2 modify the requirements for, gubernatorial appointments to the Kentucky Retirement
3 Systems board of trustees shall apply to appointments or reappointments made on or after
4 the effective date of this Act.

5 ➔Section 15. Notwithstanding any language to the contrary, for the purposes of
6 providing staggered appointments of the two trustees established by subsection (1)(b) of
7 Section 5 of this Act, the Governor shall appoint one trustee for an initial term of four
8 years and one trustee for an initial term of two years, provided that the initial term of two
9 years shall not count towards the term limitations in subsection (1)(d) of Section 5 of this
10 Act for the one trustee so appointed.

11 ➔Section 16. Whereas ensuring that the state-administered retirement systems are
12 operating in a transparent manner is important to public employees, public retirees, and
13 taxpayers of the Commonwealth of Kentucky, an emergency is declared to exist, and this
14 Act takes effect upon its passage and approval by the Governor or upon its otherwise
15 becoming law.