

1 AN ACT relating to the terms of office of the trustees of the Teachers' Retirement
2 System of Kentucky.

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

4 ➔Section 1. KRS 161.250 is amended to read as follows:

- 5 (1) (a) The general administration and management of the retirement system, and the
6 responsibility for its proper operation and for making effective provisions of
7 KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be
8 known as the "Board of Trustees of the Teachers' Retirement System of the
9 State of Kentucky."
- 10 (b) The board of trustees shall consist of the following:
- 11 1. The chief state school officer;
 - 12 2. The State Treasurer;
 - 13 3. Two (2) trustees, appointed by the Governor of the Commonwealth,
14 subject to Senate confirmation in accordance with KRS 11.160 for each
15 appointment or reappointment. **Each appointed trustee shall serve a**
16 **term of four (4) years. Any vacancy that occurs in an appointed**
17 **position shall be filled in the same manner that provides for the**
18 **selection of the trustee; however, any vacancy shall be filled only for**
19 **the duration of the unexpired term.** These two (2) trustees shall have
20 investment experience. For purposes of this subparagraph, a trustee with
21 "investment experience" means an individual who does not have a
22 conflict of interest, as provided by KRS 161.460, and who has at least
23 ten (10) years of experience in one (1) of the following areas of
24 expertise:
 - 25 a. A portfolio manager acting in a fiduciary capacity;
 - 26 b. A professional securities analyst or investment consultant;
 - 27 c. A current or retired employee or principal of a trust institution,

1 investment or finance organization, or endowment fund acting in an
 2 investment-related capacity;

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

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

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

16 ~~{(c) 1. Elective trustees shall not serve more than three (3) consecutive four (4)~~
 17 ~~year terms. An elective trustee who has served three (3) consecutive~~
 18 ~~terms may be elected again after an absence of four (4) years from the~~
 19 ~~board of trustees.~~

20 ~~2. The term limits established by subparagraph 1. of this paragraph shall apply to~~
 21 ~~elective trustees serving on or after July 1, 2012, and all terms of office~~
 22 ~~served prior to July 1, 2012, shall be used to determine if the elective~~
 23 ~~trustee has exceeded the term limits provided by subparagraph 1. of this~~
 24 ~~paragraph.~~

25 ~~(d) 1. Each appointed trustee shall serve a term of four (4) years. An appointed~~
 26 ~~trustee shall not serve more than three (3) consecutive four (4) year~~
 27 ~~terms. An appointed trustee who has served three (3) consecutive terms~~

1 ~~may be appointed again after an absence of four (4) years from the board~~
2 ~~of trustees.~~

3 ~~2. Any vacancy that occurs in an appointed position shall be filled in the~~
4 ~~same manner that provides for the selection of the trustee; however, any~~
5 ~~vacancy shall be filled only for the duration of the unexpired term.]~~

6 (2) A member, retired member, or designated beneficiary may appeal the retirement
7 system's decisions that materially affect the amount of service retirement allowance,
8 amount of service credit, eligibility for service retirement, or eligibility for
9 survivorship benefits to which that member, retired member, or designated
10 beneficiary claims to be entitled. All appeals must be in writing and filed with the
11 retirement system within thirty (30) days of the claimant's first notice of the
12 retirement system's decision. For purposes of this section, notice shall be complete
13 and effective upon the date of mailing of the retirement system's decision to the
14 claimant at the claimant's last known address. Failure by the claimant to file a written
15 appeal with the retirement system within the thirty (30) day period shall result in the
16 decision of the retirement system becoming permanent with the effect of a final and
17 unappealable order. Appeals may include a request for an administrative hearing
18 which shall be conducted in accordance with the provisions of KRS Chapter 13B.
19 The board of trustees may establish an appeals committee whose members shall be
20 appointed by the chairperson and who shall have the authority to act upon the report
21 and recommendation of the hearing officer by issuing a final order on behalf of the
22 full board of trustees. A member, retired member, or designated beneficiary who has
23 filed a timely, written appeal of a decision of the retirement system may, following
24 the administrative hearing and issuance of the final order by the board of trustees,
25 appeal the final order of the board of trustees to the Franklin Circuit Court in
26 accordance with the provisions of KRS Chapter 13B.

27 (3) The board of trustees shall establish a formal trustee education program for all

1 trustees of the board. The program shall include but not be limited to the following:

2 (a) A required orientation program for all new trustees to the board. The

3 orientation program shall include training on:

4 1. Benefits and benefits administration;

5 2. Investment concepts, policies, and current composition and
6 administration of retirement system investments;

7 3. Laws, bylaws, and administrative regulations pertaining to the retirement
8 system and to fiduciaries; and

9 4. Actuarial and financial concepts pertaining to the retirement system.

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

15 (b) Annual required training for trustees on the administration, benefits, financing,
16 and investing of the retirement system. If a trustee fails to complete the annual
17 required training during the calendar or fiscal year, the retirement system shall
18 withhold payment of the per diem and travel expenses due to the board
19 member under KRS 161.290 until the board member has met the annual
20 training requirements; and

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

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

27 (a) Meeting notices and agendas for all meetings of the board. Notices and

1 agendas shall be posted to the retirement system's Web site at least seventy-
2 two (72) hours in advance of the board or committee meetings, except in the
3 case of special or emergency meetings as provided by KRS 61.823;

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

- 5 1. A general overview and update on the retirement system by the executive
6 secretary;
- 7 2. A listing of the board of trustees;
- 8 3. A listing of key staff;
- 9 4. An organizational chart;
- 10 5. Financial information, including a statement of plan net assets, a
11 statement of changes in plan net assets, an actuarial value of assets, a
12 schedule of investments, a statement of funded status and funding
13 progress, and other supporting data;
- 14 6. Investment information, including a general overview, a list of the
15 retirement system's professional consultants, a total net return on
16 retirement system investments over a historical period, an investment
17 summary, contracted investment management expenses, transaction
18 commissions, and a schedule of investments;
- 19 7. The annual actuarial valuation report on the pension benefit and the
20 medical insurance benefit; and
- 21 8. A general statistical section, including information on contributions,
22 benefit payouts, and retirement system demographic data;

23 (c) All external audits;

24 (d) All board minutes or other materials that require adoption or ratification by the
25 board of trustees. The items listed in this paragraph shall be posted within
26 seventy-two (72) hours of adoption or ratification of the board;

27 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;

- 1 (f) The retirement system's summary plan description;
- 2 (g) The retirement system's law book;
- 3 (h) A listing of the members of the board of trustees and membership on each
- 4 committee established by the board, including any investment committees;
- 5 (i) All investment holdings in aggregate, fees, and commissions for each fund
- 6 administered by the board, which shall be updated on a quarterly basis for
- 7 fiscal years beginning on or after July 1, 2017. The system shall request from
- 8 all managers, partnerships, and any other available sources all information
- 9 regarding fees and commissions and shall, based on the requested information
- 10 received:

- 11 1. Disclose the dollar value of fees or commissions paid to each individual
- 12 manager or partnership;
- 13 2. Disclose the dollar value of any profit sharing, carried interest, or any
- 14 other partnership incentive arrangements, partnership agreements, or any
- 15 other partnership expenses received by or paid to each manager or
- 16 partnership; and
- 17 3. As applicable, report each fee or commission by manager or partnership
- 18 consistent with standards established by the Institutional Limited Partners
- 19 Association (ILPA).

20 In addition to the requirements of this paragraph, the system shall also disclose

21 the name and address of all individual underlying managers or partners in any

22 fund of funds in which system assets are invested;

- 23 (j) An update of net of fees investment returns, asset allocations, and the
- 24 performance of the funds against benchmarks adopted by the board for each
- 25 fund, for each asset class administered by the board, and for each manager.
- 26 The update shall be posted on a quarterly basis for fiscal years beginning on or
- 27 after July 1, 2017;

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

3 (l) A searchable database of the system's expenditures and a listing of each
4 individual employed by the system along with the employee's salary or wages.
5 In lieu of posting the information required by this paragraph to the system's
6 Web site, the system may provide the information through a Web site
7 established by the executive branch to inform the public about executive
8 branch agency expenditures and public employee salaries and wages.

9 (5) Notwithstanding the requirements of subsection (4) of this section, the retirement
10 system shall not be required to furnish information that is protected under KRS
11 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the
12 retirement system's ability to competitively invest in real estate or other asset classes,
13 except that no provision of this section or KRS 61.878 shall exclude disclosure and
14 review of all contracts, including investment contracts, by the board, the Auditor of
15 Public Accounts, and the Government Contract Review Committee established
16 pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as
17 provided by this section. If any public record contains material which is not excepted
18 under this section, the system shall separate the excepted material by removal,
19 segregation, or redaction, and make the nonexcepted material available for
20 examination.

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

25 ➔Section 2. Section 1 of this Act supersedes the provisions relating to term limits
26 for trustees of the board of the Teachers' Retirement System of Kentucky set forth in 2008
27 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 44; 2012 Ky. Acts ch. 75, sec. 15; and 2017 Ky.

1 Acts ch. 12, sec. 15. Trustees of the board of the Teachers' Retirement System of
2 Kentucky are eligible to serve additional terms of office following their current term of
3 office without taking an absence from the board.