

HOUSE OF REPRESENTATIVES

KENTUCKY GENERAL ASSEMBLY AMENDMENT FORM  
2019 REGULAR SESSION  
**Unofficial Document**

Amend printed copy of **HB 525**

On page 1, line 3, and continuing to page 9, line 2, by deleting Sections 1 and 2 in their entirety, and inserting in lieu thereof:

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

(1) (a) The general administration and management of the retirement system, and the responsibility for its proper operation and for making effective provisions of KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be known as the "Board of Trustees of the Teachers' Retirement System of the State of Kentucky."

(b) The board of trustees shall consist of the following:

1. The chief state school officer;
2. The State Treasurer;
3. Two (2) trustees, appointed by the Governor of the Commonwealth, subject to Senate confirmation in accordance with KRS 11.160 for each appointment or reappointment. These two (2) trustees shall have investment experience. For purposes of this subparagraph, a trustee with "investment experience" means an individual who does not have a conflict of interest, as provided by KRS 161.460, and who has at least ten (10) years of experience in one (1) of the following areas of expertise:

a. A portfolio manager acting in a fiduciary capacity;

Amendment No. HFA 1

Rep. Rep. Ken Upchurch

Committee Amendment \_\_\_\_\_

Signed: \_\_\_\_\_

Floor Amendment \_\_\_\_\_

LRC Drafter: Gross, Brad

Adopted: \_\_\_\_\_

Date: \_\_\_\_\_

Rejected: \_\_\_\_\_

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- b. A professional securities analyst or investment consultant;
  - c. A current or retired employee or principal of a trust institution, investment or finance organization, or endowment fund acting in an investment-related capacity;
  - d. A chartered financial analyst in good standing as determined by the CFA Institute; or
  - e. A university professor, teaching investment-related studies; and
4. *Nine (9)*~~[Seven (7)]~~ other trustees elected as provided in KRS 161.260. *Seven (7)*~~[Four (4)]~~ of the elective trustees shall be members of the retirement system, to be known as *educator*~~[teacher]~~ trustees~~[, two (2) shall be persons who are not members of the teaching profession, to be known as the lay trustees,]~~ and *two (2)*~~[one (1)]~~ shall be *annuitants*~~[an annuitant]~~ of the retirement system to be known as the retired *trustees*~~[teacher trustee]~~. ~~[One (1) teacher trustee shall be elected annually for a four year term. The retired teacher trustee shall be elected every four (4) years.]~~The chief state school officer and the State Treasurer are considered ex officio members of the board of trustees and may designate in writing a person to represent them at board meetings.
- (c) 1. Elective trustees shall not serve more than three (3) consecutive four (4) year terms. An elective trustee who has served three (3) consecutive terms may be elected again after an absence of four (4) years from the board of trustees.
  - 2. The term limits established by subparagraph 1. of this paragraph shall apply to elective trustees serving on or after July 1, 2012, and all terms of office served prior to July 1, 2012, shall be used to determine if the elective trustee has exceeded the term limits provided by subparagraph 1. of this paragraph.
- (d) 1. Each appointed trustee shall serve a term of four (4) years. An appointed trustee

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shall not serve more than three (3) consecutive four (4) year terms. An appointed trustee who has served three (3) consecutive terms may be appointed again after an absence of four (4) years from the board of trustees.

2. Any vacancy that occurs in an appointed position shall be filled in the same manner that provides for the selection of the trustee; however, any vacancy shall be filled only for the duration of the unexpired term.
- (2) A member, retired member, or designated beneficiary may appeal the retirement system's decisions that materially affect the amount of service retirement allowance, amount of service credit, eligibility for service retirement, or eligibility for survivorship benefits to which that member, retired member, or designated beneficiary claims to be entitled. All appeals must be in writing and filed with the retirement system within thirty (30) days of the claimant's first notice of the retirement system's decision. For purposes of this section, notice shall be complete and effective upon the date of mailing of the retirement system's decision to the claimant at the claimant's last known address. Failure by the claimant to file a written appeal with the retirement system within the thirty (30) day period shall result in the decision of the retirement system becoming permanent with the effect of a final and unappealable order. Appeals may include a request for an administrative hearing which shall be conducted in accordance with the provisions of KRS Chapter 13B. The board of trustees may establish an appeals committee whose members shall be appointed by the chairperson and who shall have the authority to act upon the report and recommendation of the hearing officer by issuing a final order on behalf of the full board of trustees. A member, retired member, or designated beneficiary who has filed a timely, written appeal of a decision of the retirement system may, following the administrative hearing and issuance of the final order by the board of trustees, appeal the final order of the board of trustees to the Franklin Circuit Court in accordance with the provisions of KRS Chapter

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13B.

- (3) The board of trustees shall establish a formal trustee education program for all trustees of the board. The program shall include but not be limited to the following:
- (a) A required orientation program for all new trustees to the board. The orientation program shall include training on:
    - 1. Benefits and benefits administration;
    - 2. Investment concepts, policies, and current composition and administration of retirement system investments;
    - 3. Laws, bylaws, and administrative regulations pertaining to the retirement system and to fiduciaries; and
    - 4. Actuarial and financial concepts pertaining to the retirement system.
- If a trustee fails to complete the orientation program within one (1) year from the beginning of his or her first term on the board, the retirement system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the trustee has completed the orientation program;
- (b) Annual required training for trustees on the administration, benefits, financing, and investing of the retirement system. If a trustee fails to complete the annual required training during the calendar or fiscal year, the retirement system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the board member has met the annual training requirements; and
  - (c) The retirement system shall incorporate by reference in an administrative regulation, pursuant to KRS 13A.2251, the trustee education program.
- (4) In order to improve public transparency regarding the administration of the system, the board of trustees shall adopt a best practices model by posting the following information to the retirement system's Web site and shall make available to the public:

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- (a) Meeting notices and agendas for all meetings of the board. Notices and agendas shall be posted to the retirement system's Web site at least seventy-two (72) hours in advance of the board or committee meetings, except in the case of special or emergency meetings as provided by KRS 61.823;
- (b) The Comprehensive Annual Financial Report with the information as follows:
1. A general overview and update on the retirement system by the executive secretary;
  2. A listing of the board of trustees;
  3. A listing of key staff;
  4. An organizational chart;
  5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding progress, and other supporting data;
  6. Investment information, including a general overview, a list of the retirement system's professional consultants, a total net return on retirement system investments over a historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;
  7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and
  8. A general statistical section, including information on contributions, benefit payouts, and retirement system demographic data;
- (c) All external audits;
- (d) All board minutes or other materials that require adoption or ratification by the board

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of trustees. The items listed in this paragraph shall be posted within seventy-two (72) hours of adoption or ratification of the board;

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

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

- (j) An update of net of fees investment returns, asset allocations, and the performance of the funds against benchmarks adopted by the board for each fund, for each asset class

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

- (k) All contracts or offering documents for services, goods, or property purchased or utilized by the system; and
  - (l) A searchable database of the system's expenditures and a listing of each individual employed by the system along with the employee's salary or wages. In lieu of posting the information required by this paragraph to the system's Web site, the system may provide the information through a Web site established by the executive branch to inform the public about executive branch agency expenditures and public employee salaries and wages.
- (5) Notwithstanding the requirements of subsection (4) of this section, the retirement system shall not be required to furnish information that is protected under KRS 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the retirement system's ability to competitively invest in real estate or other asset classes, except that no provision of this section or KRS 61.878 shall exclude disclosure and review of all contracts, including investment contracts, by the board, the Auditor of Public Accounts, and the Government Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this section. If any public record contains material which is not excepted under this section, the system shall separate the excepted material by removal, segregation, or redaction, and make the nonexcepted material available for examination.
- (6) For any benefit improvements the General Assembly has authorized the board of trustees to establish under KRS 161.220 to 161.716 and that require formal adoption by the board, the board shall establish the benefits by promulgation of administrative regulations in accordance with KRS Chapter 13A.

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➔Section 2. KRS 161.260 is amended to read as follows:

(1) An election shall be held on or before June 1 of each year to elect trustees. ~~[The trustees to be elected each year shall depend upon the respective terms of the trustees elected under Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 7 and Acts 1940, Ch. 192, paragraph 7a, and KRS 161.250.]~~ Each trustee shall assume office on July 1 following his election and shall serve for a term of four (4) years. The elections shall be conducted by ballot under the supervision of the chief state school officer, **and all expenses of the election shall be paid by the board of trustees out of its general expense fund.** Each person who is a contributing member as a result of full-time employment in a position covered by the retirement system or who is an annuitant of the retirement system shall have the right to vote. Each person who is a contributing member as a result of part-time or substitute employment in a position covered by the retirement system shall be permitted to vote as provided in KRS 161.612.

(2) **Beginning with elections occurring after July 1, 2019, the following organizations shall nominate three (3) members of the system for the contributing members and annuitants to vote on as an educator trustee:** ~~[Nominations for trustees shall be made by a nominating committee consisting of one (1) committee member selected by the retirement system membership of each of the districts of the Kentucky Education Association, and one (1) committee member to be selected by retired teachers, on a statewide basis, from among the annuitants of the retirement system. No person may be a member of the nominating committee who is not a member of the system, except for the committee member to be selected from among the annuitants of the system. The president of the Kentucky Education Association shall preside over the meeting of the nominating committee and the secretary of the Teachers' Retirement System shall act as secretary to the committee. Two (2) persons shall be nominated by the nominating committee for each position to be filled. All expenses~~



of the election shall be paid by the board of trustees out of its general expense fund.}]

- (a) An at-large seat that shall be filled by nominations from the Teachers' Retirement System board from applicants who are members or annuitants of the system who request to be considered for nomination by the board. The election for this trustee shall take place on or before November 1, 2019, and shall serve an initial term of office ending June 30, 2023;
- (b) For the first open educator trustee position, and for each election of that trustee position going forward, the Kentucky School Boards Association and the Kentucky Association of School Administrators shall jointly nominate the three (3) members;
- (c) For the second open educator trustee position, and for each election of that trustee position going forward, the Jefferson County Teachers Association;
- (d) For the third open educator trustee position, and for each election of that trustee position going forward, the Kentucky Association of Professional Educators;
- (e) For the fourth open educator trustee position, and for each election of that trustee position going forward, the Kentucky Education Association;
- (f) For the fifth open educator trustee position, and for each election of that trustee position going forward, the Kentucky Association of School Superintendents. The member elected to this position shall also be known as the superintendent trustee;  
and
- (g) For the sixth open educator trustee position, and for each election of that trustee position going forward, the Kentucky Education Association.

For purposes of this subsection, an open educator trustee position shall be any elected trustee position elected prior to July 1, 2019, for which the term of office has been completed, except for the retired trustee positions and the at-large seat established by paragraph (a) of this subsection.

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**(3) Beginning with the trustee election occurring after July 1, 2019, the following organizations shall nominate three (3) annuitants for the contributing members and annuitants to vote on as a retired trustee:**

**(a) The Kentucky Retired Teachers Association. The election for this trustee shall take place on or before November 1, 2019, and shall serve an initial term of office ending June 30, 2023; and**

**(b) For future elections of the retired trustee position serving on July 1, 2019, the Kentucky Education Association.**

**(4) Each organization making a nomination pursuant to subsections (2) and (3) of this section shall establish a nominating committee from their membership, shall establish a written process to choose their three (3) nominees, and shall:**

**(a) Include in the written process a statement that geographical diversity and diversity as outlined in Title VII of Federal Civil Rights Act of 1964 shall be considered in evaluating potential nominees; and**

**(b) Encourage eligible members and annuitants to notify the organization of their desire to be nominated to the election ballot for trustee of the systems.**

➔Section 3. KRS 161.300 is amended to read as follows:

**Nine (9)**~~Seven (7)~~ members of the board of trustees shall constitute a quorum. Each trustee shall be entitled to one (1) vote. **Five (5)**~~Four (4)~~ votes or a majority of the trustees present whichever is the larger number shall be necessary for a decision by the trustees at any meeting of the board.

➔Section 4. Notwithstanding Sections 1 and 2 of this Act, individuals who are serving as an elected trustee on July 1, 2019, shall be eligible to complete their remaining term of office, but any subsequent elections for that open trustee position shall be determined as set forth in Section 2 of this Act."