



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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February 23, 2023

Ms. Katie Carney
Office of Fiscal Statement Review
Legislative Research Commission
Capitol Annex, Room 104
Frankfort, KY 40601

RE: Senate Bill 166 (2023 RS BR 473)
AA Statement Required by KRS 6.350
AA Statement 1 and 2 of 5

Dear Ms. Carney:

Senate Bill 166 (2023 RS BR 473) amends KRS 21.450, 61.650, 78.790, and 161.430 to expand the scope of persons owing a fiduciary duty to the respective state-administered retirement systems, defines the actions and authority with respect to the systems and the investment of system funds that will make a person a fiduciary, provides that fiduciaries shall consider the sole interest of the members and beneficiaries of the retirement systems using only pecuniary factors, prohibits the consideration of or actions taken to further non-pecuniary purposes including environmental, social, political, ideological interests, and prohibits any contract or agreement from voiding such fiduciary duties; amends KRS 21.450, 61.650, and 78.790 to require third-party fiduciaries to acknowledge their fiduciary duties in writing; amends KRS 21.450, 51.650, 78.790, and 161.430 to require the boards of the state-administered retirement systems to adopt their own proxy guidelines, prevents the boards from following the recommendations of a proxy voting service or proxy adviser unless the proxy adviser acknowledges its fiduciary duties in writing, and requires the boards to either vote their own shares or have the proxy voting service or proxy adviser voting the system's shares commit to follow the board's proxy guidelines; and amends KRS 21.450, 61.645, 78.782, and 161.250 to require the quarterly reporting of proxy votes to the boards of the state-administered retirement systems; and makes technical changes.

Kentucky Public Pensions Authority (KPPA) staff members have examined Senate Bill 166 (2023 RS BR 473) as it applies to the County Employees Retirement System and the Kentucky Retirement Systems. We have determined that the bill will not increase or decrease benefits or the participation in benefits in any of the retirement systems administered by KPPA. Additionally, we do not anticipate it will increase or decrease the unfunded actuarial liability of the pension plans administered by KPPA.

In accordance with KRS 6.350(2)(c), the Kentucky Public Pensions Authority certifies the following:

1. The estimate number of individuals potentially affected as of June 30, 2022, are 122,932 active members; 162,809 inactive members; and 124,341 retired members in the systems administered by the KPPA.

*Senate Bill 166 (2023 RS BR 473)
AA Statement Required by KRS 6.350*

2. There is no estimated change in benefit payments.
3. There is no estimated change in employer costs.
4. Administrative expenses may increase due to KPPA's investment staff providing oversight of external manager proxy votes to comply with the passage of the proposed legislation.

We have not requested any further actuarial analysis of Senate Bill 166 (2023 RS BR 473) by the Authority's independent actuary.

Please let me know if you have any questions regarding our analysis of Senate Bill 166 (2023 RS BR 473).

Sincerely,



David L. Eager
Executive Director
Kentucky Public Pensions Authority

JUDICIAL FORM RETIREMENT SYSTEM

John R. Grise, Chairman

Board of Trustees
Bo Cracraft

JUDICIAL RETIREMENT PLAN | LEGISLATORS RETIREMENT PLAN

Executive Director

February 23, 2023

Ms. Katie Carney
Director's Office
Legislative Research Commission
Capitol Annex, Room 104
Frankfort, KY 40601

BR 473/SB 166
AA Statement 3 and 4 of 5

Dear Ms. Carney:

JFRS has examined **SB 166 (BR 473)**, which amends KRS 21.450 to expand scope of persons owing a fiduciary duty to the respective state-administered retirement systems, provide that fiduciaries consider solely the interest of the members and beneficiaries using only pecuniary factors, and prohibit any contract or agreement from voiding such fiduciary duties. In addition, the legislation would require the JFRS Board adopt proxy guidelines, provides that all proxy votes are executed by the board or a proxy voting advisor or service that has acknowledges a fiduciary duty in writing and commits to following the board policy. Lastly, the bill would require a quarterly report of proxy votes.

We have determined that the bill will not increase or decrease benefits, or increase or decrease participation in benefits, or change the actuarial liability of either plan administered by JFRS.

In compliance with KRS 6.350(2)(c), the Judicial Form Retirement Systems (the agency in charge with the administration of JRP and LRP) certifies the following:

1. There has no individuals affected. As of June 30, 2021, there were a total of 601 individuals participating in JRP and 393 individuals participating in LRP.
2. There is no estimated change in benefits.
3. There is no estimated change to employer costs.
4. There would likely be an increase in administrative expense as staff sought to comply with the additional proxy requirements of this legislation.

We have not requested any further actuarial analysis of SB 166 (BR 473) by the Systems' independent actuary. Please let me know if you have any questions regarding our analysis.

Sincerely,



Bo Cracraft

Executive Director

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