

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:

13 ***(a)*** Not be from among the members of either of the plans in the system, or from
14 among the persons drawing benefits from either of those plans; ***and***

15 ***(b)*** ***Have investment experience. For purposes of this paragraph, a trustee with***
16 ***"investment experience" means an individual who does not have a conflict***
17 ***of interest, as provided by Section 2 of this Act, and who has at least ten (10)***
18 ***years of experience in one (1) of the following areas of expertise:***

19 ***1. A portfolio manager acting in a fiduciary capacity;***

20 ***2. A professional securities analyst or investment consultant;***

21 ***3. A current or retired employee or principal of a trust institution,***
22 ***investment or finance organization, or endowment fund acting in an***
23 ***investment-related capacity;***

24 ***4. A chartered financial analyst in good standing as determined by the***
25 ***CFA Institute; or***

26 ***5. A university professor, teaching investment-related studies.***

27 (2) (a) The members of the board shall serve for terms of four (4) years, commencing

1 as of July 1, 1980, and until their successors are chosen and have qualified;
2 provided that if a member of the board who was a member of one (1) of the
3 plans in the system when he was appointed ceases to be a member of that
4 plan, a vacancy shall thereupon be deemed to exist in his position on the
5 board; and provided further, that the members of the Judicial Retirement
6 Board in office on July 1, 1980, shall serve for the remainder of the terms for
7 which they were appointed, as the members of the board created by this
8 section, in the positions appointable by the Supreme Court and the Governor.
9 Vacancies shall be filled by the appointing authority for the unexpired term.

10 (b) A trustee shall not serve more than three (3) consecutive four (4) year terms.
11 A trustee who has served three (3) consecutive terms may be appointed again
12 after an absence of four (4) years from the board. The term limits established
13 by this paragraph shall apply to trustees serving on or after July 1, 2012, and
14 all terms of office served prior to July 1, 2012, shall be used to determine if
15 the trustee has exceeded the term limits provided by this paragraph.

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

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

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

26 (1) Except as provided in KRS 21.550, 21.560, and subsections~~[subsection]~~ (3) and (7)
27 of this section, the board of trustees of the Judicial Form Retirement System shall

1 be charged with the administration of that system and of KRS 21.350 to 21.510, and
2 shall have all powers necessary thereto, including the power to promulgate all
3 reasonable administrative regulations, pass upon questions of eligibility and
4 disability, make employments for services, and to contract for fiduciary liability
5 insurance, and for investment counseling, actuarial, auditing, and other professional
6 services subject to the~~[as required without the]~~ limitations of KRS Chapters 45,
7 45A, 56, and 57~~[45A.045]~~. The administrative expenses shall be paid out of an
8 administrative account which shall be funded by transfers of the necessary money,
9 in appropriate ratio, from the funds provided for in KRS 21.550 and 21.560.

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

13 (b) Except in cases involving child support payments, the Judicial Form
14 Retirement System may charge reasonable and necessary fees and expenses to
15 the participant and the alternate payee of a qualified domestic relations order
16 for the administration of the qualified domestic relations order by the
17 retirement system. All fees and expenses shall be established by
18 administrative regulations promulgated by the board of trustees of the
19 retirement system. The qualified domestic relations order shall specify
20 whether the fees and expenses provided by this subsection shall be paid:

- 21 1. Solely by the participant;
- 22 2. Solely by the alternate payee; or
- 23 3. Equally shared by the participant and alternate payee.

24 (c) For purposes of this subsection, a "qualified domestic relations order" shall
25 mean any judgment, decree, or order, including approval of a property
26 settlement agreement, that:

- 27 1. Is issued by a court or administrative agency; and

- 1 2. Relates to the provision of child support, alimony payments, or marital
2 property rights to a spouse, former spouse, child, or other dependent of a
3 member.
- 4 (3) Notwithstanding any other evidence of legislative intent, it is hereby declared to be
5 the controlling legislative intent that the provisions of KRS 21.345 to 21.580 and
6 6.500 to 6.577 shall conform with federal statutes or regulations and meet the
7 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
8 regulations, and other published guidance, and the board shall have the authority to
9 promulgate administrative regulations, with retroactive effect if required under
10 federal law, to conform the Legislators' Retirement Plan and the Judicial Retirement
11 Plan with federal statutes and regulations and to meet the qualification requirements
12 under 26 U.S.C. sec. 401(a).
- 13 (4) *In order to improve public transparency regarding the administration of the*
14 *Legislative Retirement Plan and the Judicial Retirement Plan, the board of*
15 *trustees of the Judicial Form Retirement System shall adopt a best-practices*
16 *model by posting the following information to the system's Web site and shall*
17 *make it available to the public:*
- 18 *(a) Meeting notices and agendas for all meetings of the board. Notices and*
19 *agendas shall be posted to the system's Web site at least seventy-two (72)*
20 *hours in advance of the board or committee meetings, except in the case of*
21 *special or emergency meetings as provided by KRS 61.823;*
- 22 *(b) A list of the members of the board of trustees and membership on each*
23 *committee established by the board, including any investment committees;*
- 24 *(c) A list of system staff and each staff's salary;*
- 25 *(d) A list of the fund's professional consultants and their respective fees and*
26 *commissions paid by the system;*
- 27 *(e) A list of the system's expenditures;*

- 1 (f) The annual financial audit of the system, which shall include but not be
2 limited to a statement of plan net assets, a statement of changes in plan net
3 assets, an actuarial value of assets, a schedule of investments, a statement
4 of funded status and funding progress, and other supporting data;
- 5 (g) All external audits;
- 6 (h) The annual actuarial valuation report of pension and retiree health benefits
7 of each retirement plan administered by the system, which shall include a
8 general statistical section and information on contributions, benefit
9 payouts, and retirement plan demographic data;
- 10 (i) All board minutes or other materials that require adoption or ratification by
11 the board of trustees or committees of the board. The items listed in this
12 paragraph shall be posted within seventy-two (72) hours of adoption or
13 ratification by the board or committees;
- 14 (j) All bylaws, policies, or procedures adopted or ratified by the board of
15 trustees or by committees of the board;
- 16 (k) The summary plan description for each plan administered by the system;
- 17 (l) A document or a link to documents containing an unofficial copy of the
18 statutes governing the plans administered by the Judicial Form Retirement
19 System;
- 20 (m) Investment information, including all investment holdings in aggregate,
21 fees, and commissions for each fund administered by the board, which shall
22 be updated on a quarterly basis for fiscal years beginning on or after July 1,
23 2017. The system shall request from all managers, partnerships, and any
24 other available sources all information regarding fees and commissions and
25 shall, based on the requested information received:
- 26 1. Disclose the dollar value of fees and commissions paid to each
27 individual manager or partnership;

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

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

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

11 (n) An update of net investment returns, asset allocations, and the performance
12 of the funds against benchmarks adopted by the board for each fund, for
13 each asset class administered by the board, and for each manager over a
14 historical period. The update shall be posted on a quarterly basis for fiscal
15 years beginning on or after July 1, 2017;

16 (o) All contracts or offering documents for services, goods, or property
17 purchased or utilized by the system. Notwithstanding KRS 61.878, all
18 contracts, including investment contracts, shall be subject to review by the
19 board, the Auditor of Public Accounts, and the Government Contract
20 Review Committee established pursuant to KRS 45A.705. If any public
21 record contains material which is not excepted under KRS 61.878, the
22 system shall separate the excepted material by removal, segregation, or
23 redaction, and make the nonexcepted material available for examination;
24 and

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

27 ~~{The Judicial Form Retirement System shall make available on a public Web site, a~~

1 ~~listing of all system expenditures and a listing of each individual employed by the~~
2 ~~systems along with the employee's salary or wages. The system may provide the~~
3 ~~information through a Web site established by the executive or judicial branch to~~
4 ~~inform the public about executive or judicial branch agency expenditures and public~~
5 ~~employee salaries and wages.]~~ Nothing in this subsection shall require or compel
6 the Judicial Form Retirement System to disclose information specific to the account
7 of an individual member of the Legislators' Retirement Plan or the Judicial
8 Retirement Plan.

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

- 10 (a) Have any interest, direct or indirect, in the gains or profits of any investment
11 or transaction made by the board, provided that the provisions of this
12 paragraph shall not prohibit a member or retiree of one (1) of the retirement
13 plans administered by the system from serving as a trustee;
- 14 (b) Directly or indirectly, for himself or herself or as an agent, use the assets of
15 the system, except to make current and necessary payments authorized by the
16 board;
- 17 (c) Become an endorser, surety, or obligor for moneys loaned by or borrowed
18 from the board;
- 19 (d) Have a contract or agreement with the retirement system, individually or
20 through a business owned by the trustee or the employee;
- 21 (e) Use his or her official position with the retirement system to obtain a financial
22 gain or benefit or advantage for himself or herself or a family member;
- 23 (f) Use confidential information acquired during his or her tenure with the
24 systems to further his or her own economic interests or that of another person;
25 or
- 26 (g) Hold outside employment with, or accept compensation from, any person or
27 business with which he or she has involvement as part of his or her official

1 position with the system. The provisions of this paragraph shall not prohibit:

- 2 1. A trustee from serving as a judge or member of the General Assembly;
- 3 or
- 4 2. A trustee from serving on the board if the compensation is de minimus
- 5 and incidental to the trustee's outside employment. If the compensation
- 6 is more than de minimus, the trustee shall disclose the amount of the
- 7 compensation to the other trustees and recuse himself or herself from
- 8 any matters involving hiring or retaining a person or a business from
- 9 whom more than de minimus amounts are received by the trustee. For
- 10 purposes of this section, "de minimus" means an insignificant amount
- 11 that does not raise a reasonable question as to the trustee's objectivity.

12 (6) Notwithstanding any other provision of KRS 6.500 to 6.577 and 21.345 to 21.580 to
 13 the contrary, no funds of the Legislators' Retirement Plan or the Judicial Retirement
 14 Plan, including fees and commissions paid to an investment manager, private fund,
 15 or company issuing securities, who manages systems assets, shall be used to pay
 16 fees and commissions to ~~unregulated~~ placement agents. For purposes of this
 17 subsection, "~~unregulated~~ placement agent" means **a third-party**~~an~~ individual,
 18 **who is not an employee,** or firm, **wholly or partially owned by the entity being**
 19 **hired,** who solicits investments on behalf of an investment manager, private fund,
 20 or company issuing securities~~, who is prohibited by federal securities laws and~~
 21 ~~regulations promulgated thereunder from receiving compensation for soliciting a~~
 22 ~~government agency~~.

23 **(7) All contracts for the investment or management of assets of the system shall not**
 24 **be subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct**
 25 **the following process to develop and adopt an investment procurement policy**
 26 **with which all prospective contracts for the investment or management of assets**
 27 **of the system shall comply:**

- 1 (a) On or before July 1, 2017, the board shall consult with the secretary of the
 2 Finance and Administration Cabinet or his or her designee to develop an
 3 investment procurement policy, which shall be written to meet best practices
 4 in investment management procurement;
- 5 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
 6 investment procurement policy to the secretary of the Finance and
 7 Administration Cabinet or his or her designee for review and comment;
- 8 (c) Upon receipt of comments from the secretary of the Finance and
 9 Administration Cabinet or his or her designee, the board shall choose to
 10 adopt or not adopt any recommended changes;
- 11 (d) Upon adoption, the board shall tender the final investment procurement
 12 policy to the secretary of the Finance and Administration Cabinet or his or
 13 her designee;
- 14 (e) No later than thirty (30) days after receipt of the investment procurement
 15 policy, the secretary or his or her designee shall certify whether the board's
 16 investment procurement policy meets or does not meet best practices for
 17 investment management procurement; and
- 18 (f) Any amendments to the investment procurement policy shall adhere to the
 19 requirements set forth by paragraphs (b) to (e) of this subsection.

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

- 21 (1) The County Employees Retirement System, Kentucky Employees Retirement
 22 System, and State Police Retirement System shall be administered by the board of
 23 trustees of the Kentucky Retirement Systems composed of seventeen (17)~~thirteen~~
 24 ~~(13)~~ members, who shall be selected as follows:
- 25 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he
 26 occupies the position of secretary under KRS 18A.015, except as provided
 27 under subsections (5) and (6) of this section;

- 1 (b) Three (3) trustees, who shall be members or retired from the County
2 Employees Retirement System, elected by the members and retired members
3 of the County Employees Retirement System;
- 4 (c) One (1) trustee, who shall be a member or retired from the State Police
5 Retirement System, elected by the members and retired members of the State
6 Police Retirement System;
- 7 (d) Two (2) trustees, who shall be members or retired from the Kentucky
8 Employees Retirement System, elected by the members and retired members
9 of the Kentucky Employees Retirement System; and
- 10 (e) **Ten (10)**~~Six (6)~~ trustees, appointed by the Governor of the Commonwealth,
11 **subject to Senate confirmation in accordance with KRS 11.160 for each**
12 **appointment or reappointment.** Of the **ten (10)**~~six (6)~~ trustees appointed by
13 the Governor:
- 14 1. One (1) trustee shall be knowledgeable about the impact of pension
15 requirements on local governments;
 - 16 2. One (1) trustee shall be appointed from a list of three (3) applicants
17 submitted by the Kentucky League of Cities;
 - 18 3. One (1) trustee shall be appointed from a list of three (3) applicants
19 submitted by the Kentucky Association of Counties;
 - 20 4. One (1) trustee shall be appointed from a list of three (3) applicants
21 submitted by the Kentucky School Boards Association; and
 - 22 5. **Six (6)**~~Two (2)~~ trustees shall have investment experience. For purposes
23 of this subparagraph, a trustee with "investment experience" means an
24 individual who does not have a conflict of interest, as provided by KRS
25 61.655, and who has at least ten (10) years of experience in one (1) of
26 the following areas of expertise:
 - 27 a. A portfolio manager acting in a fiduciary capacity;

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

11 (2) The board is hereby granted the powers and privileges of a corporation, including

12 but not limited to the following powers:

- 13 (a) To sue and be sued in its corporate name;
- 14 (b) To make bylaws not inconsistent with the law;
- 15 (c) To conduct the business and promote the purposes for which it was formed;
- 16 (d) **Except as provided in subsection (6) of Section 4 of this Act,** to contract for
- 17 investment counseling, actuarial, auditing, medical, and other professional or
- 18 technical services as required to carry out the obligations of the board **subject**
- 19 **to** ~~without limitation, notwithstanding the provisions of~~ KRS Chapters 45,
- 20 45A, 56, and 57;
- 21 (e) To purchase fiduciary liability insurance;
- 22 (f) **Except as provided in subsection (6) of Section 4 of this Act,** to acquire,
- 23 hold, sell, dispose of, pledge, lease, or mortgage, the goods or property
- 24 necessary to exercise the board's powers and perform the board's duties
- 25 **subject to** ~~without limitation, notwithstanding the limitations of~~ KRS
- 26 Chapters 45, 45A, and 56; and
- 27 (g) The board shall reimburse any trustee, officer, or employee for any legal

1 expense resulting from a civil action arising out of the performance of his
2 official duties. *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 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
10 shall serve a term of four (4) years or until his successor is duly qualified
11 except as otherwise provided in this section. An elected trustee or a trustee
12 appointed by the Governor under subsection (1)(e) of this section, shall not
13 serve more than three (3) consecutive four (4) year terms. An elected trustee
14 or a trustee appointed by the Governor under subsection (1)(e) of this section,
15 who has served three (3) consecutive terms may be elected or appointed again
16 after an absence of four (4) years from the board.

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

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

25 (b) Individuals may be nominated by the retirement system members which are to
26 elect the trustee by presenting to the executive director, not less than four (4)
27 months before a term of office of a trustee is due to expire, a petition, bearing

1 the name, last four digits of the Social Security number, and signature of no
2 less than one-tenth (1/10) of the number voting in the last election by the
3 retirement system members.

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

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

11 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
12 a predetermined box number at a United States Post Office located within
13 Kentucky. Access to this post office box shall be limited to the board's
14 contracted auditing firm. The individual receiving a plurality of votes shall be
15 declared elected.

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

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

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

26 (i) Each individual who submits a request to be nominated by the board under
27 paragraph (a) of this subsection and each individual who is nominated by the

1 membership under paragraph (b) of this subsection shall:

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

12 (5) Any vacancy which may occur in an appointed position shall be filled in the same
13 manner which provides for the selection of the particular trustee, and any vacancy
14 which may occur in an elected position shall be filled by appointment by a majority
15 vote of the remaining *elected* trustees *with a person selected from the system in*
16 *which the vacancy occurs*, and if the secretary of the Personnel Cabinet resigns his
17 position as trustee, it shall be filled by appointment made by the Governor;
18 however, any vacancy shall be filled only for the duration of the unexpired term. *In*
19 *the event of a vacancy of an elected trustee, Kentucky Retirement Systems shall*
20 *notify members of the system in which the vacancy occurs of the vacancy and the*
21 *opportunity to be considered for the vacant position. Any vacancy shall be filled*
22 *within ninety (90) days of the position becoming vacant.*

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

27 (b) A trustee shall be removed from office upon conviction of a felony or for a

1 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
2 of competent jurisdiction.

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

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

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

11 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
12 than four (4) consecutive years as chair or vice-chair of the board. The vice-
13 chair shall not serve more than four (4) consecutive years as chair or vice-
14 chair of the board. A trustee who has served four (4) consecutive years as
15 chair or vice-chair of the board may be elected chair or vice-chair of the board
16 after an absence of two (2) years from the positions.

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

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

24 (b) The board of trustees shall authorize the executive director to appoint the
25 employees deemed necessary to transact the business of the system. **All**
26 **employees of the systems, except for the executive director, shall be subject**
27 **to the state personnel system established pursuant to KRS 18A.005 to**

1 18A.204 and shall have their salaries determined by the secretary of the
2 Personnel Cabinet ~~[For an appointee deemed to be in a policy making~~
3 ~~position , the board shall determine the compensation and other terms of~~
4 ~~employment for the policy making position without limitation of the~~
5 ~~provisions of KRS Chapter 18A. Anything in the Kentucky Revised Statutes~~
6 ~~to the contrary notwithstanding, the power over and control of determining~~
7 ~~and maintaining an adequate complement of employees shall be under the~~
8 ~~exclusive jurisdiction of the board of trustees.~~

9 ~~(c) Effective December 1, 2002, all employees of the Kentucky Retirement~~
10 ~~Systems shall be transferred to a personnel system adopted by the board.~~
11 ~~Employees of Kentucky Retirement Systems covered by the personnel system~~
12 ~~adopted by the board shall be:~~

- 13 1. ~~Provided the same health insurance coverage as all other state~~
14 ~~government employees as provided in KRS 18A.225;~~
- 15 2. ~~Eligible to participate in the deferred compensation system provided for~~
16 ~~all state government employees as provided in KRS 18A.250 to~~
17 ~~18A.265;~~
- 18 3. ~~Provided the same life insurance coverage provided all state employees~~
19 ~~as provided in KRS 18A.205 to 18A.215;~~
- 20 4. ~~Reimbursed for all reasonable and necessary travel expenses and~~
21 ~~disbursements incurred or made in the performance of official duties in~~
22 ~~accordance with KRS Chapter 45;~~
- 23 5. ~~Ensured equal employment opportunity regardless of race, color, gender,~~
24 ~~religion, national origin, disability, sexual orientation, or age;~~
- 25 6. ~~Given those holidays and rights granted to state employees as provided~~
26 ~~in KRS 18A.190;~~
- 27 7. ~~Paid a salary not less than the salary paid as of the date of transfer to the~~

1 ~~personnel system, unless voluntarily demoted or involuntarily demoted~~
2 ~~for cause;~~

3 ~~8. Credited with all accumulated sick leave, compensatory time, and~~
4 ~~annual leave accumulated in accordance with KRS Chapter 18A, and for~~
5 ~~an employee leaving service, the system shall attest to the employee's~~
6 ~~accumulated sick leave, compensatory time, and annual leave which~~
7 ~~shall be credited with other state and county employers to the extent~~
8 ~~provided for by statute or policy. The Kentucky Retirement Systems~~
9 ~~may, at the discretion of the board, accept from other state and county~~
10 ~~employers all accumulated sick leave, compensatory time, and annual~~
11 ~~leave for an employee leaving a state or county employer and accepting~~
12 ~~employment with the Kentucky Retirement Systems. The executive~~
13 ~~branch shall accept from the Kentucky Retirement Systems all~~
14 ~~accumulated sick leave, compensatory time, and annual leave for an~~
15 ~~employee leaving the Kentucky Retirement Systems and accepting~~
16 ~~employment with the executive branch. The Kentucky Retirement~~
17 ~~Systems shall accept from the executive branch all accumulated sick~~
18 ~~leave, compensatory time, and annual leave for an employee leaving the~~
19 ~~executive branch and accepting employment with the Kentucky~~
20 ~~Retirement Systems;~~

21 ~~9. Classified with status upon transfer to the personnel system on~~
22 ~~December 1, 2002, if the employee was classified with status as a merit~~
23 ~~employee under KRS Chapter 18A. Any employee of the Kentucky~~
24 ~~Retirement Systems transferred on December 1, 2002, during the~~
25 ~~probationary period before earning classified status as a merit system~~
26 ~~employee under KRS Chapter 18A shall transfer all accrued~~
27 ~~probationary time and the time shall be credited to the probationary time~~

- 1 ~~required to attain classified status in the personnel system;~~
- 2 ~~10. Ensured a grievance appeal procedure and the employee's right to have a~~
- 3 ~~representative present at each step of the grievance procedure; and~~
- 4 ~~11. Ensured of the right of appeal in a manner consistent with the provisions~~
- 5 ~~of KRS 18A.095 to the Kentucky Personnel Board and employees~~
- 6 ~~classified with status in the personnel system shall not be dismissed,~~
- 7 ~~demoted, suspended, or otherwise penalized except for cause.~~
- 8 ~~(d) The board shall adopt by administrative regulation a fair, equitable, and~~
- 9 ~~comprehensive personnel policy with a minimum of the following provisions~~
- 10 ~~for the personnel system:~~
- 11 ~~1. A code of conduct including provisions describing performance of~~
- 12 ~~duties, abuse of position, conflicts of interest, and outside employment;~~
- 13 ~~2. An appointments plan including provisions describing the appointing~~
- 14 ~~authority, appointments, equal employment policy, sexual harassment~~
- 15 ~~policy, and drug free workplace policy;~~
- 16 ~~3. A classification plan including provisions describing class~~
- 17 ~~specifications, position actions, and employee actions;~~
- 18 ~~4. A compensation plan based on qualifications, experience, and~~
- 19 ~~responsibilities and including provisions which describe a salary~~
- 20 ~~schedule, salary adjustments, salary advancements, and an employee~~
- 21 ~~suggestion program;~~
- 22 ~~5. Separations, disciplinary actions, and appeal policies including~~
- 23 ~~provisions describing classified with status, exemptions from classified~~
- 24 ~~with status, lay-offs, abolishment of position, dismissals and notification~~
- 25 ~~of dismissal, dismissals during probationary period, disciplinary actions,~~
- 26 ~~right of appeal, grievance and appeal procedures, and an employee~~
- 27 ~~grievance and appeal committee;~~

1 6.—~~Service and benefits regulations including provisions describing hours of~~
2 ~~work, fringe benefits, workers' compensation, payroll deductions,~~
3 ~~holidays, inclement weather days, compensatory time, retirement,~~
4 ~~resignations, employee evaluations, and political activities; and~~

5 7.—~~Leave policies including provisions describing special leave, annual~~
6 ~~leave, court leave and jury duty, military leave, voting leave, educational~~
7 ~~leave, sick leave, family medical leave, leave without pay, absence~~
8 ~~without leave, and blood donation leave}.~~

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

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

13 (e)~~(g)}~~ The board shall do all things, take all actions, and promulgate all
14 administrative regulations, not inconsistent with the provisions of KRS 16.505
15 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in
16 order to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705,
17 and 78.510 to 78.852. Notwithstanding any other evidence of legislative
18 intent, it is hereby declared to be the controlling legislative intent that the
19 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852
20 conform with federal statute or regulation and meet the qualification
21 requirements under 26 U.S.C. sec. 401(a), applicable federal regulations, and
22 other published guidance. Provisions of KRS 16.505 to 16.652, 61.510 to
23 61.705, and 78.510 to 78.852 which conflict with federal statute or regulation
24 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,
25 and other published guidance shall not be available. The board shall have the
26 authority to promulgate administrative regulations to conform with federal
27 statute and regulation and to meet the qualification requirements under 26

1 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
2 U.S.C. sec. 401(a)(9). The board shall have the authority to promulgate an
3 administrative regulation to comply with any consent decrees entered into by
4 the board in Civil Action No. 3:99CV500(C) in order to bring the systems into
5 compliance with the Age Discrimination in Employment Act, 29 U.S.C.
6 Section 621, et seq., as amended.

7 (10) ~~{All employees of the board shall serve during its will and pleasure.~~
8 ~~{~~Notwithstanding any statute to the contrary, employees shall not be considered
9 legislative agents under KRS 6.611.

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

15 (12) (a) The system shall publish an annual financial report showing all receipts,
16 disbursements, assets, and liabilities. The annual report shall include a copy of
17 an audit conducted in accordance with generally accepted auditing standards.
18 Except as provided by paragraph (b) of this subsection, the board may select
19 an independent certified public accountant or the Auditor of Public Accounts
20 to perform the audit. If the audit is performed by an independent certified
21 public accountant, the Auditor of Public Accounts shall not be required to
22 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at
23 his discretion. All proceedings and records of the board shall be open for
24 inspection by the public. The system shall make copies of the audit required
25 by this subsection available for examination by any member, retiree, or
26 beneficiary in the office of the executive director of the Kentucky Retirement
27 Systems and in other places as necessary to make the audit available to all

1 members, retirees, and beneficiaries. A copy of the annual audit shall be sent
2 to the Legislative Research Commission no later than ten (10) days after
3 receipt by the board.

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

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

15 (14) Any person adversely affected by a decision of the board, except as provided under
16 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652,
17 61.510 to 61.705, and 78.510 to 78.852, may appeal the decision of the board to the
18 Franklin Circuit Court within sixty (60) days of the board action.

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

- 21 1. In good faith;
- 22 2. On an informed basis; and
- 23 3. In a manner he honestly believes to be in the best interest of the
24 Kentucky Retirement Systems.

25 (b) A trustee discharges his duties on an informed basis if, when he makes an
26 inquiry into the business and affairs of the Kentucky Retirement Systems or
27 into a particular action to be taken or decision to be made, he exercises the

1 care an ordinary prudent person in a like position would exercise under similar
2 circumstances.

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

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

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

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

14 (d) A trustee shall not be considered as acting in good faith if he has knowledge
15 concerning the matter in question that makes reliance otherwise permitted by
16 paragraph (c) of this subsection unwarranted.

17 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
18 shall not be the basis for monetary damages or injunctive relief unless:

19 1. The trustee has breached or failed to perform the duties of the trustee's
20 office in compliance with this section; and

21 2. In the case of an action for monetary damages, the breach or failure to
22 perform constitutes willful misconduct or wanton or reckless disregard
23 for human rights, safety, or property.

24 (f) A person bringing an action for monetary damages under this section shall
25 have the burden of proving by clear and convincing evidence the provisions of
26 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
27 breach or failure to perform was the legal cause of damages suffered by the

1 Kentucky Retirement Systems.

2 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
3 any act or omission occurring prior to July 15, 1988.

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

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

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

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

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

- 24 1. Benefits and benefits administration;
- 25 2. Investment concepts, policies, and current composition and
26 administration of retirement systems investments;
- 27 3. Laws, bylaws, and administrative regulations pertaining to the

1 retirement systems and to fiduciaries; and

2 4. Actuarial and financial concepts pertaining to the retirement systems.

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

8 (b) Annual required training for board members on the administration, benefits,
9 financing, and investing of the retirement systems. If a trustee fails to
10 complete the annual required training during the calendar or fiscal year, the
11 retirement systems shall withhold payment of the per diem and travel
12 expenses due to the board member under this section and KRS 16.640 and
13 78.780 until the board member has met the annual training requirements; and

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

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

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

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

25 1. A general overview and update on the retirement systems by the
26 executive director;

27 2. A listing of the board of trustees;

- 1 3. A listing of key staff;
- 2 4. An organizational chart;
- 3 5. Financial information, including a statement of plan net assets, a
- 4 statement of changes in plan net assets, an actuarial value of assets, a
- 5 schedule of investments, a statement of funded status and funding
- 6 progress, and other supporting data;
- 7 6. Investment information, including a general overview, a list of the
- 8 retirement system's professional consultants, a total net of fees return on
- 9 retirement systems investments over a historical period, an investment
- 10 summary, contracted investment management expenses, transaction
- 11 commissions, and a schedule of investments;
- 12 7. The annual actuarial valuation report on the pension benefit and the
- 13 medical insurance benefit; and
- 14 8. A general statistical section, including information on contributions,
- 15 benefit payouts, and retirement systems' demographic data;
- 16 (c) All external audits;
- 17 (d) All board minutes or other materials that require adoption or ratification by
- 18 the board of trustees. The items listed in this paragraph shall be posted within
- 19 seventy-two (72) hours of adoption or ratification of the board;
- 20 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 21 (f) The retirement systems' summary plan description;
- 22 (g) A document containing an unofficial copy of the statutes governing the
- 23 systems administered by Kentucky Retirement Systems;
- 24 (h) A listing of the members of the board of trustees and membership on each
- 25 committee established by the board, including any investment committees;
- 26 (i) All investment holdings in aggregate, fees, and commissions for each fund
- 27 administered by the board, which shall be updated on a quarterly basis for

1 fiscal years beginning on or after July 1, 2017. ~~[The board shall update the~~
 2 ~~list of holdings and commissions on a quarterly basis for fiscal years~~
 3 ~~beginning on or after July 1, 2008]~~ The systems shall request from all
 4 managers, partnerships, and any other available sources all information
 5 regarding fees and commissions and shall, based on the requested
 6 information received:

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

9 2. Disclose the dollar value of any profit sharing, carried interest, or any
 10 other partnership incentive arrangements, partnership agreements, or
 11 any other partnership expenses received by or paid to each manager or
 12 partnership; and

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

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

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

24 (k) A searchable database of the systems' expenditures and a listing of each
 25 individual employed by the systems along with the employee's salary or
 26 wages. In lieu of posting the information required by this paragraph to the
 27 systems' Web site, the systems may provide the information through a Web

1 site established by the executive branch to inform the public about executive
 2 branch agency expenditures and public employee salaries and wages~~[- No~~
 3 ~~provision of this paragraph shall require the systems to disclose confidential~~
 4 ~~member information protected under KRS 61.661];~~[- and]~~~~

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

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

9 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
 10 systems shall not be required to furnish information that is protected under KRS
 11 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
 12 retirement systems' ability to competitively invest in real estate or other asset
 13 classes, except that no provision of this section or KRS 61.878 shall exclude
 14 disclosure and review of all contracts, including investment contracts, by the
 15 board, the Auditor of Public Accounts, and the Government Contract Review
 16 Committee established pursuant to KRS 45A.705 or the disclosure of investment
 17 fees and commissions as provided by this section. If any public record contains
 18 material which is not excepted under this section, the systems shall separate the
 19 excepted material by removal, segregation, or redaction, and make the
 20 nonexcepted material available for examination~~for to competitively negotiate~~
 21 ~~vendor fees~~.

22 (21) Notwithstanding any other provision of KRS 16.505 to 16.652, 61.510 to 61.705,
 23 and 78.510 to 78.852 to the contrary, no funds of the systems administered by
 24 Kentucky Retirement Systems, including fees and commissions paid to an
 25 investment manager, private fund, or company issuing securities, who manages
 26 systems assets, shall be used to pay fees and commissions to ~~unregulated~~
 27 ~~placement agents~~. For purposes of this subsection, "~~unregulated~~ placement agent"

1 means a third-party~~[an]~~ individual, who is not an employee, or firm, wholly or
 2 partially owned by the entity being hired, who solicits investments on behalf of an
 3 investment manager, private fund, or company issuing securities~~[, who is prohibited~~
 4 ~~by federal securities laws and regulations promulgated thereunder from receiving~~
 5 ~~compensation for soliciting a government agency].~~

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

7 (1) (a) The board shall be the trustee of the several funds created by KRS 16.510,
 8 61.515, 61.701, and 78.520, notwithstanding the provisions of any other
 9 statute to the contrary, and shall have exclusive power to invest and reinvest
 10 such funds in accordance with federal law.

11 (b) 1. The board shall establish an investment committee whose membership
 12 shall be composed of the following:

13 a. The six (6)~~[two (2)]~~ trustees appointed by the Governor pursuant
 14 to KRS 61.645(1)(e)5.; and

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

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

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

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

23 2. For the exclusive purpose of providing benefits to members and
 24 beneficiaries and paying reasonable expenses of administering the
 25 system;

26 3. With the care, skill, and caution under the circumstances then prevailing
 27 that a prudent person acting in a like capacity and familiar with those

- 1 matters would use in the conduct of an activity of like character and
2 purpose;
- 3 4. Impartially, taking into account any differing interests of members and
4 beneficiaries;
- 5 5. Incurring any costs that are appropriate and reasonable; and
- 6 6. In accordance with a good-faith interpretation of the law governing the
7 retirement system.

8 **(d) In addition to the standards of conduct prescribed by paragraph (c) of this**
9 **subsection, all individuals associated with the investment and management**
10 **of retirement system assets, whether contracted investment advisors, board**
11 **members, or staff employees, shall adhere to "The Code of Ethics and**
12 **Standards of Professional Conduct," the "Asset Manager Code of**
13 **Professional Conduct" if the individual is managing retirement system**
14 **assets, and the "Code of Conduct for Members of a Pension Scheme**
15 **Governing Body" if the individual is a board member. All codes cited in this**
16 **paragraph are promulgated by the CFA Institute.**

- 17 (2) All securities acquired under authority of KRS 61.510 to 61.705 shall be registered
18 in the name "Kentucky Retirement Systems" or nominee name as provided by KRS
19 286.3-225 and every change in registration, by reason of sale or assignment of such
20 securities, shall be accomplished pursuant to written policies adopted by the board.
- 21 (3) The board, in keeping with its responsibility as trustee and wherever consistent with
22 its fiduciary responsibilities, shall give priority to the investment of funds in
23 obligation calculated to improve the industrial development and enhance the
24 economic welfare of the Commonwealth.
- 25 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
26 evaluations made by or for the system relative to the acquisition or disposition of
27 property, until such time as all of the property has been acquired or sold, shall be

1 excluded from the application of KRS 61.870 to 61.884 and shall be subject to
2 inspection only upon order of a court of competent jurisdiction.

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

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

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

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

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

21 **(d) Upon adoption, the board shall tender the final investment procurement**
22 **policy to the secretary of the Finance and Administration Cabinet or his or**
23 **her designee;**

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

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

3 →Section 5. KRS 161.250 is amended to read as follows:

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

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

10 1. The chief state school officer[,-];

11 2. The State Treasurer[,-];

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

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

21 b. A professional securities analyst or investment consultant;

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

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

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

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

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

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

20 *(d) 1. Each appointed trustee shall serve a term of four (4) years. An*
21 *appointed trustee shall not serve more than three (3) consecutive four*
22 *(4) year terms. An appointed trustee who has served three (3)*
23 *consecutive terms may be appointed again after an absence of four (4)*
24 *years from the board of trustees.*

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

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

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

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

27 1. Benefits and benefits administration;

- 1 2. Investment concepts, policies, and current composition and
2 administration of retirement system investments;
- 3 3. Laws, bylaws, and administrative regulations pertaining to the
4 retirement system and to fiduciaries; and
- 5 4. Actuarial and financial concepts pertaining to the retirement system.

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

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

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

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

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

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

- 1 1. A general overview and update on the retirement system by the
2 executive secretary;
- 3 2. A listing of the board of trustees;
- 4 3. A listing of key staff;
- 5 4. An organizational chart;
- 6 5. Financial information, including a statement of plan net assets, a
7 statement of changes in plan net assets, an actuarial value of assets, a
8 schedule of investments, a statement of funded status and funding
9 progress, and other supporting data;
- 10 6. Investment information, including a general overview, a list of the
11 retirement system's professional consultants, a total *net* return on
12 retirement system investments over a historical period, an investment
13 summary, contracted investment management expenses, transaction
14 commissions, and a schedule of investments;
- 15 7. The annual actuarial valuation report on the pension benefit and the
16 medical insurance benefit; and
- 17 8. A general statistical section, including information on contributions,
18 benefit payouts, and retirement system demographic data;
- 19 (c) All external audits;
- 20 (d) All board minutes or other materials that require adoption or ratification by
21 the board of trustees. The items listed in this paragraph shall be posted within
22 seventy-two (72) hours of adoption or ratification of the board;
- 23 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 24 (f) The retirement system's summary plan description;
- 25 (g) The retirement system's law book;
- 26 (h) A listing of the members of the board of trustees and membership on each
27 committee established by the board, including any investment committees;

1 (i) All investment holdings *in aggregate, fees,* and commissions for each fund
 2 administered by the board, *which shall be updated on a quarterly basis for*
 3 *fiscal years beginning on or after July 1, 2017.* ~~The board shall update the~~
 4 ~~list of holdings and commissions on a quarterly basis for fiscal years~~
 5 ~~beginning on or after July 1, 2008.~~ *The system shall request from all*
 6 *managers, partnerships, and any other available sources all information*
 7 *regarding fees and commissions and shall, based on the requested*
 8 *information received:*

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

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

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

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

1 (L) A searchable database of the system's expenditures and a listing of each
 2 individual employed by the system along with the employee's salary or wages.
 3 In lieu of posting the information required by this paragraph to the system's
 4 Web site, the system may provide the information through a Web site
 5 established by the executive branch to inform the public about executive
 6 branch agency expenditures and public employee salaries and wages. ~~No~~
 7 ~~provision of this paragraph shall require the system to disclose confidential~~
 8 ~~member information protected under KRS 161.585.]~~

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
 13 classes, except that no provision of this section or KRS 61.878 shall exclude
 14 disclosure and review of all contracts, including investment contracts, by the
 15 board, the Auditor of Public Accounts, and the Government Contract Review
 16 Committee established pursuant to KRS 45A.705 or the disclosure of investment
 17 fees and commissions as provided by this section. If any public record contains
 18 material which is not excepted under this section, the system shall separate the
 19 excepted material by removal, segregation, or redaction, and make the
 20 nonexcepted material available for examination ~~or to competitively negotiate~~
 21 ~~vendor fees].~~

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

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

27 Seven (7) ~~Five (5)~~ members of the board of trustees shall constitute a quorum. Each

1 trustee shall be entitled to one (1) vote. Four (4) votes or a majority of the trustees present
2 whichever is the larger number shall be necessary for a decision by the trustees at any
3 meeting of the board.

4 →Section 7. KRS 161.340 is amended to read as follows:

5 (1) (a) The board of trustees shall elect from its membership a chairperson and a vice
6 chairperson on an annual basis as prescribed by the administrative regulations
7 of the board of trustees. The chairperson shall not serve more than four (4)
8 consecutive years as chairperson or vice chairperson of the board. The vice
9 chairperson shall not serve more than four (4) consecutive years as
10 chairperson or vice chairperson of the board. A trustee who has served four
11 (4) consecutive years as chairperson or vice chairperson of the board may be
12 elected chairperson or vice chairperson of the board after an absence of two
13 (2) years from the position.

14 (b) The board of trustees shall employ an executive secretary by means of a
15 contract not to exceed a period of four (4) years and fix the compensation and
16 other terms of employment for this position without limitation of the
17 provisions of KRS Chapter[~~Chapters~~] 18A[, 45A, 56,] and KRS 64.640. The
18 executive secretary shall be the chief administrative officer of the board. The
19 executive secretary, at the time of employment, shall be a graduate of a four
20 (4) year college or university, and shall possess qualifications as the board of
21 trustees may require. The executive secretary shall not have held by
22 appointment or election an elective public office within the five (5) year
23 period next preceding the date of employment.

24 (2) The board shall employ clerical, administrative, and other personnel as are required
25 to transact the business of the retirement system. The compensation of all persons
26 employed by the board shall be paid at the rates and in amounts as the board
27 approves. Anything in the Kentucky Revised Statutes to the contrary

1 notwithstanding, the power over and the control of determining and maintaining an
 2 adequate complement of employees in the system shall be under the exclusive
 3 jurisdiction of the board of trustees.

4 (3) **(a) Except as provided by subsection (7) of Section 8 of this Act,** the board shall
 5 contract for actuarial, auditing, legal, medical, investment counseling, and
 6 other professional or technical services, and commodities, as are required to
 7 carry out the obligations of the board in accordance with the provisions of this
 8 chapter, **subject to**~~without limitations, including~~ KRS Chapters ~~[12, 13B,~~
 9 ~~]45, 45A, 56, and 57~~ **but without the limitations provided by KRS Chapters**
 10 **12 and 13B.**~~[, and]~~

11 **(b) The board** shall provide for legal counsel and other legal services as may be
 12 required in defense of trustees, officers, and employees of the system who
 13 may be subjected to civil action arising from the performance of their legally
 14 assigned duties if counsel and services are not provided by the Attorney
 15 General. **The hourly rate of reimbursement for any contract for legal**
 16 **services under this paragraph shall not exceed the maximum hourly rate**
 17 **provided in the Legal Services Duties and Maximum Rate Schedule**
 18 **promulgated by the Government Contract Review Committee established**
 19 **pursuant to KRS 45A.705, unless a higher rate is specifically approved by**
 20 **the secretary of the Finance and Administration Cabinet or his or her**
 21 **designee.**

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

25 (5) The board of trustees may expend funds from the expense fund as necessary to
 26 insure the trustees, employees, and officials of the Teachers' Retirement System
 27 against any liability arising out of an act or omission committed in the scope and

1 course of performing legal duties.

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

4 (7) Notwithstanding any statute to the contrary, the executive branch of government
5 shall accept from the Kentucky Teachers' Retirement System all accrued annual and
6 sick leave balances and service credits of employees leaving the Kentucky Teachers'
7 Retirement System and accepting appointments within the executive branch. These
8 leave balances shall be attested to by the Kentucky Teachers' Retirement System
9 and shall not exceed those limits established by statute or administrative regulation
10 for employees of the executive branch.

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

12 (1) The board of trustees shall be the trustee of the funds of the retirement system and
13 shall have full power and responsibility for the purchase, sale, exchange, transfer, or
14 other disposition of the investments and moneys of the retirement system. The
15 board shall, by administrative regulation, establish investment policies and
16 procedures to carry out their responsibilities. The board shall employ experienced
17 competent investment counselors to advise it on all matters pertaining to
18 investment, except the board may employ qualified investment personnel to advise
19 it on investment matters not to exceed fifty percent (50%) of the book value of the
20 system's assets. All individuals associated with the investment and management of
21 retirement system assets, whether contracted investment advisors, **board members,**
22 or staff employees, shall adhere to "The Code of Ethics["] and ["The]Standards of
23 Professional Conduct," **the "Asset Manager Code of Professional Conduct" if the**
24 **individual is managing retirement system assets, and the "Code of Conduct for**
25 **Members of a Pension Scheme Governing Body" if the individual is a board**
26 **member,** promulgated by the **CFA Institute**~~Association for Investment~~
27 ~~Management and Research~~. Effective July 1, 1991, no investment counselor shall

1 manage more than forty percent (40%) of the funds of the retirement system. The
2 board may appoint an investment committee consisting of the executive secretary
3 and two (2) trustees to act for the board in all matters of investment, subject to the
4 approval of the board of trustees. The board of trustees, in keeping with their
5 responsibilities as trustees and wherever consistent with their fiduciary
6 responsibilities, shall give priority to the investment of funds in obligations
7 calculated to improve the industrial development and enhance the economic welfare
8 of the Commonwealth. Toward this end, the board shall develop procedures for
9 informing the business community of the potential for in-state investments by the
10 retirement fund, accepting and evaluating applications for the in-state investment of
11 funds, and working with members of the business community in executing in-state
12 investments which are consistent with the board's fiduciary responsibilities. The
13 board shall include in the criteria it uses to evaluate in-state investments their
14 potential for creating new employment opportunities and adding to the total job
15 pool in Kentucky. The board may cooperate with the board of trustees of Kentucky
16 Retirement Systems in developing its program and procedures, and shall report to
17 the Legislative Research Commission annually on its progress in placing in-state
18 investments. The first report shall be submitted by October 1, 1991, and subsequent
19 reports shall be submitted by October 1 of each year thereafter. The report shall
20 include the number of applications for in-state investment received, the nature of
21 the investments proposed, the amount requested, the amount invested, and the
22 percentage of applications which resulted in investments.

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

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

- 1 (b) With the care, skill, prudence, and diligence under the circumstances then
2 prevailing that a prudent person acting in a like capacity and familiar with
3 these matters would use in the conduct of an enterprise of a like character and
4 with like aims;
- 5 (c) By diversifying the investments of the plan so as to minimize the risk of large
6 losses, unless under the circumstances it is clearly prudent not to do so; and
- 7 (d) In accordance with the laws, administrative regulations, and other instruments
8 governing the system.
- 9 (3) (a) In choosing and contracting for professional investment management services
10 the board must do so prudently and in the interest of the members and
11 annuitants. Any contract that the board makes with an investment counselor
12 shall set forth policies and guidelines of the board with reference to standard
13 rating services and specific criteria for determining the quality of investments.
14 Expenses directly related to investment management services shall be
15 financed from the guarantee fund in amounts approved by the board.
- 16 (b) An investment counselor appointed under this section shall acknowledge in
17 writing his fiduciary responsibilities to the fund. To be eligible for
18 appointment, an investment counselor must be:
- 19 1. Registered under the Federal Investment Advisors Act of 1940; or
 - 20 2. A bank as defined by that Act; or
 - 21 3. An insurance company qualified to perform investment services under
22 the laws of more than one (1) state.
- 23 (4) No investment or disbursement of funds shall be made unless authorized by the
24 board of trustees, except that the board, in order to ensure timely market
25 transactions, shall establish investment guidelines, by administrative regulation, and
26 may permit its staff and investment counselors employed pursuant to this section to
27 execute purchases and sales of investment instruments within those guidelines

1 without prior board approval.

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

5 (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the
6 Kentucky Teachers' Retirement System, including fees and commissions paid to an
7 investment manager, private fund, or company issuing securities, who manages
8 systems assets, shall be used to pay fees and commissions to ~~unregulated~~
9 ~~placement agents~~. For purposes of this subsection, ~~an~~ ~~unregulated~~ ~~placement~~
10 ~~agent~~" means **a third-party**~~an~~ individual, **who is not an employee,** or firm, **wholly**
11 **or partially owned by the entity being hired,** who solicits investments on behalf of
12 an investment manager, private fund, or company issuing securities~~, who is~~
13 ~~prohibited by federal securities laws and regulations promulgated thereunder from~~
14 ~~receiving compensation for soliciting a government agency~~.

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

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

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

27 **(c) Upon receipt of comments from the secretary of the Finance and**

1 Administration Cabinet or his or her designee, the board shall choose to
 2 adopt or not adopt any recommended changes;

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

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

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

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

13 (1) The Public Pension Oversight Board shall be composed of the following nineteen
 14 (19)~~thirteen (13)~~ members:

15 (a) Four (4)~~Two (2)~~ members of the General Assembly appointed by the
 16 Speaker of the House of Representatives, each of whom shall serve while a
 17 member of the House for the term for which he or she has been elected, one
 18 (1) of whom shall be the chair or a vice chair of the House Standing
 19 Committee on Appropriations and Revenue, and one (1) of whom the
 20 Speaker shall designate as co-chair of the board;

21 (b) Four (4)~~Two (2)~~ members of the General Assembly appointed by the
 22 President of the Senate, each of whom shall serve while a member of the
 23 Senate for the term for which he or she has been elected, one (1) of whom
 24 shall be the chair or a vice chair of the Senate Standing Committee on
 25 Appropriations and Revenue, and one (1) of whom the President shall
 26 designate as co-chair of the board;

27 (c) Two (2) members~~One (1) member~~ of the General Assembly appointed by

1 the Minority Floor Leader of the Senate, who shall serve while a member of
2 the Senate for the term for which he or she has been elected;

3 (d) **Two (2) members**~~[One (1) member]~~ of the General Assembly appointed by
4 the Minority Floor Leader of the House of Representatives, who shall serve
5 while a member of the House for the term for which he or she has been
6 elected;

7 (e) One (1) individual appointed by the Speaker of the House of Representatives,
8 who shall be certified as a chartered financial analyst (CFA) with at least ten
9 (10) years of investment experience or who shall possess at least ten (10)
10 years of retirement experience as defined by subsection (2) of this section;

11 (f) One (1) individual appointed by the President of the Senate, who shall be
12 certified as a chartered financial analyst (CFA) with at least ten (10) years of
13 investment experience or who shall possess at least ten (10) years of
14 retirement experience as defined by subsection (2) of this section;

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

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

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

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

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

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

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

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

27 (d) An attorney licensed to practice law in the Commonwealth of Kentucky with

- 1 relevant experience in retirement or pension plans; or
- 2 (e) A current or former university professor whose primary area of emphasis is
- 3 economics or finance.
- 4 (3) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall not:
- 5 (a) Be a member of the General Assembly;
- 6 (b) Be employed by a state agency of the Commonwealth of Kentucky or
- 7 receiving a contractual payment for services rendered to a state agency of the
- 8 Commonwealth of Kentucky that would conflict with his or her service to the
- 9 board; or
- 10 (c) Serve more than three (3) consecutive four (4) year terms on the board.
- 11 (4) Any vacancy which may occur in the membership of the board shall be filled by the
- 12 appointing authority who made the original appointment.
- 13 (5) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall serve
- 14 a term of four (4) years.

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

16 (1) Notwithstanding KRS 21.345 to 21.580, 61.661, 61.870 to 61.884, or 161.585 to

17 the contrary, on or before November 15 following the close of each fiscal year, the

18 state-administered retirement systems shall collectively file a report with the Public

19 Pension Oversight Board that shall include the following information for each

20 member or recipient of a retirement allowance from any of the state-administered

21 retirement systems:

22 (a)~~(1)~~ A unique identification number for each member or recipient that is

23 created solely for purposes of compiling the report provided by this section

24 and which shall not be the member's Social Security number or personal

25 identification number issued by the systems. For individual members or

26 recipients with multiple accounts in the state-administered retirement systems,

27 all of the state-administered retirement systems shall use the same unique

1 identification number;

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

4 ~~(c)(3)~~ The status of the member or recipient, including but not limited to
5 whether he or she is a contributing member, a member who is not currently
6 contributing to the systems but has not retired, a retired member, a
7 beneficiary, or a retired member who has returned to work following
8 retirement with an agency participating in the systems;

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

12 ~~(e)(5)~~ If the individual is a member who has not yet retired, the estimated
13 annual retirement allowance that he or she is eligible to receive at his or her
14 normal retirement date based upon his or her service credit, final
15 compensation, and accumulated account balance at the end of the most
16 recently completed fiscal year.

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

22 **(2) On or before November 15 following the close of each fiscal year, the state-**
23 **administered retirement systems shall report to the Public Pension Oversight**
24 **Board the percentage of system assets and managers for which fees and**
25 **commissions are being reported in accordance with paragraph (m) of subsection**
26 **(4) of Section 2 of this Act, paragraph (i) of subsection (19) of Section 3 of this**
27 **Act, and paragraph (i) of subsection (4) of Section 5 of this Act. This subsection**

1 shall apply on a fiscal year basis beginning on or after July 1, 2017.
 2 (3) On or before November 15, 2017, the state-administered retirement systems shall
 3 tender to the Public Pension Oversight Board a copy of their board-adopted
 4 investment procurement policy along with certification from the secretary of the
 5 Finance and Administration Cabinet that the investment procurement policy
 6 meets or does not meet the best practices for investment management
 7 procurement. If the board amends its investment procurement policy, it shall
 8 tender a copy of its amended investment procurement policy to the Public
 9 Pension Oversight Board within sixty (60) days of adoption along with
 10 certification from the secretary of the Finance and Administration Cabinet that
 11 the policy meets or does not meet the best practices for investment management
 12 procurement.

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

14 (1) A bill which would increase or decrease the benefits or increase or decrease
 15 participation in the benefits or change the actuarial accrued liability of any state-
 16 administered retirement system shall not be reported from a legislative committee of
 17 either house of the General Assembly for consideration by the full membership of
 18 that house unless the bill is accompanied by an actuarial analysis.

19 (2) (a) An actuarial analysis required by this section ~~shall~~^{must} show the economic
 20 effect of the bill on the state-administered retirement system over a twenty
 21 (20) year period, including:

- 22 1. An estimate of the effect on the unfunded actuarial accrued liabilities
 23 and funding levels of the affected systems; and
- 24 2. A projection of the annual employer costs to the systems of
 25 implementing the legislation over the twenty (20) year period. The
 26 annual employer cost projection shall include the effect on the
 27 contributions of participating employers as a percentage of total payroll

1 and in total dollars of contributions.

2 (b) If a bill affects more than one (1) state-administered retirement system, the
3 actuarial analysis shall project costs for each affected state-administered
4 retirement system.

5 (c) A statement that the cost is negligible or indeterminable shall not be
6 considered in compliance with this section. If a cost cannot be determined
7 by the actuary in accordance with paragraph (a) of this subsection, then the
8 systems shall certify in writing:

9 1. The estimated number of individuals affected;

10 2. The estimated change in benefit payments;

11 3. The estimated change to employer costs; and

12 4. The estimated change to administrative expenses.

13 (d)~~(e)~~ An actuarial analysis shall state the actuarial assumptions and methods
14 of computation used in the analysis and shall state whether or not the bill or
15 resolution, if enacted, would, in the opinion of the actuary, make the affected
16 state-administered retirement system actuarially unsound or, in the case of a
17 system already actuarially unsound, more unsound. Actuarial cost methods
18 and assumptions that meet actuarial standards of practice established by the
19 Actuarial Standards Board shall be used in all cost projections.

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

23 (3) (a) An actuary commissioned to make an actuarial analysis that is required by this
24 section, or for the purpose of seeking appropriations for a state-administered
25 retirement system, shall include in the analysis a complete definition of each
26 actuarial term used in the analysis and, either in the analysis or in a separate
27 actuarial valuation report made available as a public record, an enumeration

1 and explanation of each actuarial assumption used to complete the actuarial
2 analysis.

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

8 (4) The actuarial analysis required by this section shall be completed by the actuary
9 retained by the affected state-administered retirement system. The state-
10 administered retirement systems shall provide the analysis without cost to the
11 General Assembly.

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

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

14 1. The Kentucky Employees Retirement System, the County Employees
15 Retirement System, and the State Police Retirement System
16 administered by the Kentucky Retirement Systems and established under
17 the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510
18 to 78.852;

19 2. The Kentucky Teachers' Retirement System established under KRS
20 161.220 to 161.716;

21 3. The Judicial Retirement Plan established under KRS 21.345 to 21.580;
22 and

23 4. The Legislators' Retirement Plan established under KRS 6.500 to 6.577;
24 and

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

27 ➔Section 12. The amendments to subsections (1) and (6) of Section 2 of this Act,

1 subsections (2) and (21) of Section 3 of this Act, subsection (3) of Section 7 of this Act,
2 and subsection (6) of Section 8 of this Act, governing placement agents and contracts or
3 offerings entered into by the state-administered retirement systems, shall apply to
4 contracts and offerings established or contracts or offerings renewed on or after July 1,
5 2017.

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

12 ➔Section 14. The amendments to subsection (1) of Section 1 of this Act and to
13 subsection (1)(e) of Section 3 of this Act that require Senate confirmation of, and modify
14 the requirements for, gubernatorial appointments to the Judicial Form Retirement System
15 and the Kentucky Retirement Systems boards of trustees shall apply to appointments or
16 reappointments made on or after the effective date of this Act.

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

23 ➔Section 16. Notwithstanding KRS 12.028(5), the General Assembly confirms
24 Executive Order 2016-340 dated June 17, 2016, to the extent that it is not otherwise
25 confirmed or superseded by this Act.

26 ➔Section 17. Whereas ensuring that the state-administered retirement systems are
27 operating in a transparent manner is important to public employees, public retirees, and

- 1 taxpayers of the Commonwealth of Kentucky, an emergency is declared to exist, and this
- 2 Act takes effect upon its passage and approval by the Governor or upon its otherwise
- 3 becoming law.