

1 AN ACT relating to the Teachers' Retirement System board of trustees.

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

3 ➔Section 1. 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,~~[-]~~"***and notwithstanding any other provision of statute to***  
9 ***the contrary, including but not limited to any provision of KRS Chapter 12,***  
10 ***the Governor shall have no authority to change any provision of this***  
11 ***subsection by executive order or action, including but not limited to***  
12 ***reorganizing, replacing, amending, or abolishing the membership of the***  
13 ***board of trustees of the Teachers' Retirement System.***

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

- 15 1. The chief state school officer;
- 16 2. The State Treasurer;
- 17 3. Two (2) trustees, appointed by the Governor of the Commonwealth,  
18 subject to Senate confirmation in accordance with KRS 11.160 for each  
19 appointment or reappointment. These two (2) trustees shall have  
20 investment experience. For purposes of this subparagraph, a trustee with  
21 "investment experience" means an individual who does not have a  
22 conflict of interest, as provided by KRS 161.460, and who has at least  
23 ten (10) years of experience in one (1) of the following areas of  
24 expertise:
- 25 a. A portfolio manager acting in a fiduciary capacity;
- 26 b. A professional securities analyst or investment consultant;
- 27 c. A current or retired employee or principal of a trust institution,

- 1 investment or finance organization, or endowment fund acting in  
2 an investment-related capacity;
- 3 d. A chartered financial analyst in good standing as determined by the  
4 CFA Institute; or
- 5 e. A university professor, teaching investment-related studies; and
- 6 4. Seven (7) other trustees elected as provided in KRS 161.260. Four (4) of  
7 the elective trustees shall be members of the retirement system, to be  
8 known as teacher trustees, two (2) shall be persons who are not members  
9 of the teaching profession, to be known as the lay trustees, and one (1)  
10 shall be an annuitant of the retirement system to be known as the retired  
11 teacher trustee. One (1) teacher trustee shall be elected annually for a  
12 four-year term. The retired teacher trustee shall be elected every four (4)  
13 years. The chief state school officer and the State Treasurer are  
14 considered ex officio members of the board of trustees and may  
15 designate in writing a person to represent them at board meetings.
- 16 (c) 1. Elective trustees shall not serve more than three (3) consecutive four (4)  
17 year terms. An elective trustee who has served three (3) consecutive  
18 terms may be elected again after an absence of four (4) years from the  
19 board of trustees.
- 20 2. The term limits established by subparagraph 1. of this paragraph shall  
21 apply to elective trustees serving on or after July 1, 2012, and all terms  
22 of office served prior to July 1, 2012, shall be used to determine if the  
23 elective trustee has exceeded the term limits provided by subparagraph  
24 1. of this paragraph.
- 25 (d) 1. Each appointed trustee shall serve a term of four (4) years. An appointed  
26 trustee shall not serve more than three (3) consecutive four (4) year  
27 terms. An appointed trustee who has served three (3) consecutive terms

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

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

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

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

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

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

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

22 disclose the name and address of all individual underlying managers or

23 partners in any fund of funds in which system assets are invested;

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

1 after July 1, 2017;

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

4 (l) A searchable database of the system's expenditures and a listing of each  
5 individual employed by the system along with the employee's salary or wages.

6 In lieu of posting the information required by this paragraph to the system's  
7 Web site, the system may provide the information through a Web site  
8 established by the executive branch to inform the public about executive  
9 branch agency expenditures and public employee salaries and wages.

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

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.