

KENTUCKY RETIREMENT SYSTEMS SURPLUS EQUIPMENT POLICY

Approval Date: February 19, 2004

Amended Date: August 16, 2007

INTRODUCTION

Adoption of Surplus Equipment Policy:

Pursuant to the provisions of KRS 61.645, the Board of Trustees (“Board”) of the Kentucky Retirement Systems (“KRS”) is permitted to adopt procedures necessary to conduct the business of the Retirement Systems as needed.

Statement of Surplus Equipment Policy:

KRS recognizes that supplies and equipment may need to be replaced as the existing equipment ages or becomes outdated. KRS recognizes that as a fiduciary, it has the responsibility to recover any possible value from this property, and reinvest that value into the trust.

Purpose:

The purpose of this Surplus Equipment Policy is to: a) provide for the proper disposition of surplus equipment by KRS; b) maximize the recovery value to the KRS trust; and c) provide safeguards for maintaining a system of quality and integrity.

DEFINITIONS

The following definitions and terms used in this Policy shall be applicable whenever used herein:

1. “Best Value” means a sale in which the decision is based on the primary objective of meeting the best interests of KRS. These decisions shall be based on objective and quantifiable criteria such as price that have been communicated to the bidders as set forth in the notice of sale, as well as other criteria such as potential liability to KRS.
2. “Business” means any corporation, partnership, individual, sole proprietorship, joint stock company, joint venture, or any other legal entity through which business is conducted.
3. “Contract” means all types of KRS agreements, regardless of the title, for the sale of supplies or equipment.
4. “Person” means any business, individual, organization or group of individuals.
5. “Responsible bidder or offeror” means a person who has the capability in all respects to perform fully the contract requirements and the integrity and reliability, which will assure good faith performance.
6. “Surplus property” means all furniture, office equipment, and computer equipment which has been determined in writing to be no longer needed or unsuitable for use by this agency.

PROCEDURAL REQUIREMENTS

The following procedural requirements must be met to dispose of all surplus property:

1. A written determination must be made by the Director of the division in which the property is located that such property is no longer needed by that division or has become unsuitable for use by that division.
2. Surplus property shall be kept and maintained under the control and supervision of the Division of Accounting. Such property shall be kept in an area designated for surplus property.
3. Such written determination shall be forwarded to the Executive Director or his designee for review and approval.
4. Surplus property shall be offered to other divisions of KRS for use before consideration of other methods of disposal. Should an asset be transferred to another division, this shall be set out in writing, and approved by the Executive Director or his designee.
5. Once a final approval to dispose has been granted by the Executive Director or his designee, the surplus property shall be disposed of pursuant to the methods as set out herein.
6. The fair market value of the property may be determined by contacting the original vendor from whom the asset was originally purchased to obtain a statement of fair market value, by obtaining appraisal(s), or by other means deemed appropriate and reasonable. However, the bidder or purchaser of the equipment shall ultimately establish the actual fair market value.
7. Employees of KRS may purchase surplus equipment as members of the general public, so long as they do not use their position at KRS to their advantage.
8. Surplus property that receives no bids or receives insufficient bids may be donated under the policies as contained herein.
9. In determining the best value for KRS, the Executive Director or his designee has the discretion to consider any potential liabilities associated with the disposal of property, such as violations of licensing agreements with software and potential environmental hazards and resulting liability.
10. After the disposal of the property, any funds recovered shall be deposited into the general accounts of the Kentucky Retirement System or reinvested in new or replacement equipment as needed.
11. All transfers of assets must be approved by the Executive Director or his designee, and reported to the Division of Accounting, so that the Fixed Asset Register can be updated.

METHODS OF DISPOSAL OF SURPLUS PROPERTY

All surplus property shall be disposed of as provided by this policy and by one of the following methods:

- (1) Sealed Bidding;

- (2) Public Auction;
- (3) Disposal by Donation; or
- (4) Manufacturer or Distributor Credit.

I. SEALED BIDDING

A. Formal Bid Requirement

Competitive sealed bids must be submitted, except when the sale is made in accordance with a separate procedure as set out herein.

B. Notice

KRS will make reasonable efforts to foster the highest possible level of competition among the general public. KRS will advertise the sale of surplus property by sealed bid on the KRS web site. KRS may also mail an announcement to known purchasers or advertise in a least one newspaper of general circulation in the state to be designated by KRS. The announcement of sale by sealed bid to be published in the newspaper shall contain not less than the following information:

1. KRS name and address.
2. General description of items to be sold.
3. The date, time and place at which bids will be opened.
4. Place from which the list of items and descriptions can be obtained.

If appropriate and reasonable, a public viewing of the surplus property may be arranged either on a designated date prior to the opening of bids or by individual appointment upon request.

C. Advertising Time

The number of required calendar days between the bid notice and bid due date is a minimum of seven (7) days.

D. Bid Changes or Withdrawals

A bidder may withdraw or change his bid provided the request is made before the time set for receiving bids. Withdrawal of a bid after opening is permitted only if clear and convincing evidence indicates that a bidder has made a bona fide error in the preparation of his bid and such error will result in substantial loss to the bidder. Proof in writing must be submitted to substantiate error and loss to the reasonable

satisfaction of KRS. All decisions to permit the correction or withdrawal of bids, or to cancel awards of property based on bid mistakes, shall be supported by a written determination by a chief officer of KRS.

E. Receipt of Bids

All formal bids are “time and date stamped” by KRS upon receipt of the bid. All bids are filed by Notice of Sale Number in a secure place to protect the integrity of the bid process. No information is disclosed as to the number of bids received or the identity of the bidders.

F. Opening of Bids

At the time designated for opening, the bids are removed from the files and opened. All timely bids received in response to each invitation are opened and read aloud in an office designated by the notice of sale. A bid received after the specified time has passed (for receiving bids) will be noted but not considered, unless no other applicable bids are received. In that case, KRS may, but is not obligated to, consider any late bids.

G. Contract Award and Notification

The contract will be awarded to the responsible bidder whose bid offers the best value. The successful bidder will be notified in writing.

II. PUBLIC AUCTION

A. KRS may conduct a public auction to dispose of surplus property, when the Executive Director or his designee determines that such a method will result in the best value to KRS.

B. Notice

KRS will make reasonable efforts to foster the highest possible level of competition among the general public. KRS will advertise the public auction of surplus property on the KRS web site. KRS may also mail an announcement to known purchasers or advertise in a least one newspaper of general circulation in the state to be designated by KRS. The announcement of sale by public auction to be published in the newspaper shall contain not less than the following information:

1. KRS name and address.
2. General description of items to be sold.

3. The date, time and place at which the public auction will be held.
4. Place from which the list of items and descriptions can be obtained.

If appropriate and reasonable, a public viewing of the surplus property may be arranged either on a designated date prior to the public auction or by individual appointment upon request.

C. Advertising Time

The number of required calendar days between the notice of public auction and the date of auction is a minimum of seven (7) days.

D. Procedures for Public Auction

At the time designated for public auction, an auctioneer will sell each individual item. Said auctioneer will recognize all timely and responsive bids. A bid made after an individual item has been declared sold by the drop of the gavel shall not be considered, but may be noted as a starting price in the event there are duplicate items yet to be sold.

E. Contract Award and Notification

The contract will be awarded to the responsible bidder at the auction whose bid offers the best value. The successful bidder will be notified in person at the time of the auction.

III. DISPOSITION BY DONATION

- A. In the event that no responsive bids are received or that the Executive Director or his designee deems the bids received are insufficient, surplus property may be disposed of by donation to a non-profit organization.
- B. A determination that a bid is insufficient shall be made when the cost of storage, transport, and sale of the surplus item exceeds the bid amount.
- C. The Executive Director or his designee may also determine that donation is appropriate when the value of the property is minimal so that sale by public auction or sealed bid is not feasible.
- D. The Office of the Executive Director or his designee shall maintain a list of acceptable non-profit organizations. Organizations may petition to be added to the list in addition to the list received from the Commonwealth of approved non-profit organizations.

- E. The Executive Director or his designee may contact organizations on the list to determine the need for the particular surplus property in question.
- F. The Board of Trustees shall be notified of all property donated.

IV. MANUFACTURER OR DISTRIBUTOR CREDIT

- A. KRS may return used equipment for a credit toward the purchase of new equipment from the manufacturer or distributor, when the Executive Director or his designee determines that such a method will result in the best value to KRS.
- B. The Executive Director or his designee shall consider potential liability to KRS in terms of violations of licensing agreements and/or potential environmental hazards when determining whether returning equipment for a credit toward new equipment is in the best interests of KRS.
- C. KRS will make reasonable inquiries to the distributor and/or manufacturer from which equipment was originally purchased to determine the availability of such programs.
- D. If the Executive Director or his designee determines that such a return for credit is in the best interests of KRS, then he or she shall negotiate for the best value to KRS in terms of the credit awarded for the purchase of new equipment.

ETHICS

Ethics in disposition of property shall conform to the Executive Branch Code of Ethics as set forth in KRS Chapter 11A, as well as all state and federal laws and regulations.