

# TEACHERS' RETIREMENT SYSTEM

## of the State of Kentucky

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June 30, 2025

Legislative Research Commission  
c/o Jay Hartz, Director  
700 Capitol Avenue  
Frankfort, KY 40601

To the Legislative Research Commission:

This is the government efficiency report of the Teachers' Retirement System of the State of Kentucky (TRS) as required by KRS 12.021.

The law requires:

Each department and program cabinet identified in KRS 12.020 shall submit a report to the Legislative Research Commission on or before June 30 and November 30 of each year that provides suggestions for improved government efficiency. The report shall include:

- (1) Cost-saving measures that the department or program cabinet could implement;
- (2) Tasks or functions each department or program cabinet performs that could be considered for elimination; and
- (3) Staff positions that could be eliminated or converted into new positions to serve a different function where additional personnel are needed.

TRS is the fiduciary of funds held in trust for its members. The agency's administrative expenses, which are among the lowest of U.S. public pension plans, are paid from TRS's investment earnings, which consistently outperform the average pension plan. TRS is efficient, effective and always working to improve the retirement security of Kentucky's teachers. The latest affirmation of this came with the clean independent annual audit that resulted in no findings. Fees on investment and other contracts are negotiated annually to contain costs. Staffing levels have been consistent. TRS operates with a philosophy of constant improvement under which all employees are encouraged to suggest ideas. Ideas that improve efficiency are implemented as quickly as practicable.

### 1. Cost-saving measures

TRS has implemented measures that are ongoing to address the costs of various benefits that by statute are required to be delivered. Presented in this report are two significant examples.

**Personalized Medicine:** TRS's leading-edge personalized medicine program uses a DNA test to improve the wellness of retirees. The program begun in 2017 now has more than 12,700 enrollees, most of whom are in the Medicare Eligible Health Plan (MEHP). This pharmacogenomics program focuses on making sure that a retiree's medications are safe and will be beneficial from the beginning, avoiding traditional medicine's costly and sometimes harmful trial-and-error process without the benefit of the DNA information. This has resulted in reductions in medical spending and hospitalizations for those involved.

In-house management of real estate: Effective July 1, property management of the real estate net lease portfolio, that 81 properties in 11 states, will be managed in house. For many years, property management services were under contract. Benefits of an internal arrangement are expected to include better investment analysis, increased control over operations and anticipated lower costs.

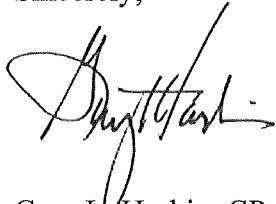
2. Functions that could be eliminated

With duties required by statute, no functions are identified to be considered for elimination at this time.

3. Staff positions

TRS has a record of low turnover, long tenures and promoting from within, all of which encourage efficiency. Where possible, work is done in-house at the lowest cost rather than through additional consultants or providers.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary L. Harbin", with a stylized flourish at the end.

Gary L. Harbin, CPA  
Executive Secretary

GLH/moh