

PUBLIC PENSIONS BOARD COMPOSITION & STRUCTURE

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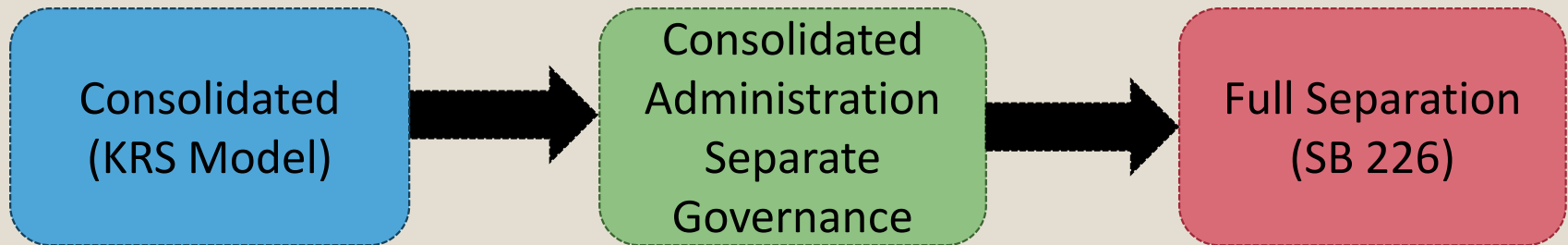
Case Studies of State/Local Retirement Plans

December 17, 2018

ISSUES

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- Spectrum of plans presented:



- Board composition in other states:
 - Ratio of Elected to Appointed Board members
 - Ratio of Local to State Board members
 - Membership representation
- Takeaways...
 - Some consistency across plans (i.e. membership representation)
 - Ultimately, no trend revealed

STRUCTURES ACROSS STATE PLANS

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• General Models of Administration/Governance

Consolidated Admin (Current KRS Model)

Most common structure reviewed. Single board is responsible for both administration/governance of multiple plans, including general state and local political subdivision employees.

Consolidated Admin Separate Boards

Less frequently utilized, but in a few states (and larger city plans) retirement plans are administrated by a single agency (i.e. KRS), but governed by separate boards

Separated Plans (SB 226 Model)

Several states have separated municipal, fire, and/or police plans, which are both administered and governed by a separate agency and board from the general state employee plan.

Other: Local, Multiple, or Unique

Includes states without a consolidated municipal system, states that utilize multiple structures, or states that have a unique structure.

KRS → Statutory Board Structure

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1956
1958

1960

1962

1974

2010

2013

2017

1956-KERS Board Est.:

Number: 5
Selection:

- All Gov. Appointees

1958-CERS Board Est.:

Number: 5
Selection:

- All Gov. Appointees

KRS Board (KERS & CERS Merger):

Number: 9
Selection:

- 3 Ex-officio: Comm. of Finance, Comm. Of Economic Security, & Personnel, and State Police Division Director
- 5 appt. by Governor, (1) of whom came from prior KERS board and (1) of whom came from prior CERS board

KRS Board

Number: 9
Selection:

- 4 elected: KERS (2); CERS (1); SPRS (1)
- 3 appt. by Governor
- 2 Ex-officio: Attorney General, Personnel Secretary

KRS Board

Number: 9
Selection:

- 5 elected: KERS (2); CERS (2); SPRS (1)
- 3 appt. by Governor*
- 1 Ex-officio: Personnel Secretary

**1990 1 appt. replace by State & Local Govt. Finance Officer (ex-officio). 1992 restored to Gov. app. and required at least 1 of 3 app. to be knowledgeable about the impact of pensions on local govts.*

KRS Board

Same as before except it required 2 of 3 appt. board members to have "investment experience".

KRS Board

Number: 13
Selection:

- 6 elected: KERS (2); CERS (3); SPRS (1)
- 6 appt. by Governor: (2) with "investment experience", (1) knowledgeable about impact of pensions on local govt, and (3) selected from lists submitted by KACO, KLC, KSBA
- 1 Ex-officio: Personnel Secretary

KRS Board

Number: 17
Selection:

- 6 elected: KERS (2); CERS (3); SPRS (1)
- 10 appt. by Governor: (6) with refined def. of "investment experience", (1) knowledgeable about impact of pensions on local govt, and (3) selected from lists submitted by KACO, KLC, KSBA
- 1 Ex-officio: Personnel Secretary

NASRA BOARD COMPOSITION STUDY

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- National Association of State Retirement Administrators
 - <https://www.nasra.org/files/Topical%20Reports/Governance%20and%20Legislation/Board%20Governance%20Policies/Board%20Composition.pdf>
- Survey of over 80 Retirement Systems
- Findings:
 - Ratio of Elected Members
 - ✦ 31 systems have no elected members
 - ✦ 59 systems have less than 50% elected members; majority appointed
 - Including Kentucky Retirement Systems with 35% elected members
 - ✦ 26 systems have a majority of elected members
 - Ratio of Local Members
 - ✦ No general ratio even for municipal-only plans
 - ✦ Plans may include employer appointees, legislative appointees, public-at-large
 - Member representation required by statute for nearly all plans

Board Structure – Consolidated

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State	Administrator	Fiduciary Board		
		Appt	Ex-Officio	Elected
CO	Colorado Public Employees Retirement Association	3	1	12
DE	Delaware Public Employees Retirement System	5	2	0
HI	Hawaii Employees Retirement System	3	1	4
ID	Public Employees Retirement System of Idaho	5	0	0
IN	Indiana Public Employees Retirement Fund	8	1	0
KS	Kansas Public Retirement System	6	1	2
KY	Kentucky Retirement Systems	10	1	6
ME	Maine Public Employees Retirement System	5	1	2
MD	Maryland State Retirement and Pension System	7	3	5
MS	Public Employees' Retirement System of Mississippi	1	1	8
OK	Oklahoma Public Employees Retirement System	8	5	0
TN	Tennessee Consolidated Retirement System	9	9	2
UT	Utah Retirement System	6	1	0
VA	Virginia Retirement Systems	9	0	0
WY	Wyoming Retirement System	10	1	0

Board Structure – Consolidated

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- **No clear trend, but member representation generally present**

ELECTED

Colorado - 16 Member Board

- 10 active member Trustees elected by employees of respective divisions, which consists of (4) school, (3) state, (1) local, Judicial (1), and (1) non voting Denver School members
- 2 retired members are elected as trustees by current PERA retirees.

Mississippi – 10 Member Board

- 6 active member trustees elected by employees of state (2), public schools (1), universities (1), counties (1) and municipalities (1).
- 2 retired members elected by retirees
- 1 Governor appointee must be member of PERS

APPOINTED

Tennessee – 20 Member Board

- 9 appointments by Governor, Senate President, Speaker of House, and local government associations. Member representation consists of teachers (3), retired (2), public safety (1), and representatives of local government (3).
- 2 trustees are elected by members of state employee plan

Wyoming – 11 Member Board

- 5 of 10 Governor appointments must represent membership, consisting of (2) members of public employee, (2) members of active school or higher education, and (1) retiree.

- **KRS comprised of both elected and appointee representation**

Member Representation

- Is size of membership reflected in representation?

Colorado		
	Percent	Trustees
State	17.1%	4
School	37.7%	3
Local	3.9%	1
Judicial	0.1%	1
DPS	4.9%	1 (NV)
RETIRED	36.3%	2

Mississippi		
	Percent	Trustees
State	11.0%	2
University	9.0%	1
Schools	25.6%	1
Local	14.7%	2
RETIRED	39.7%	2

*Additional GOV appointment must be PERS member

Tennessee		
	Percent	Trustees
State	15.9%	2
Local ¹	21.4%	4
Teacher	20.9%	3
Retired	41.8%	2

Wyoming		
	Percent	Trustees
Public Emp	49.3%	4
Police	4.2%	1
Fire	3.8%	1
Judicial	0.1%	1
RETIRED	42.6%	1

¹ Three of four appointments made by employer groups

Board Structure – Separate Governance

State	Administrator	Fiduciary Board		
		Appt	Ex-Officio	Elected
AL	<i>Retirement Systems of Alabama</i>			
	Alabama Employees Retirement System	3	4	6
	Alabama Teachers' Retirement System	0	3	12
AR	Arkansas Public Employees Retirement System	6	3	0
	Arkansas State Police Retirement System	5	2	0
	Arkansas Judicial Retirement System	5	0	0
IA	Iowa Public Employees Retirement System	6	5	0
	Municipal Fire and Police Retirement System of Iowa	9	0	0
NV	Nevada Public Employees Retirement System	7	0	0
	Police and Firefighters' Retirement Fund Advisory Committee	4	1	0
NC	<i>North Carolina Retirement Systems</i>			
	Local Government Employees Retirement System	11	2	0
	Fire and Rescue Advisory Panel - 7			
	Teachers and State Employees Retirement Systems	10	3	0
OH	Ohio Public Employees Retirement System	3	1	7
	Ohio State Teachers Retirement System	11	2	0
	Ohio Police and Fire Pension Fund	3	0	6
VT	<i>Retirement Operations Division of the State Treasurer's Office</i>			
	Vermont State Employees Retirement System	1	3	4
	Vermont Municipal Employees Retirement System	0	1	4

Board Structure – Separate Governance

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ELECTED

Alabama – 2 Boards

RSA administers and invests 4 plans. The systems are governed by 2 separate boards of control:

- ERS/JRF has a **13 member** board of control
 - 3 Appointed – Active Merit Employees
 - 4 Ex Officio
 - 6 Elected Active or Retired; Even State & Local
- TRS/PEEHIP has a **15 member** board of control
 - 3 Ex Officio
 - 12 Elected (Based on position, i.e. principal.)

Vermont – 3 Boards

Retirement Ops. Division of State Treasurer admin.

- State Employees (VSERS) - **8 members**
 - 4 Elected – 3 Active, 1 Retiree
 - 1 Appointed
 - 3 Ex Officio
- Municipal Employees (VMERS) - **5 members**
 - 4 elected (2 employer, 2 employee)
 - 1 ex officio
- Teachers' (VSTRS) – **6 members**
 - 2 Elected Active, 1 Elected Retiree, 3 Ex Officio

APPOINTED

Arkansas – 3 Boards

- APERS is a consolidated retirement system for state, county, and some municipal employees. APERS is administered, invested, and governed by a **9 member** board of trustees:
 - 6 Appointed – Active; Even State & Non-State
 - 3 Ex Officio
- APERS staff also administer two other systems governed by separate boards of trustees:
 - AR State Police (ASPRS) - **7 member** board
 - AR Judicial (AJRS) - **5 member** board

North Carolina – 2 Boards*

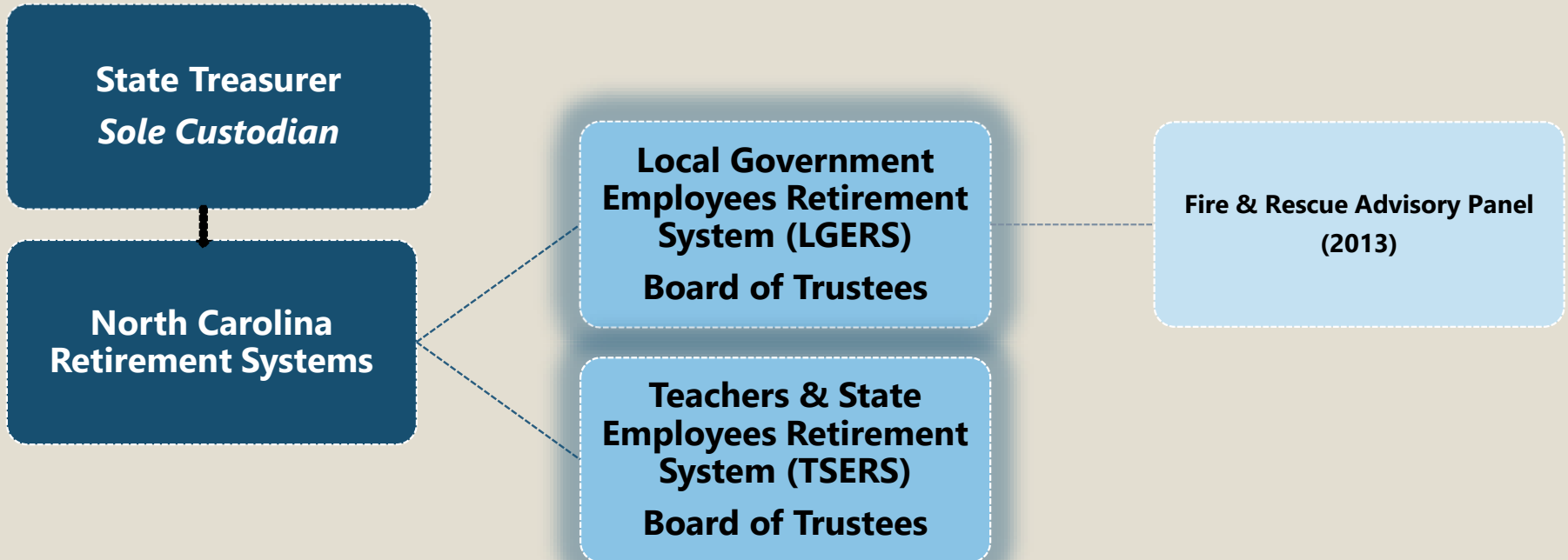
- Local Government ERS – **13 members**
 - 11 Appointed (9 Governor, 2 General Assembly)
 - 4 employer, 4 employee, 3 public
 - 2 Ex Officio
 - *Fire & Rescue Advisory Panel – 7 members*
- Teachers and State Employees – **13 members**
 - 10 Appointed (8 Governor, 2 General Assembly)
 - 3 Ex Officio

**State treasurer serves as custodian of assets.*

North Carolina Case Study

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- **Over 900,000 public employee members (300,000 local government employees)**
- **Membership represented by separate boards/committees.**
- **Common administration by the North Carolina Retirement Systems.**
 - Division of the North Carolina Department of State Treasurer
 - Administrator and staff for various retirement systems since 1976
- **Boards of Trustees share members and meet jointly.**



NC Board Composition Detail

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Teachers' and State Employees' Retirement System (TSERS)

- 13 Members
- Oversees TSERS & 5 other plans
- 3 Ex Officio Members
 - State Treasurer, Chairperson
 - Superintendent of Public Instruction
 - NC State Human Resources Director
- 8 Members appointed by the Governor, confirmed by the Senate
 - Active Teacher
 - Active State Employee
 - Retired Teacher
 - Retired State Employee
 - Member of the National Guard
 - State Law Enforcement Officer
 - 2 Public Members
- 2 Public Members appointed by the GA

Local Government Employees Retirement System (LGERS)

- 13 Members
- Oversees LSERS and 3 other plans
- 2 Ex Officio Members
 - State Treasurer, Chairperson
 - Superintendent of Public Instruction
- 8 Members appointed by the Governor with preferred experience
 - County Manager
 - Retired Local Employee
 - Municipal Officer
 - Local Law Enforcement Officer
 - County Official
 - Active Local Employee
 - City/Town Manager
 - Firefighter/Rescue Squad Worker
- 3 of same Public Members as TSERS
- Plus Fire & Advisory Panel
 - 7 members – Paid/Volunteer; Bd appoint

CONCLUSION

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- Takeaways for State & Local Systems
 - Case studies of consolidated and separate governance models
 - No discernable trends in board composition
 - ✦ Majority appointed boards edge out majority elected boards
 - Majority of boards have diversified membership representation

Questions/Discussion?