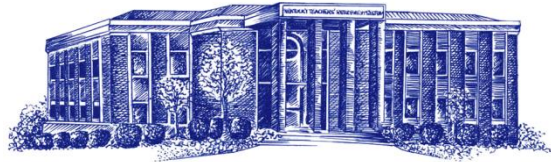


# TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

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*Executive Secretary*  
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*SERVING KENTUCKY TEACHERS SINCE 1940*

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February 9, 2016

Josh W. Nacey  
Office of Special Projects  
Legislative Research Commission  
Capitol Annex, Room 39  
Frankfort, KY 40601

RE: SB 2 GA/BR 437  
AA Statement 4 of 4

Dear Mr. Nacey:

SB 2 GA, an Act relating to retirement, in part amends KRS 161.250 to add to the Board of Trustees of the Kentucky Teachers' Retirement System (KTRS) six (6) trustees appointed by the Governor, subject to confirmation by the Senate. Two (2) of those trustees are to have investment experience. SB 2 GA, would also amend KRS 161.250 to specifically require in statute that investment holdings, fees and commissions shall be disclosed by each individual money manager; would require all contracts to be disclosed to the board, the Auditor of Public Accounts and the Government Contract Review Committee. SB 2 GA, would amend KRS 161.340 to require that the KTRS Executive Secretary be subject to Senate confirmation and that KTRS follow the provisions of KRS 45A, 56 and 57. SB 2 GA, would amend KRS 161.430 to specifically require individuals associated with the investment or management of retirement system assets to adhere to the "Asset Manager Code of Professional Conduct" if the individual is managing retirement system assets, and the "Code of Conduct for Members of a Pension Scheme Governing Body" if the individual is a board member; and would prohibit the use of retirement system funds for payments to a placement agent.

SB 2 GA adds to the provisions of the original bill, in part, by specifying that fee and commission reporting requirements for KTRS shall include profit sharing, carried interest, and partnership incentives; and provides that KTRS would not have to disclose contracts on a website if disclosure would result in a competitive disadvantage or would otherwise be exempted under the Kentucky Open Records Act. SB 2 GA also provides an emergency clause making the bill effective upon its passage and approval by the Governor or otherwise becoming law.

Senate Floor Amendment 1 would place employees of Kentucky Retirement Systems, with the exception of the Executive Director, under the KRS Chapter 18A. Senate Floor Amendment 2 would add six additional legislative members to the Public Pension Oversight Board.

KTRS has examined SB 2 GA and determined that it would not increase or decrease retirement benefits. Although SB 2 GA could result in some increase in administrative costs, it would not increase the actuarial liability of the retirement system. Accordingly, KTRS has not requested any further actuarial analysis of this bill by the Retirement System's independent actuary.

Please let me know if you have any questions regarding this analysis.

Sincerely,



Robert B. Barnes  
Deputy Executive Secretary of Operations and  
General Counsel

cc. Kate Talley, Katie Carney