

PPOB Recommendations Provided By Membership

#	Type	Issue	PPOB Member(s) Making Recommendation	Recommendation
1	Administrative	Investment Return Reporting	Rep. Yonts	KRS, KTRS, and JFRS should report investment returns on a net of fees basis on all public documents produced. Currently, KRS reports returns on a net of fee basis while KTRS and JFRS report returns on a gross of fees basis.
2	Administrative	KERS Cash Flow Issues	Rep. Yonts	The Kentucky Retirement Systems' board of trustees shall by January 25, 2016, provide no more than 3 options for addressing the cash flow issues facing the KERS non-hazardous pension fund. The options shall be detailed with specific research performed for each option which shall include specific savings/costs for each option identified.
3	Administrative	Investment Fee Reporting	Rep. Yonts	KRS, KTRS, and JFRS shall study and report to the Public Pension Oversight Board by January 25, 2016 on the fees paid directly or indirectly by each system (i.e. through incentive or partnership agreements) and shall provide a consensus recommended standard for investment fee reporting to be utilized by all systems.
4	Administrative /Legislative	KRS Participation Issues	Rep. Yonts	<p>The Kentucky Retirement Systems' board of trustees shall by January 25, 2016, study issues related to agency participation, including but not limited to KRS participating agencies who are utilizing contract employees or who are not offering employees the opportunity to participate in the systems, and shall provide a listing of all agencies who are attempting various means to avoid paying contributions on employees along with the estimated number of employees not being reported as well as the anticipated financial impact to the systems.</p> <p>Based upon this information, the General Assembly should enact legislation to address the loss of employer contributions from KRS participating agencies who are utilizing contract employees or who are not offering employees the opportunity to participate in the systems.</p>
5	Administrative /Legislative	JFRS Website	Rep. Yonts	JFRS should develop a website to provide greater access to information to their members and the public. Legislation to require specific information to be posted on the JFRS website similar to what is currently required for the KRS/KTRS websites under KRS 61.645(19) and 161.250(4) should also be enacted.

6	Legislative	KRS/KTRS Contracts	Sen. Bowen	<p>Currently, KRS and KTRS are exempt from KRS Chapter 45 (Budget and Financial Administration) and KRS Chapter 45A (Kentucky Model Procurement Code) relative to contracting. Legislation should be enacted to make KRS and KTRS subject to KRS Chapter 45 and 45A.</p> <p><i>See Letter from Sen. Bowen to PPOB members for details.</i></p>
7	Legislative	Senate Confirmation on KRS/KTRS Leadership	Sen. Bowen	<p>Legislation should be enacted to require Senate confirmation of the KRS and KTRS Executive Director/Executive Secretary and all non-elected board members.</p> <p><i>See Letter from Sen. Bowen to PPOB members for details.</i></p>
8	Legislative	KRS Appointed Trustees	Sen. Bowen	<p>Currently, two trustees appointed by the Governor for the 13 member KRS board of trustees must have 10 years of “investment experience” as broadly defined by KRS 61.645 and must serve on the KRS investment committee. The General Assembly should enact legislation to refine the definition of “investment experience” in KRS 61.645 to ensure truly qualified individuals are selected.</p> <p><i>See Letter from Sen. Bowen to PPOB members for details.</i></p>
9	Legislative	KRS Appointed Trustees	Mac Jefferson	<p>Currently, two trustees appointed by the Governor for the 13 member KRS board of trustees must have 10 years of “investment experience” as broadly defined by KRS 61.645 and must serve on the KRS investment committee and one trustee appointed by the Governor must be “knowledgeable about the impact of pension requirements on local governments”. Legislation should be enacted to require these three Gubernatorial appointees:</p> <ul style="list-style-type: none"> • To be selected by the Governor from a list of three applicants submitted by the CFA Society of Louisville (with separate lists required for each appointment); and • To serve on the KRS investment committee.
10	Legislative	KRS Appointed Trustees	Rep. Yonts	<p>Currently, 2 trustees appointed by the Governor for the 13 member KRS board of trustees must have 10 years of “investment experience” as broadly defined by KRS 61.645. Legislation to require these two appointees to possess a Chartered Financial Analyst (CFA) designation and to require the Governor to request the CFA Society of Louisville to submit a list of potential applicants should be enacted for any future appointments/reappointments.</p>

11	Legislative	KTRS Board	Sen. Bowen	<p>Currently, the KTRS board is comprised of 7 trustees elected by the membership, with the two remaining members being the Chief State School Officer and the State Treasurer. The General Assembly should enact legislation to add additional Gubernatorial appointed members to the KTRS board, and some or all of the additional members should have investment experience.</p> <p><i>See Letter from Sen. Bowen to PPOB members for details.</i></p>
12	Legislative	KRS Housekeeping Bill	Rep. Yonts	<p>The Kentucky Retirement Systems housekeeping bill, similar to provisions included in House Bill 108 (as passed by the House of Representatives) that did not pass into law during the 2015 Regular Session, should be enacted.</p> <p><i>A copy of the bill can be found at</i> http://www.lrc.ky.gov/record/15rs/HB108.htm</p>
13	Legislative	KTRS Housekeeping Bill	Rep. Yonts	<p>The Kentucky Teachers' Retirement System housekeeping bill, similar to provisions included in House Bill 500 that did not pass into law during the 2015 Regular Session, should be enacted.</p> <p><i>A copy of the bill can be found at</i> http://www.lrc.ky.gov/record/15rs/HB500.htm</p>
14	Legislative	JFRS Housekeeping Bill	Rep. Yonts	<p>The Judicial Form Retirement System housekeeping bill, similar to provisions included in House Bill 353 that did not pass into law during the 2015 Regular Session, should be enacted.</p> <p><i>A copy of the bill can be found at</i> http://www.lrc.ky.gov/record/15rs/HB353.htm</p>
15	Legislative	KRS "Pension Spiking"	Rep. Yonts	<p>Legislation similar to the "pension spiking" measures included in Senate Floor Amendment 2 (SFA2) of HB 306 that was proposed during the 2015 Regular Session should be enacted for KRS. The measure would have added future "pension spiking" charges as a surcharge to the employer contribution rate in each system instead of billing individual employers.</p> <p><i>A copy of the floor amendment to HB 306 can be found at:</i> http://www.lrc.ky.gov/record/15rs/HB306.htm</p>
16	Legislative	Investments: Placement Agent Disclosure policies	Rep. Yonts	<p>Measures to require KRS, KTRS, and JFRS to establish placement agent disclosure policies similar to the measures included in SB 22 from the 2015 Regular Session should be enacted.</p> <p><i>A copy of SB 22 can be found at</i> http://www.lrc.ky.gov/record/15rs/SB22.htm</p>

17	Legislative	Performance Audit	Sen. Higdon	The General Assembly should require and provide funding for a performance audit of the Kentucky Retirement Systems conducted by the State Auditor to evaluate administrative expenses, investment fees and expenses, staffing levels, and overall administration of the funds. The performance audit should provide recommendations for any means of reducing administrative and investment related expenses for KRS.
18	Legislative	Actuarial Reporting Requirements	Rep. Yonts	<p>Legislation similar to HB 306 that was introduced during the 2015 Regular Session relative to actuarial and financial reporting requirements for KRS, KTRS, and JFRS should be enacted.</p> <p><i>Note: HB 306 would have required KRS, KTRS, and JFRS to: (1) perform an actuarial experience study once every 5 years and to perform a 20 year projection on the impact of the changes (change in employer rates, funding levels. UL); (2) include specific items in the actuarial valuation including a 20 year projection, sensitivity analysis, etc.; (3) perform a 20 year projection on the impact on any other changes made by the systems (assumption changes outside of experience study, changes in retiree health plans, etc.); and (4) produce an estimate of employer rates on or before August 15th prior to budget biennium and to report the information to LRC and State Budget Director and to report final values by December 31st once the actuarial valuations are complete. The measure also required all system valuations, experience studies, and analyses of other changes to be forwarded to LRC and to chairs and committee staff with jurisdiction over systems. The bill would have also established the same qualifications for all actuaries utilized by systems and in completion of the actuarial analysis on bills.</i></p> <p><i>A copy of HB 306 can be found at:</i> http://www.lrc.ky.gov/record/15rs/HB306.htm</p>
19	Legislative	Actuarial Auditing	Rep. Yonts	Legislation should be enacted to: (1) require that an actuarial audit be completed for KRS, KTRS, and JFRS at least once every 10 years by an actuary retained by the Public Pension Oversight Board and paid for by the systems to evaluate the reliability of the actuarial assumptions and methods; and (2) Require that the employer contribution rates be reviewed by December 31 st in the year prior to each budget biennium by an actuary retained by the Public Pension Oversight Board that is paid for by the systems; and (3) Require actuarial valuations for KRS, KTRS, and JFRS be completed and submitted no later than November 1 st following the close of the fiscal year.

20	Legislative	KRS	Rep. Yonts	<p>Legislation to address paid volunteers issues with the Kentucky Retirement Systems, similar to the measures introduced in HB 488 in the 2015 Regular Session and pre-filed in BR 33 for the 2016 Regular Session should be enacted.</p> <p>A copy of the pre-filed bill can be found at: http://www.lrc.ky.gov/record/16rs/HB153.htm</p>
21	Legislative	KERS/SPRS Funding	Rep. Yonts	<p>The Governor and the General Assembly should include in the 2016-2018 biennial budget, the employer contribution rates recommended by the KRS Board of Trustees, for KERS and SPRS based upon the 6.75% investment return assumption adopted for the KERS non-hazardous and SPRS pension funds.</p>
22	Legislative	KTRS	Rep. Yonts	<p>The General Assembly should evaluate the KTRS Funding Work Group findings and recommendations and adopt a financially sound approach to address the funding issues facing the KTRS pension fund.</p>
23	Legislative	Pension Funding	Rep. Yonts	<p>The Public Pension Oversight Board supports measures that would provide additional funding to improve the financial health of the state-administered retirement systems and in particular measures that would improve the cash flow issues facing the Kentucky Employees Retirement System non-hazardous pension fund or that would improve the overall funding of the Kentucky Teachers' Retirement System pension fund and the State Police Retirement System pension fund.</p>