

KTRS Transparency Questions

Some members have contacted JCTA to ask what KTRS investment and operating expense information is and should be publicly available and what information is not and should not be publicly available.

Information that currently is and should be available includes KTRS investment information (including private equity information), as well as KTRS contracted and administrative investment expenses. If you would like to view this information, simply visit <https://ktrs.ky.gov/financial-reports-information/> and click on the "FY Ended 2015" link in the KTRS Comprehensive Annual Financial Report section. This will download the 2015 annual report, in which you can see the system's private equity investments on page 72 and its contracted and administrative investment expenses on page 74.

Information that is not and should not be publicly available includes details regarding the retirement benefits for specific KTRS members (by name) and confidential trade secrets shared with KTRS after KTRS investment analysts have signed non-disclosure agreements in order to review this information. Here is the background you need to understand why.

A small (approximately 4% of the KTRS portfolio) but successful (approximately 10% average annual return on investment since inception in about 2007) portion of the KTRS investment portfolio is comprised of private equity investments. Typically, these investments involve companies that approach KTRS seeking investment capital based on a business plan and/or confidential trade secrets that they believe give them a competitive edge on their competition. In order to judge these potential investments, KTRS signs a non-disclosure agreement in order to review the business plan and/or confidential trade secrets. Informed by this information, KTRS then makes decisions whether or not to invest in these private equity opportunities.

Senate Bill 2 initially would have required KTRS to publicly disclose this proprietary information. Obviously, no business would be willing to share the information KTRS would need to make private equity decisions if the business knew this information would be made public, so this provision would have had the net effect of preventing KTRS from continuing to invest in this successful area of its portfolio. Fortunately, successful lobbying by KTRS, JCTA, and KEA led to revisions in SB 2 by the bill's sponsor which corrected this problem. The Association appreciates these changes made by Senator Bowen.