



Teachers' Retirement System of the State of Kentucky

Public Pension Oversight Board

Dec. 14, 2020

Gary L. Harbin, CPA
Executive Secretary

Investment Performance

Retirement Annuity Trust Returns as of Sept. 30, 2020

	Qtr.	1-year	3-year	5-year	10-year	20-year
Gross	6.51%	11.88%	8.15%	9.87%	9.36%	6.35%
<i>Benchmark</i>	5.79%	9.18%	7.6%	9.64%	8.93%	N/A
<i>TRS Aon Rank</i>	Top 5%	Top 1%	Top 5%	Top 2%	Top 4%	N/A
Net	6.51%	11.55%	7.84%	9.56%	9.11%	6.19%

30-year compounded gross return
8.32%

Private Equity Profit Sharing

Carried Interest

Carried interest is profit sharing for investments in private equity that represents the general partner's share of the partnership's profits.

- Generally, TRS must be paid back its capital investment, a preferred rate of return on the capital investment (e.g., between 7 and 9%) and management fees before the general partner receives any profits.
- The profit sharing typically is 20% for the general partner and 80% for limited partners such as TRS.
- Carried interest is neither a fee nor an expense of TRS – it is profit divided among the partners.
- Profits TRS receives from partnerships are reported in accordance with generally accepted accounting principles.

TRS Private Equity Returns

Gross by Fiscal Year

2012	9.7%	2017	11.7%
2013	8.7%	2018	20.7%
2014	18.6%	2019	12%
2015	11.7%	2020	0.2%
2016	5%		

Five-year returns for quarter ending Sept. 30, 2020

Gross 10.2%

Net 8.4%

Private Equity Profit Sharing

Carried Interest

TRS limited liability partner investment examples:

- U.S.-headquartered global leader in insurance brokerage space
- Toll roads globally
- Fuel storage globally
- Sporting goods store chain
- Home security system provider in Europe
- Snack food manufacturer
- Furniture/home decor store chain
- Online classified company
- Online education company
- Health care diagnostic company

Private Equity Profit Sharing

Carried Interest

Change in General Partners' Profit Allocation FY 2020

Period	Retirement Annuity	Health Insurance
Sept. 30, 2019	\$ 3,540,013	\$ 221,944
Dec. 31, 2019	4,798,473	(144,633)
March 31, 2020	10,725,864	408,843
June 30, 2020	(20,602,086)	(1,585,588)
Fiscal Year 2020	\$ (1,537,736)	\$ (1,099,434)

General partners' profit allocation (carried interest) was negative as a result of the pandemic.

Actuarial Valuations

Summary

Retirement Annuity	Assets	Liabilities	Unfunded	Ratio
June 30, 2019	\$ 20.2 B	\$ 34.7 B	\$ 14.5 B	58.1%
June 30, 2020	\$ 20.8 B	\$ 35.6 B	\$ 14.8 B	58.4%

Health Insurance	Assets	Liabilities	Unfunded	Ratio
June 30, 2019	\$ 1.4 B	\$ 3.1 B	\$ 1.7 B	46%
June 30, 2020	\$ 1.7 B	\$ 2.8 B	\$ 1.1 B	61.7%

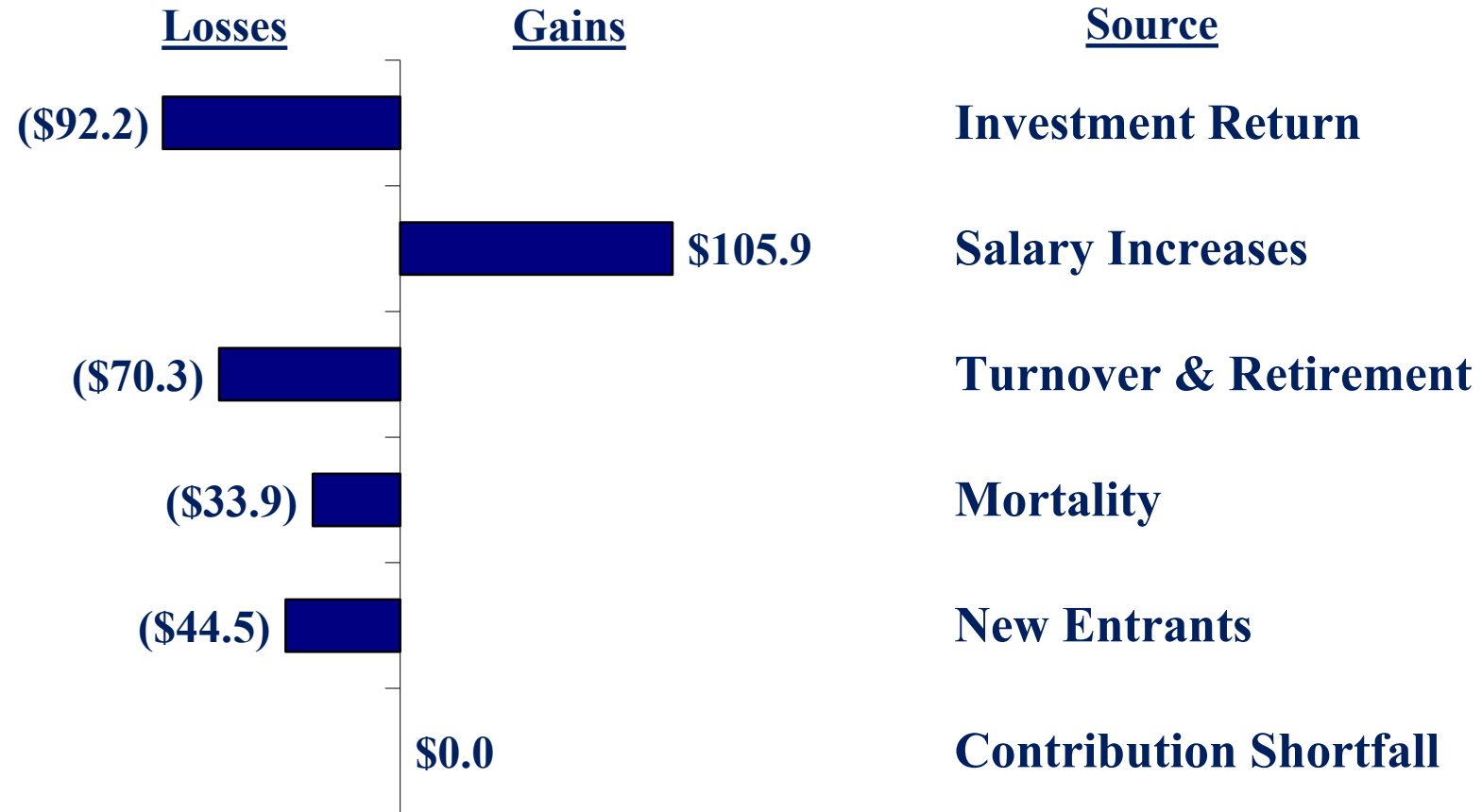
Actuarial Findings

From Annual Valuation for Year Ended June 30, 2020

- TRS received 100% of actuarially determined employer contribution
- Annuity trust increased by \$345 million
- Negative cash flow for 2020 as percentage of assets was (3.68)%, consistent with the two prior years.
 - 2019: (3.48)%
 - 2018: (3.63)%

Actuarial Findings

Actuarial Experience Gain/(Loss) Analysis



Dollars in millions

2022 Budget Request

Based on 2019 Valuation

	FY 2021	FY 2022
Pension Leave of Absence Matching and Other \$	4,046,500	\$ 4,208,000
State's Portion of Shared Responsibility Medical Funding	61,700,000	52,434,100
Total Annual Expenditures in Budget	65,746,500	56,642,100
Amortized Payments	114,772,900	117,841,500
Additional Employer Contributions Required for ADEC	549,440,600	576,194,200
TRS BUDGET ACTUAL / Requested	729,960,000	750,677,800
Statutory Contribution Funded Through SEEK Formula in KDE Budget	425,565,500	434,040,000
Total to TRS	\$1,155,525,500	\$1,184,717,800

Actuarial Projections

2020 Valuations

Retirement Annuity Trust

FY 2022	FY 2023	FY 2027	FY 2032	FY 2042	20-Year Total
\$1,166.2 M	\$1,210.4 M	\$1,395.8 M	\$1,692.5 M	\$2,596.4 M	\$34.3 B
30.45% of pay	30.99% of pay	32.51% of pay	34.99% of pay	40.59% of pay	
58.1% funded	58.4% funded	60.1% funded	63.2% funded	78.9% funded	
\$14.5 B	\$14.8 B	\$15.5 B	\$15.7 B	\$10.5 B	

Health Insurance Trust

FY2022	FY2023	FY 2027	FY 2032	FY 2042	20-Year Total
\$124.6 M	\$115.4 M	\$75.8 M	\$96.0 M	\$157.7 M	\$2.1 B
3.27% of pay	2.95% of pay	1.77% of pay	1.98% of pay	2.47% of pay	
69.6% funded	77.4% funded	100% funded	100% funded	100% funded	
\$0.9 B	\$0.7 B	\$0.0 B	\$0.0 B	\$0.0 B	

Experience Study

To Be Completed in 2021

Actuary will be conducting experience investigation for five-year period ended June 30, 2020

Demographic Assumptions to Review

- Rates of Withdrawal
- Rates of Preretirement Mortality
- Rates of Disability Retirement
- Rates of Service Retirement
- Rates of Post-Retirement Mortality
- Rates of Salary Increase

Economic Assumptions to Review

- Price inflation
- Investment return
- Wage inflation



***Our Members
Come First!***

800-618-1687

**8 a.m. – 5 p.m. ET
Monday – Friday**

info@trs.ky.gov

<https://trs.ky.gov>

Protecting & Preserving Teachers' Retirement Benefits