



# Teachers' Retirement System of the State of Kentucky

## Public Pension Oversight Board

**Nov. 22, 2021**

**Gary L. Harbin, CPA**  
Executive Secretary

# Investment Performance

## Retirement Annuity Trust Returns as of June 30, 2021

	<b>Qtr.</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>	<b>20-year</b>
<b>Gross</b>	5.61%	29.94%	13.34%	13.23%	10.32%	7.53%
<i>Benchmark</i>	5.87%	28.65%	12.94%	12.42%	9.93%	N/A
<i>Aon Rank</i>	Top 51%	Top 22%	Top 7%	Top 3%	Top 4%	N/A
<b>Net</b>	5.47%	29.59%	13.02%	12.91%	10.05%	7.35%

30-year compounded gross return  
**8.59%**

# Investment Performance

## Health Insurance Trust Returns as of June 30, 2021

	<b>Qtr.</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>
<b>Gross</b>	6.4%	31.53%	12.92%	12.48%	8.47%
<i>Benchmark</i>	6.18%	29.96%	12.29%	12.1%	N/A
<b>Net</b>	6.25%	31.13%	12.52%	12.07%	8.22%

# Investment Performance

## Retirement Annuity Trust Unaudited Returns as of Sept. 30, 2021

	<b>Qtr.</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>	<b>20-year</b>
<b>Gross</b>	-0.28%	21.66%	12.12%	12.19%	11.45%	7.81%
<i>Benchmark</i>	0.23%	21.89%	11.65%	11.62%	10.99%	N/A
<i>Aon Rank</i>	Top 84%	Top 58%	Top 12%	Top 7%	Top 7%	N/A
<b>Net</b>	-0.29%	21.32%	11.8%	11.87%	11.18%	7.63%

30-year compounded gross return  
**8.42%**

# Investment Performance

## Health Insurance Trust Unaudited Returns as of Sept. 30, 2021

	<b>Qtr.</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>
<b>Gross</b>	0.62%	23.74%	11.93%	11.63%	9.42%
<i>Benchmark</i>	0.47%	24.34%	11.74%	11.41%	N/A
<b>Net</b>	0.62%	23.36%	11.54%	11.23%	9.16%

# Cash Flow Update

## Retirement Annuity Trust

	FY 2021	FY 2020
<b>Cash Inflows</b>		
Member contributions	\$ 327,800,000	\$ 324,700,000
Employer contributions/appropriations	1,147,000,000	1,134,300,000
Investment income (Net of any asset gains/losses)	<u>257,600,000</u>	<u>370,800,000</u>
<b>Total Cash Inflows</b>	1,732,400,000	1,829,800,000
<b>Cash Outflows</b>		
Benefit payments/refunds	2,260,600,000	2,195,700,000
Administrative expense	<u>12,600,000</u>	<u>12,200,000</u>
<b>Total Outflows</b>	2,273,200,000	2,207,900,000
Net cash flow before asset gain/(losses)*	(540,800,000)	(378,100,000)
Investment gains or losses (realized and unrealized)	5,759,300,000)	723,200,000
Net plan assets		
Beginning of fiscal year	\$ 20,717,000,000	\$ 20,371,900,000
At end of period	\$ 25,935,800,000	\$ 20,717,000,000

\*Appreciation/depreciation in fair value does not generate cash inflows or outflows.

# Cash Flow Update

## Health Insurance Trust

	FY 2021	FY 2020
<b>Cash Inflows</b>		
Member contributions	\$ 187,600,000	\$ 192,800,000
Employer contributions/appropriations	184,900,000	184,600,000
Recovery income	120,800,000	100,400,000
Investment income (net of any asset gains/losses)	<u>3,700,000</u>	<u>13,200,000</u>
<b>Total Cash Inflows</b>	497,000,000	491,000,000
<b>Cash Outflows</b>		
Benefit payments/refunds	310,900,000	305,600,000
Administrative expense	<u>1,700,000</u>	<u>2,000,000</u>
<b>Total Cash Outflows</b>	312,600,000	307,600,000
Net cash flow before asset gain/(losses)*	184,400,000	183,400,000
Investment gains or losses (realized and unrealized)	499,500,000	19,300,000
Net plan assets		
Beginning of fiscal year	\$ 1,616,700,000	\$ 1,414,000,000
At end of period	\$ 2,300,500,000	\$ 1,616,700,000

\*Appreciation/depreciation in Fair Value does not generate cash inflows or outflows.

# Cash Flow Update

## Retirement Annuity Trust – Preliminary and Unaudited

	FYTD 2022 (Q1)	FYTD 2021 (Q1)
<b>Cash Inflows</b>		
Member contributions	\$ 70,800,000	\$ 74,900,000
Employer contributions/appropriations	282,800,000	271,600,000
Investment income (Net of any asset gains/losses)	<u>49,300,000</u>	<u>69,400,000</u>
<b>Total Cash Inflows</b>	402,900,000	415,900,000
<b>Cash Outflows</b>		
Benefit payments/refunds	583,800,000	565,200,000
Administrative expense	<u>3,100,000</u>	<u>3,000,000</u>
<b>Total Outflows</b>	586,900,000	568,200,000
Net cash flow before asset gain/(losses)*	(184,000,000)	(152,300,000)
Investment gains or losses (realized and unrealized)	(137,300,000)	1,265,900,000
Net plan assets		
Beginning of fiscal year	\$ 25,935,800,000	\$ 20,717,000,000
At end of period	\$ 25,614,500,000	\$ 21,830,600,000

\*Appreciation/depreciation in fair value does not generate cash inflows or outflows.



# Cash Flow Update

## Health Insurance Trust – Preliminary and Unaudited

	FYTD 2022 (Q1)	FYTD 2021 (Q1)
<b>Cash Inflows</b>		
Member contributions	\$ 43,400,000	\$ 45,500,000
Employer contributions/appropriations	32,400,000	44,900,000
Recovery income	22,700,000	21,600,000
Investment income (net of any asset gains/losses)	<u>(700,000)</u>	<u>2,300,000</u>
<b>Total Cash Inflows</b>	97,800,000	114,300,000
<b>Cash Outflows</b>		
Benefit payments/refunds	69,400,000	78,900,000
Administrative expense	<u>0</u>	<u>0</u>
<b>Total Cash Outflows</b>	69,400,000	78,900,000
Net cash flow before asset gain/(losses)*	28,400,000	35,400,000
Investment gains or losses (realized and unrealized)	12,700,000	104,700,000
Net plan assets		
Beginning of fiscal year	\$ 2,300,500,000	\$ 1,616,700,000
At end of period	\$ 2,341,600,000	\$ 1,756,800,000

\*Appreciation/depreciation in Fair Value does not generate cash inflows or outflows.



# Actuarial Valuations

## Summary

<b>Retirement Annuity</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Unfunded</b>	<b>Ratio</b>
<b>June 30, 2020</b>	\$ 20.8 B	\$ 35.6 B	\$ 14.8 B	58.4%
<b>June 30, 2021</b>	\$ 22.6 B	\$ 39.6 B	\$ 17 B	57.2%

<b>Health Insurance</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Unfunded</b>	<b>Ratio</b>
<b>June 30, 2020</b>	\$ 1.7 B	\$ 2.8 B	\$ 1.1 B	61.7%
<b>June 30, 2021</b>	\$ 2.1 B	\$ 3.5 B	\$ 1.4 B	60%

# Actuarial Findings

From Annual Valuation for Fiscal Year Ended June 30, 2021

- TRS received 100% of actuarially determined employer contribution for retirement annuity.
- Annuity trust increased by \$5.2 billion
- Negative cash flow for 2021 as a percentage of assets was (3.79)%.
  - 2020: (3.68)%
  - 2019: (3.48)%
  - 2018: (3.63)%

# Actuarial Findings

## Actuarial Experience Gain/(Loss) Analysis



*Dollars in millions*

# 2022-24 Budget Request

	<b>Actual FY 2021</b>	<b>Actual FY 2022</b>	<b><i>Requested FY 2023</i></b>	<b><i>Requested FY 2024</i></b>
Pension Leave of Absence Matching and Other	4,000,000	4,200,000	4,100,000	4,300,000
State's Portion of Shared Responsibility Health Insurance Funding	61,700,000	-	71,200,000	77,700,000
Past Contributions	(1,700,000)	(19,000,000)	-	-
<b>Total Annual Expenditures in Budget</b>	<b>64,100,000</b>	<b>(14,800,000)</b>	<b>75,300,000</b>	<b>82,000,000</b>
Amortized Payments	114,800,000	117,800,000	99,200,000	84,800,000
Total sick leave liability each year			39,300,000	39,300,000
Additional Employer Contributions Required	551,100,000	579,200,000	629,400,000	646,500,000
<b>Additional Actuarially Determined Employer Contributions</b>	<b>665,900,000</b>	<b>697,000,000</b>	<b>767,900,000</b>	<b>770,600,000</b>
<b>TRS Budget Actual / Requested</b>	<b>730,000,000</b>	<b>682,300,000</b>	<b>843,200,000</b>	<b>852,600,000</b>
Fixed Statutory Contribution Through SEEK in KDE Budget	425,600,000	435,100,000	438,700,000	448,500,000
<b>Total to TRS</b>	<b>1,155,500,000</b>	<b>1,117,400,000</b>	<b>1,281,900,000</b>	<b>1,301,100,000</b>
State's Expenditure for Debt Service	51,700,000	33,000,000	17,400,000	-
<b>Total Including Debt Service</b>	<b>1,207,200,000</b>	<b>1,150,400,000</b>	<b>1,299,300,000</b>	<b>1,301,100,000</b>



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

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***Protecting & Preserving Teachers' Retirement Benefits***