



Teachers' Retirement System of the State of Kentucky

Public Pension Oversight Board

July 20, 2021

Gary L. Harbin, CPA
Executive Secretary

Member Contributions

12.855% of Salary

9.105%
Pension

3.75%
Retiree Health Care

Non-University Members

State Contributions

13.105% or 14.105% of Salary

Entered before July 1, 2008

12.355%
Pension & Life

0.75%
Retiree Health Care

Entered on or after July 1, 2008

13.355%
Pension & Life

0.75%
Retiree Health Care

Non-University Members

Final Average Salary

Final average salary is one element of the annuity calculation formula, which creates an average using the high five or three salaries. The definition is in state law, KRS 161.220 (9).

Annuity Calculation Formula

Total Service Credit \times Multiplier \times Final Average Salary = Annual Benefit



Sick Days Calculations

For School District Teachers

Contract salary / contract days = **Daily Rate**

Daily rate x local policy = **Sick Day Value**

Sick day value x number of unused sick days = **Payment**

Example:

$$\$58,000 / 187 = \$310.16$$

$$\$310.16 \times 30\% = \$93.05$$

$$\$93.05 \times 135 \text{ sick days} = \$12,561.75$$

Average is about 120 days

How Sick Leave Impacts Retirement

For School District Teachers

Years	27	
Salaries for averaging	5	
Total multiplier	67.5%	
Unused sick days	0	135
Leave payment	0	\$ 12,561
FAS	\$ 57,400	\$ 59,912
Annual benefit	\$ 38,745	\$ 40,440
Last salary	\$ 58,000	
Percent of last salary	67%	70%

Funding Sick Leave

When Used in Final Average Salary

- Member contributions at 9.105% on the amount of sick leave included in final average salary
- Employer contributions at 12.305% on the amount of sick leave included
- Remaining cost paid by state (amortized since fiscal 1999)

10-year Historical Information

Retirement year	Percentage receiving sick leave payments	Members receiving sick leave payment	Average sick leave payment	Average added to monthly annuity	Full actuarial cost	Average cost per member	Annual payment
2011	71.5%	1,432	\$ 12,461	\$ 193.50	\$ 35,860,553	\$ 25,042	\$ 2,474,200
2012	71.5%	1,657	13,633	204.99	48,287,781	29,142	2,723,900
2013	68.8%	1,539	13,804	201.72	44,133,035	28,676	3,368,300
2014	69.5%	1,548	12,722	206.54	45,174,969	29,183	3,357,900
2015	71.1%	1,726	12,866	211.50	51,290,488	29,716	3,926,500
2016	66.9%	1,597	13,081	205.94	46,160,679	28,905	3,279,700
2017	64.5%	1,500	13,276	206.63	43,962,241	29,308	3,075,300
2018	68.6%	1,646	13,354	204.07	47,717,321	28,990	3,054,200
2019	59%	1,329	13,318	204.20	38,703,773	29,122	2,751,300
2020	62.4%	1,263	13,245	200.14	36,146,945	28,620	4,826,000

Italicized balances and payments will be recalculated for 2022-24 budget request based on actual cost and payments received through fiscal 2021.

Sick Leave

Schedules, balances, amounts of annual remaining payments

Beginning amortization year	Balance at June 30, 2021	Annual payment fiscal 2022	Year of last payment
2003	\$ 2,208,224	\$ 2,314,200	2022
2004	5,563,211	3,022,800	2023
2005	7,783,648	2,921,600	2024
2006	8,771,965	2,558,700	2025
2007	9,579,302	2,315,200	2026
2008	15,977,049	3,331,200	2027
2009	13,902,858	2,571,000	2028
2010	14,071,481	2,355,000	2029
2011	16,087,485	2,474,200	2030
2012	19,043,320	2,723,900	2031
2013	25,078,100	3,368,300	2032
2014	26,416,472	3,357,900	2033
2015	32,426,980	3,926,500	2034
2016	28,277,310	3,279,700	2035
2017	27,552,234	3,075,300	2036
2018	28,319,685	3,054,200	2037
2019	26,310,908	2,751,300	2038
2020	24,365,681	4,826,000	2039
2021	<i>50,722,171</i>	<i>4,633,100</i>	2040
2022	<i>50,722,171</i>	<i>4,633,100</i>	2041

Italicized balances and payments will be recalculated for 2022-24 budget request based on actual cost and payments received through fiscal 2021.

Estimated Future Costs

Based on Recent Assumption Changes

Future cost based on estimated number of retirees receiving sick leave multiplied by average cost per retiree less the estimated contributions received on the sick leave payout.

- 1,800 retirees a year
- \$30,000 average cost per retiree that grows at 2.5%
- Contributions on \$25 million of sick leave salary are about \$3.3 million growing at 2.5%
- Discount rate going forward at 7.1%

	Estimated cost	Estimated payment
2023	\$ 55,350,000	\$ 4,610,300
2024	56,730,000	4,725,600
2025	58,150,000	4,843,700
2026	59,600,000	4,964,800
2027	61,100,000	5,088,900

Bonuses and Raises for Teachers

- Bonus/raise not necessarily in final average salary
- Anti-spiking law may apply. If it does:
 - Teacher has to delay retirement for four years to see retirement benefit.
 - No impact, or reduced impact, if teacher retires before four years.

If Anti-Spiking Law Applies

What Happens to the Contributions?

Contributions from income above limitation refunded.

Refund received by member from their employer.



Our Members Come First!

800-618-1687

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

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Protecting & Preserving Teachers' Retirement Benefits