



Teachers' Retirement System of the State of Kentucky

Public Pension Oversight Board

Aug. 22, 2022

Gary L. Harbin, CPA
Executive Secretary

Requested Topics

- Sick Leave
- Temporary Retired Return to Work

Sick Leave

Future Budgets

- Sick leave will cost about 1.2% of payroll going forward, which is part of the ADEC.
- Will trend downward
 - Sick leave use for TRS 3 teachers capped at 300 days
 - No sick leave payment use for annuities for TRS 4 teachers

TRS Retired Return To Work

Purposes of KRS 161.605

Allow retirees to help schools meet needs

Be actuarially sound

- making TRS contributions
- limits on days and earnings

Comply with federal law

- observing breaks in service
- no prearranged agreement

TRS Retired Return To Work

Permanent Rules

RTW Program	Permanent Rules
Part time	3-month break, day and wage limits
Full time	3- or 12-month break, wage limits
Critical shortage part time	3-month break, day limits
Critical shortage full time	3- or 12-month break

Return to work, including which program is used, is at the employer's discretion.

House Bill 1

22 RS

- Based on previous temporary changes
- Provides temporary changes *only for local school districts* to address staffing concerns
- Relaxes certain aspects of RTW programs
- Law sunsets June 30, 2024, when all rules revert to permanent provisions

Who Is Eligible?

Under HB 1 (22 RS)

TRS retirees who return to work for a school district in a certified or classified position after April 12, 2022, and before July 1, 2024.

Anyone who retired between Sept. 1, 2021, and April 12, 2022, *and* who returned to work between Sept. 1, 2021, and April 12, 2022, still must meet the permanent breaks in service.

What Are the Temporary Changes?

RTW Program	Permanent Rules	Temporary Changes
Part time	3-month break, day and wage limits	1-month break if school district position, no other changes
Full time	3- or 12-month break, wage limits	1-month break if school district position, no other changes
Critical shortage part time	3-month break, day limits, employer limits	1-month break if school district position, employer limits increased, no other change
Critical shortage full time	3- or 12-month break, employer limits	1-month break if school district position, employer limits increased

Breaks in service for reciprocity retirees must be met for each system.

What Are the Temporary Changes?

Districts allowed to hire additional retirees for critical shortage. Under the permanent rules, the number of these positions is more strictly limited.

Return to work, including which program is used, is at the employer's discretion.

How Are Temporary Changes Used?

Critical Shortage Program Positions

	Allowed	Used	% Used
Permanent Program	622	34	5.47%
Temporary Program	5,423	178	3.28%

Total number of employers	172	
Number of employers not using Critical Shortage	125	73%
Number of employers using more than permanent allowed	6	3%

Of the 1,638 positions allowed under permanent return-to-work program where daily wages are limited, 175 (11%) are being used as of June 2022.

How Long Do These Changes Last?

The temporary changes sunset on June 30, 2024.

What Does Not Change for RTW?

- Federal and state laws continue to prohibit any member from having an agreement before retirement to return to work for any TRS employer in any position. For local school districts, this is regardless of whether position is certified or classified.
- Retirees returning in part- or full-time program still have limitation on wages (and potentially days).
- Reciprocity retirees must meet breaks in service for each system.
- Retirees must drop health insurance coverage through TRS if eligible for health insurance through employment.

Questions?

Visit TRS website for detailed RTW information

<https://trs.ky.gov/retired-members/returning-to-work/>

View presentation for retirees on permanent RTW rules

<https://trs.ky.gov/home/seminars-workshops/videos/#RTWEmployeeVid>

Permanent RTW presentation for non-university employers

<https://trs.ky.gov/home/seminars-workshops/videos/#RTWvidnonuemployer>

Contact TRS

800-618-1687 or info@trs.ky.gov



Total Eligible to Retire

As of June 30, 2022

Members	73,198	
Total Eligible to Retire	8,890	12.15%

TRS typically has about 2,000 retirements each year.

Active contributing members shown includes administrators, part time, return to work and universities.

Investment Performance

Fiscal Year 2022

Investment Performance

Retirement Annuity Trust Unaudited Returns as of June 30, 2022

Preliminary

	Qtr.	1-year	3-year	5-year	10-year	20-year
Gross	-10.18%	-10.68%	7.09%	7.58%	8.83%	7.15%
<i>Benchmark</i>	-10.91%	-9.18%	6.79%	7.42%	8.55%	N/A
<i>Aon Rank</i>	Top 79%	Top 79%	Top 45%	Top 34%	Top 17%	N/A
Net	-10.28%	-10.89%	6.8%	7.29%	8.57%	6.96%

30-year compounded gross return

7.75%

Investment Performance

Health Insurance Trust Unaudited Returns as of June 30, 2022

Preliminary

	Qtr.	1-year	3-year	5-year	10-year
Gross	-10.35%	-9.43%	6.95%	7.26%	7.53%
<i>Benchmark</i>	-11.37%	-10.05%	6.25%	6.72%	N/A
Net	-10.47%	-9.67%	6.62%	6.9%	7.24%

Cash Flow Update

Retirement Annuity Trust

	FY 2022	FY 2021
Cash Inflows		
Member contributions	\$ 354,600,000	\$ 327,800,000
Employer contributions/appropriations	1,688,200,000	1,147,000,000
Investment income (Net of any asset gains/losses)	<u>354,200,000</u>	<u>253,600,000</u>
Total Cash Inflows	2,397,000,000	1,728,400,000
Cash Outflows		
Benefit payments/refunds	2,332,600,000	2,260,600,000
Administrative expense	<u>13,500,000</u>	<u>12,600,000</u>
Total Outflows	2,346,100,000	2,273,200,000
Net cash flow before asset gain/(losses)*	50,900,000	(544,800,000)
Investment gains or losses (realized and unrealized)	(3,087,400,000)	5,763,600,000
Net plan assets		
Beginning of fiscal year	\$ 25,935,800,000	\$ 20,717,000,000
At end of period	\$ 22,899,300,000	\$ 25,935,800,000

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

Cash Flow Update

Health Insurance Trust

	FY 2022	FY 2021
Cash Inflows		
Member contributions	\$ 205,400,000	\$ 187,600,000
Employer contributions/appropriations	141,100,000	184,900,000
Recovery income	145,300,000	120,700,000
Investment income (net of any asset gains/losses)	<u>13,400,000</u>	<u>6,700,000</u>
Total Cash Inflows	505,200,000	499,900,000
Cash Outflows		
Benefit payments/refunds	306,800,000	310,900,000
Administrative expense	<u>1,800,000</u>	<u>1,700,000</u>
Total Cash Outflows	308,600,000	312,600,000
Net cash flow before asset gain/(losses)*	196,600,000	187,300,000
Investment gains or losses (realized and unrealized)	(232,100,000)	496,500,000
Net plan assets		
Beginning of fiscal year	\$ 2,300,500,000	\$ 1,616,700,000
At end of period	\$ 2,264,900,000	\$ 2,300,500,000

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



Asset Allocation

Retirement Annuity Fiscal Year 2022 Review, FY 2023 Adjustments

Class	June 30, 2022	Target	Range
U.S. equity	37%	40%	34-48%
Non-U.S. equity	18%	22%	18-25%
Fixed income	16%	15%	8-22%
Real estate	8%	7%	4-10%
Alternative investments	10%	7%	4-10%
Additional categories	9%	7%	4-15%
Cash equivalents	2%	2%	1-5%

No allocation target or range changes are being implemented in FY 2023.



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