

Teachers' Retirement System of the State of Kentucky

Public Pension Oversight Board

Aug. 22, 2023

Gary L. Harbin, CPA
Executive Secretary

Investment Performance

Retirement Annuity Trust Unaudited Returns as of June 30, 2023

Preliminary

	Qtr.	1-year	3-year	5-year	10-year	20-year
Gross	3.78%	10.61%	8.68%	7.54%	8.49%	7.45%
<i>Benchmark</i>	4.25%	11.79%	9.31%	7.9%	8.44%	N/A
<i>Aon Rank</i>	Top 7%	Top 6%	Top 50%	Top 25%	Top 11%	N/A
Net	3.61%	10.26%	8.39%	7.24%	8.22%	7.32%

30-year compounded gross return

7.7%

Investment Performance

Health Insurance Trust Unaudited Returns as of June 30, 2023

Preliminary

	Qtr.	1-year	3-year	5-year	10-year
Gross	3.99%	11.94%	10.07%	7.86%	7.71%
<i>Benchmark</i>	4.09%	11.53%	9.24%	7.27%	N/A
Net	3.81%	11.56%	9.74%	7.5%	7.39%

Cash Flow Update

Retirement Annuity Trust

	FY 2023	FY 2022
Cash Inflows		
Member contributions	\$ 368,500,000	\$ 357,000,000
Employer contributions/appropriations	1,146,600,000	1,679,600,000
Investment income (Net of any asset gains/losses)	<u>383,400,000</u>	<u>359,600,000</u>
Total Cash Inflows	1,898,500,000	2,396,200,000
Cash Outflows		
Benefit payments/refunds	2,420,000,000	2,332,600,000
Administrative expense	<u>12,900,000</u>	<u>12,000,000</u>
Total Outflows	2,432,900,000	2,344,600,000
Net cash flow before asset gain/(losses)*	(534,400,000)	51,600,000
Investment gains or losses (realized and unrealized)	1,883,500,000	(3,087,400,000)
Net plan assets		
Beginning of fiscal year	\$ 22,900,000,000	\$ 25,935,800,000
At end of period	\$ 24,246,900,000	\$ 22,900,000,000

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

Cash Flow Update

Health Insurance Trust

	FY 2023	FY 2022
Cash Inflows		
Member contributions	\$ 213,200,000	\$ 206,400,000
Employer contributions/appropriations	220,600,000	151,800,000
Recovery income	135,700,000	144,700,000
Investment income (net of any asset gains/losses)	<u>28,900,000</u>	<u>12,600,000</u>
Total Cash Inflows	598,400,000	515,500,000
Cash Outflows		
Benefit payments/refunds	326,300,000	312,600,000
Administrative expense	<u>2,100,000</u>	<u>2,100,000</u>
Total Cash Outflows	328,400,000	314,700,000
Net cash flow before asset gain/(losses)*	270,000,000	200,800,000
Investment gains or losses (realized and unrealized)	211,300,000	(232,100,000)
Net plan assets		
Beginning of fiscal year	\$ 2,269,200,000	\$ 2,300,500,000
At end of period	\$ 2,752,600,000	\$ 2,269,200,000

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



Asset Allocation

Retirement Annuity Fiscal Year 2023 Review, FY 2024 Adjustments

Class	June 30, 2023	Target	Range
U.S. equity	39%	40%	32-48%
Non-U.S. equity	21.4%	22%	16-27%
Fixed income	13%	15%	8-22%
Real estate	7.4%	7%	4-10%
Alternative investments	8%	7%	4-10%
Additional categories	10.3%	7%	4-15%
Cash equivalents	0.9%	2%	1-5%

Only range change for FY 2024 is the lower end of domestic large cap, but overall range for domestic equity was unchanged. Additional categories target increased 3% for reclassification of timber; and equity targets reduced to offset the change. FY 2023 percentages are unaudited.

Trends

Health Insurance Trust Shared Responsibility Contribution Detail

Fiscal	State	Other Employers	Members/ Retirees
2009	\$ 153	\$ 11	\$ 25
2010	147	12	26
2011	176	12	35
2012	154	20	44
2013	130	37	58
2014	105	52	74
2015	68	78	101
2016	74	104	128
2017	75	105	129
2018	81	106	131
2019	76	107	132
2020	77	107	134
2021	78	107	128
2022	31	120	146
2023	85	123	150

In millions. Fiscal 2023 is unadjusted and unaudited.

Trends

Retirement Annuity Trust Contribution Detail

Fiscal	State Unfunded Liability Payment	State Employer Fixed	Other Employers Fixed	Members Fixed
2017	\$ 611	\$ 370	\$ 79	\$ 314
2018	592	377	79	319
2019	669	382	72	321
2020	658	391	86	325
2021	669	392	87	328
2022	1,172	398	109	357
2023	632	412	112	366
2024	651	423	115	375
2025	810	432	118	384
2026	907	443	121	394

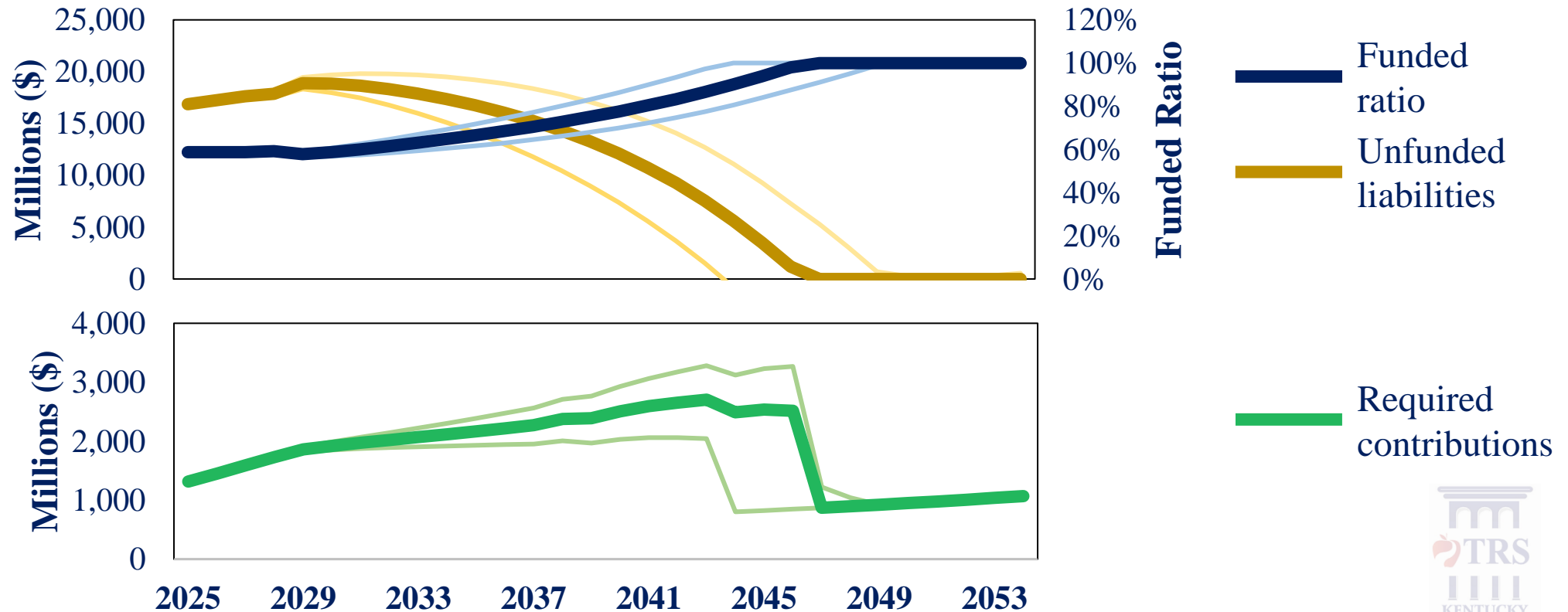
In millions. Fiscal 2023 is unadjusted and unaudited. FY 2024 through 2026 are based on budget and estimates.

Actuarial 30-Year Projections

At Full Funding, TRS Required Contributions Decrease

Actuary's retirement annuity projections at assumed 7.1% investment return.

Thick lines show projections; thin lines show projections adjusted for investment returns 1% higher and lower.



Trends

Ten-Year State/Other Employer Contributions

Fiscal	Retirement Annuity Trust		Health Insurance Trust		Total		
	State	Other	State	Other	State	Other	Combined
2017	\$ 981	\$ 79	\$ 75	\$ 105	\$1,056	\$ 184	\$ 1,240
2018	970	79	81	106	1,051	185	1,236
2019	1,051	72	76	107	1,127	179	1,306
2020	1,048	86	77	107	1,125	193	1,318
2021	1,060	87	78	107	1,138	194	1,332
2022	1,570	109	31	120	1,601	229	1,830
2023	1,044	112	85	123	1,129	235	1,364
2024	1,073	115	103	126	1,176	241	1,417
2025	1,242	118	103	130	1,345	248	1,593
2026	1,351	121	111	133	1,462	254	1,716

In millions. Fiscal 2023 is unadjusted and unaudited. FY 2024 through 2026 are based on budget and estimates.

Does not include employee/retiree contributions.

2024-26 Budget Request

	Actual FY 2024	<i>Preliminary FY 2025</i>	<i>Preliminary FY 2026</i>
Pension	650,706,000	809,940,000	907,250,000
State's Shared Responsibility Portion	77,700,000	76,900,000	84,200,000

Fiscal 2025 begins the assumed return reduction to 7.1% from 7.5%.



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