



Teachers' Retirement System of the State of Kentucky

Public Pension Oversight Board

April 22, 2024

Gary L. Harbin, CPA
Executive Secretary

Investment Performance

Retirement Annuity Trust Unaudited Returns as of Dec. 31, 2023

| | Qtr. | FYTD | 1-year | 3-year | 5-year | 10-year | 20-year |
|------------------|-------------|-------------|---------------|---------------|---------------|----------------|----------------|
| Gross | 7.88% | 5.63% | 14.64% | 4.46% | 10.19% | 7.88% | 7.35% |
| <i>Benchmark</i> | 8.63% | 5.91% | 16.34% | 5.7% | 10.25% | 7.93% | N/A |
| <i>Aon Rank</i> | Top 19% | N/A | Top 5% | Top 55% | Top 11% | Top 10% | N/A |
| Net | 7.8% | 5.55% | 14.3% | 4.17% | 9.88% | 7.61% | 7.22% |

30-year compounded gross return
7.78%

Investment Performance

Health Insurance Trust Unaudited Returns as of Dec. 31, 2023

| | Qtr. | FYTD | 1-year | 3-year | 5-year | 10-year |
|------------------|-------------|-------------|---------------|---------------|---------------|----------------|
| Gross | 7.32% | 5.58% | 14.9% | 5.73% | 10% | 7.25% |
| <i>Benchmark</i> | 8.64% | 6.15% | 16.22% | 5.54% | 9.73% | N/A |
| Net | 7.24% | 5.5% | 14.53% | 5.41% | 9.64% | 6.93% |

Investment Performance

Retirement Annuity Trust Unaudited Returns as of March 31, 2024

Preliminary

| | Qtr. | FYTD | 1-year | 3-year | 5-year | 10-year | 20-year |
|-------|-------------|-------------|---------------|---------------|---------------|----------------|----------------|
| Gross | 5.19% | 11.11% | 15.33% | 5.07% | 9.36% | 8.25% | 7.52% |
| Net | 5.12% | 10.95% | 14.97% | 4.77% | 9.04% | 7.98% | 7.3% |

30-year compounded gross return
8.06%

Investment Performance

Health Insurance Trust Unaudited Returns as of March 31, 2024

Preliminary

| | Qtr. | FYTD | 1-year | 3-year | 5-year | 10-year |
|--------------|-------------|-------------|---------------|---------------|---------------|----------------|
| Gross | 4.93% | 10.79% | 15.2% | 5.98% | 9.26% | 7.56% |
| Net | 4.85% | 10.63% | 14.83% | 5.66% | 8.91% | 7.22% |

Cash Flow Update

Retirement Annuity Trust as of Feb. 29, 2024

| <i>Preliminary and unaudited</i> | FYTD 2024 | FYTD 2023 |
|--|--------------------|--------------------|
| Cash Inflows | | |
| Member contributions | \$ 233,800,000 | \$ 222,500,000 |
| Employer contributions/appropriations | 806,800,000 | 790,600,000 |
| Investment income (Net of any asset gains/losses) | <u>275,800,000</u> | <u>244,800,000</u> |
| Total Cash Inflows | 1,316,400,000 | 1,257,900,000 |
| Cash Outflows | | |
| Benefit payments/refunds | 1,669,200,000 | 1,616,100,000 |
| Administrative expense | <u>11,700,000</u> | <u>11,000,000</u> |
| Total Outflows | 1,680,900,000 | 1,627,100,000 |
| Net cash flow before asset gain/(losses)* | (364,500,000) | (369,200,000) |
| Investment gains or losses (realized and unrealized) | 1,702,700,000 | 855,300,000 |
| Net plan assets | | |
| Beginning of fiscal year | \$ 24,244,600,000 | \$ 22,900,000,000 |
| At end of period | \$ 25,582,600,000 | \$ 23,386,000,000 |

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

Cash Flow Update

Health Insurance Trust as of Feb. 29, 2024

| <i>Preliminary and unaudited</i> | FYTD 2024 | FYTD 2023 |
|--|-------------------|-------------------|
| Cash Inflows | | |
| Member contributions | \$ 135,800,000 | \$ 132,900,000 |
| Employer contributions/appropriations | 151,900,000 | 142,900,000 |
| Recovery income | 108,600,000 | 98,500,000 |
| Investment income (net of any asset gains/losses) | <u>32,700,000</u> | <u>16,900,000</u> |
| Total Cash Inflows | 429,000,000 | 391,200,000 |
| Cash Outflows | | |
| Benefit payments/refunds | 235,600,000 | 216,500,000 |
| Administrative expense | <u>-</u> | <u>-</u> |
| Total Cash Outflows | 235,600,000 | 216,500,000 |
| Net cash flow before asset gain/(losses)* | 193,400,000 | 174,700,000 |
| Investment gains or losses (realized and unrealized) | 190,400,000 | 89,700,000 |
| Net plan assets | | |
| Beginning of fiscal year | \$ 2,743,400,000 | \$ 2,269,200,000 |
| At end of period | \$ 3,127,300,000 | \$ 2,533,600,000 |

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



Asset Allocation

Retirement Annuity Trust as of Feb. 29, 2024

| Class | Feb. 29, 2024 | Target | Range |
|-------------------------|---------------|--------|--------|
| U.S. equity | 41% | 38% | 31-48% |
| Non-U.S. equity | 19.7% | 21% | 16-27% |
| Fixed income | 12.9% | 15% | 8-22% |
| Real estate | 6.7% | 7% | 4-10% |
| Alternative investments | 8.1% | 7% | 4-10% |
| Additional categories | 10.6% | 10% | 4-15% |
| Cash equivalents | 1% | 2% | 1-5% |

Asset Allocation

Health Insurance Trust as of Feb. 29, 2024

| Class | Feb. 29, 2024 | Target | Range |
|-------------------------|---------------|--------|--------|
| U.S. equity | 39.3% | 38% | 30-46% |
| Non-U.S. equity | 19.4% | 20% | 15-25% |
| Fixed income | 7.6% | 9% | 6-14% |
| Real estate | 5.4% | 6.5% | 4-12% |
| Alternative investments | 8.3% | 8.5% | 5-12% |
| Additional categories | 16.3% | 17% | 14-25% |
| Cash equivalents | 3.7% | 1% | 0-5% |

Funding

2024-26 Biennial Budget

- Means **10** straight years of full or nearly full annuity funding
- More than \$1.75 billion to meet actuarially required contribution for annuities
- \$161 million for state statutory contribution for under-65 health insurance under Shared Responsibility
- Beyond requested amounts appropriated in the budget (House Bill 6), House Bill 1 provides an additional \$80 million



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