

Teachers' Retirement System of the State of Kentucky

Public Pension Oversight Board

Nov. 19, 2024

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Executive Secretary

Actuarial Valuations

Key Findings for June 30, 2024

Both the retirement annuity and health insurance trusts received full funding.

Retirement Annuity Trust funded ratio improved to 59.1%.

TRS 4 continues to be fully funded.

Health Insurance Trust funded ratio improved to 80.4%.

Both trusts on track for full funding with amortization periods.

Actuarial Valuations

Summary

| Retirement Annuity | Assets | Liabilities | Unfunded | Ratio |
|--------------------|-----------|-------------|-----------|-------|
| June 30, 2023 | \$ 24.7 b | \$ 42.2 b | \$ 17.5 b | 58.6% |
| June 30, 2024 | \$ 25.7 b | \$ 43.5 b | \$ 17.8 b | 59.1% |

| Health Insurance | Assets | Liabilities | Unfunded | Ratio |
|------------------|----------|-------------|----------|-------|
| June 30, 2023 | \$ 2.8 b | \$ 3.9 b | \$ 1.1 b | 71.3% |
| June 30, 2024 | \$ 3.2 b | \$ 4 b | \$ 0.8 b | 80.4% |

Actuarial Findings

Annuity Trust for Year Ended June 30, 2024

Cash flow for 2024 as a percentage of assets was (3.92)%.

- 2023: (4.02)%
- 2022: (1.19)%
- 2021: (3.85)%
- 2020: (3.68)%
- 2019: (3.48)%
- 2018: (3.63)%

In 2022, TRS received 140% of actuarially determined employer contribution for retirement annuity because of \$479 million in additional funding to pay off previously awarded benefits.

Actuarial Findings

Retirement Annuity Trust Experience Gain/(Loss) Analysis



Dollars in millions

Five-year History

Retirement Annuity Trust Contribution Detail

| Fiscal | State Unfunded Liability Payment | State Employer Fixed | Other Employers Fixed | Members Fixed |
|---------------|---|-------------------------------------|--------------------------------------|--------------------------|
| 2020 | \$ 658 | \$ 391 | \$ 86 | \$ 325 |
| 2021 | 669 | 392 | 87 | 328 |
| 2022 | 1,172 | 398 | 109 | 357 |
| 2023 | 632 | 410 | 102 | 367 |
| 2024 | 646 | 436 | 94 | 386 |

In millions.

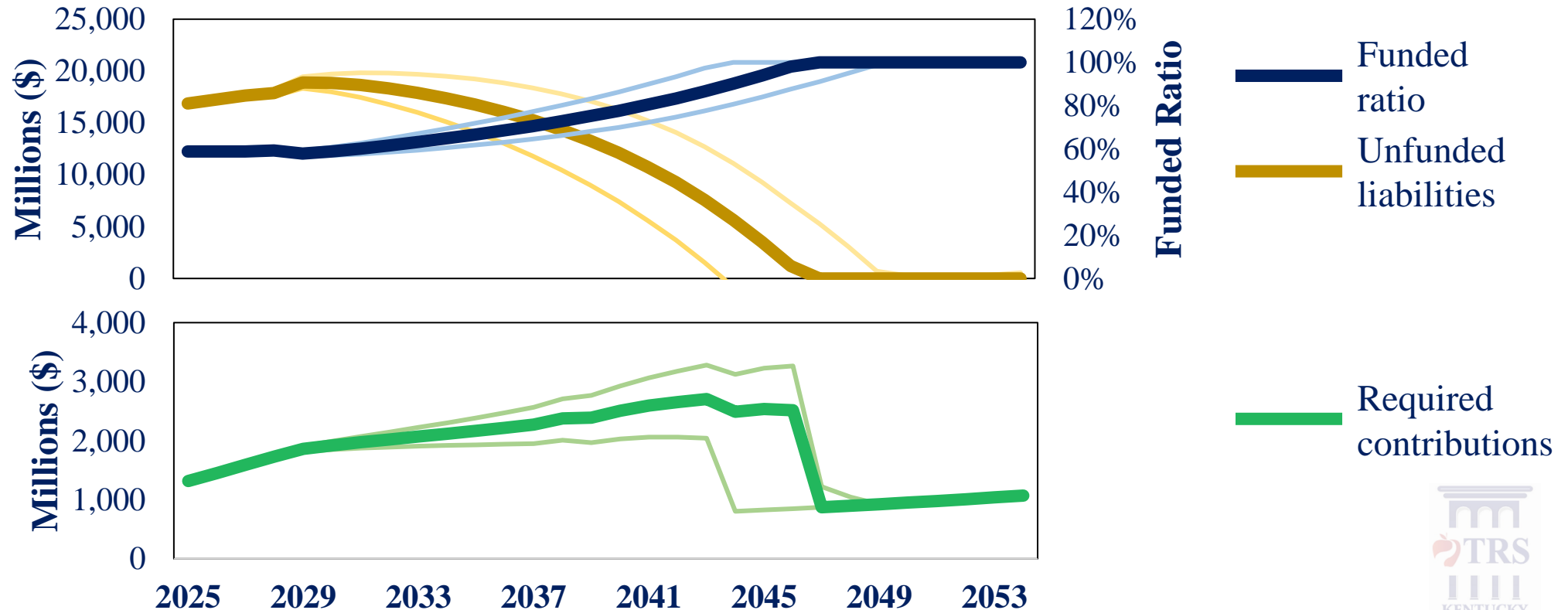
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Actuarial 30-Year Projections

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.



Five-year History

Health Insurance Trust Contribution Detail

| Fiscal | State | Other Employers | Members/ Retirees |
|---------------|--------------|----------------------------|------------------------------|
| 2020 | \$ 77 | \$ 107 | \$ 134 |
| 2021 | 78 | 107 | 128 |
| 2022 | 31 | 120 | 146 |
| 2023 | 85 | 123 | 149 |
| 2024 | 96 | 128 | 155 |

In millions.

2026-28 Budget Request

| <i>In millions</i> | Actual FY 2024 | Actual FY 2025 | Actual FY 2026 | <i>Preliminary FY 2027</i> | <i>FY 2028</i> |
|---------------------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|--------------------------|
| Pension | \$ 650.7 | \$ 769.8 | \$ 953.0 | \$ 1,077.0 | <i>Based on FY25</i> |
| State's Shared Responsibility Portion | \$ 77.7 | \$ 76.9 | \$ 84.2 | \$ 84.2 | <i>Valuation</i> |

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

The fiscal 2028 contribution will be determined in the valuation on June 30, 2025.

State Costs

| (\$ in millions) | Fiscal 2025 | Fiscal 2026 |
|---|-------------|-------------|
| State Statutory Fixed Rate (SEEK) | | |
| Pension | \$ 430.0 | \$ 439.1 |
| Insurance | \$ 28.2 | \$ 28.8 |
| Total (SEEK) | \$ 458.2 | \$ 467.9 |
| State General Fund to TRS | | |
| Pension (unfunded liability and other) | \$ 769.8 | \$ 953.0 |
| Insurance (Shared Responsibility) | \$ 76.9 | \$ 84.2 |
| Total | \$ 846.7 | \$ 1,037.2 |
| Total State Funding for TRS | | |
| Pension | \$ 1,199.8 | \$ 1,392.1 |
| Insurance | \$ 105.1 | \$ 113.0 |
| Total | \$ 1,304.9 | \$ 1,505.1 |



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**8 a.m. – 5 p.m. ET
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Protecting & Preserving Teachers' Retirement Benefits