

Teachers' Retirement System

of the State of Kentucky



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Budget Review Subcommittee

on Personnel,
Public Retirement
and Finance

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Outline

- Pension Funding Overview: 2016-2020
- Dependent Subsidy
- Pension Funding Overview: 2020-2022 Budget Request

TRS Early History

1935: Social Security created, but teachers are among those not covered because of constitutional concerns about federal government taxing state and local governments.

1936: University of Kentucky study finds state's teachers couldn't afford to retire, and that Kentucky had trouble attracting and retaining teachers.

1938: General Assembly establishes TRS, which opens in 1940 after initial funding is received.

1950s: Social Security expands, but some states and groups – including Kentucky teachers – do not enter because of added cost of Social Security.

Whom TRS Serves



Teachers and other education professionals as a public pension plan providing retirement and medical benefits



173 school districts



17 Department of Education agencies



KCTCS



Five regional universities

TRS Population

Member Recipients

Females

72%

Males

28%

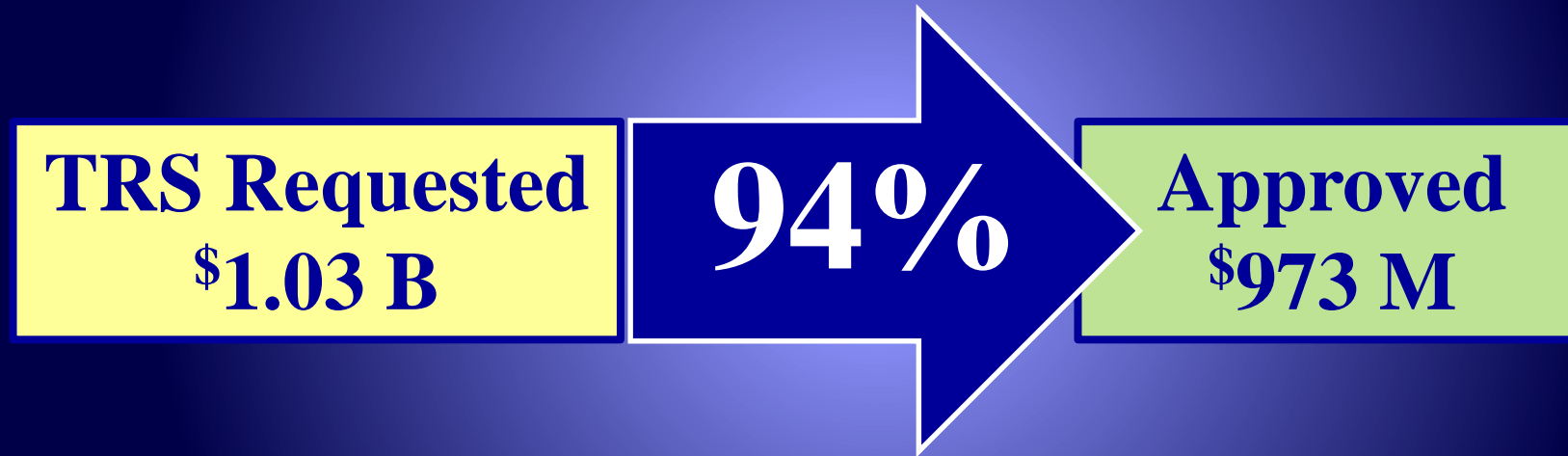
TRS Pension Growth

in billions

Beginning Balance as of July 1, 1985	\$ 1.8
Member & Other Contributions	7.3
Employer Contributions	13.4
Investment Income	26.5
Benefit Payments & Refunds	(28.7)
Administrative Expenses	(0.2)
Ending Balance as of June 30, 2018	\$20.1

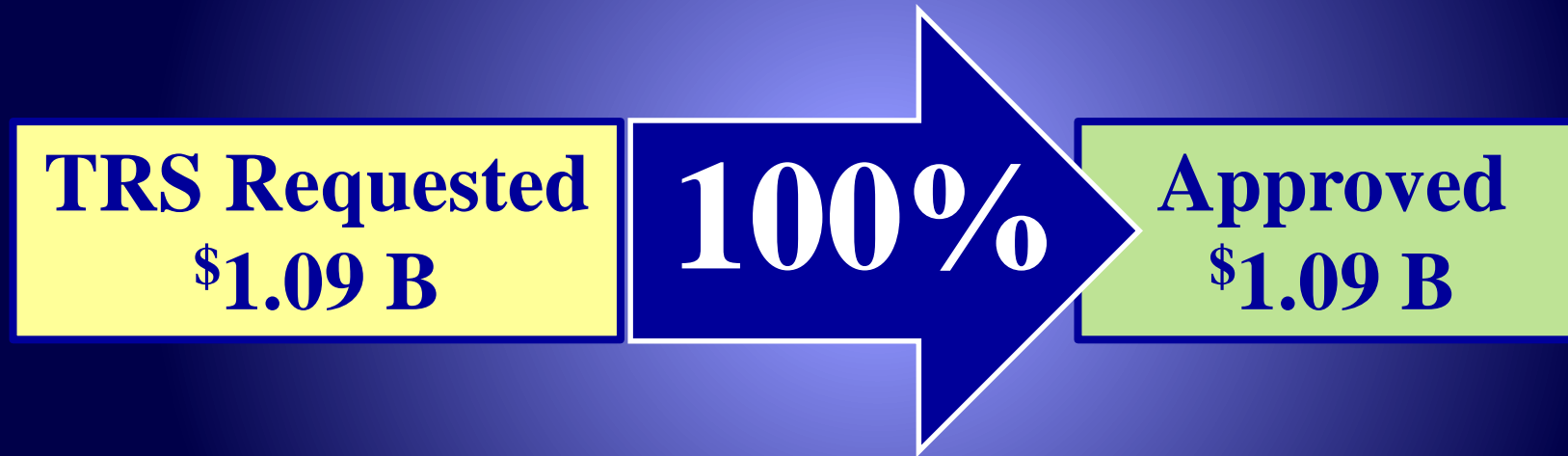
Pension Funding: 2016-2020

2016-2018 Biennium Additional Funding



Pension Funding: 2016-2020

2018-2020 Biennium Additional Funding



Recap of Teachers' Medical

1. Past unfunded liability (\$2.1 billion)
 - Payments currently being made
 - 22 years remaining on debt
2. Current costs for over-65 coverage
 - Teachers contribute 3.75%
 - School districts 3%
 - State contributes 0.75%
3. Under-65 coverage costs
 - Retired teachers pay \$190/month (\$30 million)
 - State pays balance \$510/month (\$60 million)

TRS MEDICAL INSURANCE

Funded Status



Shared Responsibility Results

**\$5 Billion Reduction
in
Liability for State**

Shared Responsibility Results

Saves State Over \$200 Million Every Year

BEFORE

State	\$292.5 M
Retirees	48 M
Teachers	35 M
Employers	0 M

AFTER

State	\$80.9 M
Retirees	57.7 M
Teachers	130.8 M
Employers	106.1 M

Using 2018 medical contributions if medical benefit were prefunded both before and after.

Dependent Subsidy

- Board may grant non-single dependent subsidy for 2018-2020 biennium
- Insurance operates on calendar years
- Board, which already had approved subsidy for first part of calendar 2018, extended that for second half of year.
- Going forward, board had to balance no funding for subsidy with people having become accustomed to subsidy.
- For 2019, board is paying two thirds of the subsidy
 - Cost: \$8 million
- For 2020, board will pay one third of subsidy at least to June 30, 2020.
 - Cost Projection: \$4.5 million

Pension Funding: 2020-2022

FY	Cumulative Increase as % of payroll	Cumulative Increase in Annual Retirement Appropriations Payable by the State
2009	1.88	\$ 60,499,800
2010	2.46	82,331,200
2011	3.59	121,457,000
2012	5.81	208,649,000
2013	7.27	260,980,000
2014	8.02	299,420,000
2015	10.42	386,400,000
2016	12.97	487,400,000
2017	13.80	520,372,000
2018	13.49	512,883,000
2019	14.61	553,597,000
2020	14.10	538,253,000
2021	14.27	551,092,000

(Source: TRS Report of the Actuary on the Annual Valuation Prepared as of June 30, 2018)

TRS Funding: 2020-2022

Preliminary

- For both years of the next biennium, the additional funding request should be in line with recent requests, including an additional \$551 million in the first year.
- Second-year request will be determined later this year based on the next actuarial valuation.
- The current biennial budget includes a \$70 million actuarially required state contribution for retiree medical if a surplus exists.



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*Our Members
Come First!*

800-618-1687

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<https://trs.ky.gov>

Protecting & Preserving Teachers' Retirement Benefits