



Teachers' Retirement System of the State of Kentucky

House Budget Review Subcommittee on Personnel, Public Retirement and Finance

Feb. 8, 2023

Gary L. Harbin, CPA
Executive Secretary

Full Funding for TRS

2022-24 Biennial Budget

- Means eight straight years of full or nearly full annuity funding
- Over \$1.36 billion to meet actuarially required annuity contributions
- \$149 million for state statutory contribution for under-65 health insurance under Shared Responsibility
- \$78 million, requested in 2021, for sick leave-related annuity liabilities projected to occur from retirements in 2022-2024
- \$479.2 million added over TRS budget request to pay off liabilities for certain previously awarded benefits that had been amortized over several years

Actuarial Status

Retirement Annuity Trust (Actuarial Values)



As of June 30	Assets	Liabilities	Unfunded	Funded
2017	\$ 18.5	\$ 32.8	\$ 14.3	56.4%
2018	\$ 19.5	\$ 33.8	\$ 14.3	57.7%
2019	\$ 20.2	\$ 34.7	\$ 14.5	58.1%
2020	\$ 20.8	\$ 35.6	\$ 14.8	58.4%
2021	\$ 22.6	\$ 39.6	\$ 17	57.2%
2022	\$ 24.1	\$ 41	\$ 16.9	58.8%

Dollars in billions

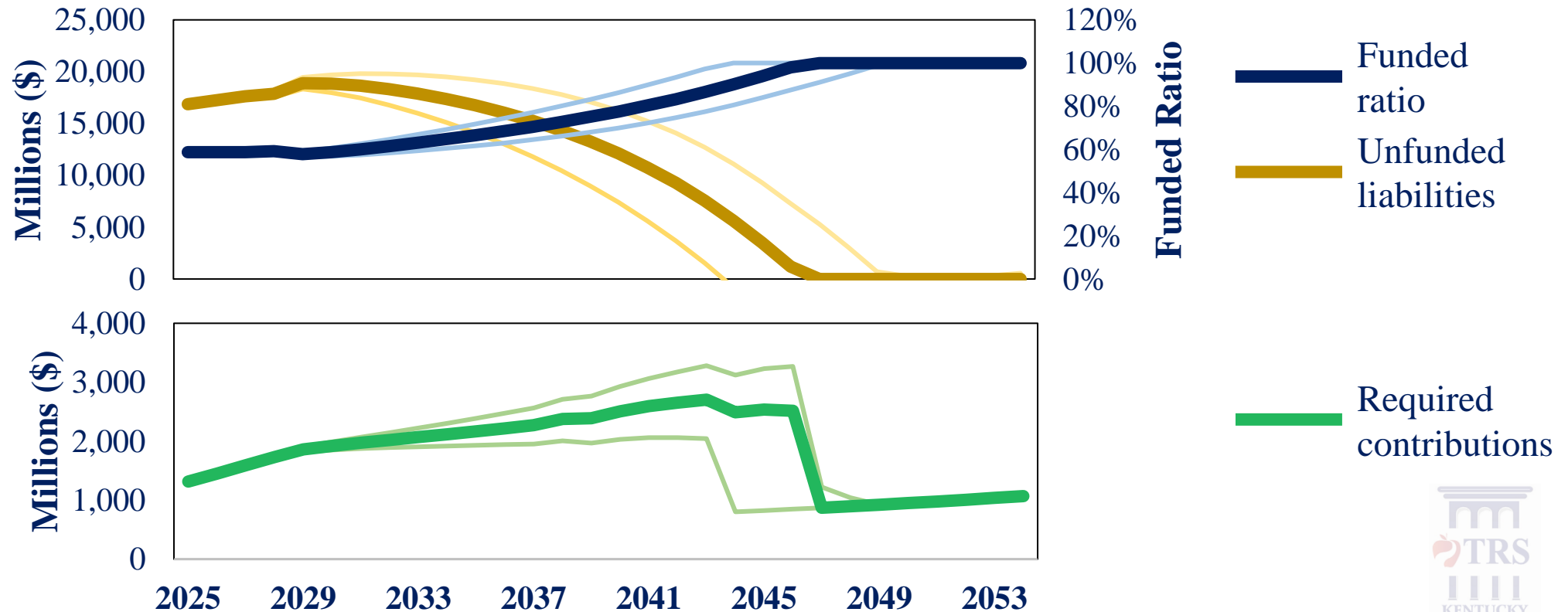


Actuarial 30-Year Projections

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.



TRS Account Types

Four TRS Account Types Delineated By Entry Date

TRS 1

Entry before
July 1, 2002

TRS 2

Entry on or
between
July 1, 2002, and
June 30, 2008

TRS 3

Entry on or
between
July 1, 2008, and
Dec. 31, 2021

TRS 4

Entry on or after
Jan. 1, 2022

Who Are TRS Members?

171 school districts



KCTCS



17 Department of Education agencies



Five universities



- State pays employer contribution for districts and 17 agencies
- Institutions pay employer contribution for universities and KCTCS

Sick Leave Days

Local School Districts

- Districts under state law may pay teachers a lump sum at retirement based on unused sick days at up to 30% of daily rate.
- Lump-sum payment included in final average salary to determine annuity.
- 300-day maximum for TRS 3 members (who started on or between July 1, 2008, and Dec. 31, 2021)
- For TRS 4 members (on or after Jan. 1, 2022), sick leave payments cannot be used to increase final average salary. Districts still have options to pay retiring teachers for unused sick leave at up to 30% of daily rate or to pay actuarial cost for sick leave as service credit.

Sick Leave Days

Universities and State Agencies

- Employers under state law may offer service credit based on unused sick days and must pay the full actuarial cost.
- Added to years of service but does not count toward years in making a member eligible to retire
- 300-day maximum for TRS 3 and TRS 4 members (who started on or after July 1, 2008)

Current Budget

2022 RS House Bill 1

	FY 2022	FY 2023	FY 2024
Pension	682,300,000	690,225,500	690,031,100
State's Shared Responsibility portion		71,200,000	77,700,000
Previously awarded benefits payoff	479,000,000	-	-
Percent of actuarial contribution funded	140%		

- \$78 million, requested in 2021, for sick leave-related annuity liabilities projected to occur from retirements in 2022-2024
- \$479.2 million added over TRS budget request to pay off liabilities for certain previously awarded benefits that had been amortized over several years

Sick Leave

Future Budgets

- About 1.2% of payroll now and part of ADEC
- Future cost will trend downward
 - Sick leave use for TRS 3 teachers capped at 300 days
 - Sick leave payment not in final average salary for TRS 4 teachers



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