



Teachers' Retirement System of the State of Kentucky

Interim Joint Committee on State Government

July 20, 2021

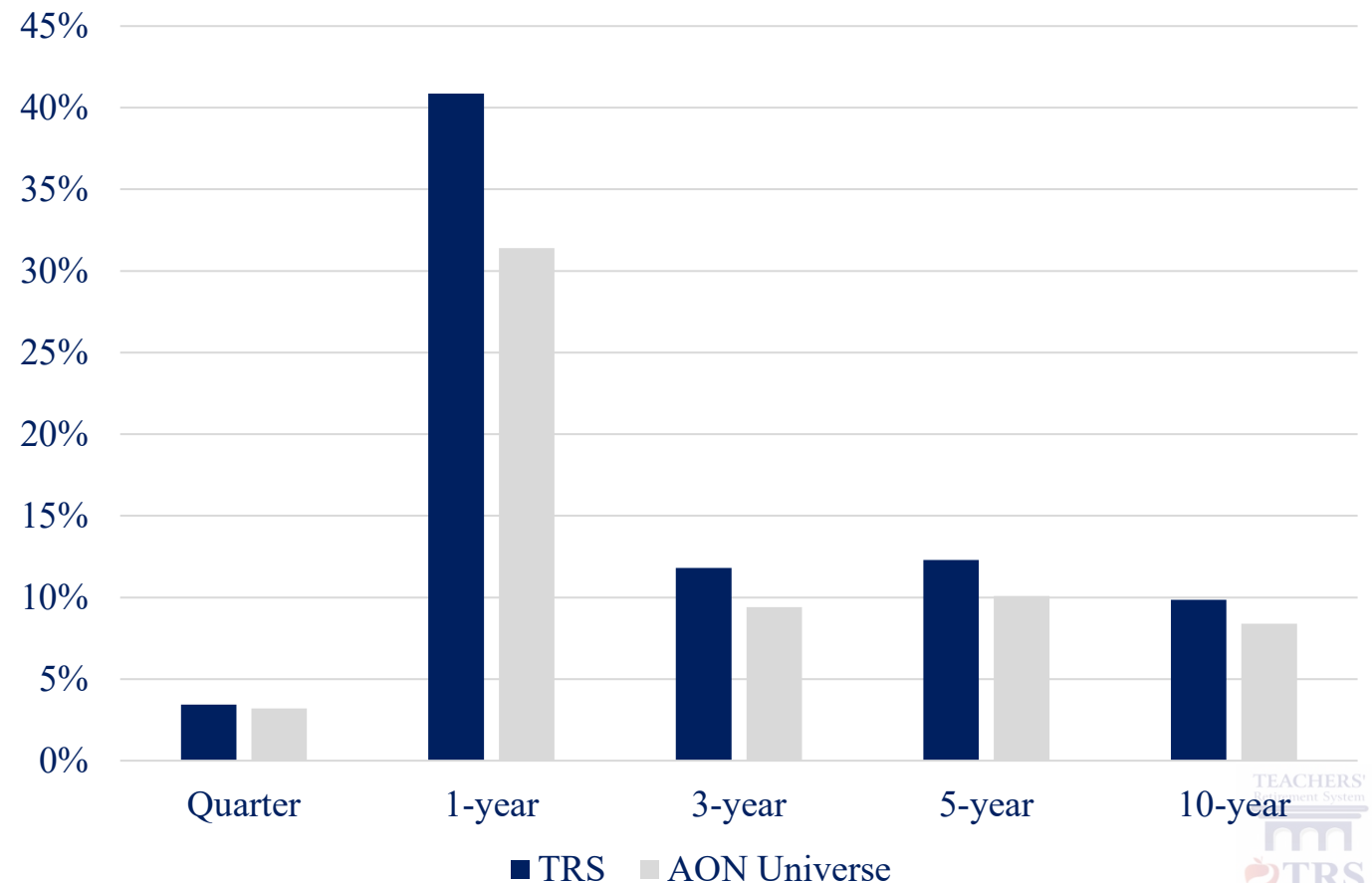
Gary L. Harbin, CPA
Executive Secretary

Investment Performance

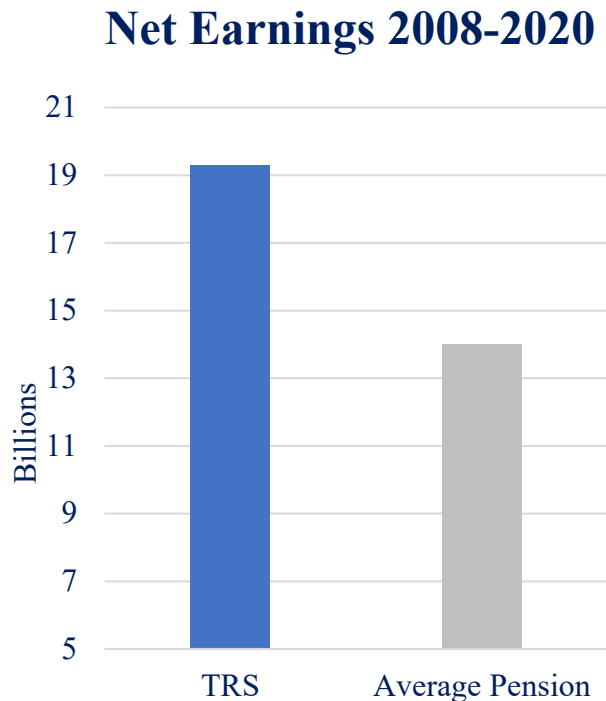
Retirement Annuity Trust Gross Returns as of March 31, 2021

	TRS	Aon Rank
Quarter	3.44%	Top 49%
FYTD	23.05%	N/A
1-year	40.86%	Top 3%
3-year	11.81%	Top 2%
5-year	12.3%	Top 3%
10-year	9.86%	Top 4%

30-year compounded
8.45%



Investment Performance



From 2008 to March 2021, TRS investment returns totaled a net \$19.3 billion, compared to the average plan's \$14 billion.

This outperformance generated \$5.3 billion to the benefit of Kentucky's teachers and all taxpayers.

Experience Study

Covers Five Years ended June 30, 2020



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TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
STATEMENT OF RESULTS OF THE
EXPERIENCE INVESTIGATION
PREPARED AS OF JUNE 30, 2020

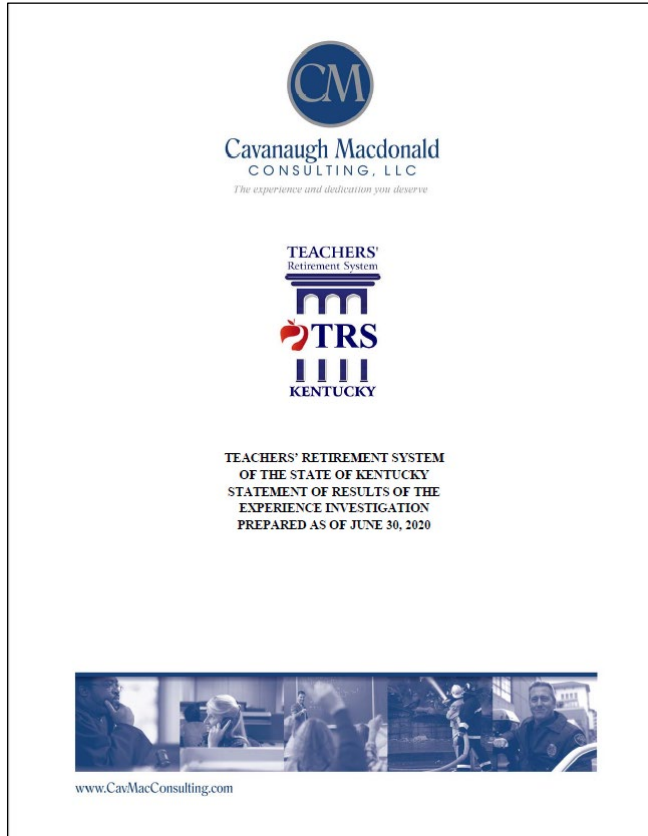


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2021 Experience Study

Summary of Changes



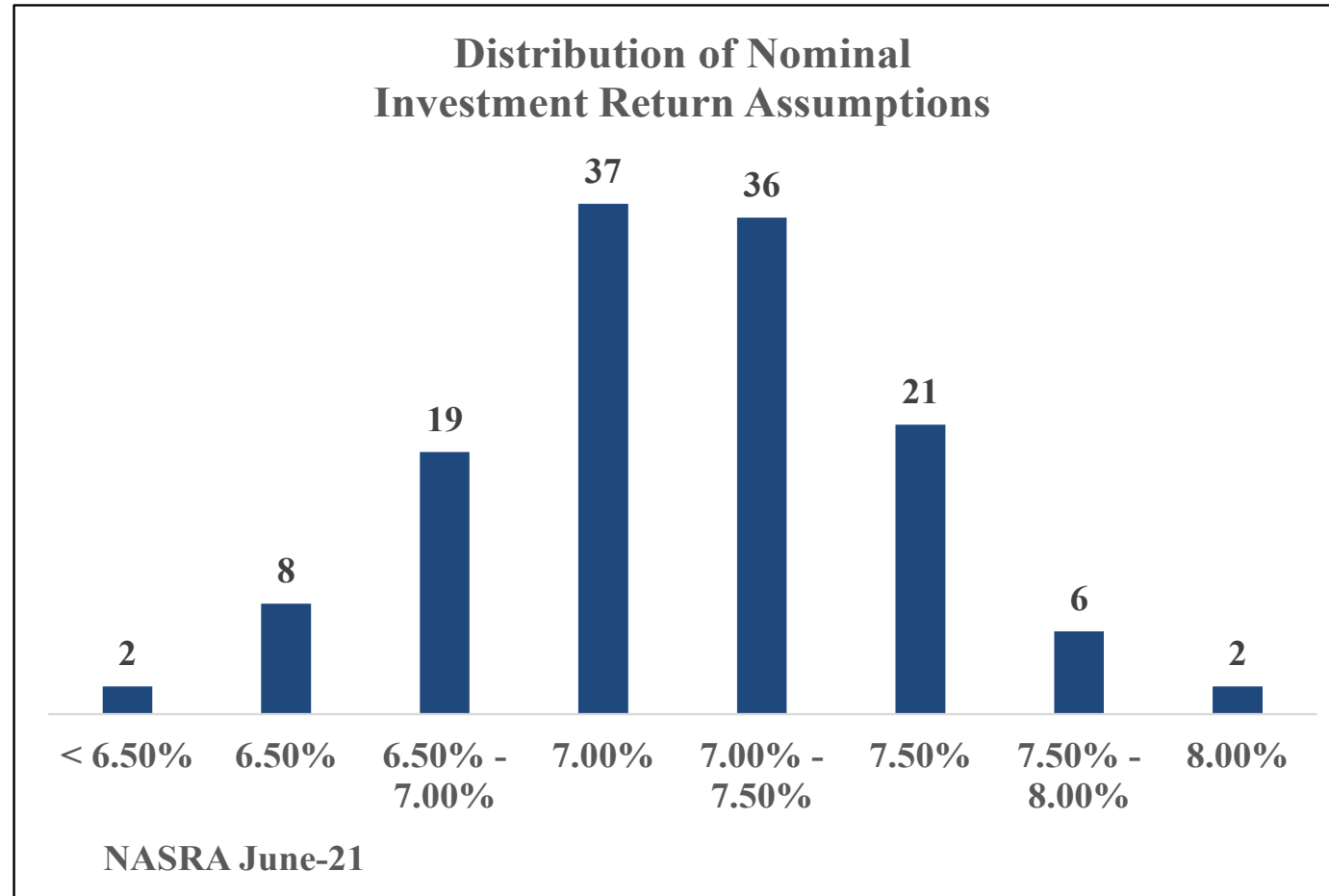
- Lower the investment return assumption for all plans to 7.1% (from 7.5%)
- Lower the payroll growth assumption to 2.75%
- Update to new teacher-specific mortality tables

Economic Assumptions

Investment Return



➤ Peer Comparison:



Experience Study

Summary of Impact on Total Liabilities

Retirement Annuity Trust liabilities as of June 30, 2020, increase \$2.95 billion from \$35.58 billion

Biggest drivers

- \$1.49 billion increase for new mortality tables
- \$1.65 billion increase to lower discount rate to 7.1%
- Lowered \$400 million by salary assumption changes

Health Insurance Trust liabilities as of June 30, 2020, increase \$350 million from \$2.76 billion

Biggest drivers same as annuity trust

No budget impact for state since contribution is fixed salary percentage



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Budget Impact

Based on Annual Valuations

Budget request of additional funding for 2023 already has been determined at \$629.4 million.

The 2024 request will be determined based on the 2021 annual valuation.

Experience Study

Timing Comes In Year That Could Help Offset Assumption Changes

Next valuation will include fiscal 2021 return that – preliminarily – will be more than 20% while dropping 2016.

Year Ending June 30	Actuarial Value	Market Value
2020	7.0%	5.5%
2019	7.1%	5.6%
2018	9.1%	10.5%
2017	9.3%	15.0%
2016	7.6%	-1.0%
Average	8.0%	7.1%

Experience Study

Timing Comes In Year That Could Help Offset Assumption Changes

Through the third quarter of the fiscal year, the trusts collectively gained more than \$4.5 billion in assets.

Retirement Annuity Trust

	FYTD 2021 (Q3)
Net plan assets gains	\$ 4,025,000,000

Health Insurance Trust

	FYTD 2021 (Q3)
Net plan assets gains	\$ 509,300,000

Importance of Investment Income

Schedule of Funds Available for Retirement Benefits

In billions

Beginning Balance as of July 1, 1985	\$ 1.8
Member & Other Contributions	7.9
Employer Contributions	15.7
Investment Income	28.7
Benefit Payments & Refunds	(33.2)
Administrative Expenses	(0.2)
Ending Balance as of June 30, 2020	\$20.7





***Our Members
Come First!***

800-618-1687

**8 a.m. – 5 p.m. ET
Monday – Friday**

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<https://trs.ky.gov>

Protecting & Preserving Teachers' Retirement Benefits