

# Teachers' Retirement System of the State of Kentucky

## Interim Joint Committee on State Government

June 20, 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 \$1.28 billion to meet actuarially required annuity contributions
- \$149 million for state statutory contribution for under-65 health insurance under Shared Responsibility
- \$479.2 million added over TRS budget request to pay off liabilities for certain previously awarded benefits that had been amortized over several years

# Who Are TRS Members?

Primarily School Teachers



**171 school districts**

**Other employers**



State education agencies

Five universities

KCTCS

# What to Know

## About Kentucky Teachers' Benefits



- Replaces Social Security
  - meaning the goal is being able to retire on a TRRS pension
  - without needing any Social Security income – including from a spouse.
- Current contributions *are* enough to pay full benefits
- Health insurance premium benefits



# What to Know

## About Social Security



- Not meant to be a sole source of retirement income (though it is for many)
- A social anti-poverty program
- Current contributions *are not* enough to pay full benefits
- No health insurance premium benefits before 65

# TRS Background

Non-university members (about 95% of TRS membership) do not pay and do not receive Social Security on TRS employment

- TRS benefits *replace* Social Security.

University members (5%) pay and receive Social Security

- TRS benefits *supplement* Social Security.
- TRS maintains distinct benefit formulas for university and non-university members. Since July 1, 1994, universities also have offered optional retirement plans in lieu of TRS.

# Board of Trustees

## Fiduciaries of TRS



**BRENDA  
MCGOWN**  
*Chair, Bowling Green*



**JOHN  
BOARDMAN**  
*Vice Chair, Lexington*



**BILL  
ALVERSON**  
*Paris*



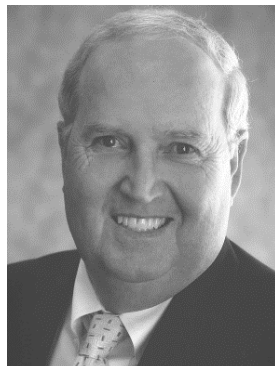
**ALLISON  
BALL**  
*State Treasurer*



**FRANK  
COLLECCHIA**  
*Louisville*



**JASON  
GLASS, Ed.D.**  
*Education  
Commissioner*



**HOLLIS  
GRITTON**  
*Union*



**BEN  
LITTLEPAGE, Ed.D.**  
*Murray*



**LAURA  
SCHNEIDER**  
*Walton*



**JOSH  
UNDERWOOD**  
*Tollesboro*



**ALISON  
WRIGHT**  
*Georgetown*

# Board of Trustees

## **11-member Board of Trustees is fiduciary by law**

- Seven members elected by membership

*Four active, one retired, two lay*

- Treasurer, elected by statewide vote
- Education commissioner

Two, with financial experience, appointed by governor

*Subject to Senate confirmation*

All funds held in trust to provide benefits for members



# 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

# Membership

**74,785 Total Actives (as of June 30, 2022)**

## Non-university

Full-time TRS 1 and TRS 2	29,322
Full-time TRS 3	30,726
Full-time TRS 4	436
Part-time TRS 1 and TRS 2	1,036
Part-time TRS 3	8,741
Part-time TRS 4	1,543
<b>Total Non-university</b>	<b>71,804</b>

## University

TRS 1 and TRS 2	1,434
TRS 3	1,493
TRS 4	54
<b>Total University</b>	<b>2,981</b>

# Membership

## Annuitants and Beneficiaries (as of June 30, 2022)

Retirees	53,761
Beneficiaries	4,677
<b>Total</b>	<b>58,438</b>

# Actuarial Status

As of June 30, 2022



*Dollars in billions*

	<b>Assets</b>	<b>Liabilities</b>	<b>Unfunded</b>	<b>Percent</b>
<b>Retirement Annuity Trust</b>	<b>\$ 24.1</b>	<b>\$ 41</b>	<b>\$ 16.9</b>	<b>58.8%</b>

*Actuarial values*



# TRS Health Insurance

## Funded Status



# State Contributions

## All Funds

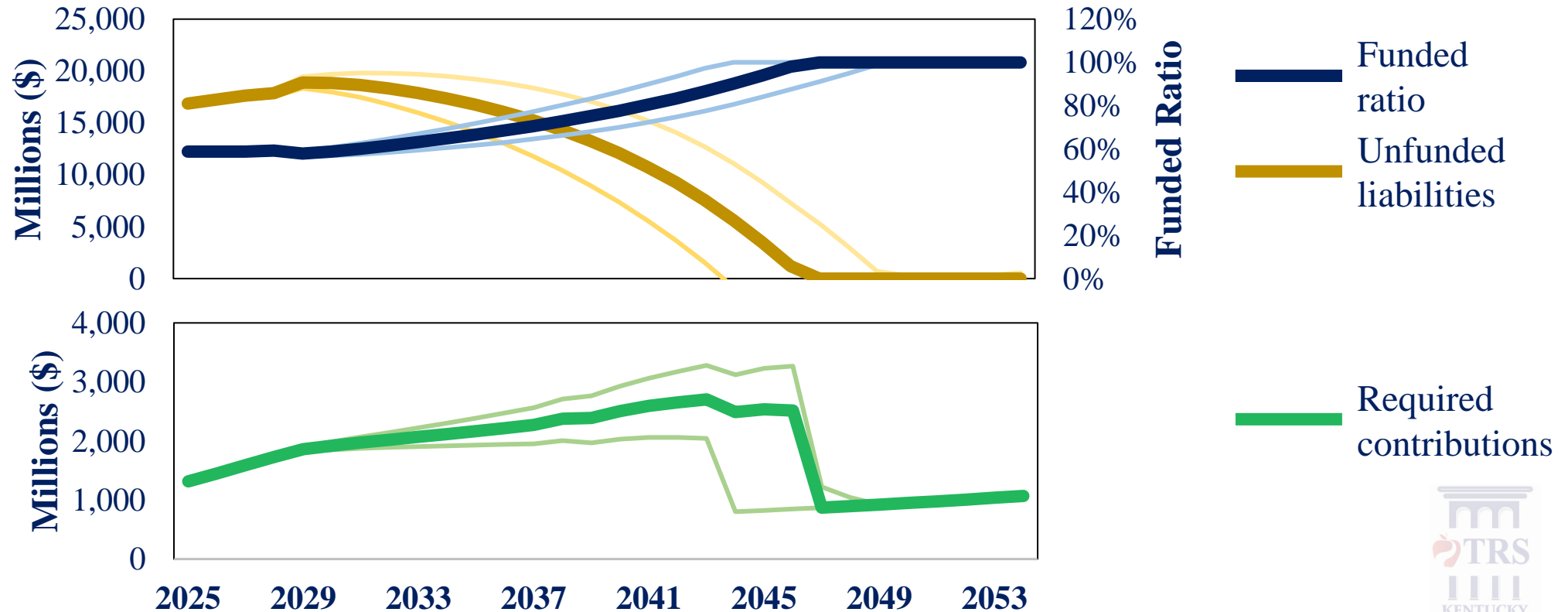
<b>Fiscal Year</b>	<b>Billion</b>
2022	\$ 1.57
2021	1.14
2020	1.13
2019	1.13
2018	1.05
2017	1.06
2016	0.56
2015	0.55

# 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.



# Actuarial 30-Year Projections

## State Portions Listed in \$ Millions

### Retirement Annuity Trust

Fiscal Year End	State
2025	1,216
2026	1,341
2027	1,474
2028	1,601
2029	1,721
2030	1,775
2031	1,824
2032	1,869
2033	1,913
2034	1,957
2035	2,003
2036	2,050
2037	2,100
2038	2,195
2039	2,207

Fiscal Year End	State
2040	2,315
2041	2,397
2042	2,454
2043	2,500
2044	2,300
2045	2,342
2046	2,324
2047	806
2048	829
2049	853
2050	878
2051	904
2052	931
2053	960
2054	990



# Actuarial 30-Year Projections

## State Portions Listed in \$ Millions

### Health Insurance Trust

Valuation Year	Contribution	
	Fiscal Year	State
2022	2023	\$92
2023	2024	99
2024	2025	107
2025	2026	115
2026	2027	124
2027	2028	133
2028	2029	143
2029	2030	153
2030	2031	164
2031	2032	176
2032	2033	186
2033	2034	197
2034	2035	206
2035	2036	215
2036	2037	222

Valuation Year	Contribution	
	Fiscal Year	State
2037	2038	231
2038	2039	239
2039	2040	247
2040	2041	255
2041	2042	264
2042	2043	271
2043	2044	280
2044	2045	286
2045	2046	292
2046	2047	297
2047	2048	303
2048	2049	311
2049	2050	314
2050	2051	313
2051	2052	307

# Investment Performance

## Retirement Annuity Trust Unaudited Returns as of March 31, 2023

	<b>Qtr.</b>	<b>FYTD</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>	<b>20-year</b>
<b>Gross</b>	4.58%	6.58%	-4.27%	12.3%	7.04%	8.19%	7.68%
<i>Benchmark</i>	5.38%	7.23%	-4.47%	12.39%	7.29%	8.03%	N/A
<i>Aon Rank</i>	Top 17%	N/A	Top 51%	Top 31%	Top 29%	Top 11%	N/A
<b>Net</b>	4.51%	6.42%	-4.52%	11.99%	6.75%	7.94%	7.49%

30-year compounded gross return  
**7.64%**

# Investment Performance

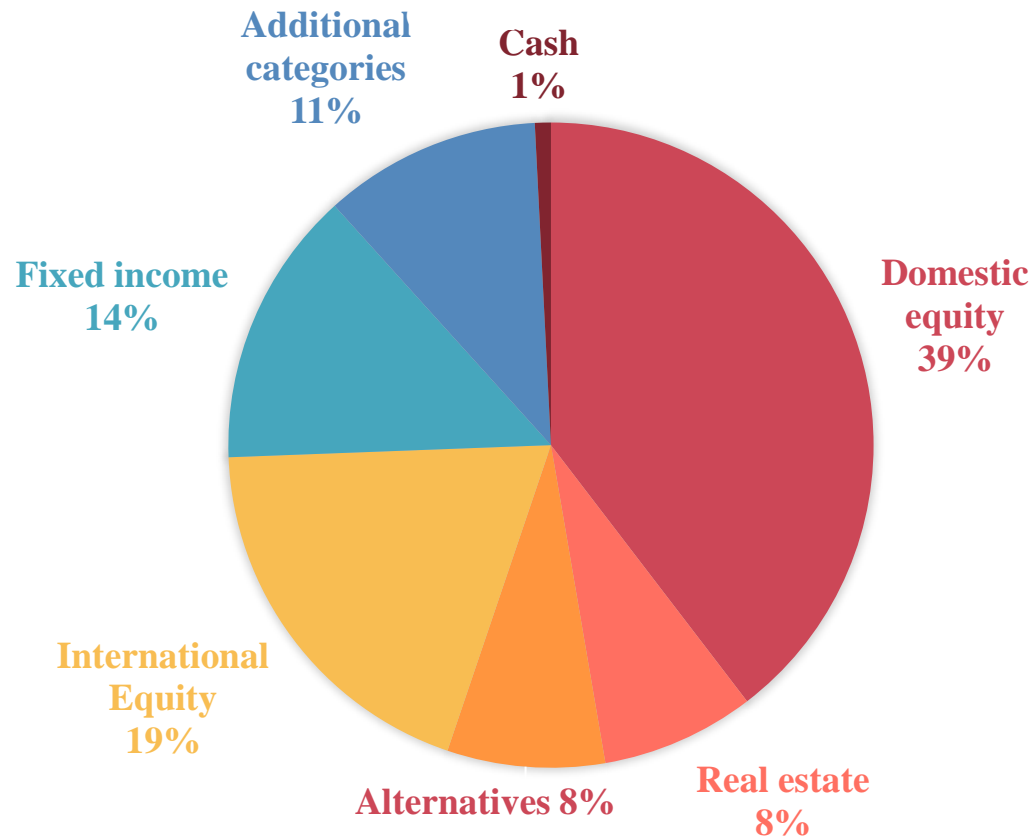
## Health Insurance Trust Unaudited Returns as of March 31, 2023

	<b>Qtr.</b>	<b>FYTD</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>
<b>Gross</b>	4.66%	7.65%	-3.5%	12.91%	7.22%	7.23%
<i>Benchmark</i>	5.19%	7.15%	-5.03%	12.29%	6.59%	N/A
<b>Net</b>	4.58%	7.47%	-3.78%	12.57%	6.86%	6.93%

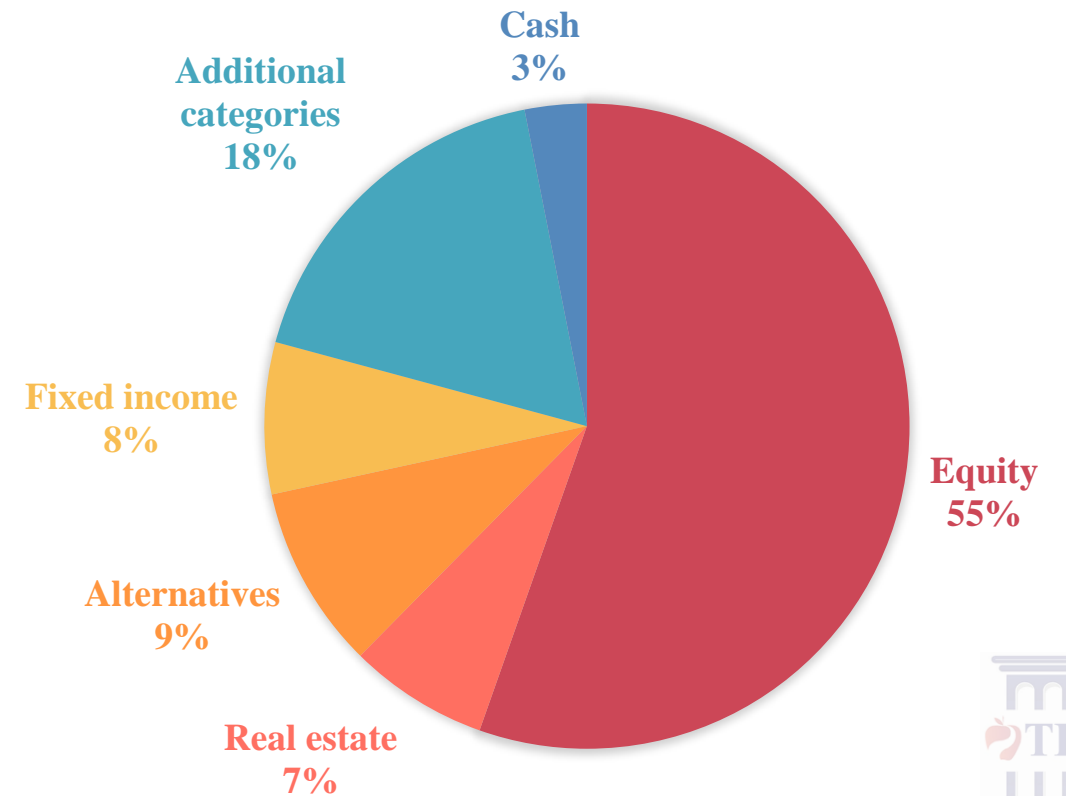
# Investments

## Asset Allocation

### Retirement Annuity Trust



### Health Insurance Trust



# Plan Comparison

## Local School District Teacher

	TRS 3	TRS 4
Social Security	Replaces	Replaces
Plan type	Defined benefit	Hybrid
Employee contributions	9.105% pension, 3.75% health insurance for total of 12.855%	9% Foundational, mandatory 2% Supplemental, 3.75% health insurance for total of 14.75%
Employer contributions	3% to health insurance	3% to health insurance
State contributions	13.355% pension, 0.75% health insurance for total of 14.105% and pay employer share of health insurance premiums for pre-65 retirees	8% Foundational, mandatory 2% Supplemental, 0.75% health insurance for total of 10.75% and pay employer share of health insurance premiums for pre-65 retirees
Unreduced retirement	27 years of service, age 55 with 10 service years or age 60 with 5 service years	Age 57 with 30 years of service, age 60 with 10 years or age 65 with 5 service years
Final average salary	High 3 with 27 years of service and age 55, otherwise high 5	High 5
Sick leave payment	Yes, and added to final average salary	Yes, but only can be added to Supplemental balance
Benefit factors	1.7% with 10 years of service to 2.5% with 26 years of service	1.85% at age 57 to 2.25% at age 65
Career factors	3% for years of service after 30	0% at 33 up to 0.25% at 38 years of service (this factor applies to all years of service)
Cost of living adjustment	1.5%	1.5% on the Foundational benefit
Health insurance	Access to retirement with state premium contributions	Access at retirement with state premium contributions at age 60; member pays full premium before age 60
Inviolable contract	Inviolable contract applies, benefits may be changed for new hires	Inviolable contract applies to state's statutory contributions and benefits already earned; future benefits may be changed by TRS Board of Trustees
Risk	State	N/A
Risk controls	N/A	Managed by TRS board as required by law

# Risk Controls

## Foundational Benefit

If funding falls below 90%, board shall use any of these adjustments for non-university members to maintain funding:

- Utilize assets from the stabilization reserve account
- Use future required supplemental contributions for foundational
- Adjust rate for future interest to be credited to foundational benefit
- Adjust the age and/or career factors
- Adjust the annual foundational benefit COLA for retired members

Board may use these adjustments at any time to maintain funding



# *Our Members Come First!*

**800-618-1687**

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

**[info@trs.ky.gov](mailto:info@trs.ky.gov)**

**<https://trs.ky.gov>**

*Protecting & Preserving Teachers' Retirement Benefits*