

Teachers' Retirement System of the State of Kentucky

Interim Joint Committee on State Government

Sept. 24, 2024

Gary L. Harbin, CPA
Executive Secretary

Funding

2024-26 Biennial Budget

- Means **10** straight years of full or nearly full annuity funding
- More than \$1.75 billion to meet actuarially required contribution for annuities
- \$161 million for state statutory contribution for under-65 health insurance under Shared Responsibility
- Beyond requested amounts appropriated in the budget (House Bill 6), House Bill 1 provides an additional \$80 million

Investment Performance

Retirement Annuity Trust Unaudited Returns as of June 30, 2024

Preliminary

	Qtr.	1-year	3-year	5-year	10-year	20-year
Gross	1.03%	12.27%	3.52%	8.81%	7.94%	7.57%
<i>Benchmark</i>	1.93%	13.81%	4.94%	9.16%	8.09%	N/A
<i>Aon Rank</i>	Top 55%	Top 10%	Top 41%	Top 12%	Top 8%	N/A
Net	0.88%	11.93%	3.22%	8.5%	7.66%	7.42%

30-year compounded gross return

8.1%

Investment Performance

Health Insurance Trust Unaudited Returns as of June 30, 2024

Preliminary

	Qtr.	1-year	3-year	5-year	10-year
Gross	1.74%	12.73%	4.56%	9.07%	7.45%
<i>Benchmark</i>	1.98%	14.13%	4.61%	8.83%	N/A
Net	1.59%	12.4%	4.24%	8.74%	7.1%

Cash Flow Update

Retirement Annuity Trust

<i>Preliminary and unaudited</i>	FY 2024	FY 2023
Cash Inflows		
Member contributions	\$ 383,300,000	\$ 366,800,000
Employer contributions/appropriations	1,176,100,000	1,144,400,000
Investment income (Net of any asset gains/losses)	<u>419,100,000</u>	<u>382,600,000</u>
Total Cash Inflows	1,978,500,000	1,893,800,000
Cash Outflows		
Benefit payments/refunds	2,499,900,000	2,418,200,000
Administrative expense	<u>15,100,000</u>	<u>14,500,000</u>
Total Outflows	2,515,000,000	2,432,700,000
Net cash flow before asset gain/(losses)*	(536,500,000)	(538,900,000)
Investment gains or losses (realized and unrealized)	2,381,100,000	1,883,500,000
Net plan assets		
Beginning of fiscal year	\$ 24,244,600,000	\$ 22,900,000,000
At end of period	\$ 26,088,900,000	\$ 24,244,600,000

*Appreciation/depreciation in fair value does not generate cash inflows or outflows.

Cash Flow Update

Health Insurance Trust

<i>Preliminary and unaudited</i>	FY 2024	FY 2023
Cash Inflows		
Member contributions	\$ 217,200,000	\$ 212,500,000
Employer contributions/appropriations	232,000,000	208,800,000
Recovery income	153,800,000	145,400,000
Investment income (net of any asset gains/losses)	<u>50,100,000</u>	<u>31,700,000</u>
Total Cash Inflows	653,100,000	598,400,000
Cash Outflows		
Benefit payments/refunds	353,400,000	333,600,000
Administrative expense	<u>2,100,000</u>	<u>2,000,000</u>
Total Cash Outflows	355,500,000	335,600,000
Net cash flow before asset gain/(losses)*	297,600,000	262,800,000
Investment gains or losses (realized and unrealized)	288,200,000	211,300,000
Net plan assets		
Beginning of fiscal year	\$ 2,743,400,000	\$ 2,269,200,000
At end of period	\$ 3,331,300,000	\$ 2,743,400,000

*Appreciation/depreciation in Fair Value does not generate cash inflows or outflows.



Asset Allocation

Retirement Annuity Trust

Class	June 30, 2024	Target	Range
U.S. equity	40.3%	38%	31-48%
Non-U.S. equity	19.9%	21%	16-27%
Fixed income	13.3%	15%	8-22%
Real estate	6.6%	7%	4-10%
Alternative investments	8.1%	7%	4-10%
Additional categories	10.7%	10%	4-15%
Cash equivalents	1.1%	2%	1-5%

Asset Allocation

Health Insurance Trust

Class	June 30, 2024	Target	Range
U.S. equity	37.8%	38%	30-46%
Non-U.S. equity	20.5%	20%	15-25%
Fixed income	8.2%	9%	6-14%
Real estate	5%	6.5%	4-12%
Alternative investments	7.8%	8.5%	5-12%
Additional categories	16.2%	17%	14-25%
Cash equivalents	4.5%	1%	0-5%

Actuarial Status

As of June 30, 2023



Dollars in billions

	Assets	Liabilities	Unfunded	Percent
Retirement Annuity Trust	\$ 24.7	\$ 42.2	\$ 17.5	58.6%

Actuarial values

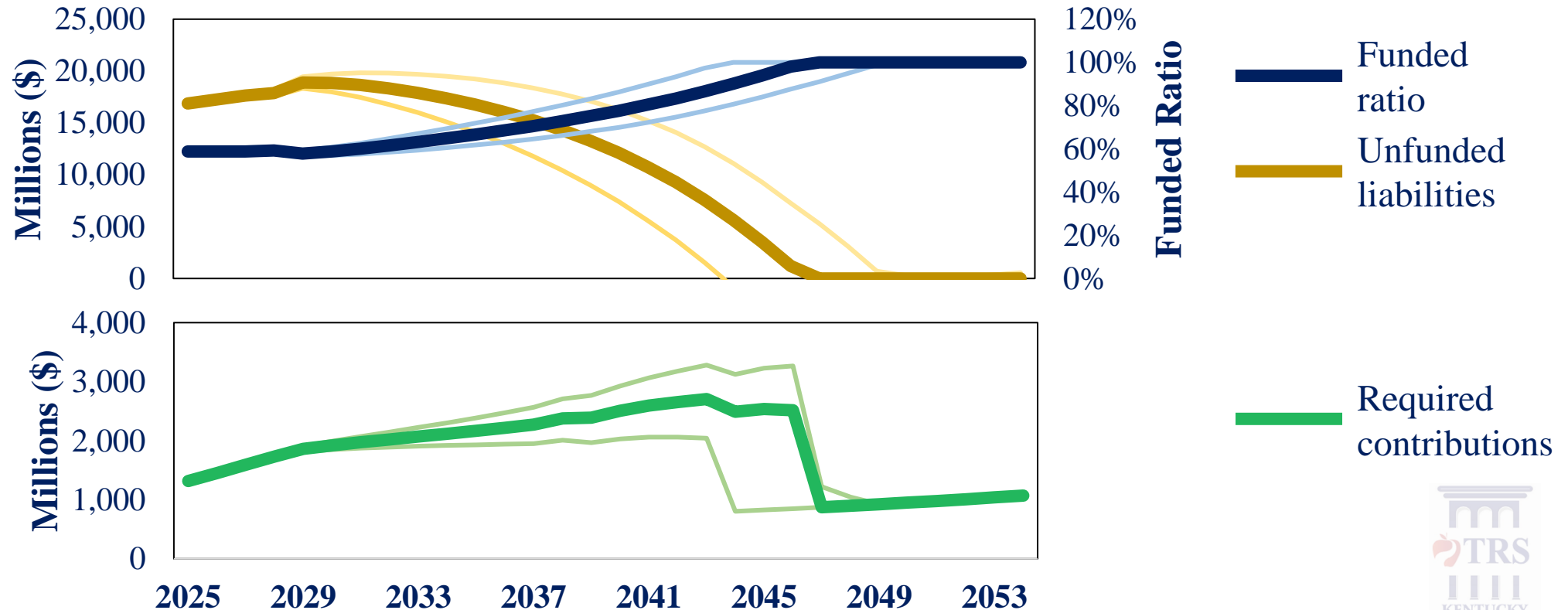


Actuarial 30-Year Projections

At Full Funding, TRS Required Contributions Decrease

Actuary's retirement annuity projections at assumed 7.1% investment return.

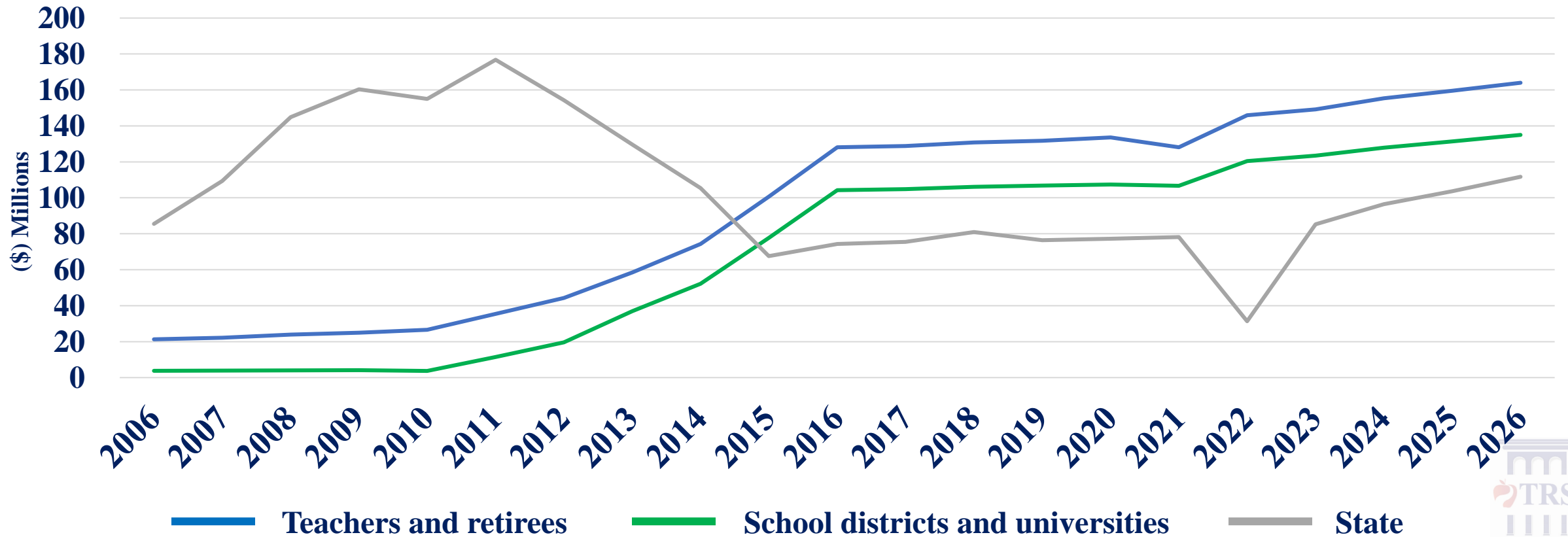
Thick lines show projections; thin lines show projections adjusted for investment returns 1% higher and lower.



Shared Responsibility

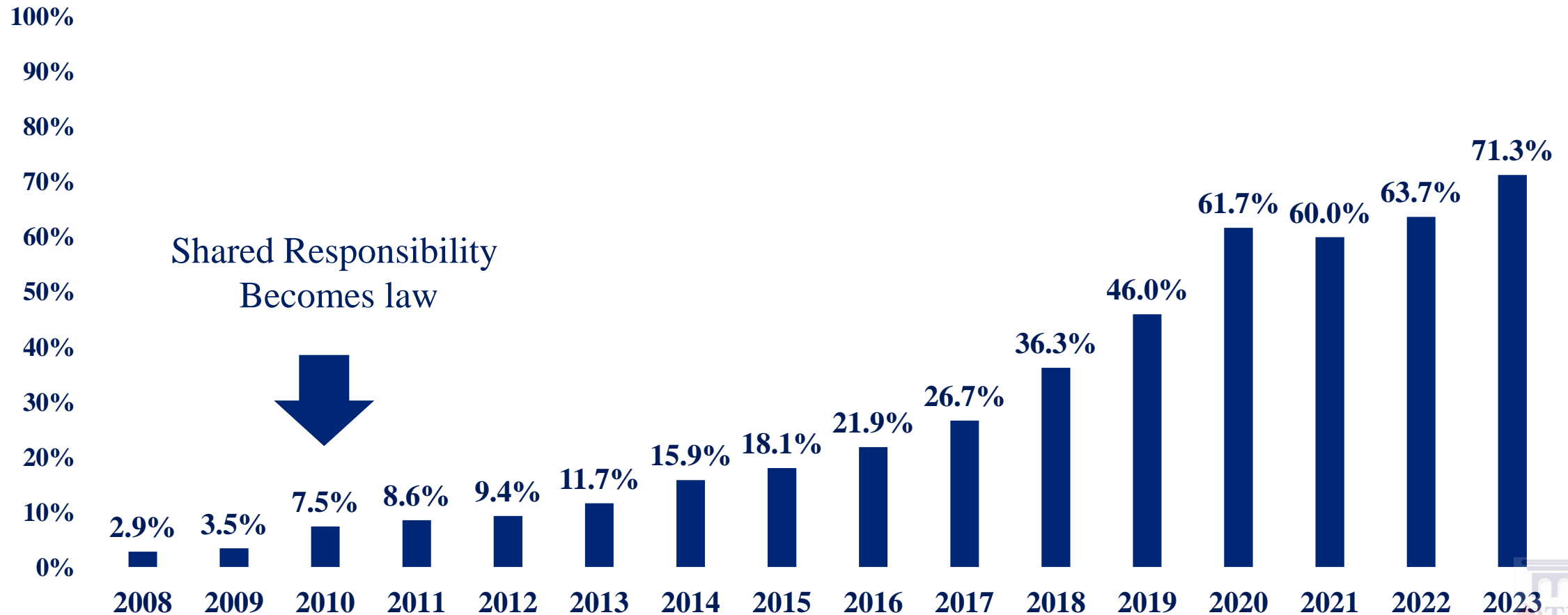
How the Cost Has Been Shared

Funding for Retiree Health Care
2006-2024 and Budgeted through 2026



TRS Health Insurance

Funded Status





Premiums Held Almost Constant For 20 Years



***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