

Kentucky Teachers' Retirement System Funding Work Group

Constituent Concerns

August 28, 2015

Goal: Make recommendations to strengthen the solvency of the KTRS

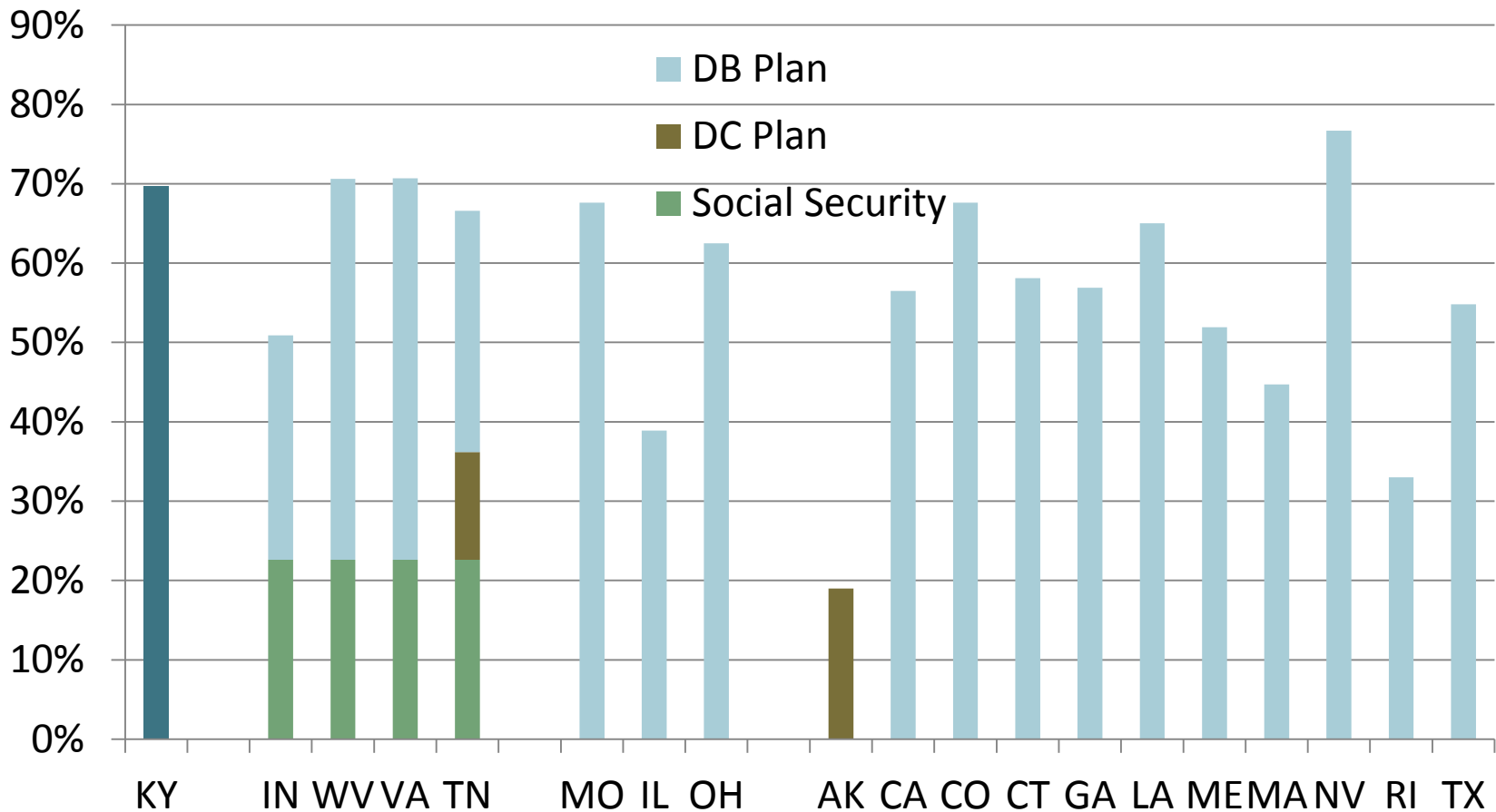
Key Points from August 28

- Recall from earlier meetings:
 - If contributions are not increased or benefits decreased, KTRS will be depleted and not be able to pay promised benefits (20+ years)
- Findings from benefit comparisons for future hires:
 - Future Kentucky Teachers have higher benefits (as % of compensation) than peers if hired young and work 30 years
 - Benefits for older hires are slightly below average
 - Benefits for average hires (age 33) are slightly above average

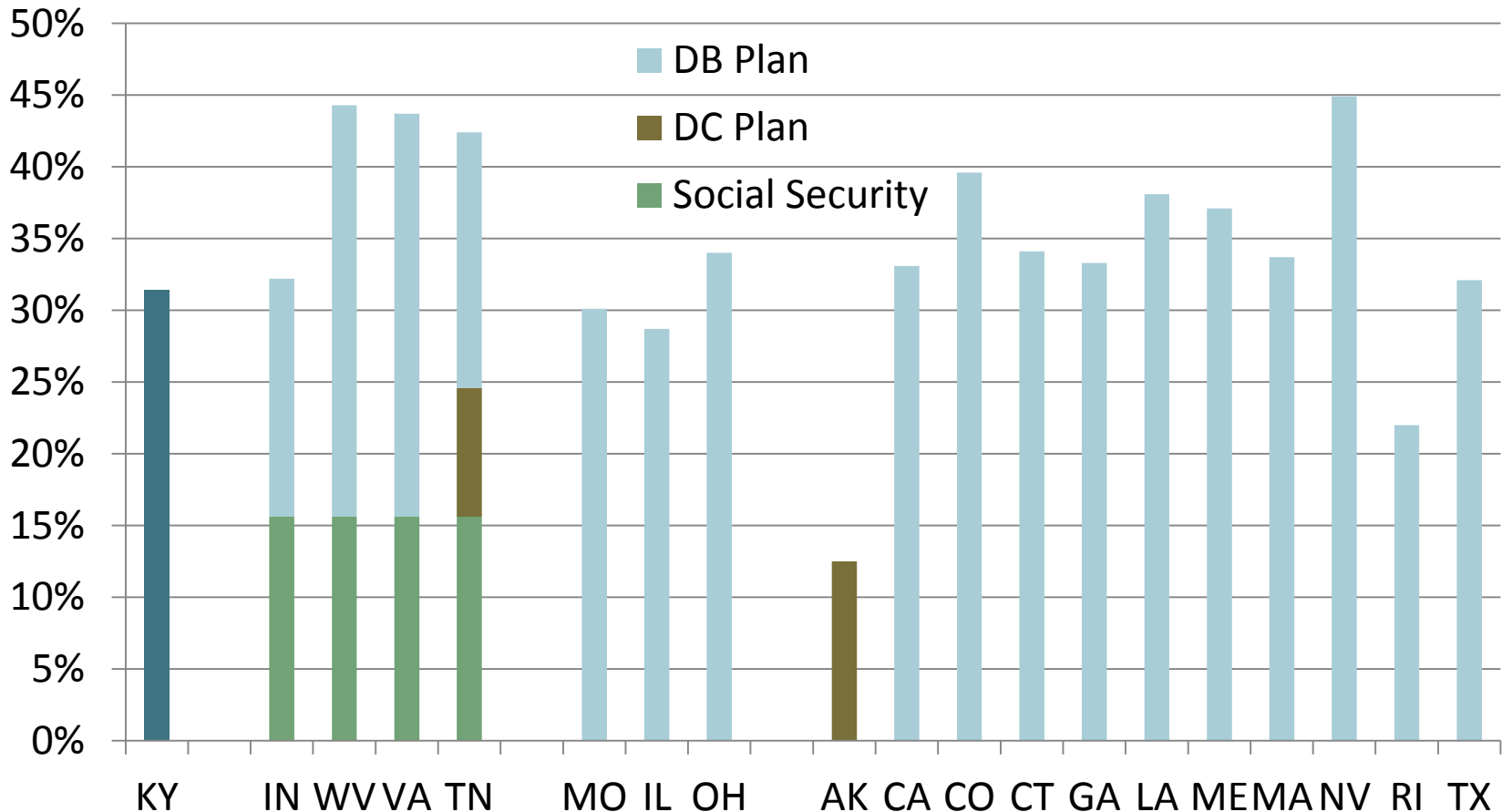
Key Points from August 28 -Continued

- Kentucky teacher compensation is somewhat lower than many states
 - Update: When adjusted for cost of living, closer to average, but still below
- Several states have made significant reductions in teacher pensions for future teachers
- KTRS changes in 2008 reduced “Normal Cost” for teachers from 16.93% to 15.68%
 - This is equivalent to a decrease in benefit value of 1.25% of pay versus pre-2008 peers

Benefits as % of Pay – Age 33 hire, retiring at 62

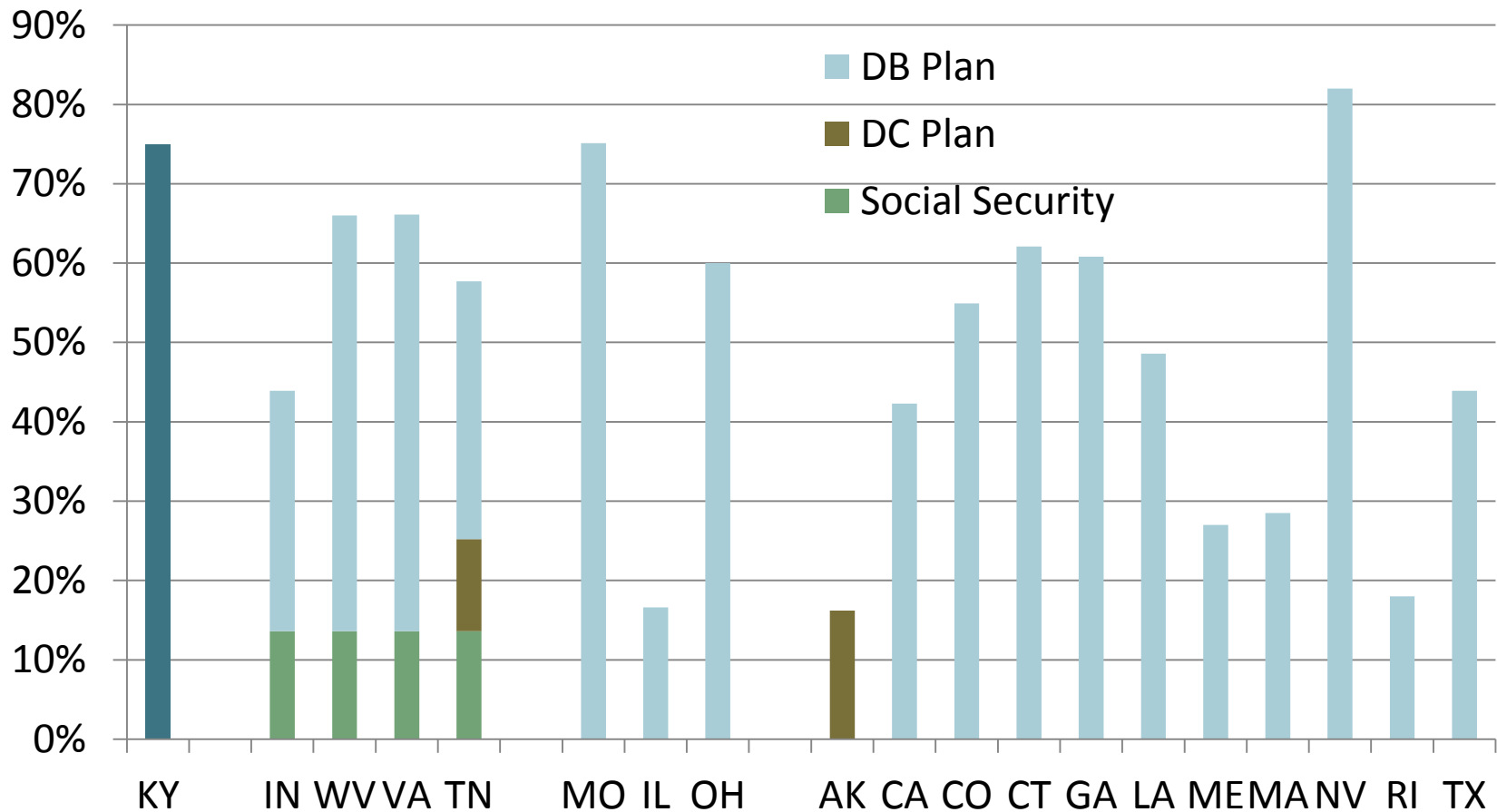


Benefits as % of Pay – Age 48 hire, retiring at 65

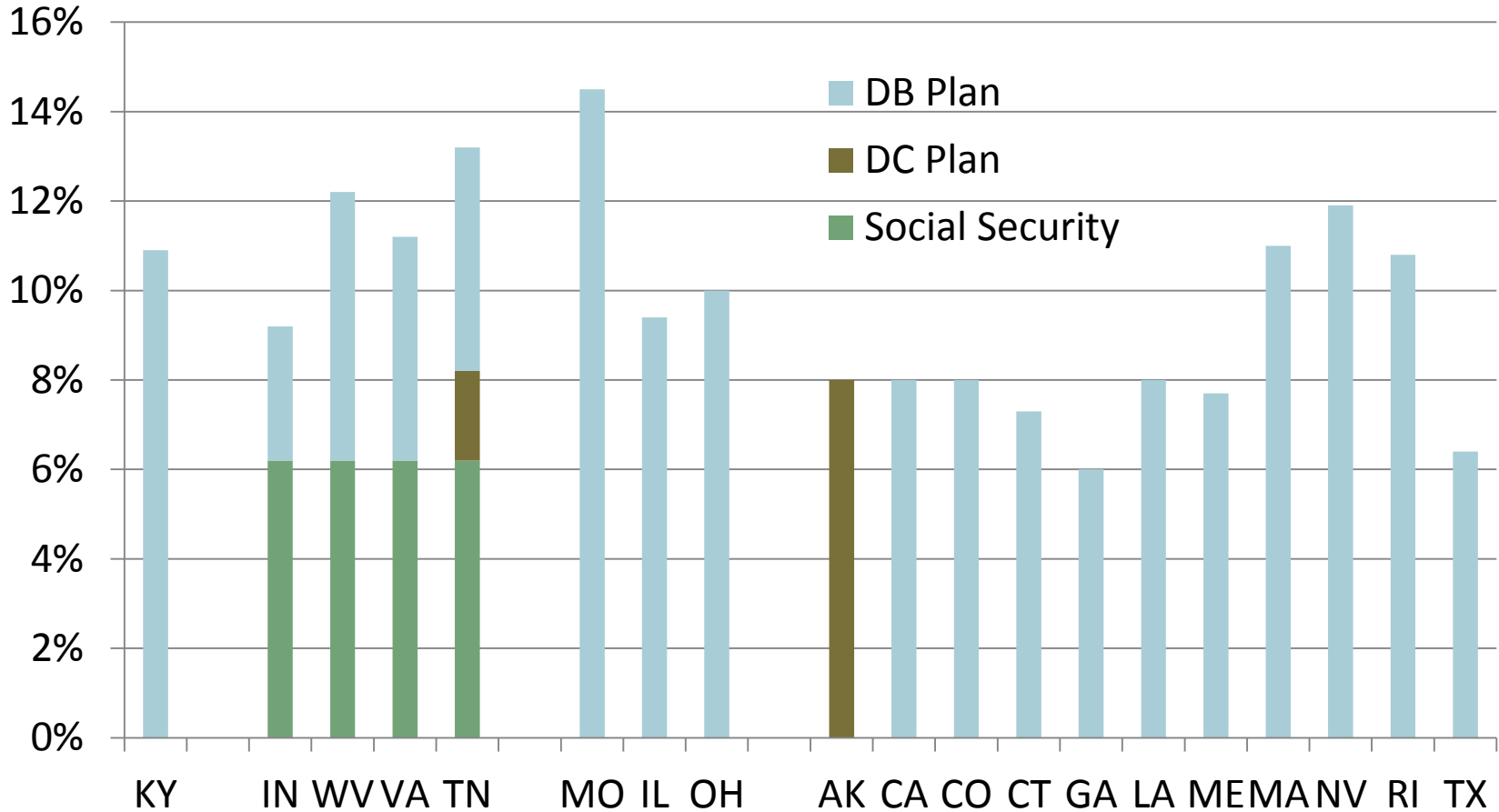


Note that teacher hired at 48 would likely have other covered Social Security

Benefits as % of Pay – Age 24 hire, retiring at 55

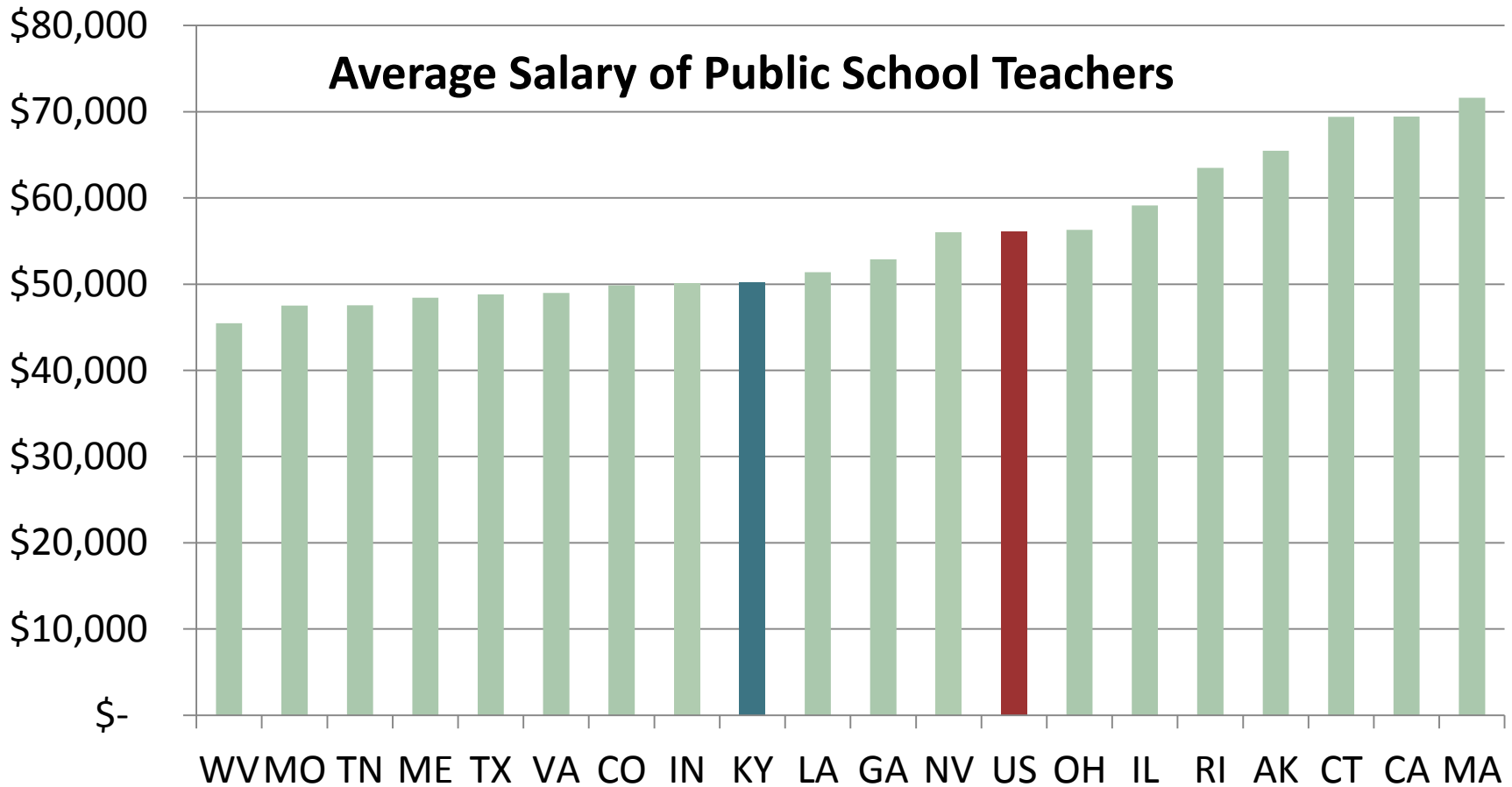


Teacher Contribution Rate



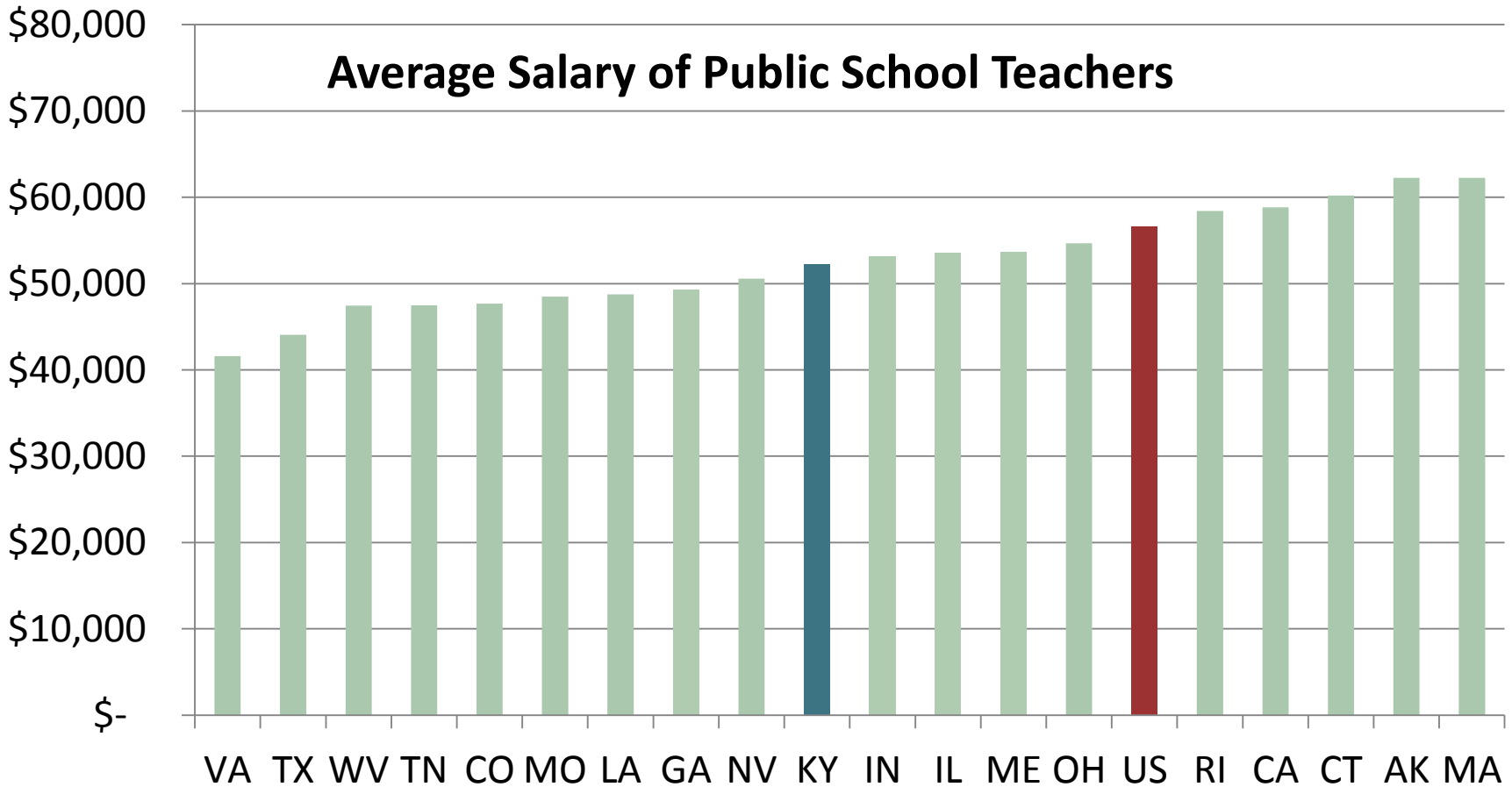
Source: NCTQ Report – Not limited to future teachers only

Kentucky Teacher Wage Comparison



SOURCE: NEA 2014 Ranking of the States: analysis of average salaries of public school teachers 2012-2013

Kentucky Teacher Wage Comparison – Adjusted by Comparable Wage Index



SOURCE: NEA 2014 Ranking of the States: analysis of average salaries of public school teachers 2013-2014
 CWI: Texas A&M University. Data provided by KASS and RSEC

Examples of Teacher Pension Reform

State	Reduce COLA	Raise Retirement Age	Increase Earnings Years	Decrease Multiplier	Increase Teacher Contributions
Ohio	X	X	X	X	X
Indiana					
Illinois	X	X	X		
Missouri					X
Tennessee				X	
Virginia					
West Virginia	X	X	X	X	X

Source: Plan CAFRs and NCTQ report

Sources of increase in unfunded liabilities: KTRS vs National Averages

PERCENT CHANGE IN UNFUNDED LIABILITIES BY CAUSE
1999 - 2013

