

Teachers' Retirement System

of the State of Kentucky



Kentucky Retired Teachers Association

2017 Fall Workshops

Gary L. Harbin, CPA
Executive Secretary



Do you Suffer from Information Overload?



Did You Know?

- More than 50,000 receive a benefit from TRS
- About \$166 million monthly in pension payments



The average benefit is about \$3,200 a month – or \$38,400 a year – to replace Social Security.

Did You Know?

Fiscal 2017 preliminary gross investment return



15.37 percent



Among the best returns in the country



*Double-digit percentage
gains in 3 of the last 5 years
& 5 of the last 8 years*

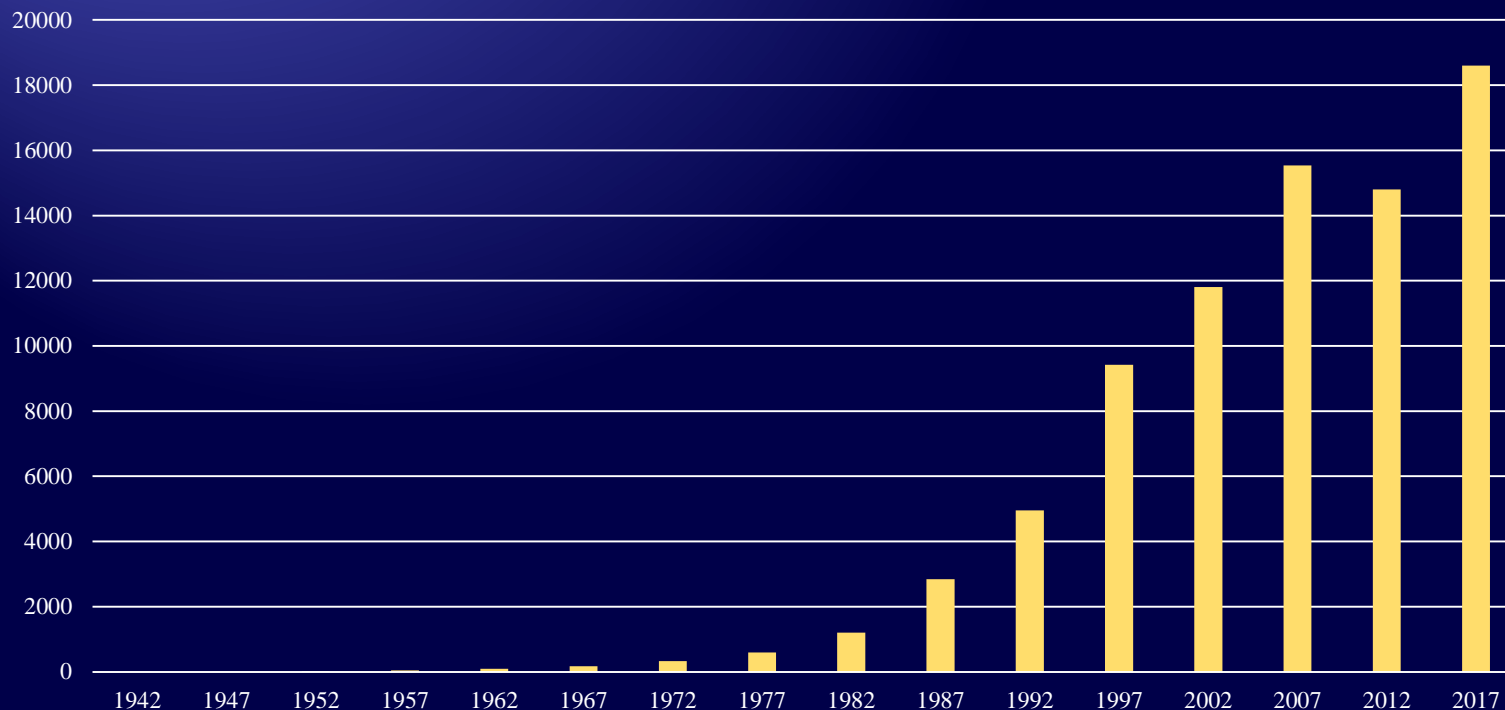
Did You Know?

Assets more than \$19 billion

In pension, health insurance & life insurance trusts

That's a record.

TRS Pension Assets





- Statistics
- Board of Trustees
- Administration
- Investing
- Pension
- Outreach

Statistics





Recap of TRS Actuarial Status

Dollars in millions

	Assets	Liabilities	Unfunded	Percent
PENSION	\$ 17,496.9	\$ 32,028.2	\$ 14,531.3	54.6%
GASB 67	\$ 16,812.8	\$ 47,736.9	\$ 30,924.1	35.2%
MEDICAL	\$ 795.1	\$ 3,634.1	\$ 2,839.0	21.9%

As of June 30, 2016

Additional Funding Summary

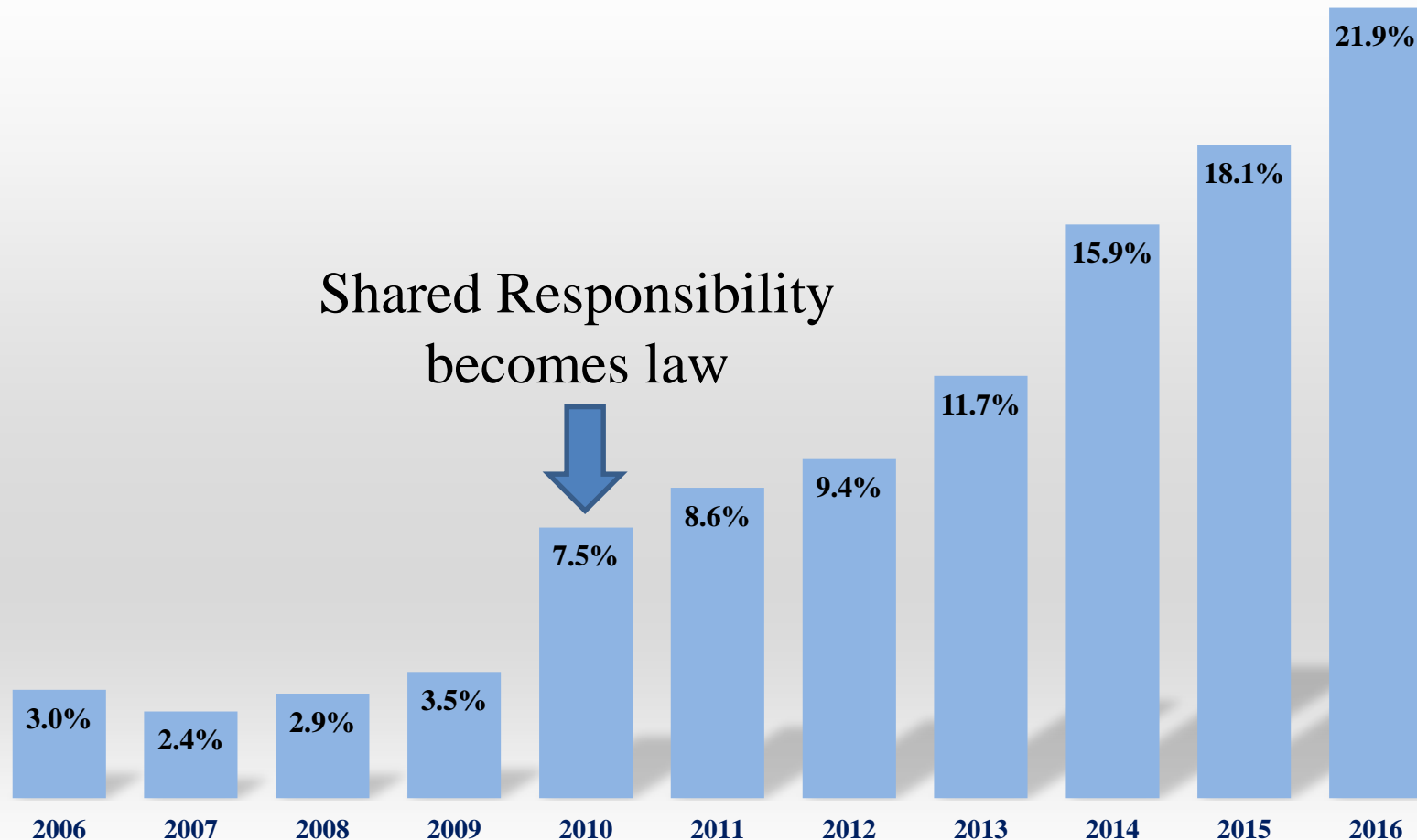
TRS Requested
\$1.03 B

94%

Approved
\$973 M



TRS MEDICAL INSURANCE Funded Status



REAL ECONOMIC IMPACT

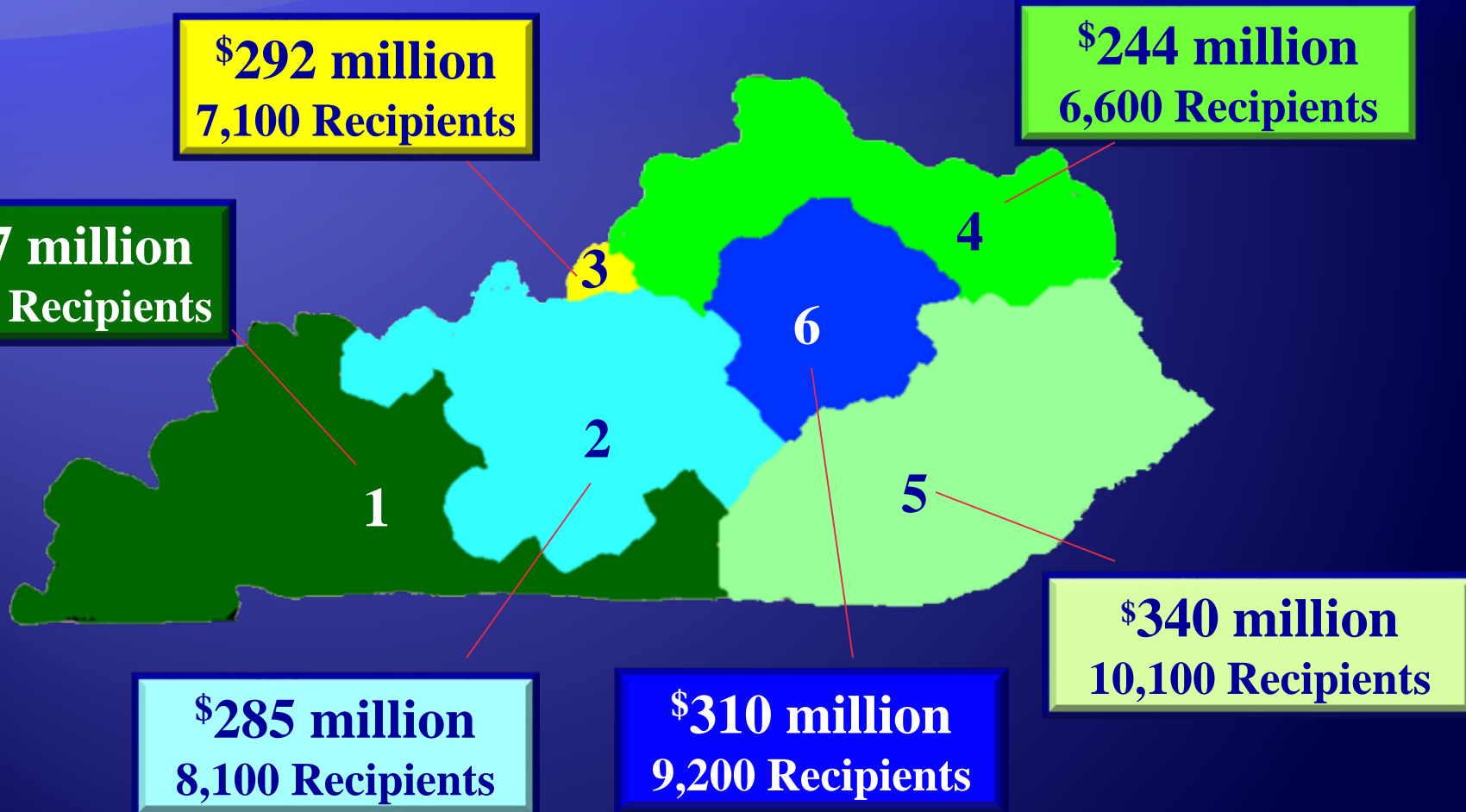


**Retired
teachers
have
significant
economic
impact in
every
Kentucky
county**

- TRS pays:
 - \$166 million in retirement annuity benefits (*July 2017*)
 - \$24 million in medical benefits (*monthly average*)
- 89% of TRS retirees live in Kentucky
- Retired teachers would make TRS the second-largest employer in many counties
- About \$1.8 billion a year paid into Kentucky's economy because of pension benefits

Retired Teachers Impact Across Kentucky

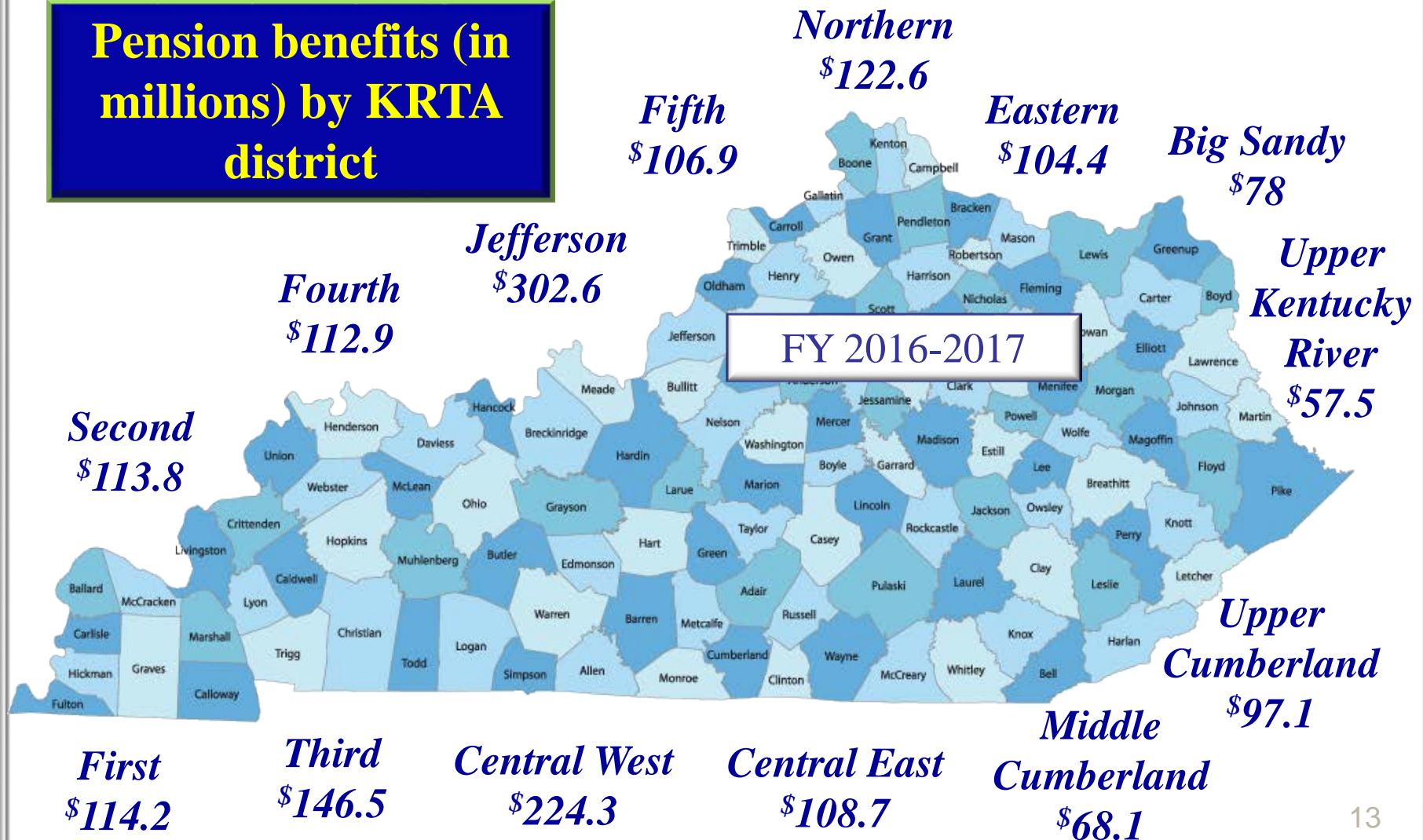
Pension benefits for FY 2016-17 by congressional district (estimated)



89% of TRS retirees live in Kentucky

Retired Teachers Impact Across Kentucky

Pension benefits (in millions) by KRTA district



Summer Retirement Season

Retirements

2017 ... 1,304

2016 ... 1,333

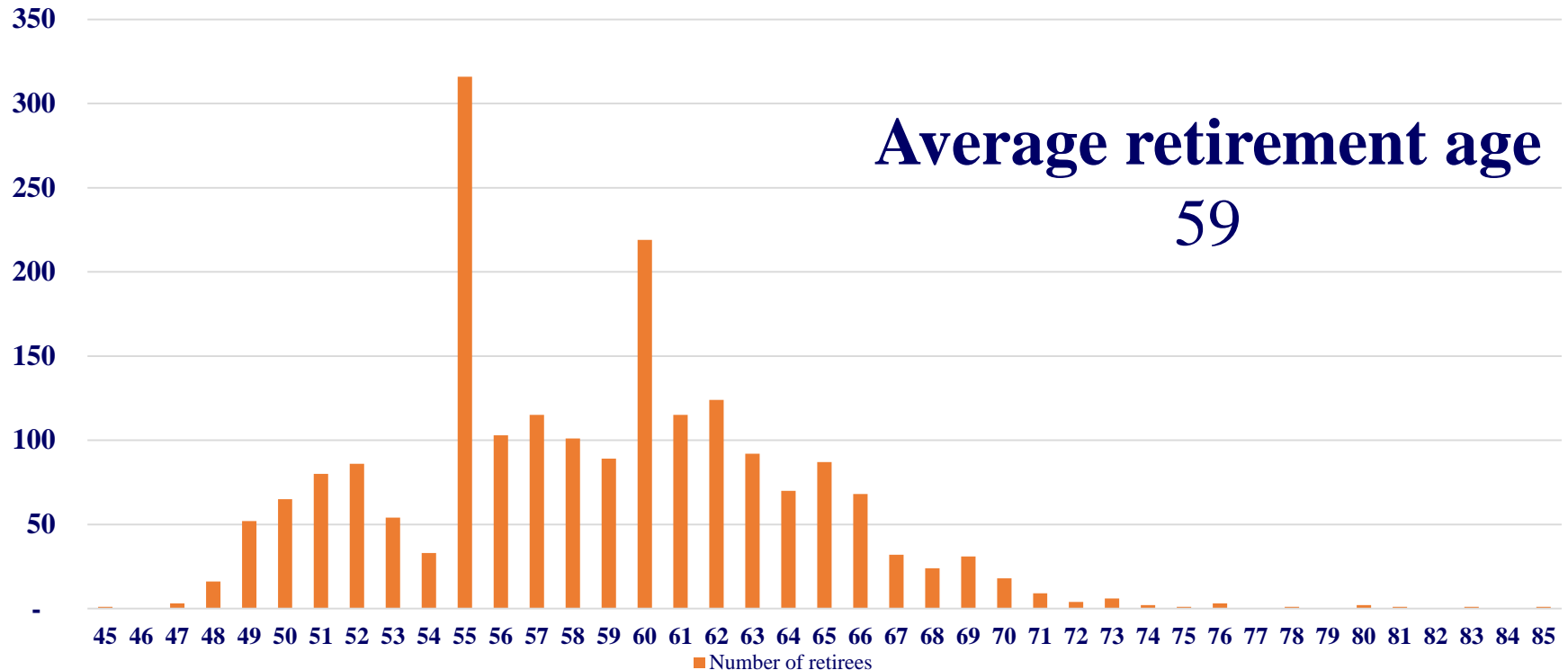
Visitors

2017 ... 1,851

2016 ... 1,897

Number of Retirees by Age at Retirement

Fiscal Year 2017: 2,151 Service Retirements



- Less than 5% retire before age 50
- 4 times as many people retire at age 65 & over than under age 50
- Average career teacher retiring in FY 2017 worked more than 30 years

Longevity for TRS Retirees

Retirees Over 80

As of Dec. 31



Age 100 years old or more

48

TRS Benefits Protect At-Risk Population

Member Recipients	
	PERCENT
Females	72%
Males	28%
Total	100%

TRS Member Benefits

Monthly benefit defined by set formula,
not the status of the stock market at retirement

**Investments
professionally
managed
for you**

**Life insurance
benefit**

Disability benefit

**Retiree
medical
insurance
benefit**

Lifetime Monthly Benefit

Board of Trustees



BOARD OF TRUSTEES

Fiduciaries of TRS



**RON
SANDERS**

Chair, Hodgenville



**ALISON
WRIGHT**

Vice Chair, Georgetown



**MARY
ADAMS**

Brodhead



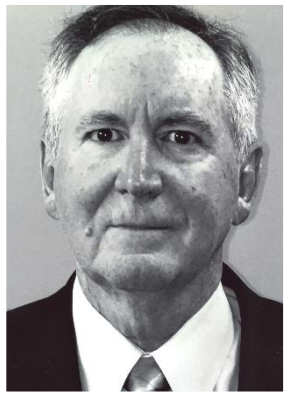
**ALLISON
BALL**

State Treasurer



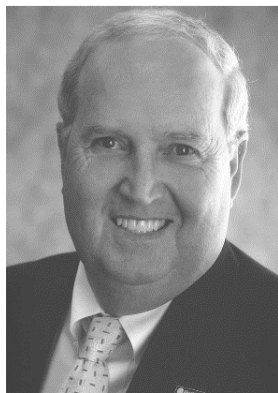
**JOHN
BOARDMAN**

Lexington



**FRANK
COLLECCHIA**

Louisville



**HOLLIS
GRITTON**

Union



**BRENDA
MCGOWN**

Bowling Green



**STEPHEN
PRUITT, Ph.D.**

Education Commissioner



**LAURA
SCHNEIDER**

Walton



**JOSH
UNDERWOOD**


Tollesboro

Recent Board Accomplishments

- Average retirement age increased from 54 to 59
- Placement agents, hedge funds not used
- Return to work made actuarially sound
- Air-time costs made actuarially sound
- Cost-of-Living Adjustments (COLAs) funded
- Window of enhanced benefits not sought

Trustee Elections Each May

Please complete the ballot below, tear on perforation and mail. NO POSTAGE NECESSARY.



TEACHERS'
Retirement System

TRS

KENTUCKY

This year the membership will be selecting one lay trustee and one active teacher trustee.

Please vote for ONLY ONE Lay Trustee and ONLY ONE Active Teacher Trustee.

An extra line is provided if you prefer to vote for a write-in candidate.

OFFICIAL BALLOT
Election of Board of Trustees Members per KRS 161.260
Mail no later than May 31, 2015

Candidates for Lay Trustee	
<input type="checkbox"/>	1. Ronald L. Sanders, Hodgenville, Kentucky
<input type="checkbox"/>	2. Wendell W. Lyons, Louisville, Kentucky
<input type="checkbox"/>	3. _____

Candidates for Active Teacher Trustee	
<input type="checkbox"/>	1. Ali Wright, Lexington, Kentucky
<input type="checkbox"/>	2. Keri Meador, Louisville, Kentucky
<input type="checkbox"/>	3. _____

KTRS OFFICIAL BALLOT NUMBER: **12345**



All contributing full-time, part-time and substitute members or those retired from TRS have the privilege to vote.

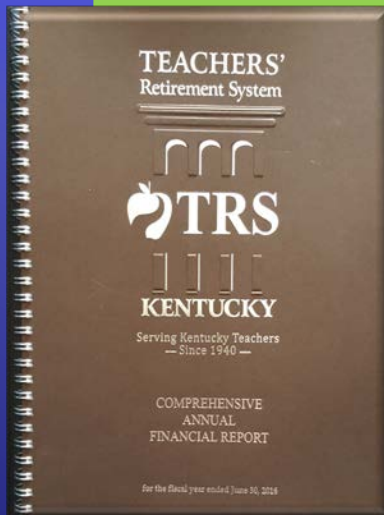


Administration



Transparent Low Fees & Investment Costs

*Fees & investment costs documented annually
in the TRS annual report*



Total \$48 M
29/100 of 1%
of Assets

INVESTMENT COUNSELOR FEES		
EQUITY MANAGERS		
Baillie Gifford	\$ 3,083,458	
ALTERNATIVE INVESTMENTS continued...		
KKR European Fund III, L.P.		(210,330)
Fund IV, L.P.		157,271
ny Partners Fund XIV, L.P.		299,845
ny Partners Fund XV, L.P.		300,000
al Partners Fund VII, L.P.		225,680
al Partners Fund VIII, L.P.		522,719
terior Michigan		859,775
terior Hiwassee		64,734
ates		577,811
sources Fund X, L.P.		817,555
sources Fund XI, L.P.		8,090
an Principal Fund III, L.P.		343,776
ine Fund III, L.P.		265,402
ine Fund IV, L.P.		91,635
rs Fund III, L.P.		150,512
Capital		857,565
yle Energy and		127,654
and IV, L.P.		
gy and Power Fund V, L.P.		221,925
ative Managers	\$	11,478,820
VE & OPERATIONAL EXPENSES		
York Mellon		335,800
ian Fees	\$	335,800
		358,850
		55,262
		34,134
stant Fees	\$	448,246
CH		
k Research	\$	84,131
		84,131
ge and Operational	\$	2,639,773
scription		
	\$	2,639,773
AFAX Fund VIII, L.P.	485,726	
Audax Mezzanine Fund III, L.P.	303,581	
Audax Private Equity Fund IV, L.P.	0	
Capital South Fund III, L.P.	0	
Carlisle Europe Partners IV, L.P.	35,154	
Carlisle Global Financial Services Fund II, L.P.	624,148	
Chrysalis Fund III, L.P.	587,162	
Fort Washington Fund V, L.P.	87,243	
Fort Washington Fund VI, L.P.	222,300	
Fort Washington Fund VIII, L.P.	89,700	
Gavea V	300,000	
Hanock Bluegrass LLC Oregon	234,111	
Hellman and Friedman Fund VII, L.P.	733,843	
IFM Global	147,480	
JP Morgan Maritime Fund, L.P.	561,617	
KKR Fund 2006, L.P.	33,555	
TOTAL INVESTMENT		\$ 44,892,486

TRS Expenses vs. Other Systems

As of June 30, 2015	Percentage of Assets
Kentucky Teachers	0.0556%
Kansas Public Employees	0.0675%
New Mexico Public Employees	0.0693%
Georgia Employees	0.0921%
Louisiana Teachers	0.0797%
Ohio Teachers Retirement System	0.0852%
Indiana Public Employees	0.1644%

Leadership



N.O. Kimbler	1940-1957
James L. Sublett	1958-1970
Ted Crosthwait	1970-1976
Pat N. Miller	1976-2000
Gary L. Harbin	2000-present

H.B. Fithian	1956-1959
Ralph B. Knoebber	1959-1960
William D. Chilton	1960-1969
George Arvin	1969-1978
Mim Clark	1978-1981
Charles Bratton	1981-1984
Bobby McKee	1985-1989
Pamela Johnson	1989-2001
William Hanes	2001-2007
Mike Burnside	2007-2011
William Thielen	2012-2016
David Eager, interim	2016-present

Investing



TRS Approach

- TRS never has used placement agents.
- TRS has not used hedge funds.
- TRS has fiduciary duty in procurement.
- Fees disclosed in annual report and quarterly on website.
- Structure is recommended as a “best practice” for other pension systems.

INVESTMENT PERFORMANCE

TRS GROSS RETURNS

AS OF JUNE 30, 2017

PRELIMINARY

	1-year	3-year	5-year	10-year
Returns	15.37%	6.3%	10.1%	6.3%
Rankings	Top 8%	Top 11%	Top 13 %	Top 9%
<i>TRS Ranking Compared to Public Pension Plans in the Nation</i> <i>Provided by Aon based on gross returns</i>				

The compounded gross return
for the last 30 years is
8.1%.

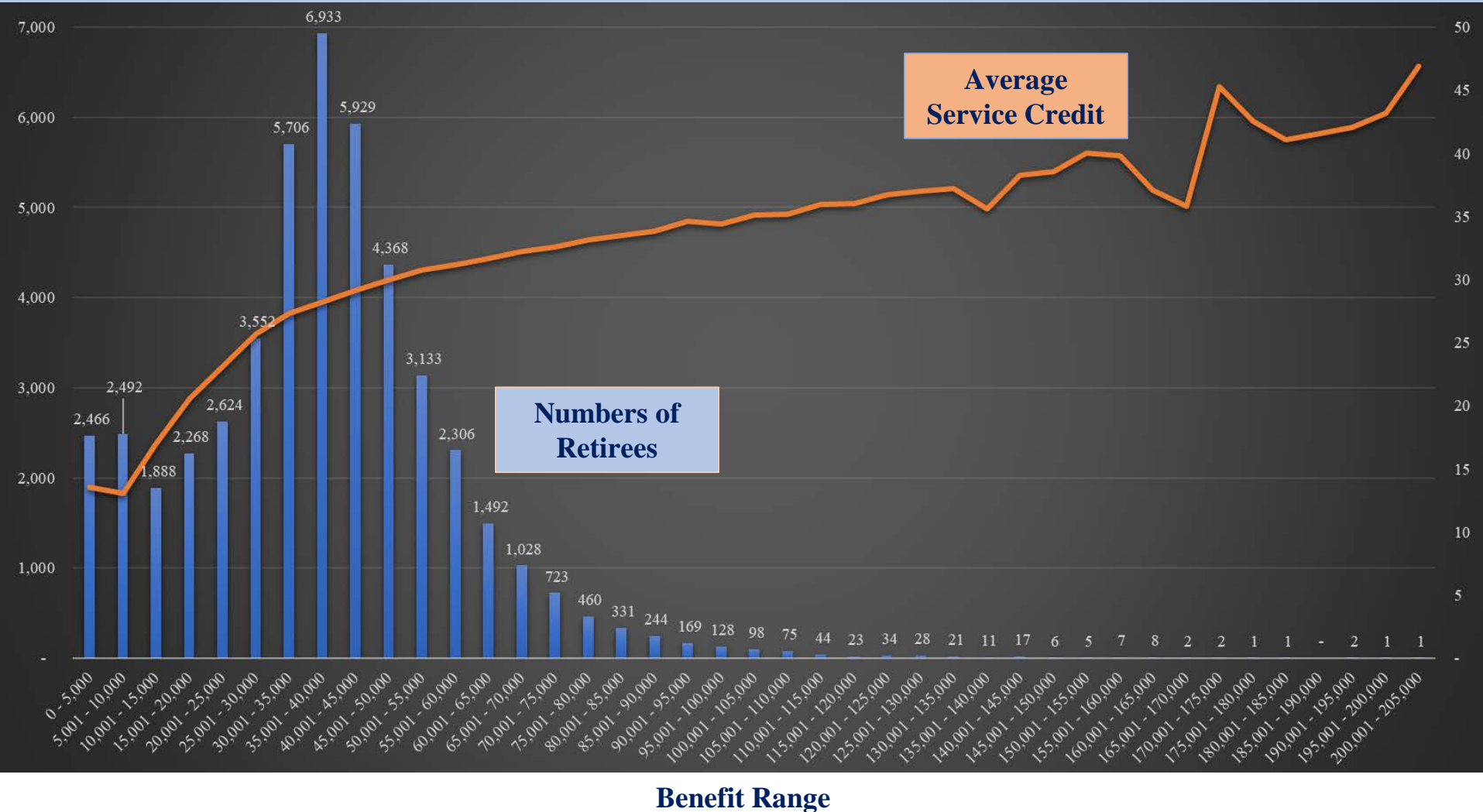
Pension

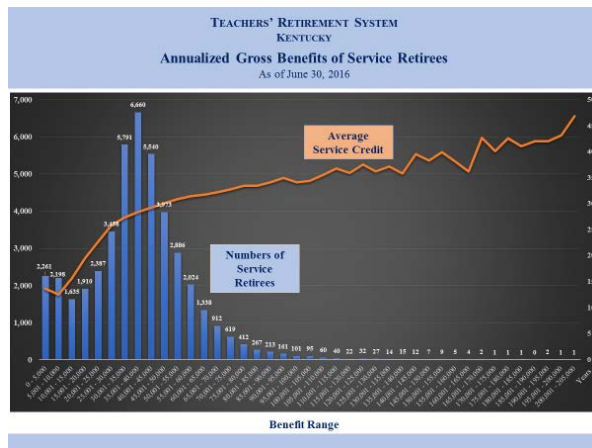


TEACHERS' RETIREMENT SYSTEM KENTUCKY

Annualized Gross Benefits of Service Retirees

As of June 30, 2017





More Did You Know?

- 58% of retired teachers received \$40,000 or less in Fiscal Year 2017.
- 90% of retirees receive \$60,000 or less
- Fewer than 1% of retirees (0.8%) receive more than \$100,000
- TRS replaces Social Security
- Retirees receiving between \$20,000 and \$40,000 worked an average of 27 years.
- People receiving higher pensions also worked longer

Notes: Excludes disability retirement payments.

Outreach





Teachers' Retirement System
479 Versailles Road, Frankfort, Kentucky 40601
Monday - Friday 8 a.m. - 5 p.m. ET
Local 502-848-8500 Toll Free 800-618-1687



TRS Self-Service Login

Use your TRS ID and password to log in to the member self-service portal. If you are a first time user, click on Register and follow the steps to complete registration.

[Privacy policy & Disclaimer](#) | TRS © 2015

TRS ID

Continue

New user click to [Register](#)

Disclaimer: The TRS Pathway System and the TRS Member Self-Service Portal are operated and maintained by the Teachers' Retirement System (an agency of the Commonwealth of Kentucky) and contain confidential information and data. These websites are intended only to be accessed by authorized users. Unauthorized access, unauthorized use, misuse, distribution or abuse of this information is prohibited. Unauthorized attempts to upload information or change information on these services is strictly prohibited and may violate applicable state and federal laws.



Desktop & Mobile app access for

Active Members

Retired Members

Pathway self-service portal

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

Download TRS Pathway app



TRS Seminars and Webinars



Getting to Know Your Retirement System

A variety of seminars and webinars tailored to different points in an educator's career are offered by TRS staff. The events take place at various times across the state.

Available Webinars



- TRS Orientation
- New Teachers and TRS
- Retiring Later
- Retiring Sooner
- Retiring Sooner or Later
- TRS On the Road
- Turning 65 Seminars

TRS Keeping In Touch

Special mailings and newsletters



Teachers' Retirement System

ACTIVE MEMBER EDITION OCTOBER 2016

TRS Investing Strategy Working Long Term

by Gary L. Harbin, CPA, Executive Secretary

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NEW ADDRESS FOR TRS WEBSITE:
TRS.KY.GOV

Without question, the long-term strategy for TRS investing continues to work as evidenced by the long-term results, which include producing an 8 percent return over the last 30 years.

That same strategy will be employed as TRS's qualified investment staff begins to put the \$973 million in additional pension funding approved recently by the legislature and Gov. Matt Bevin to work for teachers' pensions. This new money, which began arriving July 1 in the first of eight \$125 million installments, is wonderful and appreciated.

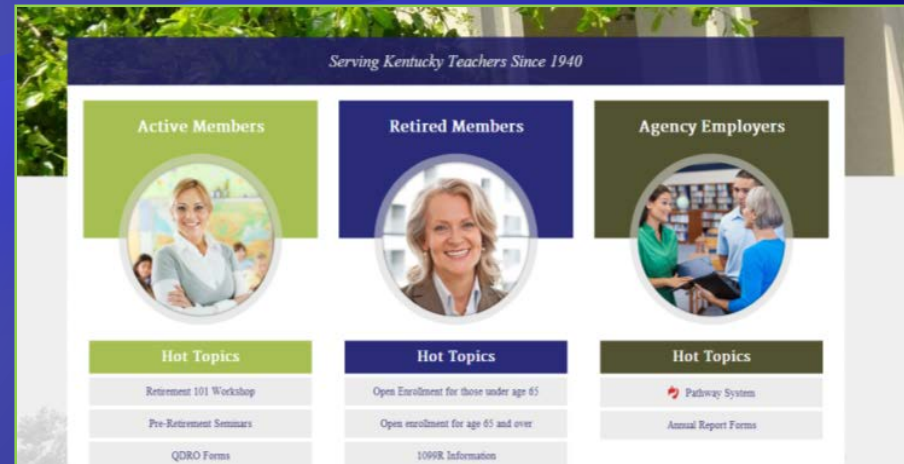
Going forward, the new money will help grow the portfolio for the long-term success of TRS and reduce the asset sales, which have kept returns from being even better, to a manageable level.

The investment strategy for teachers works and will continue to provide shade in retirement for teachers as it has for 76 years.

With returns the prior three years (ending June 30) that were among the best for pension plans across the country (14.1 percent, 18.1 percent, 5.1 percent) a 1 percent decline in market value is to be expected at some point.

One-year returns must be looked at in the long-term context, like planting a tree for the future.

PATHWAY  <https://mstrs.ky.gov>  [KyTeachersRS](https://twitter.com/KyTeachersRS)  facebook.com/KyTeachersRS



Online



Information Center

info@trs.ky.gov

800-618-1687

TRS News & Information

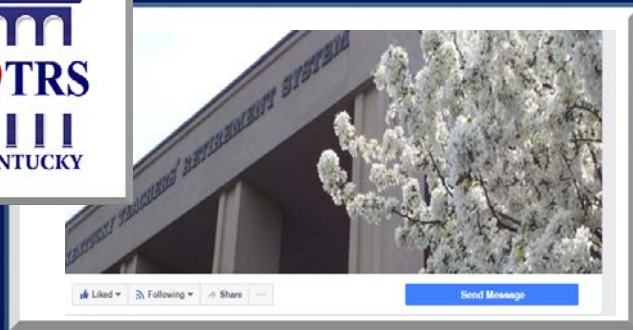


<https://trs.ky.gov>



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

TRS



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Teachers' Retirement System of the State of Kentucky

*Our Members
Come First!*

800-618-1687

502-848-8500

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Protecting & Preserving Teachers' Retirement Benefits