

Schedule A – Summary of Main Benefit Provisions

COVERED MEMBER MEDICAL PLAN CONTRIBUTIONS (CONTINUED):

Retiree Years of Service Percentage Contribution: Retirees contribute the following percentages based on years of service at retirement, which are then applied to the Retiree Contribution Rate Basis:

Retiree Percentage Contribution*				
Year of Service	Entered System Before 7/1/2002		Entered System After 6/30/2002 and Before 7/1/2008	Entered System After 6/30/2008
	Age 65 or Older and Covered Before 1/1/2005	Age 65 After or Covered After 12/31/2004		
5 – 9.99	30%	75%	90%	Not Eligible
10 – 14.99	20	50	75	Not Eligible
15 – 19.99	10	25	55	55%
20 – 24.99	0	0	35	35
25 – 25.99	0	0	10	10
26 – 26.99	0	0	5	5
27 or more	0	0	0	0

*0% for disabled retirees that retired prior to 1/1/2002

For 2020, the KTRS Board of Trustees approved a single contribution amount of up to \$660.04. KTRS will contribute this amount towards insurance costs, less the Shared Responsibility cost of \$144.60, along with the phase-in of one-third of the dependent subsidy. Starting in 2021, there will be no subsidy for non-single KEHP coverage. Under-65 retirees who are not Medicare eligible and continue on the Kentucky Employees’ Health Plan (KEHP) are responsible for the remaining costs left from the total premium costs shown below.

Monthly Under Age 65 (KEHP) Full Costs *				
Effective January 1, 2020				
Tier Elected	LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell Limited HDP
Single	\$ 710.94	\$ 731.82	\$ 683.58	\$ 608.24
Parent Plus	982.30	1,044.12	942.52	866.76
Couple	1,342.78	1,604.96	1,457.82	1,334.18
Family	1,500.50	1,787.46	1,624.66	1,485.46
Family C-R	821.36	881.40	801.82	731.68

* Does not include the additional contribution required to be paid by retirees under the age of 65 who use tobacco (\$40 for Single or Family Cross-Reference, and \$80 for Parent Plus, Couple or Family). Also, this does not include the additional contribution required to be paid by retirees under the age of 65 who do not complete their LivingWell Promise, which is an additional \$40 per month for all levels of coverage—single, parent +, couple, and family. Approximately 1,500 retirees across all four KEHP plans did not complete their LivingWell Promise for 2019. The additional contribution for these retirees will begin in 2020. For valuation purposes, it is conservatively assumed that, over time, 100% of KEHP retirees will complete their LivingWell Promise. This assumption will be monitored in future experience studies.



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COVERED MEMBER MEDICAL PLAN CONTRIBUTIONS (CONTINUED):

Spouse Contributions: 100% of the full cost for non-Medicare eligible dependents is paid through a combination of payments from beneficiaries and the State. For 2021, neither the state nor TRS will pay any subsidy for family style coverage.

Survivors: Spouses of employees who die in service while eligible to retire, as well as survivors of service and disabled retirees, are eligible for Retiree Medical Plan coverage if elected within 30 days of the employee’s/retiree’s death with no future remarriage. Otherwise, survivor is not eligible for Retiree Medical Plan coverage.

Spousal Shared Risk Waiver for MEHP: Beginning in 2013, eligible spouses who waive the MEHP coverage will no longer have the opportunity to enroll during any annual MEHP open enrollment, so most spousal waivers on the MEHP are now permanent waivers unless a KTRS specific qualifying event is met. This does not apply to the KEHP. This MEHP eligibility rule became necessary to mitigate spousal adverse selection with zero premium Medicare Advantage plans on the individual and open market.

Monthly Surviving Spouse Contribution Effective January 1, 2020					
Tier Elected by Surviving Spouse	Under Age 65 (KEHP)				Ages 65 and Older (MEHP)
	LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell Limited HDP	
Single	\$718.38	\$739.26	\$691.02	\$615.68	\$224.00
Parent Plus	989.74	1,051.56	949.96	874.20	n/a



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SYSTEM RETIREE MEDICAL PLAN CONTRIBUTIONS: The System Contribution Rate Basis is determined annually by the System, and the full cost is projected based on historical claims data. For retirees, the following percentages are based on years of service at retirement and are then applied to the System Contribution Rate Basis:

Percentage of System Contribution Rate Provided to Retirees*				
Year of Service	Entered System Before 7/1/2002		Entered System After 6/30/2002 and Before 7/1/2008	Entered System After 6/30/2008
	Age 65 or Older and Covered Before 1/1/2005	Age 65 After or Covered After 12/31/2004		
5 – 9.99	70%	25%	10%	Not Eligible
10 – 14.99	80	50	25	Not Eligible
15 – 19.99	90	75	45	45%
20 – 24.99	100	100	65	65
25 – 25.99	100	100	90	90
26 – 26.99	100	100	95	95
27 or more	100	100	100	100

*100% for disabled retirees that retired prior to 1/1/2002

For 2020, the KTRS Board of Trustees approved a single contribution amount of up to \$660.04. KTRS will contribute this amount towards insurance costs, less the Shared Responsibility cost of \$144.60, along with the phase-in of one-third of the dependent subsidy. Starting in 2021, there will be no subsidy for non-single KEHP coverage. Under-65 retirees who are not Medicare eligible and continue on the Kentucky Employees’ Health Plan (KEHP) are responsible for the remaining costs left from the total premium costs shown below.

Monthly Under Age 65 (KEHP) Full Costs Effective January 1, 2020				
Tier Elected	LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell Limited HDP
Single	\$ 710.94	\$ 731.82	\$ 683.58	\$ 608.24
Parent Plus	982.30	1,044.12	942.52	866.76
Couple	1,342.78	1,604.96	1,457.82	1,334.18
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ACTIVE MEMBER RETIREE MEDICAL PLAN CONTRIBUTIONS: Actively employed members make payroll contributions to the Medical Insurance Fund based upon the following schedule:

Active Member Percentage of Payroll Contribution Made to Health Insurance Trust

Active Member Percentage of Payroll Contribution Made to Health Insurance Trust					
University Employees		School District Employees (Non-Federal)		Other Employees	
Hired Before 7/1/2008	Hired On or After 7/1/2008	Hired Before 7/1/2008	Hired On or After 7/1/2008	Hired Before 7/1/2008	Hired On or After 7/1/2008
2.775	2.775	3.750	3.750	3.750	3.750

LIFE INSURANCE PLAN BENEFITS:

- (1) Effective July 1, 2000, the Teachers’ Retirement System shall:
 - (a) Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member’s estate or to a party designated by the member on a form prescribed by the retirement system; and
 - (b) Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members. This life insurance benefit shall be payable upon the death of an active contributing member to the member’s estate or to a party designated by the member on a form prescribed by the retirement system.

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.



Schedule B – Outline of Actuarial Assumptions and Methods

The rates of retirement, disability, mortality, termination, salary increases, and rates of future benefit participation used in the valuation were selected based on the actuarial experience study prepared as of June 30, 2015, submitted to and adopted by the Board on September 19, 2016. The health care cost trend rates, and expected plan costs were determined by the actuary based on recent experience.

VALUATION DATE: June 30, 2019

DISCOUNT RATE: 8.00% per annum, compounded annually for the Health Insurance Trust
7.50% per annum, compounded annually for the Life Insurance Trust

HEALTH CARE COST TREND RATES: Following is a chart detailing health care trend assumptions.

Fiscal Year Ended	Annual Trend Rate		
	Medicare Part B	Under Age 65	Ages 65 and Older
2020	6.49%	7.25%	5.250%
2021	3.95	7.00	5.125
2022	4.40	6.75	5.000
2023	5.68	6.50	5.000
2024	6.22	6.25	5.000
2025	5.97	6.00	5.000
2026	5.90	5.75	5.000
2027	5.90	5.50	5.000
2028	5.90	5.25	5.000
2029	5.50	5.00	5.000
2030	5.25	5.00	5.000
2031 and beyond	5.00	5.00	5.000



Schedule B – Outline of Actuarial Assumptions and Methods

AGE RELATED MORBIDITY: Per capita health care costs are adjusted to reflect expected health care cost changes related to age. The increase to the net incurred health care claims is assumed to be:

Participant Age	Annual Increase
Under 30	0.0%
30 – 34	1.0
35 – 39	1.5
40 – 44	2.0
45 – 49	2.6
50 – 54	3.3
55 – 59	3.6
60 – 64	4.2
65 – 69	3.0
70 – 74	2.5
75 – 79	2.0
80 – 84	1.0
85 – 89	0.5
90 and over	0.0

For the retiree health care liabilities of those under age 65, the current premium charged by the Kentucky Employees' Health Plan (KEHP) is used as the base cost and is projected forward using the health care trend assumption. No implicit rate subsidy is calculated or recognized as the implicit rate subsidy is deemed the responsibility of the KEHP. Under Actuarial Standard of Practice No. 6 (ASOP No. 6), aging subsidies (or implicit rate subsidies) should be recognized, as the differences in health care utilization and cost due to age have been demonstrated and well quantified.

The impact of aging on a valuation's results can be as significant as the use of mortality, trend, and discounting. It has been the long-standing position that the responsibility for compliance with GASB Statement No. 43, when it relates to KEHP implicit subsidies, rests with KEHP, not the System, as the System has no operational authority over KEHP. As such, KEHP implicit subsidies are excluded from the OPEB valuation process of the Retiree Medical Plan. As GASB 74 and 75 prohibit such a deviation from ASOP No. 6, additional consideration to the current treatment of KEHP implicit rate subsidies may be needed in the future. The estimated impact of KEHP implicit subsidies to the actuarial accrued liability is an increase of \$844,306,519.



Schedule B – Outline of Actuarial Assumptions and Methods

RETIREE MEDICAL PLAN COSTS: Assumed per capita health care costs were based on past experience and trended based on the assumptions. Following are charts detailing retiree per capita assumptions. These amounts include medical, drug, and administrative costs and represent the amount that the System pays as the full contribution amount. An additional \$7.44 per month is paid to the Department of Employee Insurance (DEI) and is not included in the under age 65 costs listed below. The average costs shown are normalized to age 65 and then age adjusted in calculating liabilities.

Monthly Under Age 65 (KEHP) Full Costs as of January 1, 2020				
Tier Elected	LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell Limited HDP
Single	\$ 710.94	\$ 731.82	\$ 683.58	\$ 608.24
Parent Plus	982.30	1,044.12	942.52	866.76
Couple	1,342.78	1,604.96	1,457.82	1,334.18
Family	1,500.50	1,787.46	1,624.66	1,485.46
Family C-R	821.36	881.40	801.82	731.68

Average Monthly System Full Costs and Contributions			
Year	Under Age-65 (KEHP) Contributions	Ages 65 and Older (MEHP) Full Costs	Ages 65 and Older (MEHP) Contributions
CY 2008	484	278	278
CY 2009	545	301 ¹	301
CY 2010	594	373 ¹	373
CY 2011	626	289 ¹	289
CY 2012	622	270 ²	270
CY 2013	635	294 ²	294
CY 2014	679	290 ²	290
CY 2015	669	240 ²	240
CY 2016	681	260 ²	260
CY 2017	680	252 ²	252
CY 2018	688	258 ²	258
CY 2019	691	226 ³	226
CY 2020	694	224 ³	224

¹ Under GASB 45, cost reductions for the amount of the Medicare Part D Retiree Drug Subsidy cannot be taken into account in the gross cost calculations.

² 2,257 current, Medicare-eligible benefit recipients have been identified by the client to be ineligible for premium-free Medicare Part A benefits. For these individuals, the full cost of coverage is, on average, \$575 per month. It is assumed 9% of current retirees under the age of 65 who were hired prior to 4/1/1986 will be ineligible for premium-free Medicare Part A benefits upon reaching Medicare eligibility (age 65) and 0% of these retirees will cover a spouse. All active members are assumed to have begun contributing to Medicare as of 4/1/1986 and are assumed eligible for premium-free Medicare Part A benefits.

³ Blended basis, includes increased costs for retirees without premium-free Medicare Part A. All active members are assumed to have begun contributing to Medicare as of 4/1/1986 and are assumed eligible for premium-free Medicare Part A benefits.



Schedule B – Outline of Actuarial Assumptions and Methods

CURRENT RETIREE MEDICAL PLAN PARTICIPATION: Actual census data and current plan elections (including waivers) provided by the System were used for those retirees currently participating in the Retiree Medical Plan. Current participants are assumed to maintain their current Retiree Medical Plan coverage until they are no longer eligible.

ANTICIPATED RETIREE MEDICAL PLAN PARTICIPATION: The assumed annual rates of health care plan participation for future retirees are as follows:

Years of Service	Member Participation		
	Entered System Before 7/1/2002	Entered System After 6/30/2002 and Before 7/1/2008	Entered System After 6/30/2008
5-9.99	20%	20%	Not Eligible
10-14.99	49	20	Not Eligible
15-19.99	70	41	41%
20-24.99	91	61	61
25-25.99	91	76	76
26-26.99	91	84	84
27 or more	91	91	91

ANTICIPATED RETIREE MEDICAL PLAN ELECTIONS: The assumed rates of plan election for future retirees participating in the KEHP plans are provided in the following table. As the assumed plan election rates are estimates and actual results may be materially different, this assumption will need to be revised as experience evolves.

LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell Limited HDP
54%	42%	3%	1%

SPOUSE COVERAGE IN RETIREE MEDICAL PLAN: Actual census data and current plan elections were used for MEHP and KEHP covered spouses (including beneficiaries) of current retirees. For spouses of future retirees, 25% of future male retirees are assumed to cover their spouse and 15% of future female retirees are assumed to cover their spouse. Male retirees are assumed to be three years older than their spouse and female retirees are assumed to be one year younger than their spouse.

DISABLED DEPENDENT CHILDREN IN RETIREE MEDICAL PLAN: The liability associated with disabled dependent children was determined to be de minimis and was therefore excluded from this valuation.



Schedule C

SUMMARY OF RECOGNIZED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Health Insurance Trust	Net Increase/(Decrease) in OPEB Expense							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	Thereafter
Differences Between Expected and Actual Experience	\$ (130,544)	\$ (217,611)	\$ (217,611)	\$ (217,611)	\$ (217,611)	\$ (198,958)	\$ (161,405)	\$ (62,688)
Changes of Assumptions	15,538	31,397	31,397	31,397	31,397	26,392	20,994	11,421
Differences Between Projected and Actual Earnings on OPEB Plan Investments	251	17,742	17,742	24,061	22,854	17,490	0	0
Grand Total	\$ (114,755)	\$ (168,472)	\$ (168,472)	\$ (162,153)	\$ (163,360)	\$ (155,076)	\$ (140,411)	\$ (51,267)

Life Insurance Trust	Net Increase/(Decrease) in OPEB Expense							
	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	Thereafter
Differences Between Expected and Actual Experience	\$ (142)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ 30	\$ 81	\$ 75
Changes of Assumptions	0	0	0	0	0	0	0	0
Differences Between Projected and Actual Earnings on OPEB Plan Investments	2,439	2,665	2,664	1,515	454	228	0	0
Grand Total	\$ 2,297	\$ 2,628	\$ 2,627	\$ 1,478	\$ 417	\$ 258	\$ 81	\$ 75