



Teachers' Retirement System

ACTIVE MEMBER
EDITION

NOVEMBER
2021

Teachers' Retirement Funds See Record Gains

INSIDE:

Temporary Return-to-Work Changes Authorized Under Special Session Bill	2
Two Trustees Re-elected to Board	3
Longest Serving TRS Executive Secretary Pat Miller Dies at 89	3
Members Purchasing Actuarial Service Credit Advised to Get Updated Estimates	5
Deadlines for Purchasing Credit and General Information on Purchases	5
Watch Your Email Inbox for TRS Information	6
TRS Educational Videos Available	6
Are You Registered for Pathway?	7
Be Aware of Required Minimum Distributions	7
Keep Contact Information, Including Emails, Current	8

Kentucky teachers' retirement investments posted record gains for the recently concluded fiscal year – 29.94% for the Retirement Annuity Trust and 31.53% for the Health Insurance Trust.

Returns for the Teachers' Retirement System of the State of Kentucky (TRS) annuity trust over the last 30 years are 8.59% compounded, which is in line with the 7.5% long-term assumed rate of return that was in place. TRS staff presented the pension system's investment results for the year ended June 30 to the Investment Committee at its Aug. 26 meeting.

Retirement Annuity Trust		
Year Ended June 30, 2021	TRS Return	Ranking
1-year	29.94%	Top 22%
3-year	13.34%	Top 7%
5-year	13.23%	Top 3%
10-year	10.32%	Top 4%

See Investments, page 4

From the Executive Secretary

Doing it Right

By Gary L. Harbin, CPA

I attended a seminar recently where a speaker discussed how to break through misinformation, of which there seems to be no shortage, with factual information. The advice was to state your purpose, how you achieve that purpose and then repeat it and repeat it – so that members and policymakers understand.

We've done that at TRS, but maybe not often enough. In three words: doing it right.

Our purpose every day is providing security for Kentucky's retired teachers using a long-term investing process that has been proven and refined over decades, avoiding the whims and noise of the day, to achieve top returns on investments at the lowest costs.

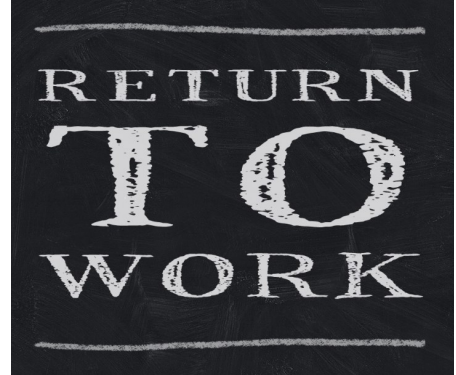
See From the Executive Secretary, page 4

Temporary Return-to-Work Changes Authorized Under Special Session Bill

Senate Bill 1 of the 2021 Special Session makes certain temporary changes to TRS retired return-to-work (RTW) rules. This outlines the changes. If you have questions, call TRS before returning to work.

TRS's website provides helpful information on RTW programs under SB 1 and under normal rules at <https://trs.ky.gov/retired-members/returning-to-work/>. This includes videos.

Generally, RTW provisions promote longer careers and reduce a revolving door of teachers. RTW rules allow retirees to return to teaching in an orderly, actuarially sound method while keeping their pension benefits and meeting the requirements of federal tax law.



What SB 1 does:

- Applies only to those who retired on or before Aug. 1, 2021.
- The exceptions for TRS retirees provided in SB 1 only apply for RTW teaching positions hired by local school districts (for example, not administrators or classified positions such as bus drivers).
- The exceptions provided in SB 1 only continue through Jan. 15, 2022.
- Standard breaks in service do not apply for teaching positions; the only requirement is a one-month break in service that should already have been served by anyone who is eligible under this law.
- The exception for the shorter, one-month break in service in almost all cases does not apply to reciprocity retirees who have service in more than one retirement system (with a limited potential exception for hazardous duty retirees).
- SB 1 allows districts for now to hire additional retirees in the critical shortage program, which allows retirees to return to work without limitations on salary or a daily wage threshold (DWT).
- Anyone in RTW because of this law can continue employment beyond SB 1's expiration without a further break in service, but the standard RTW rules of KRS 161.605 would apply from that point.
- Depending how many critical shortage teachers a district employs, someone working now as a critical shortage teacher could have to switch Jan. 16, 2022, to the RTW programs that have day and wage limitations if a district is at its capacity when pre-SB 1 limits return on Jan. 16.

Most RTW aspects do not change. These aspects that do not change include:

- Retirees who are active in the workforce must drop health insurance coverage through TRS if they are eligible for health insurance through their job. If insurance is available through the employer, TRS insurance, regardless of whether it's the Kentucky Employees' Health Plan (KEHP) or the Medicare Eligible Health Plan (MEHP), must be waived. Additionally, once a retiree loses eligibility for the active-employment insurance, the retiree should contact TRS immediately to enroll in its coverage within the qualifying event period (usually 30 days). In some cases, a one-month gap in insurance coverage could result.
- SB 1 does not eliminate all RTW compensation limitations for TRS retirees returning to work for TRS employers. For TRS retirees who aren't in critical shortage teaching positions, the normal day and pay limitations, such as DWT, apply. (The only temporary exception for RTW retirees returning as teachers who aren't in critical shortage is the break in service duration. TRS retirees returning to non-teaching positions such as bus drivers still must complete the normal breaks in service.)
- Retirees must observe the breaks required of all retirement systems in which they have service regardless of the position to which they are returning. This means that (for example, in the case of a teacher/bus driver with service both in TRS and CERS) serving the shortest required break does not waive the requirement to serve the longer break of a different retirement system. Failure to comply would jeopardize retirement benefits – even with the changes of SB 1.

Two Trustees Re-elected to Board

Current trustees Brenda McGown and Laura Schneider each won a second term on the TRS Board of Trustees as a result of this year's members' election.

The four-year terms began July 1.

Retired teacher trustee McGown, of Bowling Green, worked in Warren County Public Schools and was the 1988 Kentucky Teacher of the Year.

McGown earned bachelor's and master's degrees and her Rank I at Western Kentucky University. Her career included being a mathematics teacher, an assistant principal for curriculum and budget, team leader at the Region 2 Service Center and a participant in the Distinguished Educator Program.

Active teacher trustee Schneider, of Walton, is an English, journalism and humanities teacher at Simon Kenton High in the Kenton County School District. She also taught at Berea Community High. Schneider was the 2013 Kentucky Teacher of the Year.

Schneider earned a bachelor's from WKU and a master's from Eastern Kentucky University.

The Board of Trustees consists of 11 members: seven people elected by the membership (four active teachers, one retiree, two lay trustees); two appointed by the governor with investment experience; the state treasurer; and the state education commissioner.



McGown



Schneider

Longest-serving TRS Executive Secretary Pat Miller Dies at 89

The staff of the Teachers' Retirement System of the State of Kentucky expresses its deepest appreciation for the life of the fourth executive secretary, Pat N. Miller, and extends its sympathy to Mr. Miller's family.

Mr. Miller died June 24 at age 89.

Pat N. Miller was the longest-serving executive secretary in the 81-year history of TRS, holding the position 24 years from 1976 through December 2000.

During Mr. Miller's tenure, the annual retiree payroll increased to over \$600 million from \$47 million and TRS's assets increased to more than \$13 billion from \$529 million.

TRS was then and, with Mr. Miller's foundation, remains recognized as one of the best public retirement systems in the nation.

Mr. Miller, a graduate of Lebanon High School and the University of Kentucky, began his career in state government in 1957 with the Kentucky Department of Personnel where he advanced to head of the agency. He joined TRS in 1968.

He is survived by his wife, Norma, and other family members.



Investments, from page 1

“It’s just a phenomenal year in the markets, and our portfolio was positioned to take advantage of that,” TRS Executive Secretary Gary Harbin said. “TRS’s disciplined approach established by the Board of Trustees and implemented by TRS’s investment team has shown to be beneficial in all markets. Since the great recession, TRS has earned \$20.4 billion from investments compared to the average pension plan’s \$15 billion, an outperformance of about \$5.4 billion to the benefit of Kentucky’s taxpayers, including teachers.”

The net return for the Retirement Annuity Trust was 29.59%, while the net return for the health trust was 31.13%.

From the Executive Secretary, from page 1

That happened in a big way this year with a record investment return – 29.94%. And when we say it’s a record, we’re not talking a photo finish. The next closest year is a decade ago and more than 8 percentage points lower.

This result is top performance in a top market. By sticking to the normal investing process, TRS weathered a quick and severe downturn and rebound in the final four months of the prior fiscal year that ended June 30, 2020, and then rode equity markets through a blockbuster fiscal year that ended June 30, 2021.

That consistency also provides top performance even when the markets are cold. For instance, when the sub-prime mortgage industry collapsed more than a decade ago, TRS was one of a few pensions that avoided such loss because we did not have sub-prime mortgages. Similarly, TRS never has used placement agents or hedge funds. All fees are disclosed on the website and in the annual report. And what those fee reports show is that TRS invests your money at low-cost and more efficiently than just about any institutional investor and certainly better than what individuals are able to do on their own.

Another essential element behind this success and continually doing it right is the people. From the investment staff, through the Investment Committee and the 11-member Board of Trustees, which includes seven members you help elect, these people all are critical to doing it right with a long-term investment plan executed in long-term fashion even through short-term bubbles and bumps in markets.

As a result of this consistently doing it right, your retirement system is in great shape to continue on the path toward full funding. In a sense, this approach is nothing new. We’re building on what started in 1940 and seeing it reach new levels. And expect us to continue to tell you – and show you – how we’re doing it right on your behalf.

Reminder: New TRS Account Type Names

TRS has four account types based on date of entry.

TRS 1	TRS 2	TRS 3	TRS 4
Entry before July 1, 2002	Entry on or between July 1, 2002, and June 30, 2008	Entry on or between July 1, 2008, and Dec. 31, 2021	Entry on or after Jan. 1, 2022
With the addition of the new benefits tier on Jan. 1, TRS is using names for easier reference for account types based on date of entry.			

Members Purchasing Actuarial Service Credit Advised to Get Updated Estimates

Members with previously obtained TRS estimates for an actuarial purchase are advised to get new cost estimates because of a change in the actuarial tables used to determine retirement benefit amounts.

In November, TRS will implement a new actuarial mortality table – recommended by the actuary – that uses life-expectancy data that is specific to teachers, who typically live longer than the general population. Cost estimates using the old table will show lower costs than what estimates using the new table will show. This

means new estimates will be more accurate, even if an estimate was obtained recently.

Remember that cost estimates truly are just that – estimates. Consequently, the benefit – and any purchase costs – the member will see at retirement can be different than estimates for a variety of reasons. These include differences in the member's anticipated and actual income; differences in the amount of unused leave; the discovery of errors; and changes in actuarial assumptions.

Deadlines for Purchasing Credit and General Information on Purchases

Contact TRS about eligibility to obtain service and or salary credit or review the flier on the TRS website at <https://trs.ky.gov/wp-content/uploads/2020/07/Purchases-Final-July2020.pdf>.

Unpaid Days

Deadline for purchase of unpaid days from fiscal year 2021 is Dec. 31, 2021.

The form for this must be submitted to TRS by your employer and can be completed through Pathway.

Leaves of absence

Deadline for purchase of fiscal year 2021

service credit is June 30, 2022. Under certain circumstances, you may be able to buy this at a higher cost later.

Contact your employer for a copy of the board minutes approving the leave of absence. The form must be submitted to TRS by your employer and can be completed in Pathway.

General information

TRS has published a flier of general information on the rules for service and salary credit purchases. The flier is on the TRS website at the above link.

Watch Your Email Inbox for TRS Information

For years, TRS has sent communications to members and retirees in their mailboxes. Now, TRS also is using email inboxes as well. TRS is using donotreply@trs.ky.gov as the sender.

Of course, you can contact TRS anytime – the email for that is info@trs.ky.gov and the phone number is 800-618-1687.

If your emails are not updated, this might be another reason to do so. TRS offers multiple ways to update personal information, including by changing it online using Pathway (<https://mss.trs.ky.gov>).

Also, members and retirees may mail or fax a signed letter to TRS with your name and TRS ID and the new information. Finally, a downloadable form also is available from the website. The mailing address is 479 Versailles Rd., Frankfort, KY 40601.



TRS Educational Videos Available

Educational videos for members and retirees are posted on the videos page of the TRS website (<https://trs.ky.gov/home/seminars-workshops/videos/>).

Topics include Pathway registration, how the return-to-work salary limitations work and how to enroll in Medicare when turning 65. The full list is available at the link above.



Be Aware of Required Minimum Distributions

Federal tax law requires some inactive TRS members to start withdrawing from their account, whether by retirement or refund. This is called required minimum distributions.

Any TRS member age 70½ as of Dec. 31, 2019, with an accumulated balance who no longer is working for a TRS employer is required by federal law to begin taking minimum distributions from their retirement accounts. That's true regardless of the years of service the person has and regardless of whether it's a return-to-work account.

Any TRS member who no longer is working for a TRS employer and who was 70½ on or after Jan. 1, 2020, must take minimum distributions starting at age 72.

Required minimum distributions can be done in one of two ways.

If vested with at least five years of service, someone required to take minimum distributions must file a retirement application and begin receiving an annuity.

Someone required to take distributions who doesn't have five years of service must file an application for a refund of his or her account.

Failure to make a timely withdrawal of retirement account contributions may result in federal tax penalties.

If you have met your required minimum distributions age and are no longer contributing to your account, contact TRS immediately for the forms to apply for one of the options to avoid substantial federal tax penalties.

Federal tax law also requires the beneficiary of an active or retired member to begin receiving benefits or a refund soon after a member's death. Beneficiaries should contact TRS soon after the member's death to begin receiving benefits or take a refund, if either is applicable, in order to avoid any penalties.



Are You Registered for Pathway?

Pathway (<https://mss.trs.ky.gov>) is TRS's website for members to see account information through a secure, online website. If you haven't registered, you should. A how-to video is available at <https://trs.ky.gov/home/seminars-workshops/videos/#pregis>.

Pathway allows members to update personal information, view any benefit estimate that a TRS counselor has created for you, create benefit estimates, apply for retirement and view annual statements.

Pathway allows retirees to complete Turning 65 and qualifying event insurance applications and print 1099-R duplicate forms.

Pathway also allows active members and retirees to register for seminars and webinars and vote in Board of Trustees elections.



Teachers' Retirement System
of the State of Kentucky
479 Versailles Road
Frankfort, KY 40601-3800



Keep Contact Information, Including Emails, Current

Keeping your contact information current ensures that you receive important communications from TRS, such as annual statements, newsletters, trustee election ballots, payment stubs, tax forms and retiree health insurance updates.

Besides your physical address, keep email addresses and telephone numbers up to date. TRS is starting to use email more often to keep in touch with members. Make sure your primary email address is the one that can be used by TRS.

Even if you change your address with the school district where you work (or worked), the school district doesn't report that change to TRS. So, TRS

needs to be notified of the change independently by members and retirees.

TRS offers multiple ways to update personal information, including online using Pathway at <https://mss.trs.ky.gov>. Also, members and retirees may mail or fax a signed letter to TRS with your name and TRS ID and the new information. Finally, a downloadable form also is available from the website.

The fax is 502-848-8599.

Contacting TRS



Address

479 Versailles Road, Frankfort, KY 40601



Hours

8 a.m. – 5 p.m. ET Monday – Friday



Facebook

<https://www.facebook.com/KyTeachersRS>



Website

<https://trs.ky.gov>



Email

info@trs.ky.gov



Pathway

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



Toll-free

800-618-1687



Phone number

502-848-8500



Twitter

@KyTeachersRS