



Teachers' Retirement System of the State of Kentucky



Fall Workshops 2022

Gary L. Harbin, CPA
Executive Secretary

Doing It Right

What That Means at TRS



Providing security for Kentucky's retired teachers using a long-term investing process proven and refined over decades, avoiding the whims of the day, to achieve top returns on investments at the lowest costs.



Today's Topics



- About You and TRS
- Board of Trustees and Administration
- Investment Performance
- Funding Update
- Retiree Health Insurance and Personalized Medicine
- Member Services
- Retired Return to Work
- Issues Ahead



Consistency

Number of founding members of TRS receiving a benefit as of June who were members when the doors opened July 1, 1940

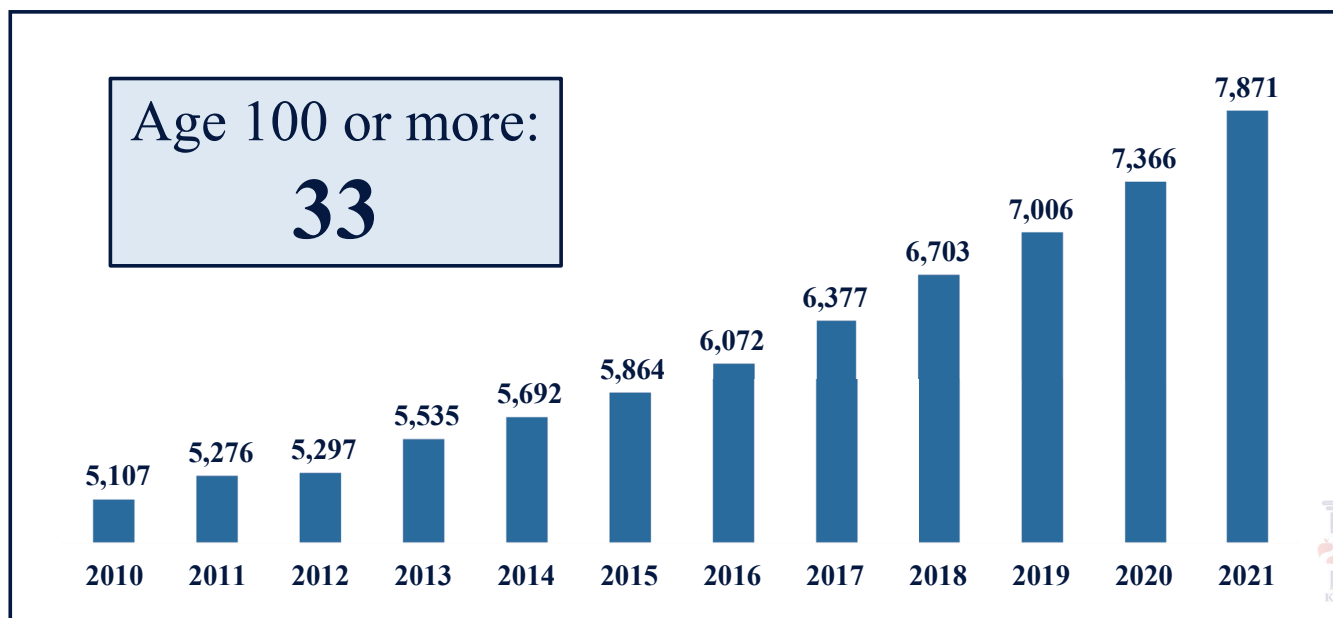
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As of fall 2022



TRS Benefits Protect Teachers

Retirees over 80 as of Dec. 31



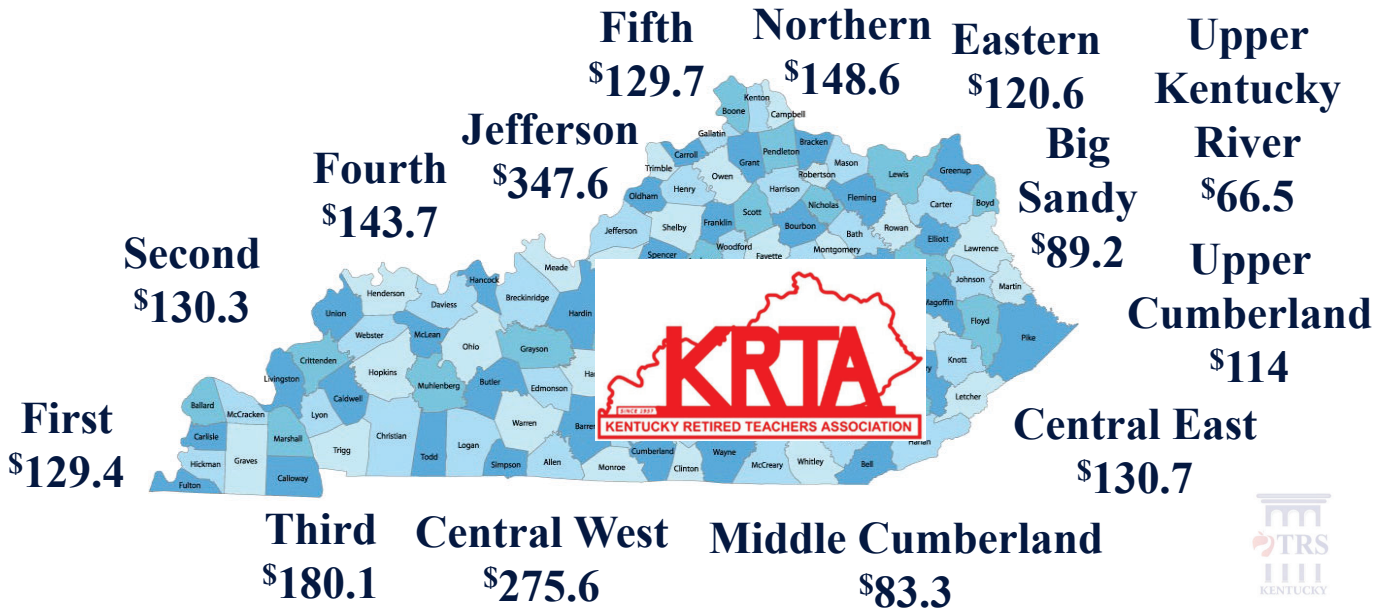
Retired Teachers Benefit Kentucky

- TRS pays retired teachers:
 - \$216.9 million in retirement annuity benefits (*July 2022*)
 - \$16.8 million in medical benefits (*monthly average*)
- 90% of TRS pension benefits stay in Kentucky
- 87% of TRS retirees live in Kentucky
- \$2.1 billion a year paid into Kentucky's economy because of pension benefits



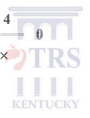
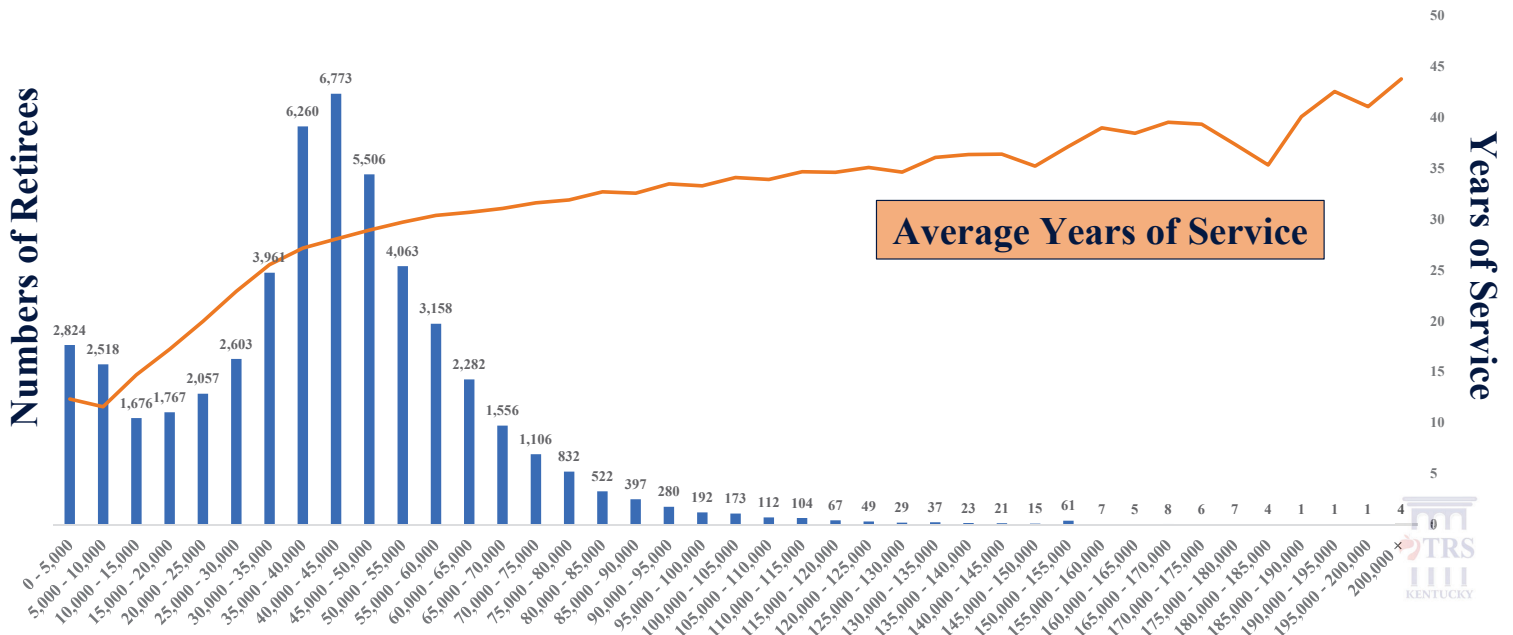
Retired Teachers Benefit Kentucky

Fiscal Year 2022 Annuity Benefits (in millions) by KRTA District



Annualized Gross Benefits

Service Retirees as of June 30, 2022



What the Chart Shows



- 46% of retirees received \$40,000 or less in Fiscal Year 2022
- 85% of retired teachers receive \$60,000 or less
- 1.44% of retirees receive more than \$100,000
- Careers of retirees receiving \$20,000 to \$40,000 averaged 25 years
- People receiving higher pensions also worked longer

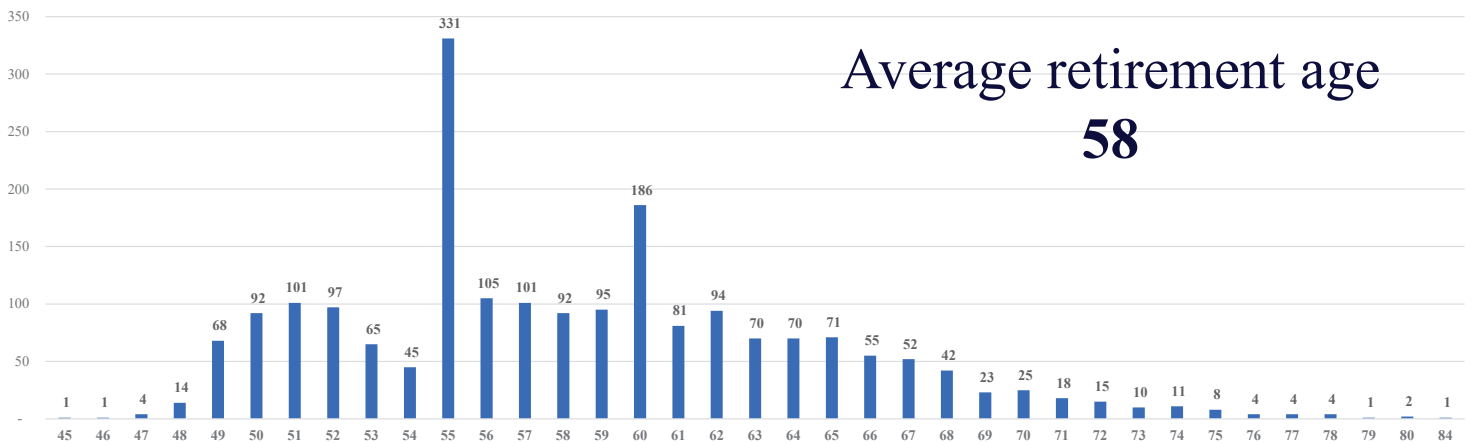
Remember: TRS replaces Social Security

Note: Excludes disability retirement payments



Retirees By Age At Retirement

Fiscal Year 2022: 2,059 Service Retirements



- Only 4% retire before age 50
- Four times as many people retire at 65 & over than under age 50
- Average career teacher retiring in FY 2022 worked 29 years



Board of Trustees

Fiduciaries of TRS



BRENDA MCGOWN
Chair, Bowling Green



JOHN BOARDMAN
Vice Chair, Lexington



BILL ALVERSON
Paris



ALLISON BALL
State Treasurer



FRANK COLLECCHIA
Louisville



JASON GLASS, Ed.D.
Education Commissioner



HOLLIS GRITTON
Union



BEN LITTLEPAGE, Ed.D.
Murray



LAURA SCHNEIDER
Walton



JOSH UNDERWOOD
Tollesboro



ALISON WRIGHT
Georgetown



Trustee Elections Each Spring

April

May

All contributing members and retirees have the privilege to vote.



TRS Expenses vs. Other Systems

As of June 30, 2021

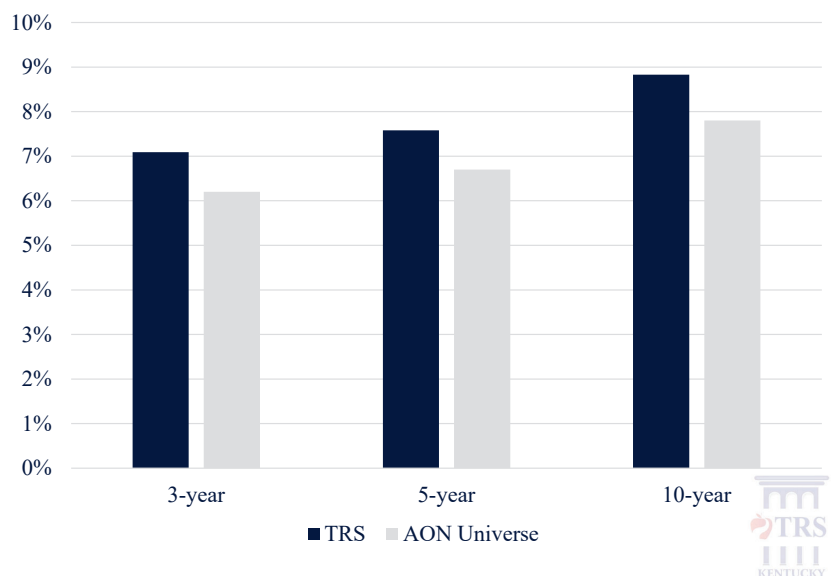
	Percentage of Liabilities
TRS Kentucky	0.0333%
Louisiana Teachers	0.0427%
New Mexico Public Employees	0.0545%
Kansas Public Employees	0.0556%
Ohio Teachers Retirement System	0.0669%
Kentucky Public Pensions Authority	0.0772%
Georgia Employees	0.081%
Indiana Public Employees	0.1025%



Investment Performance

Retirement Annuity Trust Gross Returns as of June 30, 2022

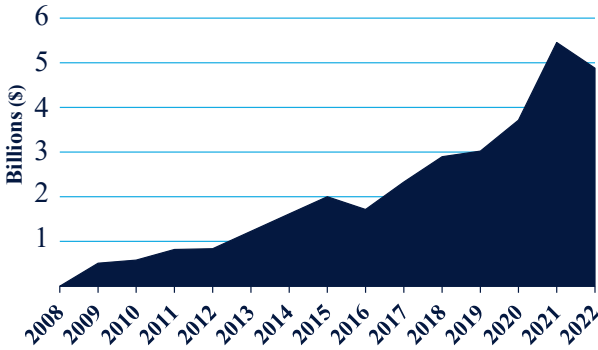
Quarter	-10.18%
1-year	-10.91%
3-year	7.09%
5-year	7.58%
10-year	8.83%
20-year	7.15%
30-year compounded	7.75%



Investment Performance

TRS vs. Average Retirement Plan

Cumulative Outperformance
2008-2022



From 2008 to June 2022, TRS investment returns resulted in net assets of \$22.9 billion, compared to the average plan's \$18 billion.

This outperformance generated \$4.9 billion to the benefit of Kentucky's teachers and all taxpayers.



Transparent Low Investment Fees

From Most Recent TRS Annual Report (pages 111-112)

Teachers' Retirement System of the State of Kentucky

TEACHERS' RETIREMENT SYSTEM

TR S KENTUCKY

The 80th Comprehensive Annual Financial Report

A Component Unit of the Commonwealth of Kentucky
Fiscal Year Ended June 30

Gary L. Harbin, Executive Secretary

This report was prepared by the Teachers' Retirement System of the State of Kentucky.

Investment counselor fees			
Fixed income		Landmark Real Estate Partners VII	\$ 246,473
Collins Capital Core Fixed Income	\$ 280,060	Landmark Real Estate Partners VIII	499,181
Fort Washington Core Fixed Income	242,460	Prudential PRSA	2,888,785
Total Fixed Income	752,520	Rockwood Capital Real Estate IX	499,809
Domestic equity	225,373	Rockwood Capital Real Estate X	635,867
Healthcare/US Equity Growth	225,373	Rockwood Capital Real Estate XI	335,664
Fort Washington Excessed Equity	1,187,948	TR Realty Core Property	664,110
			147,807

INVESTMENT SECTION			
Fort Washington VI	\$ 111,280	Riverview Energy and Power V	\$ 145,565
Fort Washington VII	126,000	Riverview Energy and Power VI	676,184
Fort Washington IX	126,000	Stoneman Partner Capital III	102,299
Fort Washington IX-K	126,000	Total alternative investments	21,028,757
Fort Washington X	61,374	Additional categories	
Fort Washington X-K	51,177	Acme Special Situations VI	
Growth Investments V	172,974	Barrage European Loan	426,877
Hancock Bioprocess/Oregon	238,297	Columbia High Yield Bond	686,513
Holburn & Friedman Capital VII	36,974	Fort Washington High Yield Bond	618,454
Holburn & Friedman Capital VIII	33,033	Highbridge Specialty Loan III	63,373
JPM Global Infrastructure	1,526,726	Lord Abbett High Yield Core	97,154
J.P. Morgan Global Maritime	524,448	Mutualshare European Credit Opportunities II	309,462
J.P. Morgan Global Infrastructure II	121,149	Mutualshare European Credit Opportunities III	96,390
J.P. Morgan Global Transport/Infrastructure	435,527	Mutualshare TRS Credit	3,362,152
KKR 200	6,673	Oakliffe European Capital Solutions	416,593
KKR European III	166,924	Oakliffe European Dividends	31,678
KKR European IV	216,248	Oakliffe Opportunities IX	573,597
KKR European V	712,426	Oakliffe Opportunities X	327,116
KKR American VII	426,826	Oakliffe Opportunities XI	434,207
Landmark Equity Partners XIV	39,600	Stoneman Capital Management	1,076,473
Landmark Equity Partners XV	300,000	Total additional expenses	(3,322,421)
Landmark Equity Partners XVI	300,000	Total investment counselor fees	30,788,382
Lexington Capital Partners VII	72,494	Administrative expenses	
Lexington Capital Partners VIII	271,141	Consultant	529,220
Majors Lake Superior Timberlands	616,100	The Bank of New York Mellon	73,418
MetLife Growth Strategies	266,720	Legal and investment	1,173,817
NEP Natural Resources X	603,500	Other	3,173,817
NEP Natural Resources XI	713,220	Other administrative and operational	
NEP Natural Resources XII	301,200	Consultant	411,800
Oakliffe European Principed III	304,840	Law Institute	52,052
Oakliffe European Principed IV	174,020	Sho's Langstaff	31,476
Oakliffe European Principed V	121,000	George Philip	—
Oakliffe European III	298,490	Total consultant	877,337
Oakliffe Mizzenum IV	60,710	Total additional expenses	(2,252,322)
Oakliffe Mizzenum V	1,457,546	Total	30,000,000
Public Pension Capital	—	Grand total	30,000,000
Riverview Capital Energy and Power IV	47,000		

FY 2021
Total \$71.3 M

28/100 of 1%
of annuity assets



Transparent Low Investment Fees

What Is 28/100 of 1%?

A 4-foot-tall child standing beside the Empire State Building.



Funding Update



Funding Update

2022-24 Biennial Budget

- Means **eight** straight years of full or nearly full annuity funding
- More than \$1.36 billion to meet actuarially required contribution for annuities
 - About \$900 million more to TRS in salary contributions from education budget
- \$149 million for state statutory contribution for under-65 health insurance under Shared Responsibility
- \$479.2 million to pay off liabilities for certain previously awarded benefits that had been amortized over several years
- \$78 million up front for sick leave-related annuity liabilities projected to occur from retirements in next two years



Actuarial Analysis

As of June 30, 2021



Dollars in billions

	Assets	Liabilities	Unfunded	Percent
Retirement Annuity Trust	\$ 22.6	\$ 39.6	\$ 17.0	57.2%

Actuarial values





Retiree Health Insurance



Two Plans for TRS Health Benefits

KEHP **Kentucky** **Employees'** **Health Plan**

- Under 65 and not Medicare-eligible
- Same fund as active teachers and state employees
- Coverage options

MEHP **Medicare** **Eligible Health** **Plan**

- Medicare-eligible or 65 & over
- Exclusively TRS members
- One plan



Insurance Details Can Change

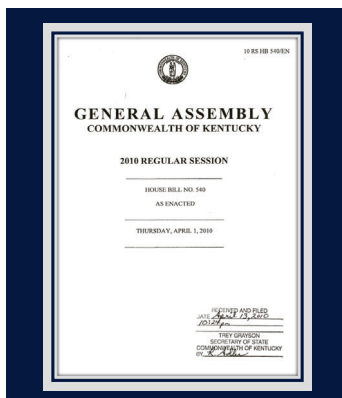
Kentucky law guarantees retired teachers access to group coverage, but the details of that coverage – including costs, subsidy and level of coverage – can change.



Shared Responsibility

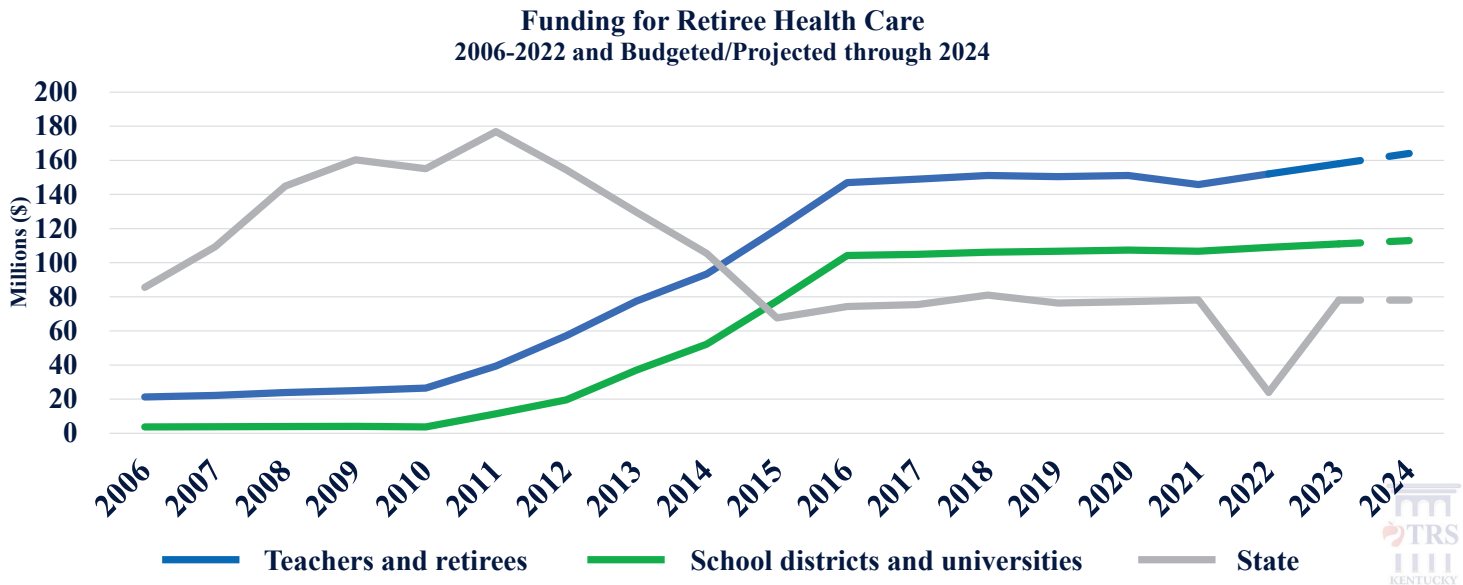
In Second Decade

Shared solution providing permanent funding for retiree health care



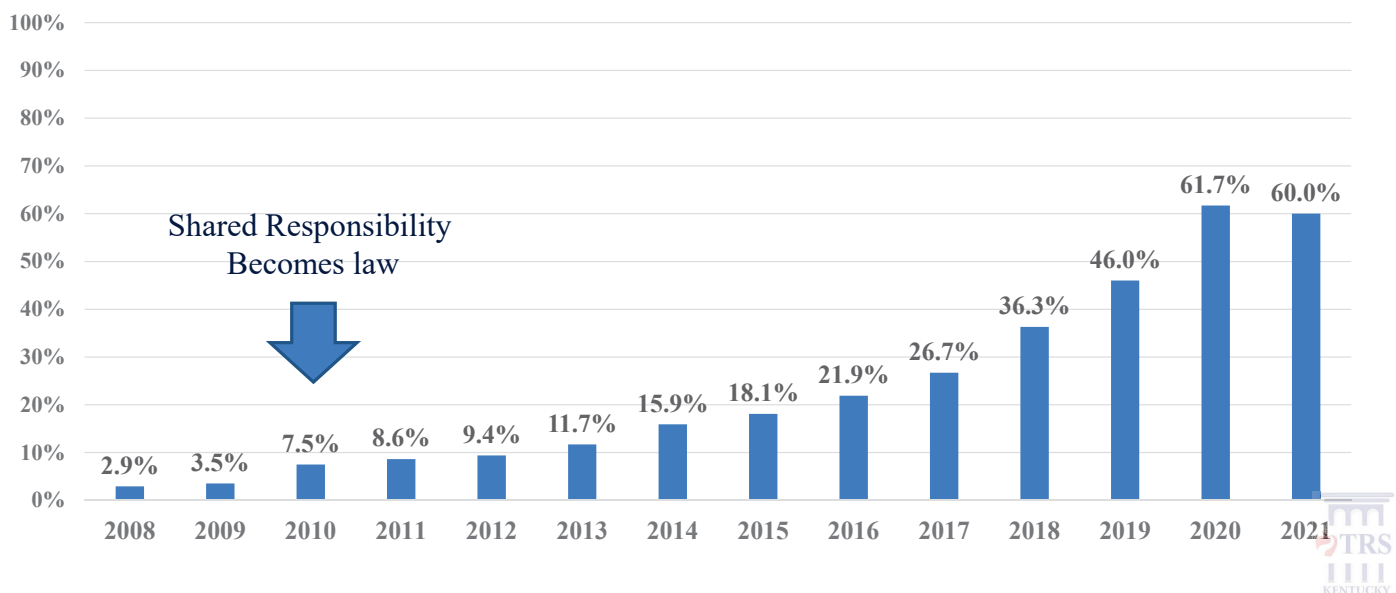
Shared Responsibility

How the Cost Has Been Shared



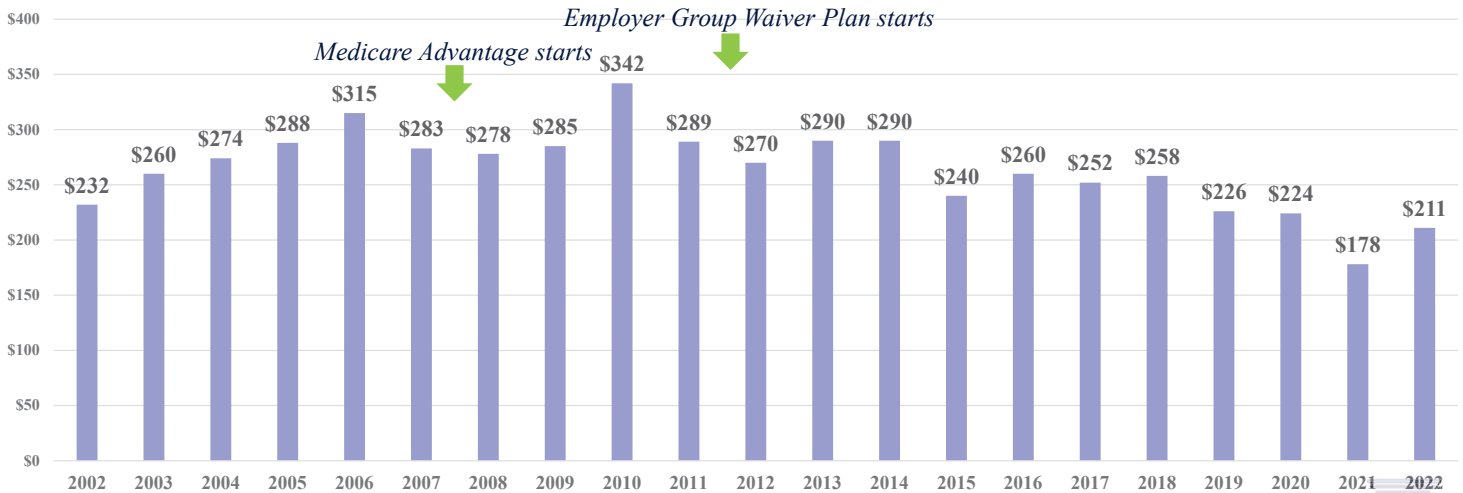
TRS Health Insurance

Funded Status



MEHP

Premiums



Premiums Held Almost Constant For 20 Years

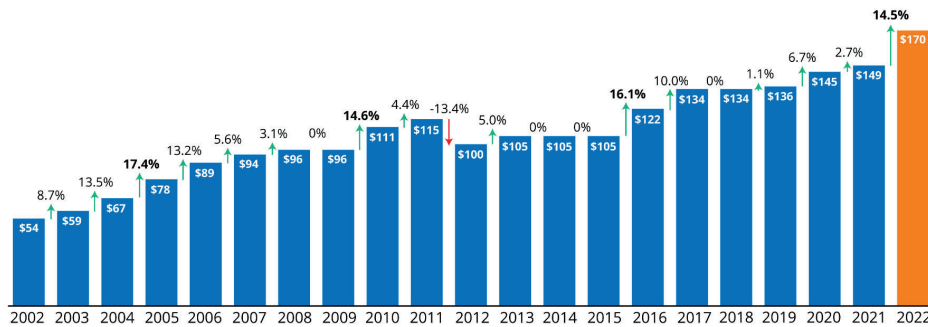


MEHP

Medicare Part B History

The Medicare Part B Premium Rose to \$170.10 per Month in 2022

14.5% Increase is Among the Largest in Program History



NOTE: Monthly premiums are rounded in this exhibit.
 SOURCE: KFF analysis of the 2021 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds and CMS, "Medicare Program; Medicare Part B Monthly Actuarial Rates, Premium Rates, and Annual Deductible Beginning January 1, 2022," 86 Federal Register 64205, November 17, 2021.



Source: Kaiser Family Foundation



KEHP

MEHP

Know Your Rx Coalition

Free counseling with live pharmacists

Know Your Rx Coalition *Pharm-Assist*

Hours: Monday to Friday, 8 a.m. to 6 p.m. ET

Phone: 855-218-5979

Email: KYRx@uky.edu

Website: www.KYRx.org



KEHP

MEHP

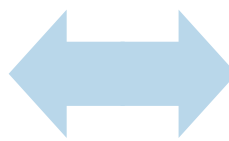
Personalized Medicine



TRS Solution: Personalized Medicine Partnership

CORIELL
LIFE SCIENCES

You
Your Doctor
Your Pharmacist



Personalized Medicine

Why It Works

- Helps avoid taking ineffective medications that even could be fatal
- Saves money for retirees and their insurance trust
- Uses DNA testing to help doctors making treatment decisions
- Results help make sure medications are beneficial from the start
- Avoids traditional trial-and-error process without DNA information



Personalized Medicine

Genetic Testing Wellness Program Gets National Attention

Journal of Precision Medicine

A Commentary on a Precision Medicine Program: Humanistic Outcomes Are Always Key

By Jane Cheshire Gilbert, CPA, Teachers' Retirement System (TRS) of the State of Kentucky, a Member of the GTRM Institute

Introduction: GTRM and TRS Kentucky... Introduction: GTRM and TRS Kentucky... Introduction: GTRM and TRS Kentucky... Introduction: GTRM and TRS Kentucky... Introduction: GTRM and TRS Kentucky...

#3 A deep dive into our population discovered that 84% of retirees are on medications that are influenced by genetics. Medicare-eligible retirees were on an average of 15 prescriptions. Roughly 75% of the population had high blood pressure, 50% had high cholesterol, and 50% were suffering from pain and inflammation. Using de-identified claims information, the Pkx vendor provided an in-depth analysis of the possible return on investment with the program which found: 10% of members should stop taking a prescription immediately (potential savings: \$1.7 million), 57% of members might need to adjust dosage (potential savings: \$10 million) and 33% of members have a better alternative medication available.

#4 Communicating with members early and consistently contributed to the program's successful launch. The overarching message: TRS is making smarter use of the health care dollar through the program because taking medications that do not work is bad for the member's health and for the TRS health insurance fund.



#5 TRS heard a lot of positive feedback, such as "you're helping me become a better doctor, to take better care of my patients and to be able to prescribe the right drug at the right time for them"

What's next: To implement Pkx, engage your medical plan carrier and your pharmacy benefit manager (PBM) in the conversation. Pkx will use the value in lives saved, improved health outcomes and reduced costs. Pkx will continue to recognize the value of Pkx as a tool to optimize medication through comprehensive medication management (CMM) by involving a pharmacist who works...

Jane Cheshire Gilbert, CPA
 Director of Health Services for the TRS of the State of Kentucky... Jane Cheshire Gilbert, CPA, Teachers' Retirement System (TRS) of the State of Kentucky, a Member of the GTRM Institute... Jane Cheshire Gilbert, CPA, Teachers' Retirement System (TRS) of the State of Kentucky, a Member of the GTRM Institute...

References: 1. ... 2. ... 3. ... 4. ... 5. ... 6. ... 7. ... 8. ... 9. ... 10. ... 11. ... 12. ... 13. ... 14. ... 15. ... 16. ... 17. ... 18. ... 19. ... 20. ... 21. ... 22. ... 23. ... 24. ... 25. ... 26. ... 27. ... 28. ... 29. ... 30. ... 31. ... 32. ... 33. ... 34. ... 35. ... 36. ... 37. ... 38. ... 39. ... 40. ... 41. ... 42. ... 43. ... 44. ... 45. ... 46. ... 47. ... 48. ... 49. ... 50. ... 51. ... 52. ... 53. ... 54. ... 55. ... 56. ... 57. ... 58. ... 59. ... 60. ... 61. ... 62. ... 63. ... 64. ... 65. ... 66. ... 67. ... 68. ... 69. ... 70. ... 71. ... 72. ... 73. ... 74. ... 75. ... 76. ... 77. ... 78. ... 79. ... 80. ... 81. ... 82. ... 83. ... 84. ... 85. ... 86. ... 87. ... 88. ... 89. ... 90. ... 91. ... 92. ... 93. ... 94. ... 95. ... 96. ... 97. ... 98. ... 99. ... 100. ...

KEHP**MEHP**

Personalized Medicine

Peer-Reviewed Initial Results Receive Attention



Journal of
*Personalized
Medicine*

- 66% had genetic risks detected in a current medication
- 14.9% reduction in inpatient visits
- 6.8% reduction in emergency room visits
- \$37 million savings in direct medical charges over 32 months

**KEHP****MEHP**

Personalized Medicine

One Retiree's Story

I am *so grateful* for the information that was given to me and my physician. I was taking metropolol for my *heart condition*. Your tests showed that it *stayed too long in my system*. I sometimes had the feeling that I was on the verge of *fainting*. I *had not had that feeling since I started taking the new suggested medication*. I thank you from the bottom of my heart.

– Member, Teachers' Retirement System of the State of Kentucky



KEHP

MEHP

Personalized Medicine

How to Sign Up

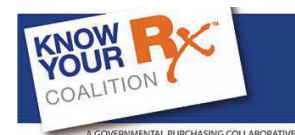
MEHP

MEHP enrollees can contact Coriell at 888-454-9024 or www.coriell.com/trs to request free DNA kit.

KEHP

Non-Medicare KEHP enrollees can contact Coriell and use HRA funds to pay the \$360 cost.

CORIELL
LIFE SCIENCES



KEHP

MEHP

Personalized Medicine

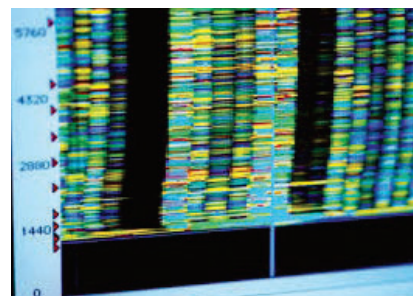
Reaching Further After Success of Pharmacogenomics



Pharmacogenomics
Fall 2017



Breast Cancer Index
2021



Possible Non-Small Cell
Lung Cancer
2022



If Some Old Quarterback Says You Need More Coverage ...

Tell Joe (and others like him),
“No!”

If you are enrolled in the TRS Medicare Eligible Health Plan (MEHP), enrolling in another Medicare Advantage plan would “dynamite” your TRS MEHP coverage.

Watch video: https://youtu.be/r07m_jwc-wY
or <https://trs.ky.gov/videos>



Retirements and Counseling

Fiscal 2022



*Unaudited

2,777
Counseling
sessions



Retiree Annual Statements

Summarizes

- Personal information on file with TRS
- How to update that
- Annuity benefits received
- Federal and Kentucky state tax withholding
- How to change withholding
- Retiree health insurance
- Beneficiary information
- Annuity automatic deposit information
- Payment dates

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

This statement was prepared especially for:

STATEMENT OF RETIREE BENEFIT ACCOUNT

This is an important financial document for your information, but it is not a tax record. For taxes, use the IRS Form 1099-R, which TRS mails at the end of each January. Account information is subject to correction by TRS upon discovery of any error or any conflict with state or federal law. Review all information on this statement and contact TRS regarding errors or other concerns.

Personal Information

Your personal information can be updated directly through Pathway (<https://mss.trs.ky.gov>) or by printing the form from Pathway or the TRS website (<https://mss.trs.ky.gov>) and mailing the completed form to TRS at the address shown above. It is important to keep your contact information on file with TRS updated.

TRS ID	Date of birth	Phone	Email

Retirement Account Summary

Service retirees are guaranteed a lifetime annuity with a 1.5% cost-of-living adjustment (COLA) each July. For retirement option descriptions, see the TRS website <https://mss.trs.ky.gov/active-members/retirement-planning/options/>

Benefit type	Retirement date	Retirement option	Gross monthly annuity

2020 Benefits Paid By TRS			2020 Annuity Deductions		
Annuity payments	Insurance premiums	Total	Insurance premiums	Federal tax	Other deductions

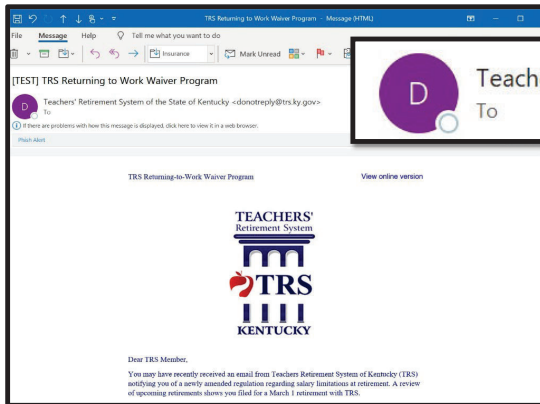
Through December 2020, TRS has paid you a cumulative lifetime annuity benefit of: \$

Account information is subject to correction upon discovery of any error or conflict with state or federal law.



Don't return with changes; using appropriate form or Pathway (<https://mss.trs.ky.gov>).

Direct Emails



Teachers' Retirement System of the State of Kentucky <donotreply@trs.ky.gov>
To

- Email from address of donotreply@trs.ky.gov
- Safe to open



New Benefits Program

TRS 4

**Applies only to members opening new
(including retired return-to-work)
accounts beginning Jan. 1, 2022**



TRS Account Types

Four TRS Account Types Delineated By Entry Date

TRS 1

Entry before
July 1, 2002

TRS 2

Entry on or
between
July 1, 2002, and
June 30, 2008

TRS 3

Entry on or
between
July 1, 2008, and
Dec. 31, 2021

TRS 4

Entry on or after
Jan. 1, 2022



TRS Videos

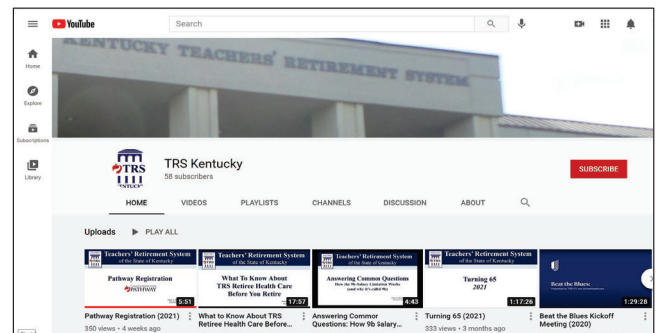
Seminars, Webinars, Other Educational Presentations

TRS Website



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

TRS YouTube Channel



Search for TRS Kentucky YouTube

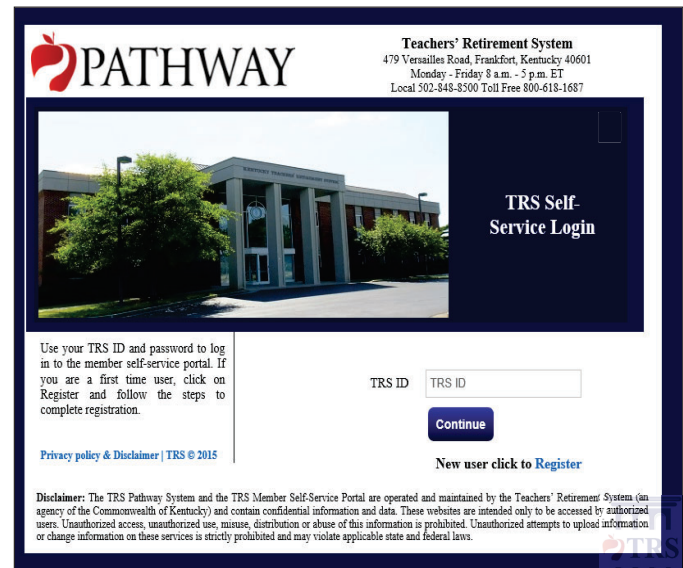
Topics Include:

Pathway Registration, Return to Work, Retiree Health Insurance, Turning 65 and Answering Common Questions



What is Pathway?

Pathway provides secure online access for members and retirees to access their TRS account information in real time.



The screenshot shows the Pathway login interface. At the top left is the Pathway logo. To the right, it says "Teachers' Retirement System" with the address "479 Versailles Road, Frankfort, Kentucky 40601", hours "Monday - Friday 8 a.m. - 5 p.m. ET", and phone numbers "Local 502-848-8500 Toll Free 800-618-1687". Below this is a photo of a building and a "TRS Self-Service Login" button. The main login area has a text box for "TRS ID" and a "Continue" button. A "New user click to Register" link is also present. A disclaimer at the bottom states that the system is operated by the Teachers' Retirement System of the Commonwealth of Kentucky and contains confidential information.

What You Can Do in Pathway

- Edit or view personal information
- View active or payee account details
- Submit a request
- View schedule of upcoming seminars and webinars
- Vote in annual trustee elections
- Find links to TRS forms
- Submit health insurance applications

TRS News & Information



<https://trs.ky.gov>



facebook.com/KyTeachersRS



TEACHERS' RETIREMENT SYSTEM
PATHWAY



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



[@KyTeachersRS](https://twitter.com/KyTeachersRS)



Retired Return to Work



Bona Fide Retirement



- According to the IRS, a bona fide retirement means there can be no pre-arranged agreement for returning to work.
- TRS must maintain compliance with the IRS to remain a qualified retirement plan.



TRS Retired Return To Work

Purposes of KRS 161.605

Allow retirees to help schools meet needs

Be actuarially sound

- making TRS contributions
- limits on days and earnings

Comply with federal law

- observing breaks in service
- no prearranged agreement



TRS Retired Return To Work

RTW Program	Permanent Rules
Part time	3-month break, day and wage limits
Full time	3- or 12-month break, wage limits
Critical shortage part time	3-month break, day limits
Critical shortage full time	3- or 12-month break

Return to work, including which program is used, is at the employer's discretion.



Temporary Changes Made

- From 2022 General Assembly regular session
- Provides temporary changes *only for local school districts* to address staffing concerns
- Relaxes certain aspects of RTW programs
- Law sunsets June 30, 2024, when all rules revert to permanent provisions



What Does Not Change for RTW?

- Federal and state laws continue to prohibit any member from having an agreement before retirement to return to work for any TRS employer in any position. For local school districts, this is regardless of whether position is certified or classified.
- Retirees returning in part- or full-time program still have limitation on wages (and potentially days).
- Reciprocity retirees must meet breaks in service for each system.
- Retirees must drop health insurance coverage through TRS if eligible for health insurance through employment.



Questions?

Visit TRS website for detailed RTW information

<https://trs.ky.gov/retired-members/returning-to-work/>

View presentation for retirees on permanent RTW rules

<https://trs.ky.gov/home/seminars-workshops/videos/#RTWEmployeeVid>

Permanent RTW presentation for non-university employers

<https://trs.ky.gov/home/seminars-workshops/videos/#RTWvidnonuemployer>

Contact TRS

800-618-1687 or info@trs.ky.gov





Issues Ahead



Doing It Right

What That Means at TRS



Providing security for Kentucky's retired teachers using a long-term investing process proven and refined over decades, avoiding the whims of the day, to achieve top returns on investments at the lowest costs.





***Our Members
Come First!***

800-618-1687

**8 a.m. – 5 p.m. ET
Monday – Friday**

info@trs.ky.gov

<https://trs.ky.gov>

Protecting & Preserving Teachers' Retirement Benefits