



# Teachers' Retirement System

ACTIVE  
MEMBER EDITION

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## TRS Retirement Funds See Double-Digit Gains

Kentucky teachers' retirement investments posted double-digit gains for the recently concluded fiscal year – 10.61% for the Retirement Annuity Trust and 11.94% for the Health Insurance Trust.

Returns for the TRS annuity trust over the last 30 years are 7.7% compounded, which is ahead of the 7.1% long-term assumed rate of return. TRS staff

presented the pension system's investment results for the year ended June 30 to the

Retirement Annuity Trust		
Year Ended June 30, 2023	TRS Return	Ranking
1-year	10.61%	Top 6%
3-year	8.68%	Top 50%
5-year	7.54%	Top 25%
10-year	8.49%	Top 11%

*See Gains, page 2*

## From the Executive Secretary Investment Return Provides Latest Reason for Optimism

By Gary L. Harbin, CPA

Every new year is an opportunity to take stock of where you've been and where you're going. That's true whether it's a calendar year, where the transition is marked with celebrations, or the school year, where the new year is brought in with, well, I guess it depends who's being asked.

For TRS, June 30 concludes the fiscal year. It's the "as of" date on the annual statements teachers receive from TRS and on the annual financial and actuarial reports. It's also the date for measuring investment performance. Both the annuity and health insurance trusts saw double-digit gains, providing the newest indicator that TRS is in better shape than it's been in for decades. It's also the latest reason I'm as optimistic as ever that this will continue.

*See From the Executive Secretary, page 2*

*Gains, from page 1*

Investment Committee at its Aug. 24 meeting. The net return after fees and expenses is 10.26% for the annuity trust and 11.56% for the health trust.

Along with the top decile performance for the most recent year, TRS’s annuity investments were in the top 11% for the 10-year period. The returns were in the top 25% for the five-year period and in the top half for the three-year period. All rankings are according to Aon Investments USA’s analysis of large domestic pension plans with more than \$1 billion in assets.

During the year, TRS benefitted from another year of full funding from the state budget.

“A strong year in the stock market provided great returns for retired teachers,” 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.”

*From the Executive Secretary, from page 1*

This confidence is supported by the returns for both the Retirement Annuity Trust and Health Insurance Trust in the just-concluded fiscal year. As you’re reading elsewhere in this newsletter, the annuity trust returned 10.61% and the health trust gained 11.94%. How does that compare? Aon Investments USA analyzes large domestic pension plans with more than \$1 billion in assets, and TRS’s return for the most recent year was in the top 6% of those.

And, as we’ve tried to note as often as we can, TRS is a long-term investor and the longer-range returns are encouraging as well. The 30-year return is 7.7%, which is ahead of the 7.1% long-term assumed rate of return.

With this top performance by the TRS investment team, TRS is approaching a decade of full or nearly full funding.

Provided full funding continues and provided return assumptions are met, everything is progressing toward reaching full funding in 2048. And when full funding is reached, the cost of teacher retirement annuities drops significantly, as you can see on the chart. The bold green line is the actuary’s projection and the light green lines show a range based on investment returns being 1% higher and lower.

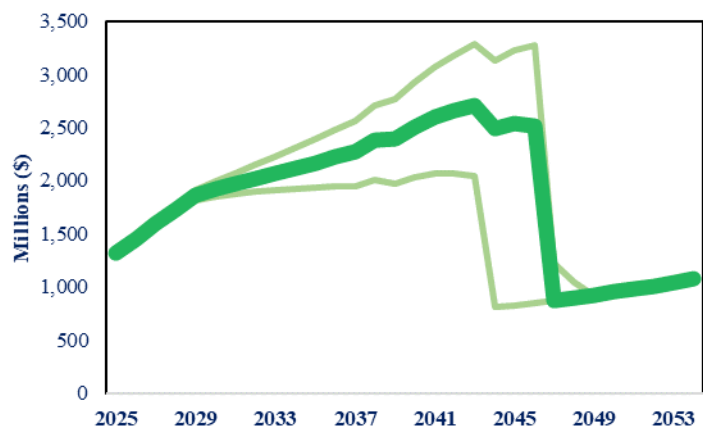
To be sure, full funding won’t happen overnight, but achieving that goal is in sight. The June 30, 2022, funded ratio was 58.8% – the fourth gain in the last five years. The 2023 ratio will be released in November, and we expect the steady progress to continue with full funding and top investment performance.

I’m also optimistic on the retiree health insurance front. Thanks to the shared sacrifice of the 2010 Shared Responsibility solution, retiree health insurance is on track to be funded even sooner. This will ensure retiree health care is available where, before Shared Responsibility, the benefit essentially was pay as you go and its future was unsure.

All this is why, from any vantage point looking back or forward, I’m as optimistic as ever about TRS and the retirement security it provides for Kentucky’s public school teachers, this year and for years to come.

## Actuarial Funding Projections

*When full funding is reached in 2048, the amount of funding needed for TRS drops.*



*Bold line shows actuarial projection assuming 7.1% investment return. Light lines show if returns are 1% higher and lower.*

## Assistant Principal Reelected; Retired Financial Officer Elected

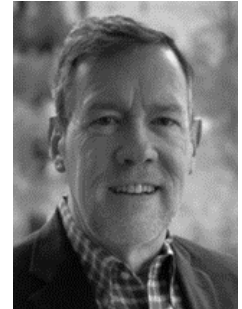
Current teacher trustee Alison Wright won a third term on the TRS Board of Trustees as a result of this year's members' elections, which also saw retired financial officer Paul Bruce Jr. elected as a lay trustee.

The four-year terms began July 1.

Ms. Wright, of Georgetown, is entering her third term as an active teacher trustee and is a past board chair and vice chair. She is an assistant principal at Leestown Middle School in Lexington. Ms. Wright is a National Board Certified math teacher and also served as the Professional Growth and Effectiveness System (PGES) coach at Leestown. Previously, she taught at E.J. Hayes Middle and Lafayette High. From 2015 to 2018, Ms. Wright was a Kentucky Department of Education effectiveness coach. With 21 years as an educator, Ms. Wright has testified in Frankfort with the Kentucky Education Action Team and been published, including in Education Week. Ms. Wright earned her master's degree from Eastern Kentucky University with an emphasis in teaching mathematics.



Alison Wright



Paul Bruce

Mr. Bruce, of Louisville, will be a lay trustee. He has more than 30 years of experience in the financial sector, including 14 as chief financial officer at Farm Credit Mid-America, a \$20 billion lending cooperative and the nation's second largest. In this role, Mr. Bruce served as both a trustee and a benefit plan sponsor for employee retirement and medical benefits governing \$2 billion in trusts for more than 8,000 employees nationally. Mr. Bruce is a former elder, treasurer, Bible study leader and worship band pianist. He is a member of West Broadway Baptist Church.

Both Ms. Wright and Mr. Bruce were elected in this year's member voting, which was conducted in April and May.

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

## Louisville Banker Appointed Trustee

Louisville banker Louis Straub II has been appointed to the TRS Board of Trustees by Gov. Andy Beshear.

Mr. Straub has been the Independence Bank president for the Louisville market since 2017. Prior to that, he spent 31 years with what was then known as Liberty National Bank and later became JP Morgan Chase. A lifelong Louisville resident, Mr. Straub is a graduate of the University of Kentucky. He serves on the Norton Healthcare Foundation board and has been active with New Directions Housing Corp., Greater Louisville Inc., Metro United Way and Fund for the Arts. He is a former adjunct faculty member at the University of Louisville and Jefferson Community and Technical College.



Louis Straub

Mr. Straub's appointment follows the expiration of the term of Frank Collecchia, who did not seek reappointment.

By law, gubernatorial appointees must have investment experience and are subject to Senate confirmation.

# Know Your Return-to-Work Wage Limitations

Know your daily wage threshold. With the push for help in the classroom, TRS has seen some retirees exceed their daily wage threshold (DWT) because, for example, they coached *and* substituted.

TRS sends retirees a letter annually with their DWT limitation for the next year. If a retiree only is coaching, the threshold doesn't apply. If a retiree coaches and substitutes, earnings from both count against the threshold.

Part-time retirees also have limitations on the number of days they can work for a TRS employer. Most retirees are limited to working 69% of the contract days for the position to which they have returned. Exceptions that allow retirees to work more must be requested and approved in advance.

Call TRS with any questions about this to ensure neither the threshold nor any days limitations are exceeded where benefits would have to be repaid to TRS.

## New Login Process for Pathway Enhances Security

TRS several months ago implemented a new login process for Pathway, the account access website, to enhance security using multifactor authentication. If a member hasn't logged into Pathway since April or is logging in the first time, this will require members to enter a code that is sent to a personal device or email account.



With this change, existing Pathway users are required to create a new password the first time they use multifactor authentication.

A Pathway registration video is at <https://trs.ky.gov/home/seminars-workshops/videos/#pregis> or <https://www.youtube.com/watch?v=ig2yXrixq44>. A flier with detailed instructions is at: <https://trs.ky.gov/wp-content/uploads/2023/04/Pathway-Registration-Instructions-202304.pdf>.

Pathway allows active members and retirees to update personal information; register for seminars and webinars; and vote in Board of Trustees elections.

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

For retirees, Pathway allows the completion of Turning 65 and qualifying event insurance applications and the printing of 1099-R duplicate forms.

# Update Estimates, Consult Checklist Before Making Final Decisions About Retirement

TRS recommends all members receive new estimates of retirement benefits before making any final decisions about retirement. This is true even if you've previously obtained an estimate. Also, TRS has published a checklist to assist members in the 12 months prior to retirement. The checklist is at: <https://trs.ky.gov/wp-content/uploads/2018/05/12-months-to-retirement-checklist-Final.pdf>.

Members considering retirement also should be aware of a state law limiting how compensation increases from the last three years prior to retirement can be used in the final average salary. In broad terms, the limit is the highest percentage compensation increase generally available to a district's or agency's certified employees. Specifically, increases used in determining an annuity are limited to either the greatest percentage increase for any one rank and step on the certified salary schedule of the school district or the percentage increase received by all other members employed in the agency. These commonly are referred to as 9b limitations because the state law is KRS 161.220 (9)(b).

For more information, a video is available on the TRS website's videos page at <https://trs.ky.gov/home/seminars-workshops/videos/#acc9b>.

Estimates can be requested through Pathway, the member online account access website (<https://mss.trs.ky.gov>), or by calling 800-618-1687.

**TEACHERS' RETIREMENT SYSTEM**  
**Retirement Preparation Checklist**

The date on the calendar for retirement is closer than it appears. This checklist is a guideline as you in prepare for retirement.

12 months to retirement	6 months to retirement	3 months to retirement	1 month to retirement
<ul style="list-style-type: none"> <li><input type="checkbox"/> Create a retirement file for yourself</li> <li><input type="checkbox"/> Review your TRS annual statement</li> <li><input type="checkbox"/> Attend or watch a TRS retirement presentation</li> <li><input type="checkbox"/> Request an estimate of your retirement benefits</li> <li><input type="checkbox"/> Discuss your retirement estimate and benefit options with your family</li> <li><input type="checkbox"/> Learn the rates for TRS health insurance and consider the possibility of cost increases in deciding when to retire</li> <li><input type="checkbox"/> Prepare a retirement budget</li> <li><input type="checkbox"/> Talk with your deferred compensation representative</li> <li><input type="checkbox"/> Research long-term health care</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Certify what service credit can be purchased</li> <li><input type="checkbox"/> Find required documents for you and your beneficiary: signed Social Security card, certified birth certificate and marriage certificate, if applicable</li> <li><input type="checkbox"/> Know and comply with your employer's retirement notification policy</li> <li><input type="checkbox"/> Determine if you have a reciprocity account with another Kentucky retirement system, obtain a verification of total service credit and request a retirement application (along with information about deadlines)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete retirement application on TRS Pathway member portal or request a paper application. Be sure to complete health insurance enrollment as well</li> <li><input type="checkbox"/> After completing your portion of the application, ask your human resource office to complete the employer certification.</li> <li><input type="checkbox"/> Talk to your employer concerning lump-sum or rollover payout options for sick, annual and/or compensatory leave</li> <li><input type="checkbox"/> Contact Social Security if you are, or will be, at least 65 in three months</li> <li><input type="checkbox"/> Talk with a tax adviser if needed</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Make sure your TRS retirement application is complete and submitted by the deadline, which is required one month prior to your retirement date</li> <li><input type="checkbox"/> Submit all required documents</li> <li><input type="checkbox"/> Make sure all reciprocity account applications with other state retirement systems are complete and submitted with the same retirement date as the TRS application</li> <li><input type="checkbox"/> Remove personal items from your workspace by your retirement date because regulations forbid it once retirement begins</li> </ul>

*Checklist available at: <https://trs.ky.gov/wp-content/uploads/2018/05/12-months-to-retirement-checklist-Final.pdf>*

## Reminder: 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

# Deadlines for Purchasing Credit and General Information on Purchases

Contact TRS about eligibility to obtain full service and or salary credit. TRS also has a service credit information page on the website at <https://trs.ky.gov/active-members/retirement-planning/acquiring-service-credit/>, where a link can be clicked to obtain a brochure about credit purchases. To find out how much service credit your account has, the details are provided, both cumulatively and by school year, in Pathway and on each member's annual statement.

## Unpaid Days

Deadline for purchase of unpaid days from fiscal year 2023 is Dec. 31, 2023.

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 2023 service credit is June 30, 2024. Under certain circumstances, you may be able to buy this at a higher cost later.

The leave of absence form must be submitted to TRS by your employer, along with a copy of the board minutes or other verifying documentation. The form can be completed in Pathway.

## Name a Beneficiary If You Haven't Already

Many TRS members have not named a primary beneficiary, which could result in the loss of valuable benefits for survivors in the event of the death of a TRS member.

In the event of an active member's death, beneficiaries receive both the contributions to the member's TRS account and the TRS life insurance benefit. A beneficiary is not required to be a relative and members may designate their estate or a trust as beneficiary.

If married and no beneficiary is named, the member's spouse is the primary beneficiary. If the member marries after previously naming a beneficiary, the spouse automatically becomes the primary beneficiary and any previous primary beneficiary designation is void. Divorce voids any previous designation of the spouse as a beneficiary.

If not married and no designation is made, the estate becomes the beneficiary.

Forms to designate or change an active member's beneficiaries are available on the TRS website: <https://trs.ky.gov/active-members/resources/forms-active/>.



# Be Sure You're Talking to TRS When Offered Retirement Benefits Counseling

Don't be fooled. Occasionally active members and even retirees may receive unsolicited emails and letters offering appointments to review retirement accounts. The emails come from third parties with no affiliation to TRS but may contain references to TRS such as "KTRS Retirement Review."

While the sender may be offering a legitimate financial service, these offerings can be misleading.

TRS does not offer financial counseling or retirement estimates through third parties. These appeals may be sent to you because your (current or former) employer has a business relationship with the third party that is contacting you. In some cases, it could be a phishing scam to obtain your confidential information.

TRS employees:

- Have an email address ending in @trs.ky.gov

- Will never meet at your home
- Do not sell insurance products.

For active members, the best estimates of retirement benefits come from TRS directly. The rules that govern retirements are too complex for outsiders to give accurate estimates. Estimates that come from elsewhere have been inaccurate.

The preferred method for getting estimates is through Pathway, the TRS member account access site (<https://mss.trs.ky.gov>). Because this is for members only, the estimate calculator will have your actual account information.

For retirees, retiree health insurance is provided through the assistance of several authorized partners. Look for the TRS logo on many communications from these partners, and don't hesitate to call and ask if you're not sure.

## Be Aware of Required Minimum Distributions

Federal tax law requires some inactive TRS members to start distributions from their account, whether by retirement or refund, when they reach a certain age. These required minimum distributions apply regardless of how many years of service the account has and even for return-to-work accounts.

Any TRS member 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 account at a certain age based on the member's birth date: after age 70½ (if born before July 1, 1949), after age 72 (if born after June 30, 1949) or after age 73 (if born on or after Jan. 1, 1951).

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

If the member has 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 an account refund.

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.



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

PRSRT STD  
U.S. POSTAGE  
PAID  
LEXINGTON, KY  
PERMIT #591

## 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, especially for active members who are about to retire. 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



#### Facebook

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



#### YouTube Channel

<https://www.youtube.com/@trskentucky>



#### Hours

8 a.m.–5 p.m. ET Monday–Friday



#### Website

<https://trs.ky.gov>



#### Pathway

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



#### Toll-free

800-618-1687



#### Email

[info@trs.ky.gov](mailto:info@trs.ky.gov)



#### X (Twitter)

@KyTeachersRS