RULES FOR CENTENARIANS

1. Sleep soundly and regularly
2. Keep out of arguments
3. Get happily married and stay that way
4. Work all your life at a job you enjoy
5. Look forward eagerly to the future
6. Drink or smoke in moderation or abstain
7. Make lots of friends
8. Keep alive your sense of humor and your sense of sex
9. Be your own boss
10. Do as you please
Organization Formed By Retired Teachers

A Louisville and Jefferson County Retired Teacher Association has been formed with R. V. Teabolt, 2237 Eubank, as president. Former teacher at Male and Jefferson High schools was elected at a meeting January attended by about 40 retired teachers at the Louisville Free Public Library. It is planned that the group will be to promote better conditions for retired teachers, and to be affiliated with the National Retired Teachers Association.

Members include: Mrs. Rosemary S. Moore, William Rehfeld, and C. E. Ray, secretary-treasurer. Mrs. Katherine Anderdon.

Signed:

February 25, 1957

W. S. Milburn

RECEIVED

FEB 4 1957
TEACHERS' RETIREMENT SYSTEM
Agenda

• About You (Statistics)
• About Benefits
• About Your Board of Trustees
• About Trustee Elections
• About Investing
• About Health Insurance
• About Personalized Medicine
• What’s Ahead
• Stay Informed
Number of founding members of TRS receiving a benefit as of June who were members when the doors opened July 1, 1940

17
Social Security created
Teachers not covered because of constitutional concerns about federal taxing state and local governments

TRS established
By General Assembly in special session

1935  1936  1938  1940  1950s

University of Kentucky study
Finds state’s teachers can’t afford to retire, and that Kentucky had trouble attracting and retaining teachers

TRS opens
After initial funding is received

Social Security expands
Some states and groups – including Kentucky teachers – do not enter because of added cost of Social Security
Who Are TRS Members?

- 173 school districts
- 17 Department of Education agencies

- KCTCS
- Five universities

- 95% of TRS members employed by non-university and benefit replaces Social Security
- 5% employed by university and benefit supplements Social Security
### Member Recipients

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Females</td>
<td>72%</td>
</tr>
<tr>
<td>Males</td>
<td>28%</td>
</tr>
</tbody>
</table>

TRS Benefits Protect At-Risk Population
Longevity for TRS Retirees

Retirees over 80 as of Dec. 31

Age 100 or more: 39
Retired Teachers’ Economic Impact Across Kentucky

• TRS pays retired teachers:
  • $180 million in retirement annuity benefits (*July 2019*)
  • $18.6 million in medical benefits (*monthly average*)
• 91% of TRS pension benefits stay in Kentucky
• $1.9 billion a year paid into Kentucky’s economy because of pension benefits
Pension benefits for FY 2018-19 by congressional district (estimated)

- $313 million, 7,300 Recipients
- $308 million, 8,600 Recipients
- $315 million, 8,600 Recipients
- $341 million, 9,700 Recipients
- $266 million, 7,000 Recipients
- $369 million, 10,500 Recipients

88% of TRS retirees live in Kentucky
Retired Teachers’ Impact In Kentucky

Pension benefits (in millions) by KRTA district

First
$120.7

Second
$120.8

Third
$126.4

Fourth
$325.3

Fifth
$117

Jefferson
$325.3

Northern
$134.1

Eastern
$112.7

Big Sandy
$83.3

Upper Kentucky River
$62.9

Upper Cumberland
$105.1

Middle Cumberland
$74.6

FY 2019
What’s Withheld From My Annuity?

- Health insurance premiums, if you participate in a state-administered plan.

What About Taxes?

- Federal tax: optional, but a W4P must be filed regardless.
- Kentucky state tax: optional. Form needed only if withholding.

NEW

Be aware that any retirement benefits over $31,110 earned since Jan. 1, 1998, are subject to state tax.
Started in 1942, paid quarterly, with a minimum of $100 and maximum of $1,000 a year.

By 1947, average pension was about $360 a year ($3,947.25 today’s dollars).

Average retirement age in 1948: 65.6 years
Annualized Gross Benefits of Service Retirees
As of June 30, 2019

Numbers of Retirees

Average Service Credit

Years of Service

Benefit Ranges
What the Chart Shows

- 52% of retirees received $40,000 or less in Fiscal Year 2019
- 97% of retired teachers receive $60,000 or less
- 1% of retirees receive more than $100,000
- Careers of retirees receiving $20,000 to $40,000 averaged 26 years
- People receiving higher pensions also worked longer

Remember: TRS replaces Social Security

Note: Excludes disability retirement payments
Number or Retirees by Age at Retirement

Fiscal Year 2019: 2,123 Service Retirements

- Only 5% retire before age 50 (compared to 8% a year ago)
- Nearly 4 times as many people retire at 65 & over than under age 50
- Average career teacher retiring in FY 2019 worked more than 29 years
Retirements and Visitors

- By Fiscal Year

- Visitors

- Retirements

## Actuarial Status

As of June 30, 2018

### Dollars in billions

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liabilities</th>
<th>Unfunded</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$ 19.5</td>
<td>$ 33.8</td>
<td>$ 14.3</td>
<td>57.7%</td>
</tr>
<tr>
<td>GASB 67</td>
<td>$ 20.0</td>
<td>$ 33.7</td>
<td>$ 13.7</td>
<td>59.3%</td>
</tr>
</tbody>
</table>
Record Assets

TRSA Retirement Annuity Assets
$20.2 billion

Dollars in billions

Record Assets

Assets of about $21.6 billion
In retirement, health insurance & life insurance trusts

TRS Retirement Annuity Assets
$20.2 billion

Dollars in billions
## Importance of Investment Income

**Schedule of Funds Available for Retirement Benefits**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance as of July 1, 1985</strong></td>
<td>$1.8</td>
</tr>
<tr>
<td>Member &amp; Other Contributions</td>
<td>7.3</td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>13.4</td>
</tr>
<tr>
<td>Investment Income</td>
<td>26.5</td>
</tr>
<tr>
<td>Benefit Payments &amp; Refunds</td>
<td>(28.7)</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Ending Balance as of June 30, 2018</strong></td>
<td>$20.1</td>
</tr>
</tbody>
</table>
Average service retirement age is 59.
Average life expectancy is about 80.

For a member living the average life expectancy about 70% of lifetime benefits come from investment earnings.
About Your Board of Trustees

First Board Meeting: July 8, 1939

First Trustees
Hal Dudley, Louisville
Mary Maguire, Lexington
A.M. Stickles, Bowling Green
B.L. Trevathan, Benton
State Treasurer
Superintendent of Public Instruction
Attorney General
Board of Trustees

Fiduciaries of TRS

ALISON WRIGHT
Chair, Georgetown

HOLLIS GRITTON
Vice Chair, Union

BILL ALVERSON
Paris

ALLISON BALL
State Treasurer

JOHN BOARDMAN
Lexington

FRANK COLLECCHIA
Louisville

WAYNE LEWIS, Ph.D.
Education Commissioner

BRENDA MCGOWN
Bowling Green

LYNN PATTERSON, Ed.D.
Murray

LAURA SCHNEIDER
Walton

JOSH UNDERWOOD
Tollesboro
About Your Trustee Elections

First Election: 1939

Eligible voters: Active teachers in 1938-39 school year

Ballots returned: 5,300 (about)
Trustee Elections Each Spring

April

May

All contributing members and retirees have the privilege to vote.
Leadership

N.O. Kimbler, of Henderson County, chosen April 6, 1940, as first executive secretary from among four candidates who received a vote. Retires 17 years later.
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 2016-present
TRSA Expenses vs. Other Systems
As of June 30, 2018

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage of Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRS Kentucky</td>
<td>0.0354%</td>
</tr>
<tr>
<td>Louisiana Teachers</td>
<td>0.0455%</td>
</tr>
<tr>
<td>Kansas Public Employees</td>
<td>0.0456%</td>
</tr>
<tr>
<td>New Mexico Public Employees</td>
<td>0.0594%</td>
</tr>
<tr>
<td>Ohio Teachers Retirement System</td>
<td>0.0664%</td>
</tr>
<tr>
<td>Kentucky Retirement Systems</td>
<td>0.0755%</td>
</tr>
<tr>
<td>Georgia Employees</td>
<td>0.0856%</td>
</tr>
<tr>
<td>Indiana Public Employees</td>
<td>0.1295%</td>
</tr>
</tbody>
</table>
Transparent Low Fees & Investment Costs

From the most recent TRS annual report

FY 2018
Total $56 M

28/100 of 1%

of Pension Assets
About Investing

Earnings on Investments:

1953 $630,234.06

2018 $2,020,987,869
## Investment Performance

**Retirement Annuity Trust Preliminary Returns as of June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>1-year</th>
<th>3-year</th>
<th>5-year</th>
<th>10-year</th>
<th>20-year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross</strong></td>
<td>5.9%</td>
<td>10.62%</td>
<td>7.08%</td>
<td>10.33%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Benchmarks</strong></td>
<td>7.44%</td>
<td>10.22%</td>
<td>7.04%</td>
<td>10.15%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Rankings</strong></td>
<td>Top 56%</td>
<td>Top 6%</td>
<td>Top 7%</td>
<td>Top 8%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>5.59%</td>
<td>10.31%</td>
<td>6.82%</td>
<td>10.08%</td>
<td>5.85%</td>
</tr>
</tbody>
</table>

30-year compounded gross return

8.13%
TRS Approach

- TRS never has used placement agents.
- TRS has not used hedge funds.
- TRS has fiduciary duty in procurement.
- All fees disclosed in annual report and quarterly on website.
Investment Committee Structure

Exceeds industry standards, recommended for use elsewhere

7 trustees

Includes lay trustees who are bankers

Includes two gubernatorial appointees with financial experience

Two recognized outside experts since 2009

Rockefeller Family Fund adviser

Former chief investment officer of one of U.S.’s largest public pensions (N.Y. teachers)
7. Comprehensive medical insurance coverage for all retired teachers age 60 and over, and the spouses of such teachers.
## Two Plans for TRS Health Benefits

<table>
<thead>
<tr>
<th>MEHP</th>
<th>Medicare Eligible Health Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Medicare-eligible or 65 &amp; over</td>
<td></td>
</tr>
<tr>
<td>• Exclusively TRS members</td>
<td></td>
</tr>
<tr>
<td>• One Plan</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KEHP</th>
<th>Kentucky Employees’ Health Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Under 65 and not Medicare-eligible</td>
<td></td>
</tr>
<tr>
<td>• Same fund as active teachers and state employees</td>
<td></td>
</tr>
<tr>
<td>• Coverage options</td>
<td></td>
</tr>
</tbody>
</table>
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

A shared solution that provides permanent funding for retiree health care.
Prefunds Benefits
and, with federal subsidy solutions, means

$5 Billion Reduction in Liability for State
**MEHP**

- 62% funded
- Projected to be fully funded in 5 years

**KEHP**

- Prefunding will start when over-65 coverage is fully funded
- State’s $70 million for FY 2020 funded through surplus
• Full funding for single coverage in 2018-20 biennium
• Does not provide funding for non-single subsidy
Still Bending the Trend

Employer Group Waiver Plan Starts

Medicare Advantage starts

MEHP Premiums

$210 $232 $260 $274 $288 $315 $283 $278 $285 $342 $289 $270 $290 $290 $240 $260 $252 $258 $226

## Shared Responsibility Retiree Cost

<table>
<thead>
<tr>
<th>2019 Monthly Cost</th>
<th>KEHP</th>
<th>MEHP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$135.50</td>
<td>$135.50</td>
</tr>
<tr>
<td>Paid to Medical Insurance Fund</td>
<td>Paid to Medicare</td>
<td></td>
</tr>
</tbody>
</table>

Retirees under 65 covered in the KEHP contribute the amount of the standard Medicare Part B premium that is paid by retirees 65 and over.
MEHP

Consists of:

UnitedHealthcare

EXPRESS SCRIPTS

Coriell Life Sciences

KNOW YOUR COALITION

HEALTHWAYS Silver Sneakers Fitness
Issue: 44% of emergency room visits could have been handled by visiting urgent care, seeing a doctor in office or a virtual visit.

Purpose of change: To protect retiree coverage and keep $1,200 annual out-of-pocket maximum for medical expenses.

TRS MEHP in 2019 has the same medical copays it had in 2003 – 16 years ago
The increase:
Emergency room copayments to $120 from $50

What the increases allow:
Urgent care copayments will drop to $25 from $35
Maximum out-of-pocket medical cost remains $1,200

The $1,200 maximum medical is a safety net to avoid health care expenses from depleting your money, property and other assets.
About Personalized Medicine
Nationally

Percentage of medications taken by patients that are ineffective

50%

Where adverse drug reactions ranks as a leading cause of death

Source: Coriell Life Sciences
What TRS Data Shows

15

Average number of prescriptions

One-year survey of 34,000 members
Personalized Medicine Partnership

TRS Solution: Personalized Medicine Partnership

You  Your Doctor  Your Pharmacist

Lucy B. Wells, RPh, Clinical Director

Toll free: 855-218-5979
Early Results — Data

8,121 enrolled as of August 2019

28% resulted in medication change recommendation due to DNA test

In six months …

17% reduction in spending for those involved
2.5% increase in spending for control group not involved
• TRS member treated at emergency room for heart attack
• At release, member was prescribed a blood thinner
• The member contacted a Know Your Rx pharmacist to review DNA test results
• The Know Your Rx pharmacist identified the drug wouldn’t work
• That led to a change in the drug prescribed
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](mailto:KYRx@uky.edu)  
**Website:** [www.KYRx.org](http://www.KYRx.org)
Register at www.UHCRetiree.com/trs to see these features available to you, or call 844-518-5877 for more information.

- Routine hearing exam
- HouseCalls in-home assessment
- Hearing aids discount
- Diabetes support program
- Gift cards for completing certain activities
- Weight loss program
- Virtual visits with doctor
- Post-hospitalization meals delivered
- Fitness program
KEHP

Consists of:

- Anthem
- BlueCross BlueShield
- CVS
- Caremark
- go365 by Humana
- Know Your Rx Coalition
- WageWorks
- VitalsSmartshopper
KEHP LivingWell Promise

By July 1 each year, you must complete the LivingWell Promise. Complete either:

1. Go365 Health Assessment or 2. Biometric screening

If you do not complete the promise, you will not be eligible for discounted insurance premiums in 2020 and will pay an additional $40 per month for coverage.
KEHP

Additional Features

- Rewards
- Gym discounts

- Diabetes prevention
- Mental health and stress management
- Rethink – support for care of kids with learning or behavior challenges
- NurseLine
- Quitting tobacco
- Weight management

Video chat with doctors and therapists

Cash for using cost-effective options for certain procedures.

More information can be found at livingwell.ky.gov
Enrolled in a CDHP Plan?

WageWorks Healthcare Reimbursement Arrangement (HRA) helps reduce costs

Pay for eligible healthcare expenses such as:

- Medical and pharmacy
- Certain dental and vision fees
- Deductibles
- Copayments and coinsurance
- Some over-the-counter products

If you are on a CDHP plan and do not have a WageWorks card, or to determine eligible expenses, call 877-430-5519 or visit wageworks.com.
Before moving from KEHP to Medicare ...

Unspent Go365 bucks must be spent before KEHP coverage ends

Funds in Consumer Driven Health Plan (CDHP) HRA must be used before moving to MEHP
What’s Ahead
2018-20 Additional Funding Summary

TRS Requested
$1.09 B

100%

Approved
$1.09 B

State paid nearly all contributions recommended by the actuary for FY 2017 & 2018.
Possible 2020 Legislation

- Budget
- Multiple bills to create new tier for new teachers
- Changes for current teachers outside Inviolable Contract
- Changing Board of Trustees makeup and election process
- TRS housekeeping bill
Continued Full Funding for Pension
- 2016-18 budget provided nearly full funding
- 2018-20 budget provided full funding

Continued Full Funding for State’s Retiree Medical Share
Future Plan Changes

• Aspects of Senate Bill 151 (2018 RS) that applied almost entirely to new hires
• Changes to get new teachers to have longer careers
• Changes for current teachers with sick leave use for pensions, calculating benefit on high three average salaries instead of high five and removing carrot of 3% multiplier for years over 30.
Kentucky’s Inviolable Contract law guarantees teachers certain benefits as a contractual right. Changes in benefits for retirees and current employees are limited.

**Benefits included:**
- Lifetime monthly annuity
- 1.5% COLA
- Access to health insurance

**Examples of benefits NOT included:**
- Use of sick leave payout as salary credit toward pension
- Average high three salaries
- 3% multiplier
- Health insurance specifics (such as cost, any subsidy and level of coverage)
External Audit

TRS is part of a review of pension systems regarding compliance with Senate Bill 2 (2017 RS) being conducted by the Auditor of Public Accounts. The auditor’s office also will conduct TRS’s financial audit this year.
Register for Pathway
Real-time online access to account information

Website: https://mss.trs.ky.gov
App: TRS Pathway
Download
TRS Investing Strategy: Working Long Term

by Gary L. Harris, CPA, Executive Secretary

This spring, the Kentucky Teachers' Retirement System (KTRS) and the Teachers' Retirement System of Kentucky (TRSKY) announced a new strategy for managing the TRSKY's pension assets. The strategy, called the "KTRS Investment Strategy: Working Long Term," aims to improve the plan's financial stability and provide benefits for current and future retirees.

The strategy focuses on a long-term investment horizon, with a goal of achieving a return of 7% per year over the next 10 years. This will help ensure that the plan can provide benefits to its members for many years to come.

The strategy also includes a commitment to diversification, with investments in a variety of asset classes including stocks, bonds, and real estate. This approach is expected to reduce the plan's overall risk and improve its long-term performance.

Without question, the long term nature of this strategy means that it is important for all current and future retirees to understand the principles behind it. The plan's board of trustees has made a commitment to keep members informed about the plan's performance and to provide regular updates on the progress of the strategy.

In conclusion, the KTRS Investment Strategy: Working Long Term represents a significant step forward for the plan and its members. With a focus on long-term stability and a commitment to diversification, the strategy is well-positioned to provide benefits for years to come. We encourage all members to learn more about the plan and to stay informed about its progress.

Online

Information Center
To: Members and Staff

Subject: Your Inquiries Will Be Most Welcome

As Executive Secretary James Sublett said in 1958 Handbook:

"Individual problems are important to members, and thus are important to the staff of the Retirement System. We not only welcome but encourage members to contact the Retirement Office concerning their individual problems. … (W)rite or visit us in person — rest assured your inquiries will be most welcome."

Just Ask!
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