



# Teachers' Retirement System of the State of Kentucky

## KRTA Annual Convention



**April 18, 2023**

**Gary L. Harbin, CPA**  
Executive Secretary

# Doing It Right

## What That Means at TRS

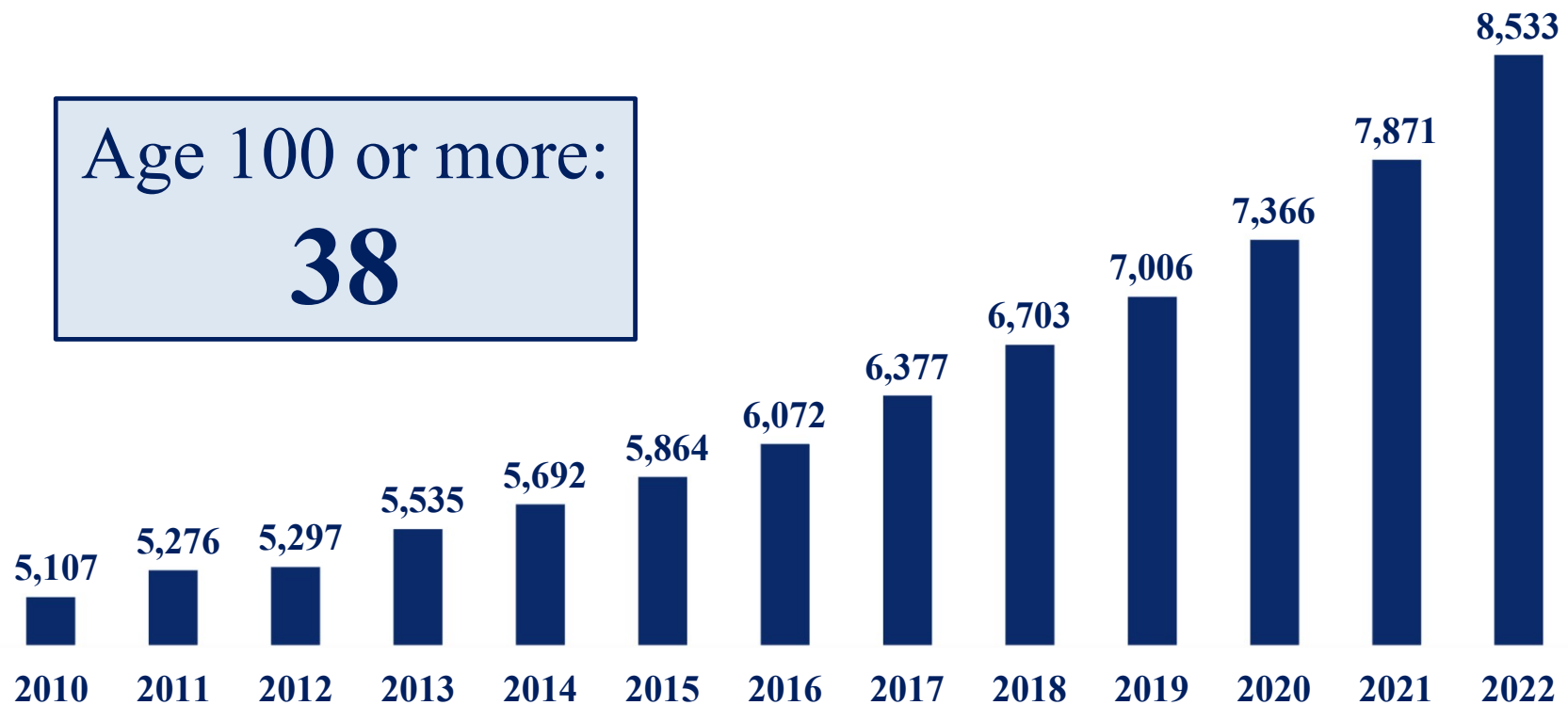


Providing security for Kentucky's retired teachers using a long-term investing process proven and refined over decades, avoiding the whims of the day, to achieve top returns on investments at the lowest costs.



# 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



# Today's Topics

- Board of Trustees and voting
- Funding and actuarial progress
- Investment performance and fiduciary duty
- Retiree Health Insurance and Personalized Medicine
- Pathway identity verification
- Issues Ahead



# 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*



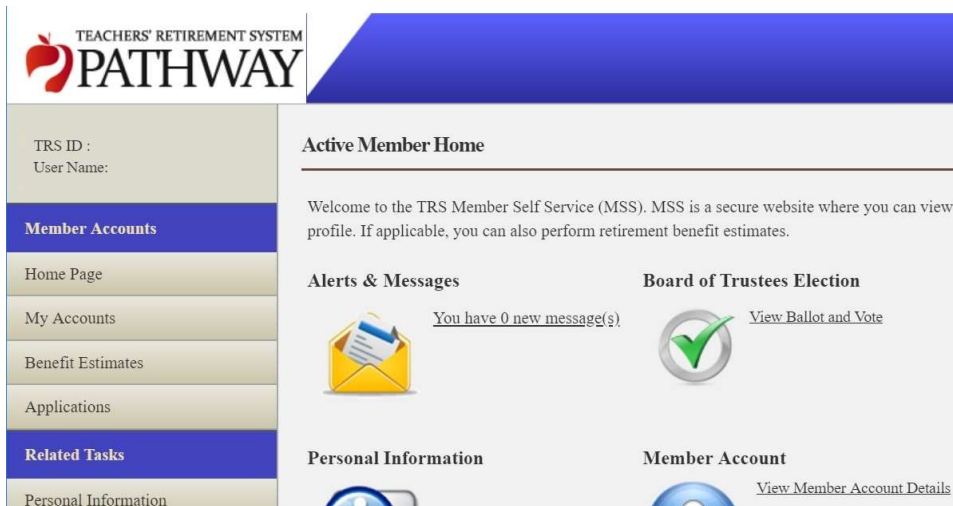
**ALISON  
WRIGHT**  
*Georgetown*



# Vote

## Trustee Elections by Pathway or Paper

### April



TEACHERS' RETIREMENT SYSTEM  
**PATHWAY**

TRS ID :  
User Name:

**Member Accounts**

- Home Page
- My Accounts
- Benefit Estimates
- Applications

**Related Tasks**

- Personal Information

**Active Member Home**

Welcome to the TRS Member Self Service (MSS). MSS is a secure website where you can view profile. If applicable, you can also perform retirement benefit estimates.

**Alerts & Messages**  
You have 0 new message(s)

**Board of Trustees Election**  
View Ballot and Vote

**Personal Information**

**Member Account**  
View Member Account Details

### May



Please complete the ballot below, tear on perforation and mail. NO POSTAGE NECESSARY.

**OFFICIAL BALLOT**  
Election of Board of Trustees Members per KRS 161.260  
Mail no later than May 31,

**Candidates for Lay Trustee**

- 1.
- 2.
- 3. \_\_\_\_\_

**Candidates for Active Teacher Trustee**

- 1.
- 2.
- 3. \_\_\_\_\_

**TRS OFFICIAL BALLOT NUMBER: 12345**

**TRRS KENTUCKY**

This year the membership will be selecting one lay trustee and one active teacher trustee.

**Please vote for ONLY ONE Lay Trustee and ONLY ONE Active Teacher Trustee.**

An extra line is provided if you prefer to vote for a write-in candidate.

All contributing members and retirees have the privilege to vote.



# This Year's Elections

## Active Teacher Trustee



**Alison Wright**



**Aletha Fields**

## Lay Trustee



**Paul Bruce Jr.**



**Thomas Hatton**



# Full Funding for TRS

## 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
- \$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

# Actuarial Status

As of June 30, 2022



Dollars in billions

	<b>Assets</b>	<b>Liabilities</b>	<b>Unfunded</b>	<b>Percent</b>
<b>Retirement Annuity Trust</b>	<b>\$ 24.1</b>	<b>\$ 41</b>	<b>\$ 16.9</b>	<b>58.8%</b>

*Actuarial values*

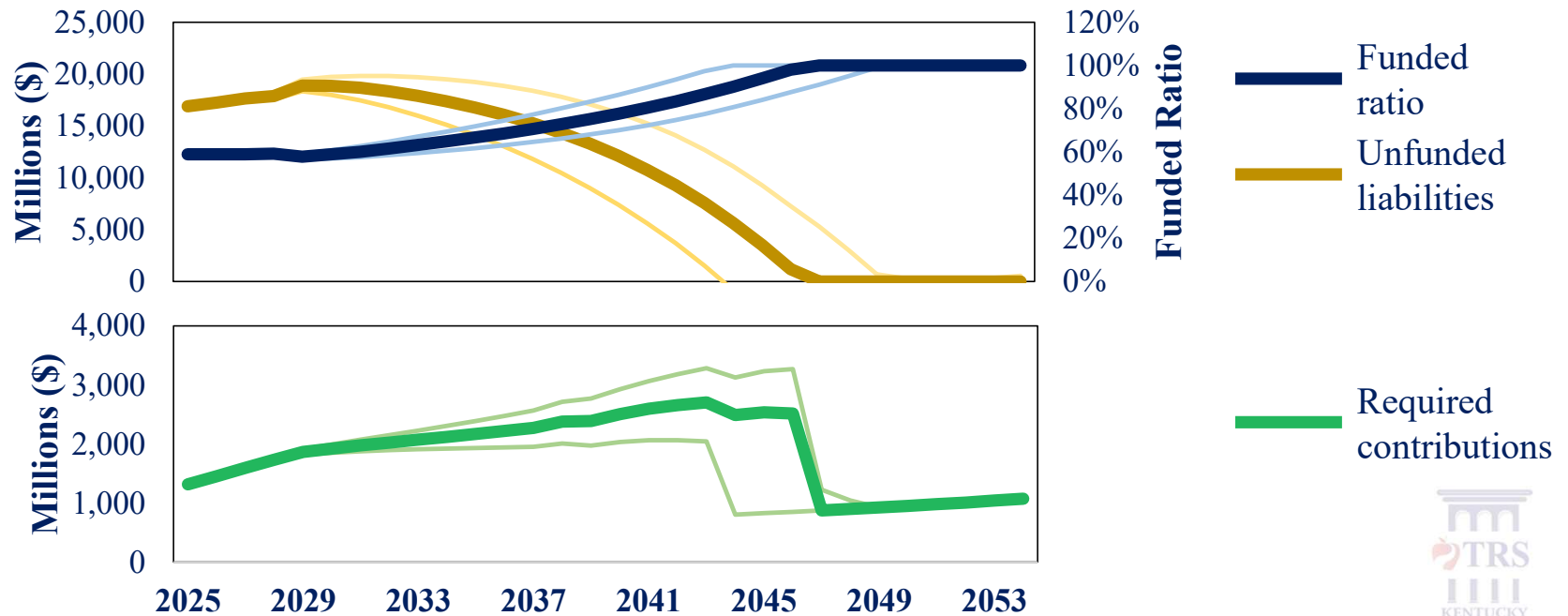


# Actuarial 30-Year Projections

## At Full Funding, TRS Required Contributions Decrease

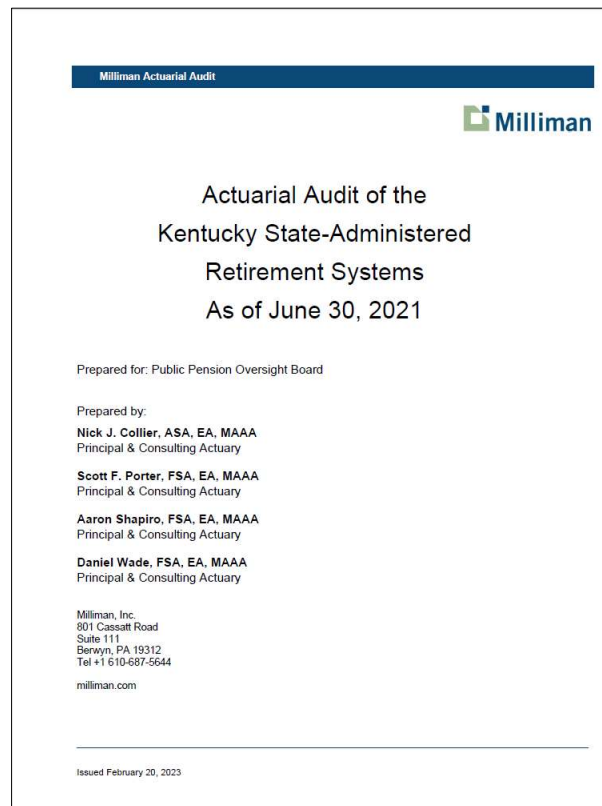
Actuary's retirement annuity projections at assumed 7.1% investment return.

Thick lines show projections; thin lines show projections adjusted for investment returns 1% higher and lower.



# Grading the Independent Actuary

## Public Pension Oversight Board's Audit of the Auditor



# Grading the Independent Actuary

## What Milliman Said Generally



Cavanaugh Macdonald  
CONSULTING, LLC  
*The experience and dedication you deserve*

### For all systems

“All major actuarial functions are being appropriately addressed across all retirement systems. ... We found the actuarial procedures and practices to be of a high quality and in compliance with all major aspects of the applicable actuarial standards.”



# Grading the Independent Actuary

## What Milliman Said About TRS's Independent Actuary



Cavanaugh Macdonald  
CONSULTING, LLC  
*The experience and dedication you deserve*

“Milliman’s audit provides a high level of assurance that the results of the valuation reasonably reflect the aggregate liabilities of TRS based on the assumptions and methods. In summary, we view the results as a successful replication by Milliman of CavMac’s results.”



# Grading the Independent Actuary

## What Milliman Said About TRS's Independent Actuary

Comparison of June 30, 2021 Membership Data  
Teachers

	CavMac	Milliman	Ratio of Milliman / CavMac
<b>Total retirees</b>			
Total number	57,465	57,493	100.05%
Annual benefits (\$1,000's)	\$2,265,323	\$2,266,073	100.03%
Average age	70.7	70.7	100.00%
<b>Service retirees</b>			
Total number	50,129	50,132	100.01%
Annual benefits (\$1,000's)	\$2,061,901	\$2,062,003	100.00%
<b>Disability retirees</b>			
Total number	2,831	2,831	100.00%
Annual benefits (\$1,000's)	\$88,783	\$88,783	100.00%
<b>Beneficiaries</b>			
Total number	4,505	4,530	100.55%
Annual benefits (\$1,000's)	\$114,639	\$115,287	100.57%



# Grading the Independent Actuary

## What Milliman Said About TRS's Independent Actuary

Comparison of June 30, 2021 Valuation Results  
Teachers  
(\$ in millions)

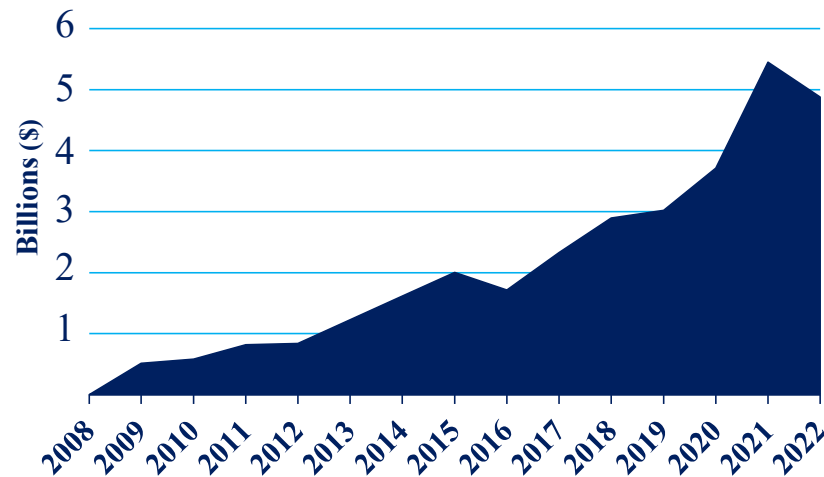
	CavMac	Milliman	Percent Difference
Total Present Value of Future Benefits	44,757.7	44,525.8	-0.5%
Total Actuarial Accrued Liability	39,581.7	39,407.9	-0.4%



# 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.

# Investment Selection

## Fiduciary Duty



As a fiduciary, TRS invests “solely in the interest of the active contributing members and annuitants” as required by KRS 161.430.

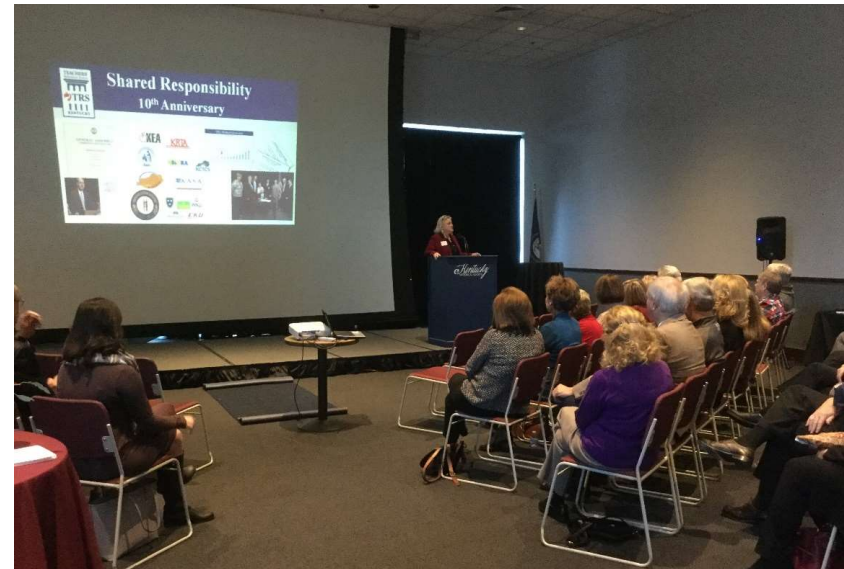
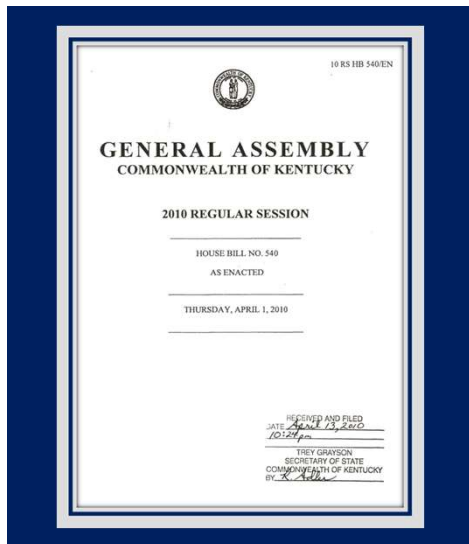
Investments follow the fiduciary duty to achieve the best returns within acceptable levels of risk – not to further environmental, social and governance (ESG) objectives.



# Shared Responsibility

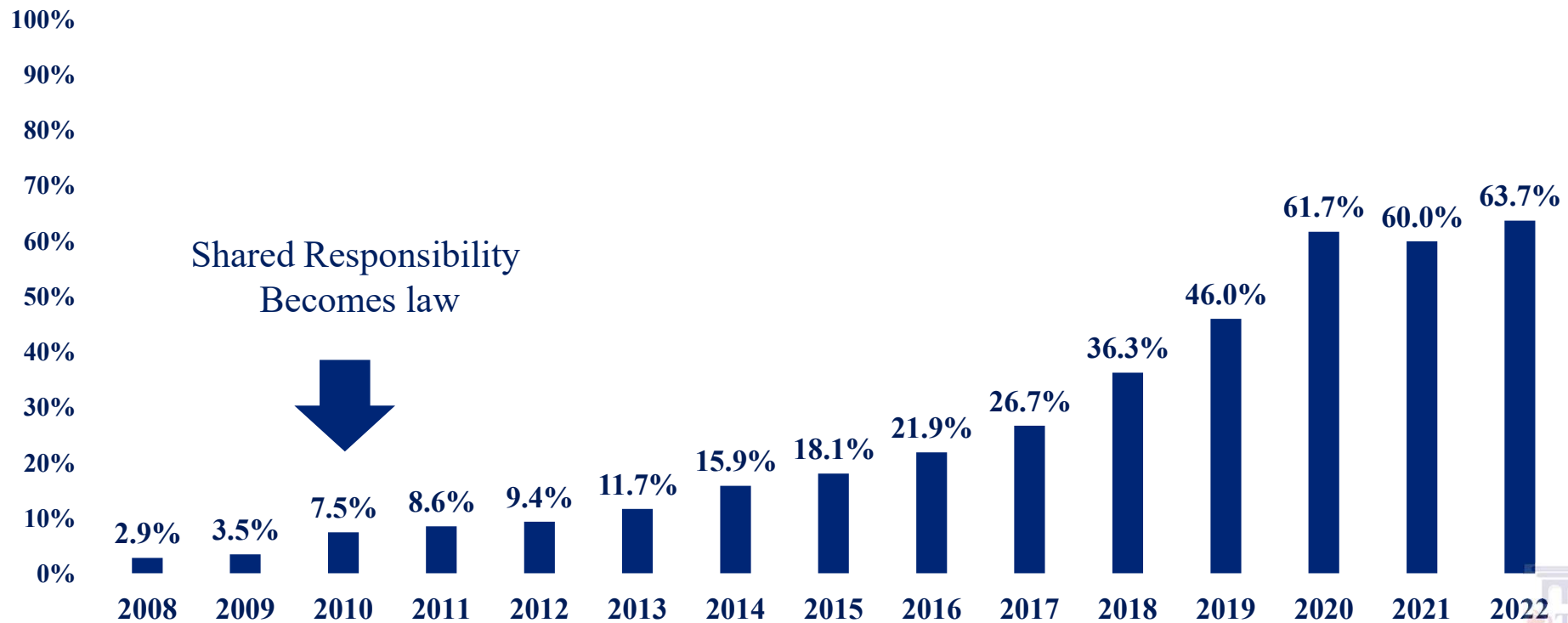
## In Second Decade

Shared solution providing permanent funding for retiree health care



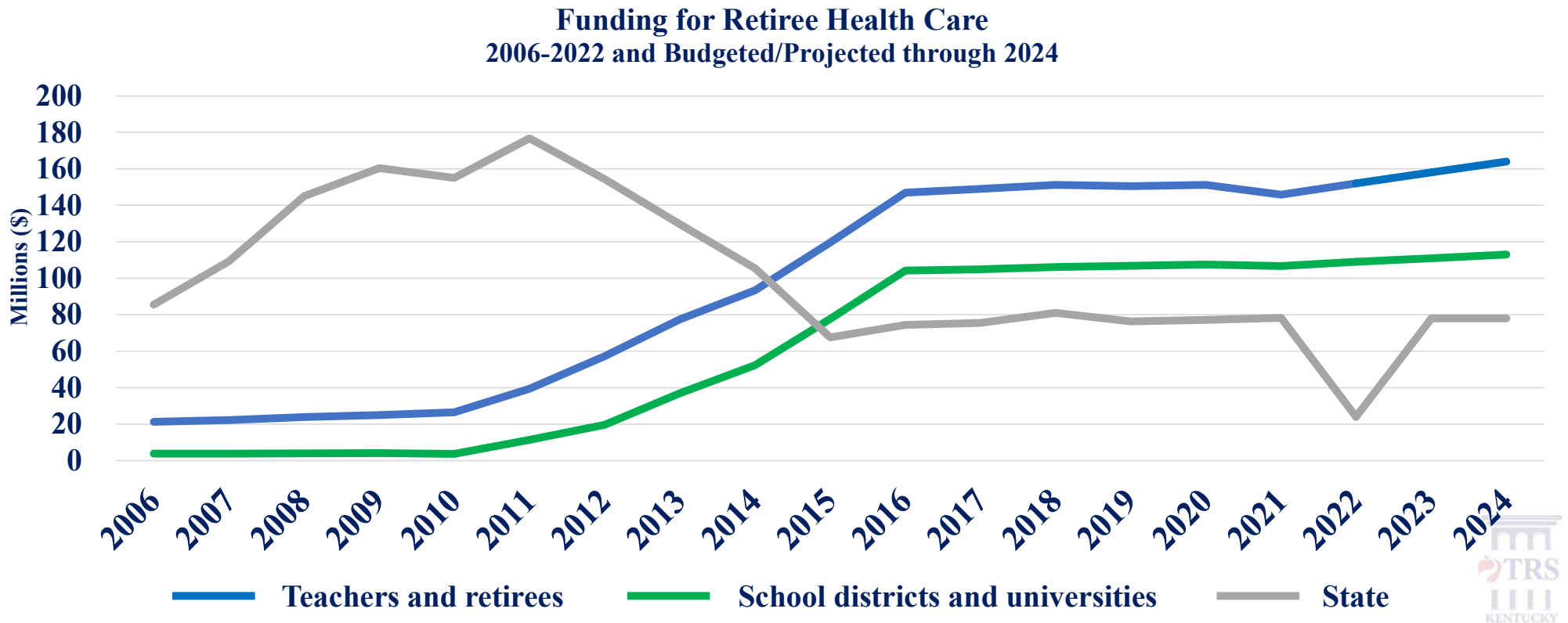
# TRS Health Insurance

## Funded Status



# Shared Responsibility

## How the Cost Has Been Shared



**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](mailto:KYRx@uky.edu)

Website: [www.KYRx.org](http://www.KYRx.org)



**KEHP**

**MEHP**

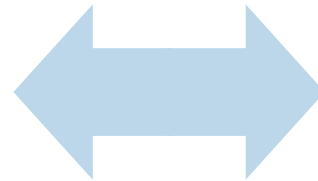
# Personalized Medicine



## TRS Solution: Personalized Medicine Partnership

CORIELL  
LIFE SCIENCES

You  
Your Doctor  
Your Pharmacist



**KEHP**

**MEHP**

# 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



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

## How to Sign Up

**MEHP**

MEHP enrollees can contact Coriell at 888-454-9024 or [www.coriell.com/trs](http://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

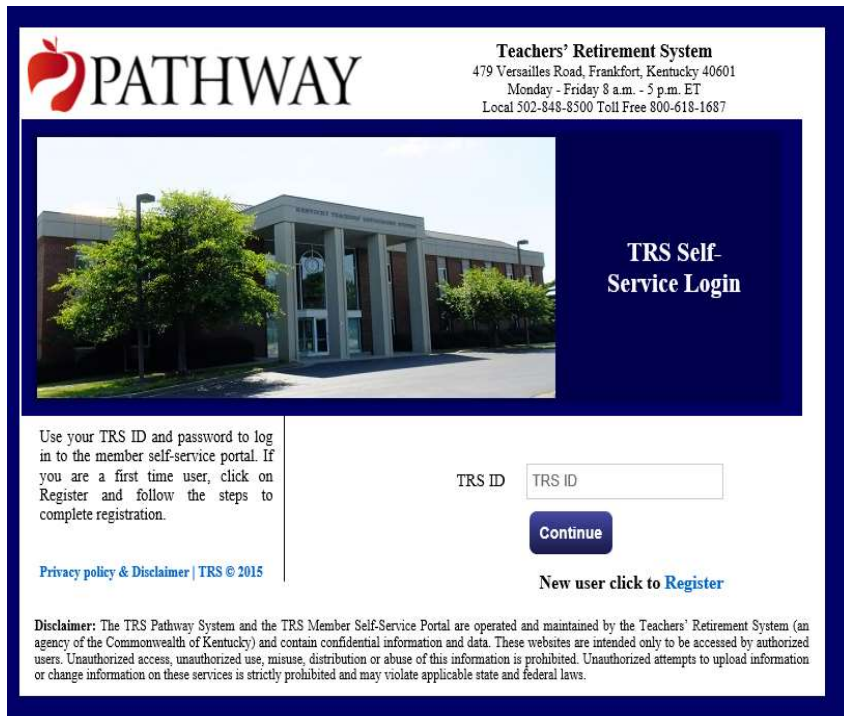


A GOVERNMENTAL PURCHASING COLLABORATIVE



# Using Pathway

## Real-time Online Access to Account Information



The screenshot shows the TRS Pathway login interface. At the top left is the PATHWAY logo. To its right, the text reads: "Teachers' Retirement System", "479 Versailles Road, Frankfort, Kentucky 40601", "Monday - Friday 8 a.m. - 5 p.m. ET", and "Local 502-848-8500 Toll Free 800-618-1687". Below this is a photograph of a building with the text "TRS Self-Service Login" overlaid. The main login area contains a text input field labeled "TRS ID" with "TRS ID" entered, and a blue "Continue" button. Below the button is a link: "New user click to Register". On the left side of the login area, there is instructional text: "Use your TRS ID and password to log in to the member self-service portal. If you are a first time user, click on Register and follow the steps to complete registration." Below this is a link for "Privacy policy & Disclaimer | TRS © 2015". At the bottom, a disclaimer states: "Disclaimer: The TRS Pathway System and the TRS Member Self-Service Portal are operated and maintained by the Teachers' Retirement System (an agency of the Commonwealth of Kentucky) and contain confidential information and data. These websites are intended only to be accessed by authorized users. Unauthorized access, unauthorized use, misuse, distribution or abuse of this information is prohibited. Unauthorized attempts to upload information or change information on these services is strictly prohibited and may violate applicable state and federal laws."

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

App: TRS Pathway

Download



# Using Pathway

## Ways to Access Pathway

Directly – <https://mss.trs.ky.gov>

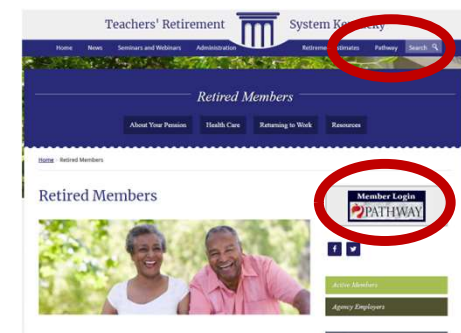
TRS website – <https://trs.ky.gov>



Homepage



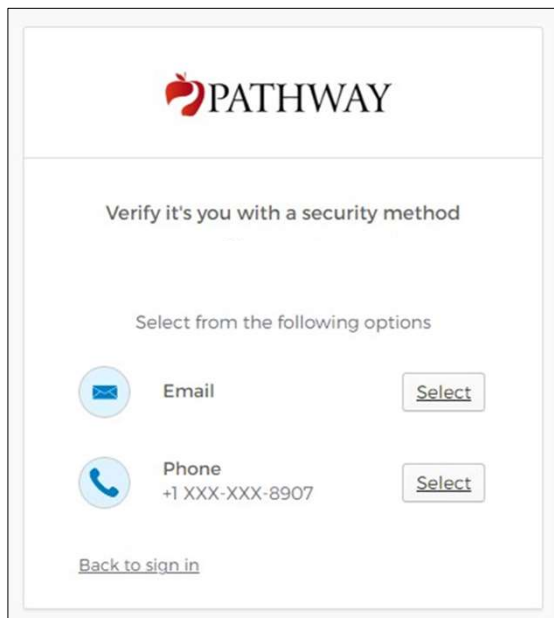
Other pages



# Using Pathway

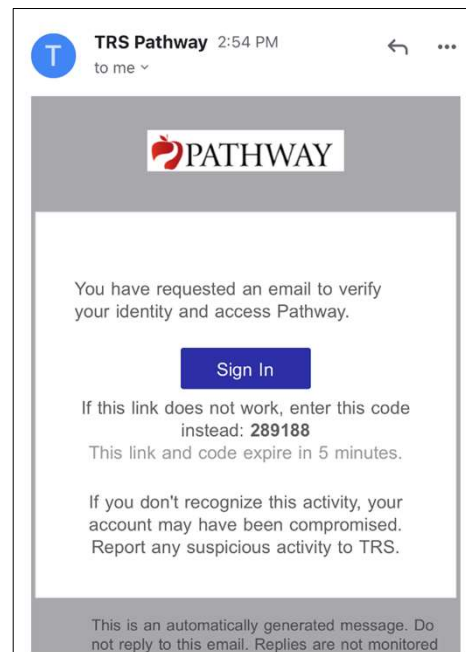
## Multifactor Authentication

### Select verification method



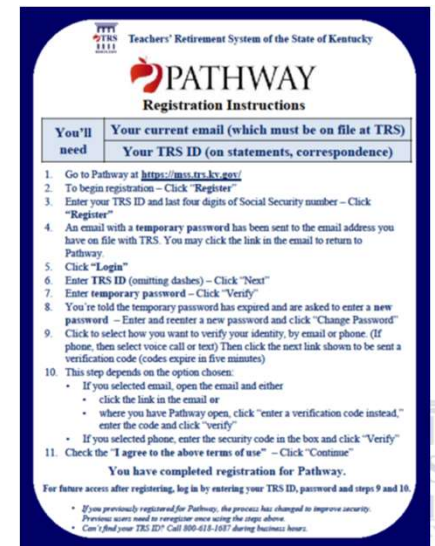
The screenshot shows the Pathway login interface. At the top is the Pathway logo. Below it, the text reads "Verify it's you with a security method". Underneath, it says "Select from the following options". There are two options: "Email" with a blue envelope icon and a "Select" button, and "Phone" with a blue telephone icon, the number "+1 XXX-XXX-8907", and a "Select" button. At the bottom left, there is a link that says "Back to sign in".

### Receive code



The screenshot shows an email from "TRS Pathway" sent at 2:54 PM. The email header includes a blue "T" icon and the text "to me". The main body of the email features the Pathway logo and the text: "You have requested an email to verify your identity and access Pathway." Below this is a blue "Sign In" button. Further down, it says: "If this link does not work, enter this code instead: 289188" and "This link and code expire in 5 minutes." At the bottom, it reads: "If you don't recognize this activity, your account may have been compromised. Report any suspicious activity to TRS." A footer note states: "This is an automatically generated message. Do not reply to this email. Replies are not monitored."

### Registration process handout



The screenshot shows a handout titled "PATHWAY Registration Instructions" from the Teachers' Retirement System of the State of Kentucky. It includes a table with the following content:

You'll need	Your current email (which must be on file at TRS)
	Your TRS ID (on statements, correspondence)

- Go to Pathway at <https://ms.trs.ky.gov/>
- To begin registration – Click "Register"
- Enter your TRS ID and last four digits of Social Security number – Click "Register"
- An email with a temporary password has been sent to the email address you have on file with TRS. You may click the link in the email to return to Pathway.
- Click "Login"
- Enter TRS ID (omitting dashes) – Click "Next"
- Enter temporary password – Click "Verify"
- You're told the temporary password has expired and are asked to enter a new password – Enter and reenter a new password and click "Change Password"
- Click to select how you want to verify your identity, by email or phone. (If phone, then select voice call or text) Then click the next link shown to be sent a verification code (codes expire in five minutes)
- This step depends on the option chosen:
  - If you selected email, open the email and either
    - click the link in the email or
    - where you have Pathway open, click "enter a verification code instead," enter the code and click "verify"
  - If you selected phone, enter the security code in the box and click "Verify"
- Check the "I agree to the above terms of use" – Click "Continue"

You have completed registration for Pathway.  
For future access after registering, log in by entering your TRS ID, password and steps 9 and 10.

- If you previously registered for Pathway, the process has changed to improve security. Previous users need to re-register once using the steps above.
- Can't find your TRS ID? Call 800-618-1087 during business hours.

# 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
- Create or view retirement benefit estimates
- Submit applications for retirement or health insurance



# 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

The image shows a sample of a "Statement of Retiree Benefit Account" from the Teachers' Retirement System of the State of Kentucky. The form includes the TRS logo and contact information: 479 Versailles Road, Frankfort, KY 40601-3800. It states that the statement is prepared especially for the retiree and is an important financial document. The form is divided into several sections: Personal Information, Retirement Account Summary, 2020 Benefits Paid By TRS, and 2020 Annuity Deductions. Each section contains a table with specific data points. The Personal Information table has columns for TRS ID, Date of birth, Phone, and Email. The Retirement Account Summary table has columns for Benefit type, Retirement date, Retirement option, and Gross monthly annuity. The 2020 Benefits Paid By TRS table has columns for Annuity payments, Insurance premiums, and Total. The 2020 Annuity Deductions table has columns for Insurance premiums, Federal tax, Kentucky tax, and Other deductions. At the bottom, it states that through December 2020, TRS has paid a cumulative lifetime annuity benefit of \$.

**Teachers' Retirement System of the State of Kentucky**  
479 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://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://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	Kentucky tax	Other deductions

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

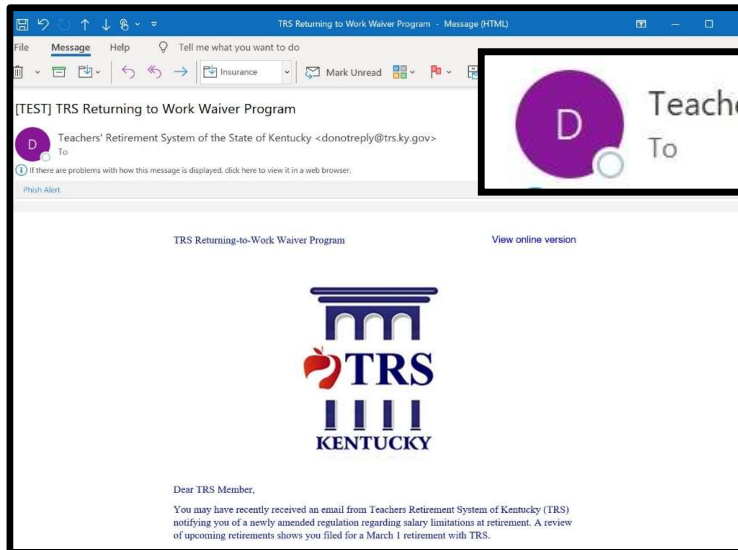
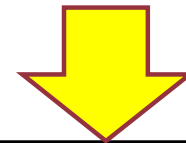
Account information is subject to correction upon discovery of any error or conflict with state or federal laws.

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



# Direct Emails

## TRS Now Uses Mass Emails to Contact Members



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

- Email from address of [donotreply@trs.ky.gov](mailto:donotreply@trs.ky.gov)
- Safe to open



# Don't Be Fooled

**Make Sure You're Talking to TRS**



**Beware**

Third-party solicitations are not from TRS, and nor does TRS offer counseling through third parties.

# MEHP

## What's Jane Say

### 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](https://youtu.be/r07m_jwc-wY)  
or <https://trs.ky.gov/videos>



# 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

# 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

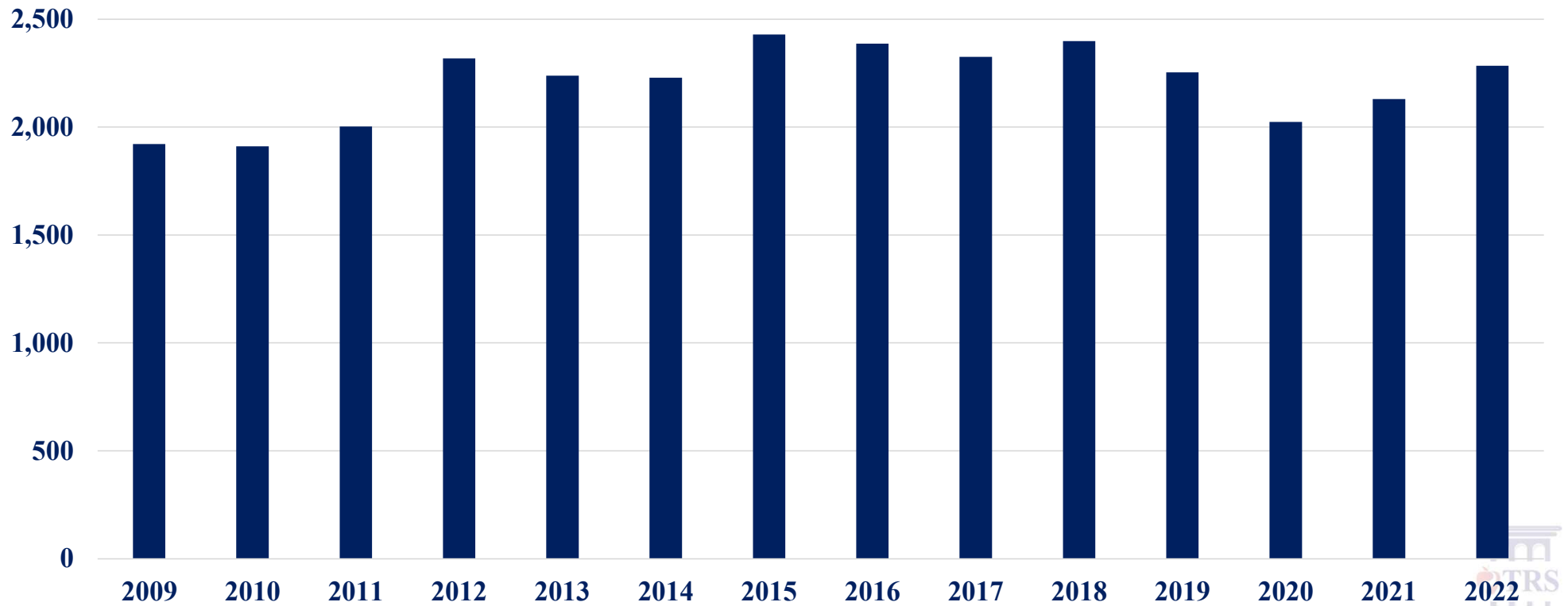
- observing breaks in service
- no prearranged agreement

# 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

# Retirements

Fiscal 2022



# 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](mailto:info@trs.ky.gov)**

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

***Protecting & Preserving Teachers' Retirement Benefits***