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Teachers' Retirement System

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From the Executive Secretary What Top Investment Performance For a Decade Means for Kentucky Teachers and Taxpayers By Gary L. Harbin, CPA

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With the new year marking the end of the “teens,” many people are looking back and debating the “best ofs” for a decade. One undebatable conclusion for that decade and more is that Kentucky public school teachers’ retirement funds are being invested significantly better than other institutional investors. In both performance and low-cost investing, TRS is paying off for Kentucky’s teachers and all taxpayers.

As of June 30, 2019, TRS achieved top 8% investment performance during the last 10 years among public plans with assets over \$1 billion as ranked by Aon. That top decile performance isn’t just a percentage or a percentile, it’s real dollars.

See Top Investment Performance, page 2

Electronic Voting Option Continues for 2020 Trustee Election in April

TRS again will offer the option of electronic voting for the Board of Trustees election. Electronic voting will be available through Pathway (<https://mss.trs.ky.gov>) between April 1 and 19. Reminders will be communicated broadly, including through Facebook and Twitter.

The goals of this for trustee elections are to provide a secure method for people who prefer to vote by personal device and to increase participation in the elections.

See Electronic Voting, page 2

Top Investment Performance, from page 1

In the last 11 years, TRS has earned \$3 billion in net investment income over the typical pension plan. That overperformance helps ensure retirement security and decreases the state's liability by that amount.

Speaking of liability, it's also worth remembering that the 2010 Shared Responsibility law, which prefunded retiree health insurance, along with other cost-saving measures undertaken at the time saved the state \$5 billion in liabilities.

So, it's more than fair to say that the efforts of the TRS Board of Trustees; educators and lawmakers; and TRS staff have resulted in an \$8 billion reduction in liabilities for the state in the last 11 years.

All this continues a track record of growth over many decades that shows the sustainability of this

benefit for teachers. The Retirement Annuity Trust had \$1.8 billion in 1985. Since that time, TRS has paid \$30.9 billion in payments and ended the most recent fiscal year with \$20.4 billion in assets.

How is that possible? Because TRS investments earned \$27.5 billion with \$22.2 billion in contributions during the 34 years. For the last three decades, TRS has earned compounded returns of 8.13%.

With all this looking back a decade and looking forward, it's clear that this teachers' retirement system is the best deal the state of Kentucky can have — for retirees, teachers and other taxpayers. The numbers, decade after decade, confirm the growth of TRS and why teachers will be able to rely on it for decades to come. Feel free to put TRS on your "best of" lists.

Electronic Voting, from page 1

The electronic voting will be followed by voting by paper ballot in May. Once the period for electronic voting is closed, paper ballots will be printed and mailed to anyone who hasn't already voted.

On-screen ballots, which include candidate biographies, are similar to the paper ballots TRS has used for years.

The election will be overseen, as required by law, by the Kentucky Department of Education (KDE), and votes will be tallied at KDE, which forwards the results to TRS. The votes on electronic ballots will not be seen by anyone at TRS; the paper ballots will continue to be mailed to KDE.

Results will be announced in June, and the new trustee's four-year term begins July 1.



The 11-member TRS board includes seven trustees elected by active members and retirees. The other four consist of two, the education commissioner and the state treasurer, who serve by reason of their office and two who are appointed by the governor with investment experience.

One active teacher seat is up for election this year.

New Rules in Place for TRS Retirees Returning to Work with a TRS Employer

In order to ensure that TRS members are able to make tax-deferred contributions toward retirement, new rules are in place so that TRS's return-to-work policies comply with federal law for retirees returning to work with any employer covered by TRS. The changes apply only to members who retired on or after Jan. 1, 2020.

Two of the biggest changes, before a retiree can return to work with a TRS employer, are the required break in service will be measured from the date of retirement, not the last day worked, and the break is required even if your new job with a TRS employer will not be a TRS position.

Also, retirees returning to work with any TRS employer will have to sign – along with the new employer – a form certifying no agreement was made prior to retiring about returning to work. This includes retirees returning to work with a different TRS employer. In order to ensure that retirements actually are retirements, federal tax law prohibits retiring with an agreement of being rehired.

Under the new rules, the break in service also now is required for university members seeking to return to work with a TRS employer.

Additionally, this means universities in TRS no longer will be permitted to use programs that allow for a reduced workload immediately after retirement without a break in service.

As a reminder, a three-month break in service is required if returning to work for the same TRS employer part time or a different TRS employer part or full time. A 12-month break is required if returning to the same TRS employer full time. And those break rules apply regardless of whether the new position is certified or classified.

Also, as a reminder, the retiree may not provide any paid or unpaid service to a TRS-participating employer during the break in service, such as – for example – reading to students, helping set up a stage, collecting tickets, putting up chairs or working in a school concession stand. The restriction does not ban retirees from school property during the break in service. Retirees, as long as they are not providing a service to the TRS employer, may – for example – visit; attend school functions like plays and sporting events as a spectator; and take grandchildren to school. Most importantly, retirees who are in their break-in-service period should call TRS before doing anything for a TRS employer that they're unsure is permitted during a break in service.



TRS Investment Performance 5.9% for Fiscal Year 2019

The teachers' pension fund saw a 5.9% gross and 5.59% net of fees return for the fiscal year that ended June 30. While the one-year performance is below the 7.5% assumed rate of return, TRS is a long-term investor and any single year's return should be viewed accordingly.

	1-year	3-year	5-year	10-year	20-year
Gross	5.9%	10.62%	7.08%	10.33%	6%
Benchmarks	7.44%	10.22%	7.04%	10.15%	N/A
Net of Fees	5.59%	10.31%	6.82 %	10.08%	5.85%

TRS is beating its benchmarks (which are measured against gross returns) for the 3-year, 5-year and 10-year returns, with performance in the top 10% of pension plans for each of those periods as ranked by Aon. The performance for the one-year return was in line with Aon's average return.

The 30-year compounded gross return is 8.13%.

Funded Ratio Improves for Pension, Medical Funds

With the most recent work of actuaries and auditors done, the Teachers' Retirement System's funded ratio for the Retirement Annuity Trust improved for the fourth time in the last five years.

During the fiscal year that ended June 30, TRS experienced the first year of full funding. Another year of full funding is budgeted for the current fiscal year as well. Both of these follow nearly full funding in the 2016-2018 biennium.

Thanks to this funding and investment returns on it, the funded ratio of the retirement annuity improved to 58.1%, from 57.7% the prior year, according to the actuarial valuation. According to the most recent audit, the fiduciary net position of all TRS funds has improved more than \$4.2 billion since June 30, 2016. Both the actuarial valuation and annual audit were released in November.

With retiree health insurance, Shared Responsibility, which went into effect in 2010, has resulted in the Health Insurance Trust reaching 46% funding compared to pay-as-you-go status before the law took effect.

Before Shared Responsibility was enacted in 2010, the funding ratio was at 3.5% at the end of fiscal year 2009.

Security Dos and Don'ts

As the Teachers' Retirement System encourages members to do more with their accounts online, some pointers are in order to ensure the security of your account. First, know that TRS is aware of your login information. TRS will never ask you for your password over the telephone or by email. Don't give this information to anyone, even if they claim to be a representative of TRS. The following tips are gleaned



DO

- Create different passwords for different accounts.
- Use combinations of uppercase and lowercase letters, numbers and special characters.
- Keep your computer and device software up to date.
- Use a password or personal ID number on your mobile phone.

DON'T

- Share passwords with others.
- Post information like credit card numbers or passwords on public sites.
- Click links, open mail or open attachments from an untrusted source.
- Respond to phone calls, letters or emails requesting confidential data.

Deadlines for Purchasing Service Credit From Fiscal Year 2019-2020

Contact TRS about eligibility to obtain full service and or salary credit for the year ending June 30, 2020.

Leaves of absence

- Deadline for purchase is June 30
- Contact your employer for a copy of the board minutes approving the leave of absence. An LOA-1 form must be submitted to TRS by your employer.
- Employers can either complete the information through Pathway. Again,

these forms must be completed and submitted by employers.

Unpaid Days

- Deadline for purchase is Dec. 31
- An LS-1 form must be submitted to TRS by your employer.

Employers can either complete the information through Pathway. Again, these forms must be completed and submitted by employers.

Have Questions About Retirement? Attend TRS Seminars and Webinars for Answers

TRS invites you to attend retirement education opportunities in 2020 to help you become knowledgeable about TRS and make informed career decisions.

Check the TRS website (<https://trs.ky.gov>) and TRS Facebook (<https://www.facebook.com/KyTeachersRS/>) and Twitter ([@KyTeachersRS](https://twitter.com/KyTeachersRS)) feeds for up-to-date information about all the seminars and webinars being offered this year. Check back throughout the year as new dates are added.

Registration through Pathway, which has more details about times and locations, is required for Retiring Sooner or Later seminars and TRS On the Road.

Retiring Sooner or Later

A seminar generally geared toward school district employees for anyone anywhere on the career spectrum covering many retirement issues.

April 18 – Owensboro
June 13 – Bowling Green
Sept. 26 – Elizabethtown
Nov. 21 – Florence

TRS On the Road

Offers 20-minute individual counseling sessions at a location near you for members retiring within three years.

Feb. 1 – Florence
March 7 – London
April 25 – Frankfort
Nov. 7 – Pikeville

Webinars

Webinars like the seminars above and for specific audiences, like new teachers or university members, are offered throughout the year and by request. Dates and registration information can be found on the TRS website, <https://trs.ky.gov> by clicking the Seminars and Webinars tab at the top of the page.

Getting Good Estimates

People planning for retirement need good information, and the best information about TRS benefits for TRS members will come from TRS. Internet search engines don't always take someone searching for "Kentucky teacher retirement calculator" to an estimator on the TRS website. Responding to online or mail solicitations about TRS benefits also may result in members receiving bad information.

Be sure you're getting good information when you're getting an estimate; estimates that come from non-TRS sites have been inaccurate. TRS has received calls from members who

questioned both whether a solicitation they received was from TRS and whether the person doing the soliciting was purporting to be from TRS.

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

General information about getting estimates is found on the TRS website at: <https://trs.ky.gov/active-members/retirement-planning/retirement-estimator/>.

Name a Beneficiary If You Haven't Already

Failure to designate a beneficiary can result in the loss of valuable benefits for survivors in the event of the death of a member of the Teachers' Retirement System.

One of the most important responsibilities as an active, contributing TRS member is to maintain a current beneficiary designation; unfortunately, many TRS members have not done this.

In the event of an active member's death, beneficiaries receive both the contributions credited 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 as beneficiary. However, a spouse who isn't named a beneficiary must sign an acknowledgement on the form that names a beneficiary.

If you marry after becoming a member, your spouse automatically becomes your primary active account beneficiary, and your

previous primary beneficiary designation is void. To designate your new spouse as beneficiary of your life insurance benefit, however, you need to submit

a new beneficiary designation form to TRS. Divorce voids any previous designation of your spouse as a beneficiary and, unless there is another appropriately designated beneficiary remaining, your estate becomes your primary beneficiary by law. If you are married and designate a beneficiary other than your spouse, your spouse will not be eligible for survivorship benefits.

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/>.

Tips for naming a beneficiary

Are You Working Past Age 65?

TRS members who still are working at age 65 or over must enroll in Medicare once they retire to be eligible for medical insurance through TRS. For enrollment in TRS medical insurance, proof of Medicare enrollment is required as of the effective date of your retirement.

Also, to avoid penalties for not enrolling in Medicare when first eligible, your employer

may be required to complete forms before you retire to prove you have had medical insurance through your work. Contact Social Security at 800-772-1213 to discuss enrolling in Medicare prior to retirement.



Teachers' Retirement System
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New Contact Information?

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

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.

Besides your physical address, please keep email addresses and telephone numbers up to date.

TRS offers multiple ways to update personal information, including by changing it online using Pathway. 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, and the mailing address is: 479 Versailles Rd. Frankfort, KY 40601.

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

 info@trs.ky.gov

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