

Teachers' Retirement System of the State of Kentucky



The 75th Comprehensive Annual Financial Report

A Component Unit of the Commonwealth of Kentucky
Fiscal Year Ended June 30, 2015

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3800

GARY L. HARBIN, CPA
Executive Secretary

This report was prepared by the
Teachers' Retirement System staff.

TABLE OF CONTENTS

~ INTRODUCTORY SECTION ~

Chairperson's Letter 2
Letter of Transmittal 3
Board of Trustees 9
Administrative Staff and Professional Consultants 10
Organizational Chart 11
GFOA Certificate of Achievement 12
PPCC Achievement Award 13

~ FINANCIAL SECTION ~

Independent Auditor's Report 16
Management's Discussion & Analysis 18
Basic Financial Statements
 Statement of Fiduciary Net Position 22
 Statement of Changes in Fiduciary Net Position 24
 Combining Statement of Fiduciary Net Position - Other Funds 26
 Combining Statement of Changes in Fiduciary Net Position - Other Funds 27
 Notes to Financial Statements 29
Required Supplemental Information
 Schedule of Changes in the Net Pension Liability 50
 Schedule of Net Pension Liability 51
 Schedule of Employer Contributions 51
Supporting Schedules
 Schedule of Administrative Expenses 54
 Schedule of Professional Fees 54
 Schedule of Contracted Investment Management Expenses 55

~ INVESTMENT SECTION ~

Report on Investment Activity 58
Consultant Letter 59
Retirement Annuity Trust Fund
 Investment Policy Summary and Objectives 60
 Risk Controls 60
 Asset Allocation 60
 Distribution of Investments 62
 Strategic Weightings by Asset Class 63
 Portfolio Returns 63
 Fixed Income Investments 65
 Equity Investments 67
 Real Estate Investments 68
 Alternative Assets 69
 Portfolios Fair Values 72
 Investment Summary 73
 Contracted Investment Management Expenses 73
 Ten Largest Stock Holdings 75

Top Ten Fixed Income Holdings	75
Transaction Commissions	76
Proxy Voting and Corporate Behavior	78
Security Lending	78
Kentucky Investments	78
Professional Service Providers	79
Health Insurance Trust Fund	
Investment Policy and Objectives	80
Risk Controls	80
Asset Allocation	81
Distribution of Investments	81
Portfolio Returns	82
Portfolios Fair Values	83
Investment Summary	83
Contracted Investment Management Expenses	84
Professional Service Providers	85

~ ACTUARIAL SECTIONS ~

Actuarial Annual Valuation

Actuary's Certification Letter	88
Summary of Principal Results	90
Membership Data	92
Assets	93
Comments on Valuation	93
Contributions Payable Under the System	93
Comments on Level of Funding	95
Analysis of Financial Experience	97
Accounting Information	97
Valuation Balance Sheet	99
Solvency Test	100
Development of Actuarial Value of Assets	100
Summary of Receipts and Disbursements	101
Outline of Actuarial Assumptions and Methods	102
Actuarial Cost Method	104
Summary of Main System Provisions as Interpreted for Valuation Purposes	104
Table of Distribution of Active Members	107
Table of Number of Retired Members and Beneficiaries	108
Table of Retirants, Beneficiaries, and Survivors	
Added to and Removed from Rolls	108
Board Funding Policy	109

Actuarial Medical and Life Insurance Valuation

Actuary's Certification Letter	112
Summary of Principal Results	114
Membership Data	116
Assets	117
Comments on Valuation	117
Derivation of Experience Gains and Losses	118
Contributions Payable Under the Plans	118
Comments on Level of Funding	120

TABLE OF CONTENTS

Accounting Information	120
Schedule of Funding Progress	121
Results of Valuation	124
Solvency Test	124
Summary of Receipts and Disbursements	127
Statement of Actuarial Assumptions and Methods	128
Summary of Main Plan Provisions as Interpreted for Valuation Purposes	133
Table of Distribution of Active Members	138
Table of Total Active Member Valuation Data	139
All Retirees and Spouses Receiving Health Benefits	140
Table of Retirants, Beneficiaries, and Survivors	
Added to and Removed from Rolls	140
Additional Report on GASB Statement Number 67	
Actuary's Letter	144
Notes to the Financial Statements	146
Required Supplementary Information	
Schedules of Changes in Employers' Net Pension Liability	150
Schedules of Employers' Net Pension Liability	151
Schedule of Employer Contributions	151
Summary of Main Benefit Provisions	152
Schedule of Actuarial Assumptions and Methods	154
Actuarial Cost Method	156
Board Funding Policy	156

~ STATISTICAL SECTION ~

Defined Benefit Plan	
Additions by Source	161
Deductions by Type	161
Changes in Plan Net Position	161
Medical Insurance Plan	
Additions by Source	162
Deductions by Type	162
Changes in Plan Net Position	162
Life Insurance Plan	
Additions by Source	163
Deductions by Type	163
Changes in Plan Net Position	163
Distribution of Active Contributing Members	163
Principal Participating Employers	164
KTRS Schedule of Participating Employers	164
Geographical Distribution of Retirement and Medical Payments Worldwide	166
Geographical Distribution of Retirement and Medical Payments Statewide	167
Growth in Annuitants	168
Schedule of KTRS Annuitants by Type of Benefit	168
Defined Benefit Plan Average Benefit Payments for the Past Ten Years	169
Medical Insurance Plan Average Premium	
Supplements for the Past Ten Years	170
Summary of Retiree Sick Leave Payments	171
Funding of Additional Payments	171