

Teachers' Retirement System of the State of Kentucky



The 74th Comprehensive Annual Financial Report

**A Component Unit of the Commonwealth of Kentucky
Fiscal Year Ended June 30, 2014**

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

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	19
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	26
Notes to Financial Statements	28
Required Supplemental Information	
Schedule of Changes in the Net Pension Liability	49
Schedule of Net Pension Liability	50
Schedule of Employer Contributions	50
Supporting Schedules	
Schedule of Administrative Expenses	53
Schedule of Professional Fees	53
Schedule of Contracted Investment Management Expenses	54

~ INVESTMENT SECTION ~

Report on Investment Activity	56
Consultant Letter	57
Retirement Annuity Trust Fund	
Investment Policy Summary and Objectives	58
Risk Controls	58
Asset Allocation	58
Distribution of Investments	60
Strategic Weightings by Asset Class	61
Portfolio Returns	61
Fixed Income Investments	63
Equity Investments	65
Real Estate Investments	66
Alternative Assets	67
Portfolios Fair Values	70
Investment Summary	71
Contracted Investment Management Expenses	71
Ten Largest Stock Holdings	73

TABLE OF CONTENTS

Top Ten Fixed Income Holdings	73
Transaction Commissions	74
Proxy Voting and Corporate Behavior	76
Security Lending	76
Kentucky Investments	76
Professional Service Providers	77
Health Insurance Trust Fund	
Investment Policy and Objectives	78
Risk Controls	78
Asset Allocation	79
Distribution of Investments	79
Portfolio Returns	80
Portfolios Fair Values	81
Investment Summary	81
Contracted Investment Management Expenses	82
Professional Service Providers	83

~ ACTUARIAL SECTIONS ~

Actuarial Annual Valuation

Actuary's Certification Letter	86
Summary of Principal Results	88
Membership Data	90
Assets	91
Comments on Valuation	91
Contributions Payable Under the System	91
Comments on Level of Funding	93
Analysis of Financial Experience	95
Accounting Information	96
Valuation Balance Sheet	98
Solvency Test	99
Development of Actuarial Value of Assets	99
Summary of Receipts and Disbursements	100
Outline of Actuarial Assumptions and Methods	101
Actuarial Cost Method	103
Summary of Main System Provisions as Interpreted for Valuation Purposes	103
Table of Distribution of Active Members	106
Table of Number of Retired Members and Beneficiaries	107
Table of Retirants, Beneficiaries, and Survivors	
Added to and Removed from Rolls	107
Board Funding Policy	108

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	141

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
-------	-----