

# KENTUCKY

## TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER  
EDITION



APRIL/MAY  
2015

### Responsible Funding Plan Moves Forward, But There Is Still Work to Do!

A Message from the Executive Secretary

Gary L. Harbin, CPA

During the 2015 Regular Session of the General Assembly, Greg Stumbo, Speaker of the House of Representatives, introduced House Bill 4 to address a long-term funding solution for teachers' pensions. House Bill 4 passed out of the House of Representatives with a super majority vote including both Democratic and Republican members. The Senate amended House Bill 4 and the matter went to conference committee to attempt reconciliation of differences. However, when the General Assembly adjourned during the early morning hours of Wednesday, March 25<sup>th</sup>, House Bill 4 was one of the bills that had not passed.

House Bill 4, in its original version without amendment, would have provided a long-term funding solution for the teachers' pensions with the following features:

- A bond of up to \$3.3 billion issued at historically low interest rates;
- The bond would increase retirement security for teachers by immediately increasing the funded ratio of the plan from 53% to 66%;
- The bond would not increase payments from the state's budget because debt service on the bond would come from funds already dedicated to fund teachers' pensions;

- The bond would not increase the state's debt because the debt owed teachers is already on the state's balance sheet;
- The bond would provide needed cash flow to pay retired teachers' pensions and thereby stop the liquidation of investment assets to meet retiree payroll;
- The bond would make it possible for the Commonwealth to slowly phase in, over eight years, to the full annual required contribution; and
- After reaching the annual required contribution, the state would be on track to fully fund teachers' pensions over the next 20 years.

House Bill 4 was not just a short-term fix; it provided a long-term funding solution benefiting teachers and taxpayers. In reviewing the provisions of House Bill 4, the firm Mountjoy, Chilton, and Medley (a preeminent Kentucky based accounting firm with expertise in public and private finance) observed "waiting to implement this plan will be a loss for the state, it should be done immediately."

Since 2008, given finite revenue and challenging budgets, the state has been unable to pay the full annual required contribution for teachers' pensions. What began as a shortfall of \$60.5 million has compounded year after year to \$487 million this fiscal year. The pension plan's independent actuary, Cavanaugh Macdonald Consulting, LLC, holds the

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#### Headlines

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May 2015  
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ELECTION

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opinion that not paying the annual required contribution is undermining the financial integrity of teachers' pensions. The actuary reported "the plan is at a tipping point because current retirees are being paid by liquidating investments that should be saved, invested, and grown for future retirees." House Bill 4 and its long-term funding plan provided the state the ability to address this issue head-on and avert this tipping point. The funding plan remains a viable option today.

Ideally, the General Assembly could meet and adopt a funding plan in a special session as soon as possible. Implementing a funding plan now, before interest rates increase, will save taxpayers hundreds of millions of dollars. Following the fiscal year 2014 audit of KTRS, Adam Edelen, the Kentucky Auditor of Public Accounts said "the problem with teachers' pensions is a lack of adequate funding by the state—not management of the system." Auditor Edelen also called on the state to fund teachers' pensions immediately because "an unfunded pension doesn't age like wine, it ages like milk."

## Are Your Life Insurance Beneficiary & Retirement Account Beneficiary Current?

One of the advantages of being part of KTRS, is that you have a life insurance benefit. KRS 161.655 sets this benefit at \$5,000 for retirees and \$2,000 for active contributing members. The law specifies that this benefit is payable upon the death of the member to the member's estate or to a party designated by the member on a form prescribed by the retirement system. Members who do not have a party designated to receive this benefit can do so by completing a Designation of Beneficiary Form (KTRS Life Insurance Form DB-1).

KTRS retirees are reminded that changing the life insurance benefit designation does not affect the beneficiary designation made at retirement that provides for a monthly payment to a survivor in the event of death of the retired member. It is very important that both active and retired KTRS members keep their life insurance beneficiary designation current and up to date. Failure to keep your beneficiary designation up to date could lead to costly legal fees in probate court. To request this form call KTRS toll free at 1-800-618-1687.



The Teachers' Retirement System is governed by a nine member Board of Trustees. Two trustees are ex-officio members, the Chief State School Officer and the State Treasurer. The remaining seven trustees are elected by the retired and active membership. Elections are held in May of each year to fill either one or two positions on the Board. Positions are held for four-year terms and the elections are staggered. During this year's election, the membership will elect a lay trustee and an active teacher trustee. The candidates for the lay trustee position are Ronald L. Sanders, the incumbent from Hodgenville, and Wendell W. Lyons, from Louisville.

The candidates for the active teacher trustee position are the Ali Wright, from Lexington, and Keri Meador, from Louisville.

In early May, ballots are mailed to each retired and active KTRS member with information about the candidates. Retired members will receive a yellow ballot and active members will receive a blue ballot. Please select your candidate, tear along the perforation, and drop the ballot in the mail. Postage is prepaid. You may return your ballot any time during May, but your ballot **must be postmarked by May 31, 2015**. The Chief State School Officer is responsible for counting the ballots.



All members are urged to review the qualifications of each candidate and cast their ballot for the candidate who they feel has the best qualifications to be an effective member of the Board of Trustees. The results of the election will be announced in the next KTRS newsletter.



## What You Will Need for a Successful Retirement Experience!

- Your KTRS Application for Service Retirement (Form 23)  
(This application must be completed and signed by YOU and YOUR EMPLOYER.)
- A COPY of your official certified birth certificate
- A COPY of your Social Security card.  
(Issued by the SSA and bearing its seal and your signature)
- A COPY of your official certified marriage license  
(If married at the time of your retirement)
- A COPY of your beneficiary's official certified birth certificate & signed Social Security card  
(If Retirement Option III, IIIA, IV or IVA is selected)
- And remember to submit payment for certain service credit purchases two months prior to your retirement.  
(If you are qualifying previously purchased out-of-state service or purchasing non-standard, prior military, or out-of-state service to retire, the retirement system will calculate the amount due and notify you in writing upon receipt of your completed application.)

Attend a  
**PRE-RETIREMENT**  
**SEMINAR!!**



## Are you retiring with service in both KTRS and Kentucky Retirement Systems? READ THIS FIRST!

Members who retire with both KTRS and Kentucky Retirement Systems (KRS) service are subject to the post-retirement return-to-work provisions in both retirement systems. As such, it is extremely important that you contact both retirement systems and make sure that you understand the return-to-work provisions in each system before you return to work for any employer that participates in either KTRS or KRS. Failure to follow the return-to-work provisions in both retirement systems can have serious consequences, including the voiding of your retirement and the obligation to repay all benefits received.

### RETIREMENT 101 WORKSHOP

#### Elizabethtown, KY

June 23, 2015  
Registration 8:30 am  
Workshop 9:00 –  
11:00 am (Local Time)

#### Lexington, KY

August 4, 2015  
Registration 8:30 am  
Workshop 9:00 –  
11:00 am (Local Time)

#### Danville, KY

July 14, 2015  
Registration 8:30 am  
Workshop 9:00 –  
11:00 am (Local Time)

*Please visit [www.ktrs.ky.gov](http://www.ktrs.ky.gov) for  
ADDITIONAL dates and registration.  
YOU MUST REGISTER TO ATTEND!*

### PRE-RETIREMENT SEMINAR

#### Cave City, KY

June 13, 2015  
Registration 8:30 am  
Seminar 9:00 am –  
Noon (Local Time)  
Cave City  
Convention Center  
502 Mammoth Cave St.  
Cave City, KY

#### Dry Ridge, KY

August 29, 2015  
Registration 8:30 am  
Seminar 9:00 am –  
Noon (Local Time)  
Grant County HS  
715 Warsaw Rd.  
Dry Ridge, KY

#### Frankfort, KY

July 7, 2015  
Registration 4:30 pm  
Seminar 5:00 pm –  
7:30 pm (Local Time)  
Frankfort Country Club  
101 Duntreath St.  
Frankfort, KY

*Please visit [www.ktrs.ky.gov](http://www.ktrs.ky.gov) for  
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## Minimum Distribution Requirements

Regardless of whether you are vested with at least five (5) years of service or not, if you are no longer working for a participating KTRS employer, federal tax law requires you to take action soon after you reach age 70½ to withdraw the contributions that have been deposited in your retirement account. If you are vested with at least five (5) years of service, you are required to withdraw your contributions by filing a retirement application to start receiving your retirement allowance. If you are not vested with at least five (5) years of service, you are required to file an application for a refund of your account. Failure to take action to timely withdraw the contributions that have been deposited in your retirement account may result in federal tax penalties.

If you are age 70½ or over and no longer contributing to the retirement system, please contact KTRS immediately for the appropriate forms to apply for retirement or a refund to avoid substantial and recurring federal tax penalties. Federal tax law also requires the beneficiary of an active or retired member to begin receiving benefits or take a refund soon after the member's death.

Beneficiaries should contact the retirement office soon after the member's death to begin receiving benefits or take a refund in order to avoid any applicable penalties.

## Deadlines for Purchasing Service Credit

Contact KTRS about eligibility to obtain full service and/or salary credit.

### FY 2013-2014 LEAVES OF ABSENCE

**DEADLINE for purchase is  
June 30, 2015**

Contact your employer for required documentation confirming the leave of absence. Use form LOA-1\*

### FY 2014-2015 UNPAID DAYS

Have your employer complete Form LS-1\* and submit to KTRS.

**DEADLINE for purchase is  
December 31, 2015**

\* Employers can either complete the information on the KTRS Employer's Portal or download the forms at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). **These forms must be completed and submitted by your employer.**