

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



FEBRUARY
2016

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Bringing KTRS to Facebook, Twitter, Smartphones

The Kentucky Teachers' Retirement System wants to connect with members whatever way is most convenient. In the 21st Century, that means social media.

In tandem with launching a new, more user friendly website, KTRS created accounts on Facebook and Twitter. The goal of all those efforts — including the Pathway online self-service portal that allows members to access information about their accounts 24-7— is to provide more information about KTRS to members in a more timely fashion.

Facebook and Twitter postings, whenever possible, will link back to the new website that has a cleaner look with relevant content, from investment returns and holdings to bills of note in the legislature and agendas for upcoming Board of Trustees meetings.

The venerable KTRS newsletter remains a centerpiece of the agency's communications efforts, but it is imperative to provide information more quickly than the newsletter's quarterly distribution schedule.

Please visit, "like," "follow," Tweet and share our new online efforts:



FACEBOOK
[facebook.com/KyTeachersRS](https://www.facebook.com/KyTeachersRS)

TWITTER
[@KyTeachersRS](https://twitter.com/KyTeachersRS)

WEBSITE
ktrs.ky.gov

**PATHWAY
SELF-SERVICE PORTAL**
<https://mss.ktrs.ky.gov/>

**KENTUCKY TEACHERS'
RETIREMENT SYSTEM**
479 Versailles Road
Frankfort, KY 40601
Monday through Friday
from 8 a.m. to 5 p.m. ET
Phone: 800-618-1687



Answering Persistent Questions

by Gary L. Harbin, CPA
Executive Secretary

Radio host Garrison Keillor's private eye detective character Guy Noir has for years been "trying to find the answers to life's persistent questions." As the education community continues the crucial work of securing funding during the current Kentucky legislative session, the Kentucky Teachers' Retirement System, too, is answering "persistent questions."

Much of what you're reading in this newsletter covers efforts at KTRS to fulfill the mission of answering questions from teachers, retirees, legislators and other citizens. Among the examples are articles about: the new website, Facebook page and Twitter account; and showing members how to handle pension income on state tax returns. Everything we do has the best interests in mind of you, the member, and the retirement benefits you're guaranteed. And, in some sense, it's also aimed at answering persistent questions. We always are happy to do so.

One of those persistent questions that came up during the recent Funding Work Group — and that comes up again and again in letters to the editor and other forums across the commonwealth is: if pensions are cost effective, why is the private sector turning to defined contribution plans?

The work group's consultant, William B. "Flick" Forna of Pension Trustee Advisors, provided an interesting answer to the question, and I also wanted to offer a few of my thoughts on the question.

Forna said companies don't like the perceived risk of having a company pension plan being worth more than the underlying business.

"I don't think Kentucky will ever be a pension fund that's a commonwealth on the side," he said.

As for my thoughts on the matter, one difference between current private business practice and public pensions is a function of today's merger-mania business climate.

These days Bourbon County's Paris and France's Paris are mere computer clicks apart rather than being separated by an ocean. The world is a smaller place, including the business world where companies are sold with remarkable frequency. Those corporations interested in being acquired seek simplicity. Company pension funds being included in mergers make transactions more complicated. Thus, defined contribution plans make a sale easier. But what's simpler for the balance sheets of company owners and

boards isn't what's best for the retirement security of their employees.

The funding group's final report, which was issued in December and is available on the new KTRS website, confirmed that Kentucky's pension plan for teachers is a low-cost, high-quality benefit that is better for teachers and taxpayers than any other option. It's almost the same cost as Social Security, and it's cheaper if the cost of a supplemental retirement plan is paired with it. That's not to say there can't be tweaks and changes, but that big-picture takeaway is indisputable.

As this legislative session continues through mid-April (check the website's legislation page for a list of pension-related bills), be assured that the Board of Trustees and entire staff of KTRS always are working to protect your retirement security, providing persistent answers to those persistent questions.

Funding Ratio Updated

Actuaries for the Kentucky Teachers' Retirement System recently issued updated figures on the assets and liabilities of the teachers' pension plan and the retiree medical trust. The numbers are included in the Comprehensive Annual Financial Report that is available on the KTRS website.



As of June 30, 2015, the pension fund's assets of \$17.2 billion covered 55.3 percent of the system's \$31.1 billion in liabilities. That's an improvement over the 53.6 percent funding ratio at the same point the previous year, but the better position is the result of investment returns — not an improvement in funding.

The retiree medical trust assets of \$638 million, as of June 30, 2015, covered 18.09 percent of the \$3.5 billion in liabilities — an improvement from the 15.93 percent funding ratio as of the same date in 2014.

For more information, go to the KTRS website at ktrs.ky.gov and search for the "fast facts" page that summarizes information about the pension and medical trusts. Also, more detailed information is available on the "financials, reports & quarterly investments" page.

Minimum Distribution Requirements

Regardless of whether you are vested with at least five years of service, if you are no longer working for a participating KTRS employer, federal tax law requires you to take action soon after you turn 70½ to withdraw the contributions that have been deposited in your retirement account.

If you are vested with at least five 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 years of service, you are required to file an application for a refund of your account.

Failure to make a timely withdrawal of contributions in your retirement account may result in federal tax penalties.

If you are 70½ or older and no longer contributing to the retirement system, please contact KTRS immediately for the 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 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.

Two-Year Delay on the Federal Excise "Cadillac" Tax

Federal lawmakers have approved a two-year delay on the federal excise "Cadillac" tax, moving the effective date to Jan. 1, 2020.

The tax is created by the Patient Protection and Affordable Care Act (ACA), a provision of which would have imposed an excise tax — informally known as a Cadillac tax — of 40 percent on the cost of employer-provided insurance plans that exceed certain thresholds beginning in 2018. The Kentucky Employees' Health Plan (KEHP) for KTRS's under-65 retirees likely would have been subject to the Cadillac tax.



The tax could result in reduced benefits or higher insurance premiums to both active employees and retirees in the KEHP, with no corresponding increase in salaries or pensions to offset the increased costs. As a result, many public and private sector employers and agencies, including KTRS, share a concern that the new revenue stream is flawed and will not provide the additional \$93 billion in revenue proponents say it will in the first 10 years to cover the cost of insuring all nationwide.

KTRS's under-65 retirees and dependents represent 17,000 of the 260,000 participants insured through the KEHP. KTRS will continue to monitor this tax in the future and its effect on retired Kentucky teachers.



Check out Your Account on Pathway Member Self-Service Site

As members are registering for the new Pathway site that allows them to access their retirement account information, some start-up issues have come to the attention of the Kentucky Teachers' Retirement System. The programming issues, which include how certain aspects of accounts are displayed, do not impact your accounts in any way and stem from converting from the old computer system to Pathway.

KTRS is in the process of registering members in phases for the Pathway self-service account site. About 45,000 members already have been invited to register, and the remaining members should be invited by the end of May.

Once registered, members are encouraged to login, review account information and call KTRS toll free at 800-618-1687 or local at 502-848-8500 to report any discrepancies or ask about any information that doesn't look right.

KTRS is working to address issues that have arisen. Please access your account and call KTRS with any concerns about Pathway or anything else regarding your retirement.

Deadlines for Purchasing Service Credit

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

FY 2014-2015

Leaves of Absence
Deadline for purchase is
June 30

Contact your employer for required documentation confirming the leave of absence. An LOA-1 must be submitted to KTRS by your employer.

FY 2015-2016

Unpaid Days
Deadline for purchase is
Dec. 31

An LS-1 must be submitted to KTRS by your employer.

Employers can either complete the information on the KTRS employer's portal or download the forms from the KTRS website. Again, these forms must be completed and submitted by your employer.

Upcoming Seminars & Workshops

The KTRS website, ktrs.ky.gov, is the best place to check and register for upcoming seminars. Click the Seminars/Workshops tab at the top of the homepage for up-to-date information and registration, which is required.

~ Retirement 101 ~

For KTRS members with many years to plan for retirement

March 8 – Corbin

Registration: 4:30 p.m. ET
Workshop: 5–7 p.m.
The Corbin Center
222 Corbin Center Dr.
Corbin, Ky. 40701

April 12 – Prestonsburg

Registration: 4:30 p.m. ET
Workshop: 5–7 p.m.
Jenny Wiley State Resort Park
75 Theatre Court
Prestonsburg, Ky. 41653

~ Preretirement Seminars ~

For KTRS members within five years of retirement

March 19 – Morehead

Registration: 8:30 a.m. ET
Seminar: 9 a.m. – noon
Rowan Co. High School
499 Viking Dr.
Morehead, Ky. 40351

April 9 – Slade

Registration 8:30 a.m. ET
Seminar 9 a.m. – noon
Natural Bridge State Resort Park
2135 Natural Bridge Rd.
Slade, Ky. 40376

April 30 – Louisville

Registration 8:30 a.m. ET
Seminar 9 a.m. – noon
Southern High School
8620 Preston Highway
Louisville, Ky. 40219