



479 Versailles Road  
Frankfort, KY 40601  
800-618-1687

# Teachers' Retirement System

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## From the Executive Secretary By Gary L. Harbin, CPA

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If 20 years ago, when I started at TRS as executive secretary, you'd have told me that, instead of cutting a cake together, we'd celebrate our 80th anniversary wearing masks; well, that would have piqued my interest, to put it mildly.

But as a result of the global COVID-19 pandemic, we marked the 80th anniversary of the Teachers' Retirement System of the State of Kentucky opening July 1, 1940, with most TRS employees, instead, meeting with members while working from home.

In an odd way, that hard-to-envision scenario helps prove the success of the vision behind the opening of TRS eight decades ago with a \$1 million appropriation. That vision was – and remains – that Kentucky's teachers can rely on a secure retirement regardless of the crisis of the day, year or decade. Through wars, natural disasters, economic upheavals and pandemics of the last 80 years, TRS, now with about \$20 billion in assets, has been there to provide a secure retirement for Kentucky's teachers, including almost a dozen living today who were active teachers on the day the doors opened July 1, 1940. It's proof that pension plans are built to last.

During the current global pandemic, TRS has performed without a hitch, providing all our services to members.

The checks still go out on time. Counseling sessions are by video or phone, and seminars now are webinars. We're still processing retirements and insurance applications. We're still investing in real time. Board meetings are live streamed and conducted by video teleconferencing.



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Beyond that, we've contacted our oldest members directly using mass emails and phone calls to remind them of ways to stay safe and healthy against a disease that preys on senior citizens. That message is echoed in a video on the TRS website that I recorded. The video is on a new website page that summarizes all the changes made because of the virus and ways that members can stay well.

Speaking of investing, while some investors panicked during the pandemic-driven market drop through March, TRS's investment team used that

financial disruption as an opportunity. This calm discipline is proving again to be the correct approach. By the end of April, TRS's investments nearly had rebounded to even for the fiscal year to date. TRS has this ability because funds for retired teachers are invested for a group of people rather than one person. Discipline works.

Stay safe as we all wish your retirement system a happy 80th birthday and look forward to another 80 years of retirement security for Kentucky's teachers.

## How TRS Is Reaching You During COVID-19 Pandemic

TRS is using videoconferencing and other electronic forms of communication, including bulk emails, during this time that the office in Frankfort remains closed to visitors. Because health professionals say many TRS members are, by virtue of age and other health conditions, among the most at risk for COVID-19, TRS plans to continue operating this way for the time being to protect members and TRS staff.

Any change would be communicated through TRS's feeds on Twitter and Facebook and the website, including its coronavirus update page: <https://trs.ky.gov/news/coronavirus-response-updates/>.



## TRS Receives Full Funding in One-Year Budget



The one-year state budget for the fiscal year that began July 1 provides the full funding for retired teachers' pensions and the state's Shared Responsibility contribution toward single premiums for health insurance.

Should revenue projections be short by 5% or less for the current fiscal year that began July 1, the budget calls for reducing contributions to TRS. This could result in a loss of funding in pension contributions of \$550 million in the current fiscal year and \$572 million in the following fiscal year. Health insurance contributions could be reduced by \$15.7 million in the current year and \$28.5 million the following fiscal year.

Shortfalls of more than 5% would require a special session of the General Assembly.

## Tollesboro Teacher Re-Elected to Board



Current teacher trustee Josh Underwood won a second term on the TRS Board of Trustees as a result of this year's members' election.

The four-year term began July 1.

He has served the previous four years on the board's investment, insurance and scholarship committees.

Mr. Underwood has taught science for 19 years in middle and high schools and is currently the physics and aviation teacher at Mason County High School. He earned bachelor's and master's degrees from Morehead State University and a master's from Montana State University – all in science education.

Mr. Underwood also is National Board Certified in physics. He is a past president of the Kentucky Science Teachers Association, a member of the Kentucky Education Association's TALK conference planning committee and a past member of KEA's National Board Certification Jump Start team. Mr. Underwood also received the Kentucky Department of Education's 2015 High School Teacher of the Year award and KEA's Award for Teaching Excellence in 2013.

The Board of Trustees consists of 11 members: seven people elected by the membership (four active teachers, one retiree, two lay trustees); two appointed by the governor with investment experience; the state treasurer; and the state education commissioner.

## Returning-to-Work Reminders

As a reminder, changes to return-to-work rules took effect several months ago for anyone who retired or is retiring on or after Jan. 1, 2020.

The changes ensure TRS members are able to make tax-deferred contributions toward retirement and that TRS's policies comply with federal law for retirees returning to work with any employer covered by TRS.

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

Also new is that retirees returning to work

with any TRS employer must 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.



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

Detailed information is on the TRS website at <https://trs.ky.gov/retired-members/returning-to-work/>.

## Service Retirement Reminders

Deciding to retire: Obtaining an estimate of monthly retirement benefit amounts can help budget for retirement life. The monthly annuity earned from TRS is a lifetime benefit that increases with an annual 1.5% cost-of-living adjustment. The information in this article shows how to achieve these milestones and reduce or avoid penalties.

Formula: A straight life annuity with refundable balance (Option I) is determined by multiplying the years of service credit by the **multiplier** (or multipliers), the result of which is multiplied by the **final average salary** to provide the annual benefit amount. (Bolded terms defined below.)

Eligibility: Retirement eligibility is calculated based on age and years of service. If retiring with fewer than 27 years and below age 60, be aware of any penalties, shown in the following chart, that may apply. Working longer gradually lessens the percentage amount of the penalty until it is eliminated.

Retiring with no penalty	Retiring with annuity reduced by penalty
<ul style="list-style-type: none"> <li>• 27 years of service at any age</li> <li>• Age 60 with five years of service</li> </ul>	<ul style="list-style-type: none"> <li>• Age 55 with five years of service if entry before July 1, 2008 <i>Penalty: Up to 25%</i></li> <li>• Age 55 with 10 years of service if entry on or after July 1, 2008 <i>Penalty: Up to 30%</i></li> </ul>

Milestones: Reaching service milestones increases retirement benefits. The earned retirement benefit is increased through higher multipliers, which are determined by entry date, years of service and employer type.

NON-UNIVERSITY				UNIVERSITY		
Years of service	Entry prior to July 1, 2002	Entry on or after July 1, 2002	Entry on or after July 1, 2008	Years of service	Entry prior to July 1, 2008	Entry on or after July 1, 2008
1 – 10.0	2.5%	2%	1.7%	1 – 10.0	2%	1.5%
10.01 – 20.0	2.5%	2.5%	2%	10.01 – 20.0	2%	1.7%
20.01 – 26.0	2.5%	2.5%	2.3%	20.01 – 26.99	2%	1.85%
26.01 – 30.0	2.5%	2.5%	2.5%	27 +	2%	2%
<i>Notes: When each new multiplier tier attained, all prior years convert to the new multiplier, up to 30 years of service. Any years above 30 (and only those years) use a 3% multiplier. Years prior to 1983-84 are at 2% regardless of service years.</i>				<i>Note: For each new multiplier tier attained, all prior years convert to the new multiplier. The maximum multiplier used for university members is 2%.</i>		

Final average salary: The average of the highest five or three salaries. The highest five salaries are

*See Service Retirement Reminders, page 5*

*From Service Retirement Reminders, from page 4*

used until the member reaches at least 27 years and age 55, when the average of the highest three are used. Any lump-sum payouts at retirement of accumulated unused annual leave (for members who joined before July 2008) and unused sick leave are counted in the final year's salary calculation. Lump-sum payments prior to retirement cannot be included.

Estimates: Benefit estimates may be done or requested anytime. Estimates may be done using the Pathway member self-service site at <https://mss.trs.ky.gov>. One year before retirement an estimate should be obtained by contacting TRS at 800-618-1687.

### **Overview of Service Retirements**

TRS has published an updated service retirement flier that provides information on eligibility, how benefits are determined and applying for service retirement. The flier is available at: <https://trs.ky.gov/wp-content/uploads/2020/07/Service-Retirement-Information-Sheet-Final-July-2020.pdf>.

## **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 accredited 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 or a trust as beneficiary. However, a spouse who isn't named as a beneficiary must sign an acknowledgement of that fact 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. 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 or have not named your spouse as the beneficiary, your spouse will not be eligible for survivorship benefits. Also, to designate your new spouse as beneficiary of your life insurance benefit, you need to submit a new beneficiary designation form to TRS.

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/>.



## Deadlines for Purchasing Credit and General Information on Purchases

If you have missed days, contact TRS about eligibility to obtain full service and or salary credit or review the flier on the TRS website at <https://trs.ky.gov/wp-content/uploads/2020/07/Purchases-Final-July2020.pdf>.

### Unpaid Days

Deadline for purchase of unpaid days from fiscal year 2020 is Dec. 31, 2020.

The form for this must be submitted to TRS by your employer and can be completed through Pathway.

### Leaves of absence

Deadline for purchase of fiscal year 2020 service credit is June 30, 2021. Under certain circumstances, you may be able to buy this at a higher cost later.

Contact your employer for a copy of the board minutes approving the leave of absence. The form must be submitted to TRS by your employer and can be completed in Pathway.



### General information

TRS has published a new flier of general information on the rules for service and salary credit purchases. The flier is on the TRS website at the above link.

## Resignation Not Required to File For, Take Disability

TRS has received reports that, on several occasions, TRS members approved for disability retirement were required to resign from their positions with a school district. Requiring a teacher or superintendent to resign because of disability retirement or an application for disability retirement violates Kentucky law.

KRS 161.662 reads: “Retirement because of disability ... shall not be cause for termination of the contract of a teacher or superintendent ... during the twenty-four (24) month period

described in this section.”

Requiring a resignation could violate the member’s statutory rights to remain in continuing status during the 24 calendar months after going on disability and to be reinstated to active status during that timeframe.

Your rights under law to return to work depend on the timeframes involved and other factors. Contact TRS with questions about any particular circumstances, if needed.

## Regulation Filed Regarding Anti-Spiking Rules

The TRS Board of Trustees approved the filing of an amended regulation to provide examples of a term in an existing anti-spiking law. The state law prevents spiking in the final years of a career to inflate a pension in ways that are actuarially unsound. If approved after legislative review, the proposed regulation could take effect in early 2021.

The amendment provides examples of what constitutes a corresponding change in position as referenced in the law and what does not constitute a corresponding change in position.

A corresponding change in position is a bona fide change from one job position to another. It is not adding or changing job duties to an existing position. It is also not taking on additional responsibilities outside one's primary position, such as those on a district's supplemental or extra service salary schedule (like being a coach, club sponsor, summer school teacher, grant writer, ESS provider or like teaching additional hours).

TRS will provide additional details if the regulation is approved and before it takes effect.



## What Variable School Calendars Mean for TRS Service Credit and Retirement Estimates

Due to changes in school calendars, teachers planning to retire midyear should contact TRS after the district school calendar has been determined to update estimates.

A full year of service credit is available under a variable school calendar (also called a variable student instruction year). If retiring this year, the effective date must be July 1, under previously existing law, to receive a full year.



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



## 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 mailing address is 479 Versailles Rd., Frankfort, KY 40601.

PATHWAY  <https://mss.trs.ky.gov>

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

 [Website https://trs.ky.gov](https://trs.ky.gov)

 800-618-1687

 [info@trs.ky.gov](mailto:info@trs.ky.gov)