



Teachers' Retirement System

of the State of Kentucky
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TRS 4 Service Retirement

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This informational bulletin is for TRS 4 members who entered TRS on or after Jan. 1, 2022.

TRS 4 is a comprehensive retirement plan that consists of a foundational benefit, a supplemental benefit, life insurance and retiree health insurance. The foundational defined benefit pays a lifetime retirement annuity, and the supplemental benefit, which is a savings component, can provide additional retirement income. Retirement eligibility is determined by age and years of service.

Service Retirement Eligibility

TRS 4	
No penalty Age 57 with 30 years Age 60 with 10 years Age 65 with five years	Early retirement penalty (up to 18%) Age 57 with 10 years
Age eligibility is reached on the first of the month following a member's birthday.	

Calculating Foundational Benefit Annuity

The foundational benefit, which is paid monthly, is calculated on a formula set in law that uses the final average salary and a multiplier based on age and length of service to determine the annuity, subject to the retirement option chosen. For a straight life annuity with refundable balance, the formula is:

$$\text{Service Credit} \times \text{Multiplier} \times \text{Final Average Salary} = \text{Annuity}$$

Formula Definitions

Service credit is the total number of years worked in a TRS-covered position or purchased. Any service credit awarded for unused sick leave counts in the total years (except it cannot be used for retirement eligibility).

Multiplier is the value applied to each year of TRS service using the sum of the age and career factors. That sum is based on age at retirement, years of service and employer type. Refer to the charts for multipliers.

For all members, the career factor is 0.25% from 20 to 29.99 years of service or 0.5% at 30 or more years of service. For non-university members, the age factor is 1.7% from age 57 to 60 and then increases monthly to 1.9% at age 65. The maximum non-university multiplier is 2.4%. For university members, the age factor is 0.7% from age 57 to 60 and then increases monthly to 0.9% at age 65. The maximum university multiplier is 1.4%.

Final average salary is the average of the highest five salaries. When calculating the final average salary, increases in compensation in the last five years prior to retirement are limited to the highest percentage increase generally available to a district's or agency's TRS-covered employees. This is under a state law and administrative regulation that prevents actuarially unsound annuities. The details of these limitations are in 102 KAR 1:340.

Multipliers

Age	Non-university				University			
	5-9.99 years	10-19.99 years	20-29.99 years	30 or more years	5-9.99 years	10-19.99 years	20-29.99 years	30 or more years
57-60	-	1.70%	1.95%	2.20%	-	0.70%	0.95%	1.20%
61	-	1.74%	1.99%	2.24%	-	0.74%	0.99%	1.24%
62	-	1.78%	2.03%	2.28%	-	0.78%	1.03%	1.28%
63	-	1.82%	2.07%	2.32%	-	0.82%	1.07%	1.32%
64	-	1.86%	2.11%	2.36%	-	0.86%	1.11%	1.36%
65 and over	1.90%	1.90%	2.15%	2.40%	0.90%	0.90%	1.15%	1.40%

Note: When a higher multiplier is attained, it applies to all years.

Supplemental Benefit in Retirement

The supplemental benefit is determined by the account balance, which includes interest credited annually on June 30. Supplemental benefit options include annuitization or taking a direct payment either at the time of retirement or a later date. If a distribution is taken later, the supplemental benefit continues to earn interest.

With the range of options both in method (such as annuitizing or taking a direct payment of the account balance) and timing (since the supplemental benefit does not have to be taken at retirement) consideration of this benefit's many possibilities is important because individual circumstances will be different. Additionally, the federal tax law requiring minimum distributions will apply when the member reaches a certain age if the supplemental is not taken at retirement.

Retirement Estimates

Estimates may be done or requested any time, but one should be obtained a year before retirement. Estimates may be obtained using Pathway (<https://mss.trs.ky.gov>) or by contacting TRS.

Service Retirement Application

Service retirement at a minimum includes the foundational benefit. Service retirement applications must be completed on Pathway or filed on TRS forms. Copies of the member's official government-certified birth certificate, signed Social Security card and marriage certificate are required. If selecting a lifetime option for a beneficiary, copies of the beneficiary's Social Security card, birth certificate and signed spousal acknowledgement form (if applicable) are required.

An additional monthly benefit of \$200 is available if the member has an adult disabled child whose mental or physical condition is sufficient to cause dependency on the member. Eligibility for this payment shall continue for the lifetime of the child, until the time the mental or physical condition creating the dependency no longer exists, or until the child marries. Proper TRS documentation must be completed at retirement to apply for these benefits.

If a member previously retired but kept any portion of the supplemental benefit intact at TRS, a separate application must be filed at any time the member wishes to take a subsequent distribution of the supplemental benefit.

TRS retirements occur on the first of the month, and the retirement application deadline to TRS is one month before the retirement date. See chart. The same deadlines apply to applications for any disbursement of a supplemental benefit later.

Application Deadline Examples	
Retirement	Application Deadline
Jan. 1	Dec. 1
June 1	May 1
July 1	June 1

For reciprocal service in Kentucky Public Pensions Authority or Judicial Form Retirement System, a separate application must be filed with the appropriate system(s) by that system's (or the systems') required deadline(s). The retirement date must be the same for all systems. Contact the reciprocal agency for applications and filing information.

Payment of Annuities

Retirement annuities are payable at the end of each month. Monthly payments are deposited by electronic funds transfer (EFT) to the retiree's financial institution.

Taxes

Annuity payments and other distributions are subject to federal taxes and state taxes if filing in Kentucky. A 1099-R is sent to retirees at the end of every January. Many TRS members do not owe Kentucky state taxes on TRS benefits because Kentucky law excludes up to \$31,110 in pension income from state tax. The exclusion is part of state income tax forms. Withholding is optional, but failure to properly withhold for federal taxes could result in an IRS penalty for underpayment. TRS withholds for Kentucky taxes but does not withhold for other states or local taxing jurisdictions. For retirees, withholding elections can be changed at any time.

This is general information. The law prevails if it conflicts with this publication. Contact TRS prior to making retirement decisions.