



TRS 4 Summary Plan Description

January 2022

Contents

Introduction	4
Welcome to TRS	4
About TRS	4
Membership	4
Membership registration	5
Duty to keep information current	5
Pathway	5
Contacting TRS	5
Privacy of information	6
What TRS 4 is	6
TRS 4 summary	6
How TRS 4 works	6
Contribution requirements and limitations	7
Voluntary contributions	7
Calculating foundational benefit annuity	7
Multipliers	8
Supplemental benefit in retirement	8
Risk controls	9
Planning for retirement	9
Estimates	10
Milestones and life changes	10
Becoming vested	10
Leaving teaching	10
Refund of account	10
Returning to teaching	11
University member optional plan	11
Marriage or divorce	11
If the unexpected happens	11
Disability	11
Survivor	11
Service purchases	11
Life insurance	12
Beneficiary designations	12
Part-time and substitute benefits	12
Duty-related death or injury	12
Annual statements	12
Approaching retirement	13
Retirement planning checklist	13
Service retirement eligibility	13
Early retirement eligibility	13
Reciprocity	13
Retirement options	14
Annuity options	14
Annuity option descriptions	14
Supplemental benefit options	15
Ready to retire	16
Applying for retirement	16
Sick leave	17
Adult disabled child	17

<u>Health insurance</u>	<u>17</u>
<u>Benefit limit</u>	<u>18</u>
<u>Taxes (federal, state) and withholding</u>	<u>18</u>
<u>Once retired</u>	<u>18</u>
<u>How and when benefits are paid</u>	<u>18</u>
<u>Cost-of-living adjustment (COLA)</u>	<u>19</u>
<u>Return to work</u>	<u>19</u>
<u>Changing a benefit option or beneficiary after retirement</u>	<u>19</u>
<u>Legal matters</u>	<u>20</u>
<u>Service of legal process</u>	<u>20</u>
<u>Appeals</u>	<u>20</u>
<u>Required minimum distributions</u>	<u>20</u>
<u>Protections of benefits generally</u>	<u>21</u>
<u>Protections of benefits against legal claims</u>	<u>21</u>
<u>Correction of errors</u>	<u>21</u>
<u>Conviction of job-related felony</u>	<u>21</u>

Introduction

This Summary Plan Description, as required by Kentucky Revised Statutes (KRS) 161.580, summarizes the benefits provided by the Teachers' Retirement System of the State of Kentucky (TRS) to members and retirees and the duties and rights of those members and retirees as of the publication date. It is not a complete description of retirement benefits, which are defined primarily in KRS Chapter 161 and Kentucky Administrative Regulations (KAR) Chapter 102 (links to both are provided at <https://trs.ky.gov/administration/>). The Summary Plan Description is updated to reflect significant changes, with minor changes communicated through periodic newsletters, correspondence and the TRS website. Federal and state laws and regulations govern if they conflict with this summary. Subjects covered are reflected in the table of contents.

If the material is needed in an alternative format, contact TRS.

Welcome to TRS

About TRS

The Teachers' Retirement System of the State of Kentucky (TRS) is a plan that provides retirement benefits, including annuities and health insurance, for the state's public school teachers. The plan is administered by an 11-member Board of Trustees (board). The name and title of each trustee, along with the address, is available on the TRS website at <https://trs.ky.gov/administration/#boardmembers>. Elections are held annually for the trustees who are elected by members and annuitants (see <https://trs.ky.gov/administration/your-vote-counts/> for more information).

TRS began operations in 1940. Since then, law changes resulted in several plan revisions with benefits determined by when the individual first became a member of TRS.

TRS Account Types			
TRS has four account types based on date of entry.			
TRS 1	TRS 2	TRS 3	TRS 4
Entry before July 1, 2002	Entry on or between July 1, 2002, and June 30, 2008	Entry on or between July 1, 2008, and Dec. 31, 2021	Entry on or after Jan. 1, 2022

This summary plan is for TRS 4 members. The summary plan for TRS 1, TRS 2 and TRS 3 is provided in a separate document.

Membership

TRS membership, as defined in KRS 161.220(4) and 161.470, is mandatory for all people occupying positions in eligible agencies that require as a condition of employment either certification or graduation from a four-year college or university. Members are employed by (at least) one of three groups: local school districts or education-related agencies, collectively referred to as non-university members; and university members (including five of the eight state universities). Positions that require TRS membership do so regardless of whether the individual in the position is an independent contractor, under a third-party contract or under any other alternate employment arrangement.

Additionally, any person providing part-time services in a position requiring certification or graduation from a four-year college or university shall be a member. Any person providing

substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers shall be a member.

To be eligible for membership, university employees must be employed on a full-time basis and must be filling a position requiring either certification or a four-year degree.

Eligible members may combine service credit in TRS and other Kentucky state-administered public retirement systems to qualify for retirement benefits.

Membership registration

As part of membership in TRS, state law requires the completion of all pages of the membership registration. The form may be completed online through Pathway or by paper. The registration is important to designate beneficiaries for account and life insurance benefits. Failure to complete this form could result in those benefits not being paid as the member would wish in the event of death. An account cannot be retired or refunded until this registration is completed and filed with TRS.

Duty to keep information current

It is each member's duty to keep account contact information current. Keeping contact information current ensures that members and retirees receive important communications from TRS. Besides a physical address, keep work and personal email addresses and telephone numbers up to date. Even if members update an address with the school districts where they work (or worked), the school district doesn't report the changes to TRS. TRS needs to be notified of the change independently by members and retirees. TRS offers multiple ways to update personal information, including through Pathway.

Pathway












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

Pathway is TRS's secure, online account access site for members and retirees. A how-to-register video is available at <https://trs.ky.gov/home/seminars-workshops/videos/#pregis>. An app for mobile devices is available. Pathway offers a variety of services tailored to whether a person is an active member or retiree. Examples of those:

For members and retirees, personal information can be updated; annual statements can be viewed; and votes can be cast in board elections.

For active members, benefit estimates can be created and viewed, and retirement applications can be filed.

For retired members, taxes can be estimated, insurance coverage information can be viewed and insurance applications can be submitted.

Contacting TRS		
 Address 479 Versailles Road, Frankfort, KY 40601	 Website https://trs.ky.gov	 Toll-free 800-618-1687
 Hours 8 a.m. – 5 p.m. ET Monday – Friday	 Email info@trs.ky.gov	 Phone number 502-848-8500
 Facebook https://www.facebook.com/KyTeachersRS	 Pathway https://mss.trs.ky.gov/	 Twitter @KyTeachersRS

Privacy of information

Each member's account is administered in a confidential manner, and specific data is not released unless authorized by the member or required by law. To help protect privacy, TRS does not use Social Security numbers in correspondence. Instead, TRS assigns each member a unique, member identification (TRS ID). This TRS ID appears on individual communications members receive from TRS, including annual statements provided to members and retirees.

What TRS 4 is

TRS 4 summary

TRS 4 is a comprehensive retirement plan including a foundational benefit, a supplemental benefit 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.

Funding for these benefits consists of contributions made by employees and employers as provided by law and investment earnings on those contributions. This investment income pays for the bulk of the average retiree's lifetime retirement benefits. Annual valuations, posted on the website at <https://trs.ky.gov/administration/financial-reports-information/#annualvaluation>, show how funding requirements are being met. Other financial reports are on the same page of the website.

TRS benefits for non-university employees replace Social Security, so non-university employees contribute to TRS and do not contribute to Social Security. University employees contribute to Social Security and TRS because university employees receive a proportionate TRS benefit that complements Social Security.

Federal law lowers Social Security income that pension recipients can draw in many cases through the Windfall Elimination Provision (WEP). The federal Government Pension Offset (GPO) reduces any Social Security benefit that a member might draw as the spouse or widower of a Social Security recipient. For details on these laws and links to federal publications about them, see <https://trs.ky.gov/how-your-trs-benefit-may-affect-your-social-security-benefit/>.

How TRS 4 works

Retirement eligibility is determined by age and years of service. The foundational benefit is based on length of service, final average salary, a multiplier and the annuity option chosen. The supplemental benefit, which includes mandatory contributions and any voluntary contributions, is determined by the account balance and the options chosen. Options for the supplemental benefit, either at retirement or a later date, include annuitizing it or having the account balance paid directly to the member.

Contribution requirements and limitations

Employee Required Contribution Rates	
Non-university	University
14.75%	9.775%
These mandatory salary contributions to TRS are tax deferred and are divided according to law for foundational, supplemental and retiree health insurance benefits.	

Employer Required Contribution Rates	
Non-university	University
13.75%	9.775%
These contributions are divided according to law for foundational, supplemental, life insurance and retiree health insurance benefits.	

Voluntary contributions

Additional amounts may be contributed by the member or an employer toward the supplemental benefit. This would be done only through payroll deductions. This can include lump-sum payouts at retirement, including, for the member who is a teacher employed by a local school district, for unused sick leave. Voluntary contributions may not exceed earnings on any paycheck from a TRS position. Federal tax law also limits the amounts an individual can contribute collectively to tax-sheltered annuity accounts. See the section on taxes for more information.

Members who want amounts withheld for voluntary contributions must complete a TRS voluntary contributions form that goes both to the employer and TRS. These voluntary contributions may be changed over a career by submitting the form again.

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 are:

Service credit is the total number of years worked in a TRS-covered position or purchased. The more service credit, the greater the retirement annuity.

- Any service credit awarded for unused sick leave counts in the total years (except it cannot be used for retirement eligibility).
- The maximum service credit for any one fiscal year (July 1 to June 30) is one year; reciprocity members or members who have more than one employer cannot have more than one year of credit in a fiscal year.
- If part of a year is worked, credit is awarded only for the portion of the year worked. (For example, a person who worked half a year would receive 0.5 years of service credit.)
- Non-university members whose contracts are 185 days or more can have no more than five unpaid days to receive a full year of service credit. University members whose contracts are 180 days or more can have no more than five unpaid days to receive a full year.

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. Higher multipliers mean a greater annuity.

- Age factor
 - 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.
 - For university members, the age factor is 0.7% from age 57 to 60 and then increases monthly to 0.9% at age 65.
- Career factor
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.

When age and career factors are combined, the maximum non-university multiplier is 2.4% while the maximum university multiplier is 1.4%.

Refer to the charts that follow for examples of how the multipliers increase.

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.

Example One: A non-university member retires at age 65 with five years of service and a final average salary of \$40,000. The age factor is 1.9% and no career factor is achieved. The multiplier (the sum of the age and career factors) is 1.9%.

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

$$5 \times 1.9\% \times \$40,000 = \$3,800 \text{ } (\$316.67 \text{ monthly})$$

Example Two: A non-university member retires at age 57 with 30 years of service and a final average salary of \$60,000. The age factor is 1.7%, and the career factor is 0.5%. The multiplier (the sum of the age and career factors) is 2.2%.

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

$$30 \times 2.2\% \times \$60,000 = \$39,600 \text{ } (\$3,300 \text{ monthly})$$

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 (see section on required minimum distributions).

Risk controls

To ensure the necessary funding for the payment of future benefits, TRS 4 provides risk controls that the board must utilize, in whole or in part, to maintain the funded ratio for the foundational benefit at 90% or more.

Options for the board include:

- Utilize assets from the stabilization reserve account, which holds contributions to the foundational benefit that are in excess of the actuarial determined employer contribution
- Use future mandatory contributions that normally would go to the supplemental benefit instead for the foundational benefit
- Prospectively adjust any of the following:
 - Future annual interest credited to a member's account
 - The age factor and or career factor on future service
 - Future annual cost-of-living adjustments (COLAs) for retired members.

Planning for retirement

Even though retirement might seem far away, making a retirement plan now is one of the best things members can do for themselves and their families. Part of this is keeping up to date with an account and understanding TRS. Experts recommend that retirement income replace between 80% and 100% of a final salary, depending on the adequacy of provided health insurance, to ensure retirement security. The monthly annuity payment from TRS, regardless of the options chosen, will be an important part – likely the major part – of income in retirement and will be significant in reaching at least 80% of final salary. Understand that being eligible to retire does not mean it's always the right time financially to retire.

TRS offers tools to help members plan.

- The TRS website has information, forms, guidelines and publications to use throughout a career to help keep retirement on track. During a career, this includes being aware of any service credit purchases that are available depending on individual circumstances. As retirement approaches, find tips and a retirement checklist for the final year of a career on the TRS website page <https://trs.ky.gov/active-members/retirement-planning/preparing-for-retirement/>.
- TRS offers webinars, seminars and recorded videos (<https://trs.ky.gov/home/seminars-workshops/videos/>) tailored to various career stages and events. These keep members up to date, provide broader understanding of TRS and inform about relevant retirement topics.
- As highlighted previously, Pathway (<https://mss.trs.ky.gov>) is one of the tools that helps members prepare for retirement throughout a career, including providing the ability to create and save multiple benefits estimates.
- TRS provides individual attention with counselors who can answer specific account questions and provide retirement benefit estimates. It is important to request an estimate one year before retirement from a TRS counselor.

Members should be sure to revisit retirement plans periodically, taking advantage of the tools available and adjusting those plans based on professional and personal life events.

Estimates

The preferred method for getting estimates is through Pathway, which uses real-time account information. General information about getting estimates is found on the TRS website at: <https://trs.ky.gov/active-members/retirement-planning/retirement-estimator/>. It is important to request an estimate one year before retirement from a TRS counselor. To obtain an estimate outside of Pathway, contact TRS (if by email, use TRS's secure address, found on the website's [Contact Us](#) page).

Milestones and life changes

Becoming vested

A retirement account is vested once five years of creditable Kentucky service are completed. Vesting entitles a member, when an account isn't refunded, to future benefits even if the member is not contributing currently to TRS.

Leaving teaching

If a member leaves teaching before reaching retirement eligibility, the contributions made to the TRS 4 account are portable and can be rolled over into another retirement account or paid to directly to the member subject to tax withholding and potential penalties.

The member also may leave the account with TRS and either refund or retire it later, depending on the circumstances. Be sure to keep personal information, including home and email addresses, current with TRS – even if the member no longer is teaching – to help ensure the money and benefits to which the member is entitled are received.

Refund of account

Funds cannot be withdrawn from an account while the member still is working in a TRS-covered position. A refund includes the foundational and supplemental benefits and cancels membership just as if the person had never contributed to TRS. If the person later returns to TRS-covered employment, it will be as a new member unless the original account can be reinstated as described in the following section. Also, a refund may result in a change in benefits eligibility or account type if the member has reciprocity and or later returns to covered employment.

If the member refunds an account prior to becoming vested, the member's contributions and the interest on the member's contributions can be received.

If the member refunds and is vested, the member will receive the member's contributions, the interest on the member's contributions, the employer contributions to the supplemental benefit and the interest on the employer contributions to the supplemental benefit.

Refunds also are limited in certain ways. Health insurance contributions are not refundable. If a member is eligible for retirement, state law does not permit a refund. Other limitations apply.

Withdrawing contributions may have tax implications, so contacting the Internal Revenue Service (IRS) or a tax adviser beforehand is advisable. For example, a refund may be subject to an IRS early withdrawal penalty if the member is under age 59½, unless transferred or rolled over to another eligible plan. If a refund is paid directly into another retirement account, no amount is withheld for taxes. If it is paid directly to the member, TRS must withhold at least 20%, and federal deadlines apply for the completion of a rollover. If the deadline is not met, an IRS early withdrawal penalty applies.

Additional details are provided on the TRS website.

Returning to teaching

If a member returns to teaching or any other TRS-covered position, an account – if not refunded nor retired – picks up where the member left off, retaining the original start date. If a member returns after having refunded, the account may be able to be reinstated. A withdrawn account can be reinstated once a member has returned to teaching or any other TRS-covered position for at least one year. The original withdrawn amount must be repaid plus interest. After reinstatement, membership status is the same as if the account had never been withdrawn.

University member optional plan

An optional retirement plan (ORP) is available for designated employees of public institutions of higher education. An ORP is administered by those employers, not TRS. ORP participants have a one-time opportunity to change to TRS if they are in TRS-eligible positions, subject to the conditions – including a deadline – in retirement law.

Marriage or divorce

Marriage, divorce or separation can affect a monthly benefit through a court order. KRS 161.700(4) allows courts using a qualified domestic relations order (QDRO) to award a portion of a member's account, including service retirement annuity, disability retirement annuity or termination-of-employment refund to a former spouse, child or dependent. QDROs regarding TRS benefits must follow a specific format. More information regarding TRS-related QDROs is available on the TRS website (<https://trs.ky.gov/active-members/events-affecting-pension/divorce/>), including templates and procedures to use.

If the unexpected happens

If the unexpected happens — disability or death before retirement — a benefit might be available.

Disability

If a member becomes totally incapacitated and leaves a job as a result, the member might be eligible for a disability retirement benefit. For more information about disability retirement, see the description of these benefits on the TRS website at <https://trs.ky.gov/active-members/retirement-planning/disability-retirement/>. A separate retirement application must be filed for disability benefits rather than the standard service retirement application.

Survivor

If a member dies before retirement, the spouse or dependent unmarried child could be eligible to receive benefits. For more information about death and survivor benefits, see the details on the TRS website at <https://trs.ky.gov/active-members/retirement-planning/death-survivor-benefits/>.

Service purchases

Purchases are available for those who qualify, for example, if the member takes leaves for childbirth or military deployment. With proper documentation, estimates for potential purchases are prepared upon request. Delaying a purchase may mean a loss in eligibility to make the purchase or increase its cost. No service credit shall be granted for service that has been or will be used in qualifying for annuity benefit payments from another retirement system financed in any part by public funds. The ability to make purchases or otherwise receive service credit depends on a variety of factors, including employer type and account type (entry date). For details see the TRS website, including the informational bulletin linked there, at <https://trs.ky.gov/active-members/retirement-planning/acquiring-service-credit/>.

Categories of service that may be purchased include reinstatement of previously withdrawn TRS service; fractional service/balance of the year; current and non-current leaves of absence;

military service; out-of-state teaching service; university service; Peace Corps service; federal Head Start service; mental health and mental retardation service; or non-qualified service.

Life insurance

Members have a \$5,000 life insurance benefit from the first day of employment in a full-time TRS-covered position. This continues as long as the member is in active contributing status. Retirees have a \$10,000 life insurance benefit. Life insurance benefits are paid to a beneficiary or the estate. The life insurance benefit is available under certain circumstances to members employed on a substitute or part-time basis. Refer to the section dealing with substitute or part-time service.

Beneficiary designations

Failure to designate beneficiaries – and keep those designations current – can result in benefits for survivors not being provided as the member would wish. TRS members make separate beneficiary designations for life insurance and for the member account. Within the member account, different beneficiaries may be designated for the foundational and supplemental benefits. In the event of an active member's death, beneficiaries receive the life insurance benefit and the retirement contributions in the account unless the account is eligible to be retired. If the member is married, the spouse is eligible for survivorship benefits unless someone else subsequently was named as primary beneficiary or co-beneficiary of the foundational benefit. If the member is not naming the spouse as primary beneficiary, the spouse will have to sign an acknowledgment. Divorce terminates a spouse's beneficiary designation.

Part-time and substitute benefits eligibility

Members providing part-time or substitute services and who never have been annuitants of TRS are eligible for disability retirement, life insurance and survivor benefits provided eligibility requirements are met. Generally, a member must complete at least 69% (without rounding) of the normal school or fiscal year for someone employed full time in the same position. A full-time non-teaching position must be at least 220 working days. A member employed in more than one district in the same fiscal year shall be required to complete at least equal to 69% percent of the school calendar in the district requiring the greatest number of days. Once eligible in one fiscal year, the eligibility continues through the end of the immediately succeeding fiscal year in which the eligibility conditions were met. For non-teaching positions that only are part-time, the member shall be required to complete at least 69% of a normal full-time contract in order to be eligible for these benefits. For details about these provisions, refer to the 102 KAR 1:310 titled "Benefit eligibility conditions for members providing part-time and substitute services."

Duty-related death or injury

Members whose death or disability is the result of a single, traumatic, physical injury related directly to their employment may be eligible for benefits for which they otherwise would not be eligible. If that member is vested at the time of the duty-related death or injury, the member, surviving spouse and or any dependent children are entitled to the greater of the benefits provided by the duty-related death and injury law or the benefits provided under other TRS statutes. This applies to disability retirement, survivor benefits, life insurance and health insurance access.

Annual Statements

Each fall, TRS sends members an annual statement of account. The statement shows yearly salary history and service credit as reported by employers, account interest and beneficiary designations. During a career, the annual statement is one of the most important retirement planning documents a member will receive. The accuracy of the information is important to

determining retirement benefit amounts and serves as the basis for estimates of retirement benefits.

TRS routinely audits member accounts to maintain accurate information, but members can help that effort by reviewing statements for accuracy. If an error is discovered, contact TRS or the employer. Correction of certain errors requires verification by the employer.

Approaching retirement

Retirement planning checklist

When nearing retirement, remember the TRS website (<https://trs.ky.gov/active-members/retirement-planning/preparing-for-retirement/>) has tips and a checklist of milestones for the final year of a career to ensure retirement is as smooth as possible. Regardless of any estimates created or obtained during a career, be sure to request a retirement estimate prepared by a TRS counselor a year from an expected retirement date.

Service retirement eligibility

TRS 4 members are eligible for service retirement with unreduced benefits at age 57 with 30 years of service, age 60 with 10 years of service or age 65 with five years of service. Age eligibility is reached on the first of the month following a member's birthday.

Early retirement eligibility

TRS 4 members also are eligible for service retirement subject to penalties of up to 18% at age 57 with 10 years. The actuarially reduced benefits reflect a member living more years in retirement and receiving an annuity longer than if they had worked three more years to qualify for an unreduced benefit at age 60 with at least 10 years.

The standard penalty is a reduction of 6% for the lesser of each year that the member's age is below 60 or that the service is less than 30 years with a maximum penalty of 18%. (The only exception to the standard penalty is described in the reciprocity section that follows.)

- Someone retiring at 57 with 10 years is three years under 60 and 20 years under 30, so the maximum penalty would apply (6% times three).
- Someone retiring at 58 with 11 years is two years under 60 and 19 years less than 30, so the penalty is 12% (6% times two, which is the lesser of the possible penalties).
- Someone retiring at 58 with 29 years is two years under 60 and one year less than 30, so the penalty is 6% (6% times one, which is the lesser of the possible penalties).

Reciprocity

Kentucky law provides reciprocity among its state-sponsored retirement systems. Reciprocity means each retirement system recognizes a member's service and salaries in another system in determining eligibility for retirement benefits. This occurs unless the member chooses to separate accounts (also referred to as waiving reciprocity) or fails to retire the accounts simultaneously.

Besides TRS, reciprocity involves retirement plans under the Kentucky Public Pensions Authority (KPPA, consisting of Kentucky Employees' Retirement System, County Employees' Retirement System, State Police Retirement System) and the Judicial Form Retirement System (JFRS, consisting of Legislators' Retirement Plan and Judicial Retirement Plan).

Members can never receive more than a total of one year of service credit for a fiscal year when service credit from all retirement systems in which they have participated is added together. Under reciprocity, calculation of retirement annuities will be based on the formula in effect for each retirement system involved. If eligible for reciprocity, contact each system for the necessary

forms to retire from each at the same time. Different retirement systems have different application deadlines and effective dates. A reciprocity waiver to separate accounts must be in writing.

A member who is eligible for retirement based on KPPA rules but not otherwise eligible through TRS will have an early retirement penalty different than the standard penalty. Reciprocity members to whom this could apply should contact TRS for more details.

Retirement options

Members will need to make decisions regarding the foundational benefit, which provides a lifetime annuity, and the supplemental benefit, which is a savings component that can provide additional retirement income in various forms.

For the foundational benefit, one of the decisions a member makes is choosing the type of annuity that is desired. The annuity options are outlined in the next section.

Supplemental benefit options include annuitization or taking a direct payment either at retirement or later. All or a portion of the supplemental benefit may be annuitized along with the foundational benefit at retirement. If the supplemental is being annuitized, different options and beneficiaries may be selected. Supplemental benefit options are outlined in the section after annuity options.

Options are designated on the retirement application (see the retirement application section).

Annuity options

Selecting an annuity option is important because, in most cases, the decision is permanent. The option needs to be the one that best meets a member's future financial needs because an annuity often is a major source of income for the rest of a retiree's life. Different annuity options can be chosen for the foundational and supplemental benefits. TRS staff is available to provide information about the various retirement options, but the decision must be made by the member.

Some options provide a survivor annuity that will provide a lifetime monthly payment to the designated beneficiary after death. To provide a lifetime annuity for a beneficiary after death, a joint-survivor option must be chosen on the retirement application. This joint-survivor annuity should not be confused with preretirement survivor benefits that are payable to eligible survivors upon the death of an active contributing member. The beneficiary of a joint-survivor option does not have to be related to the retiree, but the age and relationship of the beneficiary along with the option chosen affect the amount of an annuity. In limited circumstances, described later in separate sections, a retiree may be able to change the annuity option or beneficiaries.

Annuity option descriptions

Option I: Straight life annuity with refundable balance — The straight life annuity provides the greatest monthly payment in retirement, but payments cease upon death. No survivor annuity is payable to a beneficiary. Upon death, a refund of any remaining account balance will be made to the member's beneficiary or estate.

Option II: Years certain — This option provides a monthly lifetime annuity that is somewhat smaller than Option I, but assures if a member dies within a certain period of years from retirement that the beneficiary will receive the annuity for the remainder of that period, which can be five, 10, 15 or 20 years. Under a 10-year Option II, if the member dies within the first 10 years of retirement (for example, at year eight), the beneficiary would receive the same monthly annuity that the member received until the expiration of the 10 years (under the example, two years). If the member survives beyond the 10 years, the beneficiary would receive nothing after the member's death.

Option III: Joint-survivor annuity — This option allows a beneficiary, if still living at the member’s death, to succeed the member in receiving the monthly annuity for the rest of the beneficiary’s life. However, the annuity is reduced depending in part on the age difference between the member and the beneficiary.

The only reason a retired member can change to an Option I is in the event of divorce, annulment or marriage dissolution if the ex-spouse was named as beneficiary. This change is subject to the requirements outlined in the section on changing an annuity option.

Under Option III, an IRS regulation may reduce the annuity a beneficiary can receive if a beneficiary other than the spouse is selected. This typically is noted on retirement estimates but contact TRS to determine whether this IRS regulation would apply.

Option III(a): Joint-survivor annuity with “pop-up” — This option is the same as Option III except that if the beneficiary dies before the member, the annuity will increase to the Option I amount. If the retired member remarries after the beneficiary’s death, the retiree may change to a joint-survivor option to provide a survivor annuity to the new spouse. The change would be subject to the requirements outlined in the section on changing an annuity option.

Under Option III(a), an IRS regulation may reduce the annuity a beneficiary can receive if a beneficiary other than the spouse is chosen. This typically is noted on retirement estimates but contact TRS to determine whether this IRS regulation would apply.

Option IV: Joint-survivor annuity with half to beneficiary — This option allows a beneficiary, if still living at the member’s death, to receive half the monthly annuity for the rest of the beneficiary’s life. Because the beneficiary receives a smaller benefit, the annuity for the retiree is more than Option III while still reduced from the Option I amount. The age of the beneficiary in part impacts the annuity amount.

The only reason a retired member can change to an Option I is in the event of divorce, annulment or marriage dissolution if the ex-spouse was named as beneficiary. This change would be subject to the requirements outlined in the section on changing an annuity option.

Option IV(a): Joint-survivor annuity with half to beneficiary or “pop-up” — This option allows a beneficiary, if still living at the member’s death, to receive half the monthly annuity for the rest of the beneficiary’s life. Or, if the beneficiary dies before the member, the annuity increases to the Option I amount. If the retired member remarries after the death of the beneficiary, a change to a joint-survivor option to provide a survivor annuity to the new spouse is allowed. This change would be subject to the requirements outlined in the section on changing an annuity option.

Option V: Other payment — Option V allows a member to create an alternative option and designate as beneficiary any person(s) having an insurable interest in the member’s life. An actuary determines what the equivalent value to Option I would be, and then that must be approved by the board. Beyond the normal application deadlines, TRS requires three months’ notice in advance of retirement for the actuary to certify that the proposed Option V is equivalent to an Option I. This applies regardless of whether an account is being distributed at retirement or later if the supplemental benefit is taken later. Contact TRS for more information.

Supplemental benefit options

A distribution of the supplemental benefit can be the entire balance or a part of the balance, with the remainder continuing to earn interest and being available for subsequent distributions later in a retiree’s life.

Regardless of the amount of the supplemental benefit balance being distributed, three types of options are provided for the distributions. The supplemental benefit, or a portion of it, can be annuitized to provide payments to the member throughout retirement. The supplemental benefit also can be distributed through a one-time payment that is a direct payment to the member, a rollover into another qualified plan or a combination. The third type is a combination of the annuity and one-time payment options.

Annuity — The balance of a member's supplemental benefit, or a portion of it, can be annuitized. The minimum amount that can be annuitized is the greater of \$10,000 or 10% of the balance. A COLA may be incorporated into a supplemental benefit annuity that is funded using part of the account balance.

One-time payment — Two types of one-time payments are offered.

Rollover: The balance of the supplemental benefit, or a portion of it, can be rolled over into another tax-deferred plan with no amount withheld for taxes. Additional details are provided on the TRS website.

Direct to member: The balance of the supplemental benefit, or a portion of it, can be paid directly to the member subject to tax withholding. TRS must withhold at least 20% for federal taxes. A direct payment to the member may be eligible for deposit into a tax-deferred plan. Consult the special tax notice for tax implications. Additional details also are provided on the TRS website.

Combination — The supplemental benefit may be distributed using any combination of the distribution options described in this section on a percentage basis (for example, 10% direct payment to the retiree, 20% rollover to a qualified plan and 70% to an annuity with monthly payments to the retiree). If a combination is chosen, the minimum amount that can be annuitized is the greater of \$10,000 or 10% of the balance.

Ready to retire

Applying for retirement

Members are responsible for completing and filing an application with TRS and notifying all employers in the last six years prior to the filing deadline.

Failure to meet the deadline, provide the required supporting documents or notify employer(s) may delay approval of the application and the retirement date.

To apply online, use Pathway. Follow the step-by-step instructions and electronically submit the application when ready, including any forms or documents required.

To apply on paper, request a retirement application from TRS. Submit the completed application with all required signatures and documentation.

If making purchases for retirement, the purchases must be completed by the retirement date for TRS insurance coverage to be effective at the same time. It's also necessary for the annuity to be paid without a delay.

TRS retirements are effective the first day of the month. The application, including any required spousal acknowledgement and the employer certification worksheets (completed by each employer for which the member has worked in the last six years) must be submitted no later than one month prior to the retirement date.

Examples				
If the retirement date is:	Jan. 1	June 1	July 1	Nov. 1
The application deadline is:	Dec. 1	May 1	June 1	Oct. 1

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. The same deadlines apply to applications for any disbursement of a supplemental benefit later.

Sick leave

Unused sick leave of up to 300 days can impact a TRS 4 account in one of two ways, depending on whether the member is eligible for a lump-sum payout at retirement from a local school district.

If a member is not eligible for the lump-sum payout and the employer provides service credit for unused sick leave, this additional service credit is counted, according to a formula, in TRS retirement calculations. This additional service credit cannot be used to reach retirement eligibility or lessen early retirement penalties.

If a member is eligible for the lump-sum payment, that member may direct the school district to withhold and deposit the amount into TRS for the supplemental benefit. That member is not eligible for additional service credit as a result of the unused sick leave.

Adult disabled child

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.

Health insurance

A TRS health insurance program is offered to eligible retirees through two plans. The Medicare Eligible Health Plan (MEHP) is administered by TRS for those 65-and-older or Medicare eligible, and the Kentucky Employees' Health Plan (KEHP) is administered by the state Department for Employee Insurance for those under 65 and not Medicare eligible. Plan information for each is available on the TRS website.

TRS 4 members must retire with at least 15 years of service to be eligible for coverage through TRS. The amount that is paid toward coverage is determined by the number of years of service credit with which each member retires. Coverage also is available at full cost for spouses on both the MEHP and KEHP and at full cost for dependent children on the KEHP. If a spouse waives MEHP coverage when first eligible, the waiver could be permanent.

Retirees and their spouses who are active in the workforce must drop TRS health insurance coverage if they are eligible for health insurance through their jobs. This applies regardless of whether the person covered through TRS is in the Kentucky Employees' Health Plan (KEHP) or the Medicare Eligible Health Plan (MEHP).

Once a retiree or spouse leaves a postretirement job or loses eligibility for the active insurance that came with that job, contact TRS to enroll in its coverage within the qualifying event period

(usually 30 days) and provide the required documentation. In some cases, a gap in coverage may result. Retirees with questions about medical coverage and post-retirement employment should contact TRS for details.

TRS members, if eligibility conditions are met, are guaranteed access to group coverage, although details of coverage can change. This includes levels and other aspects of coverage.

Benefit limit

A foundational benefit annuity, measured under the straight life annuity option, under state law cannot exceed the greater of the member's last annual compensation or the final average salary.

Taxes (federal, state) and withholding

Payments

Annuity payments and other distributions, including refunds, 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.

Withholding elections may be made at retirement or the time of a disbursement using the appropriate application or the withholding form available on the TRS website. The TRS form has separate sections for federal and Kentucky state withholding that can be completed as desired. For retirees, withholding elections can be changed at any time.

Contributions

During a career, contributions generally are tax-deferred.

Voluntary contributions to the supplemental benefit by the employee and employer are held according to federal tax law in a 403(b) plan, which can be offered by public schools and certain other organizations. Contributions are limited by law. The limit is on a member's total contributions, potentially including contributions made to 403(b) and other qualified plans outside TRS. This includes plans offered by school districts through third-party administrators.

For details about taxes and withholding, see the TRS website at <https://trs.ky.gov/retired-members/tax-information/>. It is a member's responsibility to declare the proper amount of taxable income on income tax returns.

Once retired

How and when annuity benefits are paid

Retirement annuities are payable monthly. A retiree's first payment will be paid on or before the last day of the month in which the retirement is effective. Future payments can be expected near the end of each month.

Annuity payments by law are direct deposited to the retiree's savings or checking account by electronic funds transfer (EFT). Direct deposit prevents late delivery, loss or theft of annuity checks.

To designate the account to which a payment is deposited, complete the EFT section of the retirement application and attach a personalized voided check or request an EFT authorization form.

Cost-of-living adjustment (COLA)

A standard, statutory COLA of 1.5% is provided annually on July 1, subject to risk controls outlined separately, on a retired foundational benefit for retirees who have been retired for at least one year. A prorated COLA is awarded for those who have not been retired a full year. The risk control limitation can apply only to future COLAs, so once a foundational benefit COLA is received it remains part of the annuity thereafter. Additionally, when a supplemental benefit (or portion thereof) is annuitized, a COLA can be built in if selected by the retiree. Supplemental benefit COLAs are not subject to risk control limitations.

Return to work

TRS 4 members who retire may return to employment subject to requirements. TRS 4 retirees are not eligible for a return-to-work account, sometimes called a second account. Retirees who were in TRS 1, TRS 2 or TRS 3 are eligible to return to work and contribute to a TRS 4 account.

Requirements for TRS retirees returning to work with a TRS employer consist of KRS 161.605 and administrative regulations. Also, the TRS website provides descriptions of return-to-work programs, information covering most situations retirees will face through charts and question-and-answer guides at <https://trs.ky.gov/retired-members/returning-to-work/>.

Retired members who wish to return to employment with TRS employers in positions that do not qualify for TRS membership may do so subject to required breaks in service. For anyone who retired as a TRS 1, TRS 2 or TRS 3 member and who would be returning in a non-covered position, the TRS employer must submit an exemption form prior to the retiree's employment in the non-covered position. TRS will notify the employer and the retired member whether the TRS return-to-work provisions apply or whether the retiree is exempt from these provisions. Failure by the employer to submit the form and obtain a written determination by TRS will cause the retired member to be in violation of the return-to-work provisions. Failure to comply with the return-to-work requirements can result in a retirement being voided, benefits received being repaid to TRS and other penalties. Reciprocity retirees must meet the requirements of all retirement systems from which they have retired.

Changing a benefit option or beneficiary after retirement

Annuity option: Retirees *may* be able to change retirement options if a qualifying event is experienced:

- Marriage or remarriage after retirement;
- The beneficiary dies;
- The retiree's marriage ends by divorce, annulment or dissolution and the ex-spouse was the named beneficiary. This qualifying event is effective on the first day that a court order is entered terminating the marriage.

If a qualifying event is experienced and the retiree is eligible to change options, the retiree has 60 days from the date of the event to make the change. In addition to the appropriate TRS form, copies of documentation that a qualified event has occurred, such as an order of the court terminating the marriage or a certificate of marriage or death, must be filed with TRS.

Designating a new beneficiary under a joint-survivor annuity reduces a monthly payment, but it provides a benefit to the new beneficiary after the retiree's death. The reduction depends in part on the beneficiary's age.

Anyone who has a qualifying event should contact TRS immediately for further details because of the 60-day deadline for changing an option.

Beneficiaries: Under certain conditions, even without a qualifying event, members may be eligible to change retirement beneficiaries after retirement.

With options I or II, beneficiaries may be changed after retirement, but limitations on the benefits available to beneficiaries under those options still apply.

With options III, III(a), IV or IV(a), a beneficiary may be changed only if the member experiences a qualifying event as described in the previous changing options section.

Regardless of retirement option, all retirees may change life insurance beneficiaries at any time and beneficiaries on any refundable balance in the event of a retiree's death.

Legal matters

Service of legal process

Legal process should be served to the executive secretary. The name and address for service of legal process are reflected on the TRS website at <https://trs.ky.gov/contact-us/departments/>.

Appeals

If a member believes TRS has denied a valid claim or made an error regarding an account, the member may request reconsideration of that decision. Reconsideration requests for a determination made by a TRS counselor should be sent in writing to the member benefits director. Requests for reconsideration of a determination by the member benefits director should be sent in writing to the deputy executive secretary of operations. The deputy executive secretary of operations issues a final agency decision pending administrative review. The names and addresses of these individuals are reflected on the TRS website at <https://trs.ky.gov/contact-us/departments/>. Any final agency decision that materially affects a member's service retirement benefits; the service credit amount; service or disability retirement eligibility; or eligibility for survivorship benefits may be appealed in writing, with the opportunity to request an administrative hearing, under the provisions of KRS 161.250(2) and KRS 13B.

Required minimum distributions

Federal tax law requires some TRS members and, if the member has died, beneficiaries to start withdrawing from their account, whether by retirement, refund or other distribution. These are called required minimum distributions. The law applies both to non-contributing members who have yet to retire any part of their TRS account and to non-contributing members who have retired but have not taken a distribution of their supplemental benefit.

Any TRS member age 70½ as of Dec. 31, 2019, with an accumulated balance who no longer contributes to TRS or another Kentucky state-sponsored retirement system is required by federal law to begin taking minimum distributions from their retirement accounts. That's true regardless of the years of service the person has and whether it's a return-to-work account.

Any TRS member age 70½ on or after Jan. 1, 2020, with an accumulated balance who no longer contributes to TRS or another Kentucky state-sponsored retirement system must take minimum distributions starting at age 72.

The options by which required minimum distributions can be taken depend on the account status.

If not vested with less than five years of service, a member required to take distributions must file an account refund application.

If vested with at least five years of service, a member required to take minimum distributions must file, if not retired, a retirement application to begin receiving an annuity for the foundational benefit and make an election for the distribution of the supplemental benefit.

If retired with an unclaimed balance in the supplemental benefit, the retiree must file an application selecting one of the distribution options for the supplemental benefit.

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

If the required minimum distributions age is reached and the member no longer is contributing to the account, contact TRS immediately to begin receiving benefits and avoid 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 a member's death. Beneficiaries should contact TRS shortly after the member's death to begin receiving benefits or take a refund, if either is applicable, to avoid any penalties.

Protections of benefits generally

KRS 161.714 provides an inviolable contract for most benefits earned by TRS 4 members. For example, the contract guarantees qualified members access to group health insurance, but terms of coverage can change.

Future benefits are subject to change either by legislative act (for benefits outside KRS 161.714) or the use of risk controls by the board, outlined elsewhere, to maintain funding.

Protections of benefits against legal claims

Generally, TRS benefits aren't subject to assignment, garnishment or attachment. However, they could be subject to court and administrative orders issued under federal law or for spousal maintenance and child support. Examples include a qualified domestic relations order (QDRO) and an Internal Revenue Service tax levy.

Correction of errors

TRS is required by law to correct any errors regarding an account. Upon discovery of any error, TRS is required to act to correct any error, including adjusting payments so that an annuitant or beneficiary receives the entitled payment.

Conviction of a job-related felony

KRS 161.470(5)(e) requires that TRS 4 members convicted in state or federal court of an employment-related felony forfeit any retirement benefits. Any such member is entitled only to a return of retirement contributions with credited interest. Forfeiture of retirement benefits is stayed during any appeal. If the conviction is reversed on final judgment, no benefits are forfeited. Notify TRS of any such conviction.