



Teachers' Retirement System

of the State of Kentucky
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TRS 1, TRS 2 and TRS 3 Retirement Options

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This bulletin is for members in TRS 1, TRS 2 or TRS 3. These members all entered TRS on or before Dec. 31, 2021.

Selecting an Annuity Option

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 the annuity often is the major source of income for the rest of a retiree's life. 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 retirement allowance, but the monthly payments cease upon death. No survivor annuity is payable to a beneficiary. Upon death, a lump-sum refund of any remaining accumulated balance (which consists of member contributions and interest) 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. For example, under a 10-year Option II, if the member dies within the first 10 years of retirement, the beneficiary would receive the same monthly annuity that the member received until the expiration of the 10 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 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 of Trustees. 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. Contact TRS for more information.

Beneficiary’s Documents

An official, government certified birth certificate and signed Social Security card of the beneficiary is required if any joint-survivor annuity [Options III, III(a), IV, IV(a) or V] option is selected.

Changing Annuity Options

A retiree *may* be able to change retirement options if a qualifying event is experienced:

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

If a qualifying event has been experienced and the retiree is eligible to change options, the option change must be done within 60 days from the date of the event. 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, also must be filed with TRS.

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

Because all conditions on changing options cannot be discussed fully in this document, anyone who has a qualifying event should contact TRS immediately for further details.

Changing Beneficiaries

Under certain conditions, retirees may be eligible to change retirement beneficiaries after they retire.

With options I or II, beneficiaries may be changed after retirement. However, if the account’s refundable balance is \$0 or the option includes a date certain that has expired, a change in either of those situations would not matter.

With options III, III(a), IV or IV(a), a beneficiary may be changed only if the retiree 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.

This is general information. The law prevails in the event of a conflict with this publication. Contact TRS prior to making retirement decisions.