

# KENTUCKY TEACHERS' RETIREMENT SYSTEM

## Retirement 101 Notes for KASBO

### RETIREMENT KNOWLEDGE

**Vesting** – 5.0 Years - The length of service needed to qualify for a retirement benefit

#### Retirement Eligibility

- **For All members**
  - 27 years service at any age
- **For Members with an Entry Date Prior to July 1, 2008**
  - Five (5) years service at age 55\* – *(Actuarial Reduction of 5% for each year service is below 27 or 5% for each year age is under 60, whichever is less)*
- **For Members with an Entry Date on or After July 1, 2008**
  - Five (5) years service at age 60
  - Ten (10) years service at age 55\* – *(Actuarial Reduction of 6% for each year service is below 27 or 6% for each year age is under 60, whichever is less)*

**Service credit** - The total number of years an employee has contributed into KTRS.

**Multiplier** - The value for each year of service credit earned with KTRS.

#### Final Average Salary (FAS)

- High 5 FAS will be used if a member has 27 years **OR** qualifies by age at 55 or 60.
- High 3 FAS will be used if a member has 27 years **AND** is at least age 55.

#### Sick Leave

- Payable at the time of retirement.
- Considered part of a member's salary for their last year of employment; used in the FAS.
- Sick leave payments make a substantial difference in a member's retirement benefit.
- Maximum of 300 sick leave days for members with an entry date on or after July 1, 2008.

#### Retirement Calculation Formula

Total Years of KTRS Service X Total Multiplier X Final Average Salary = Annual Benefit

### PURCHASES

#### Fractional/Part-time Service

- Full-time service – did not work a full year.
- Part-time service – employed at least 7/10 of the year.
- Deadline to Purchase – December 31 following the fiscal year in which the Lost Services occurred.
- Employer must complete a Lost Service Certification.

#### Current Leave of Absence

- Official leave – Board minutes required.
- Deadline to Purchase – June 30<sup>th</sup> of following year.
- Employer must complete a Leave of Absence Certification.

#### Non-Current Leave of Absence

*(If membership is prior to 7/1/2008, entry after that date the cost is actuarial.)*

- Only reasons Health, Child Rearing, or Educational.
- No more than two years may be purchased.
- Interest of 8% compounded annually.
- Must also pay the state matching, plus interest.

### **Withdrawn Account (Reinstatement)**

- Eligibility - Active status & one year or more in any Kentucky retirement system.
- Annual interest of 8% is charged from date of withdrawal to date of payment.

### **USERRA Military Service**

- Employer must complete USERRA Certification.

### **Actuarial Purchases**

- Purchasable at the time of Retirement.
- Cost based on age and salary at the time of retirement.

### **Refund/Withdrawal of KTRS Account Balance**

- Employee must have terminated employment.
- Employee forfeits their retirement benefit.
- Employee will receive their contributions plus accrued interest, less mandatory withholding of 20% for federal income taxes.

## **BENEFITS**

**Reciprocity Benefits** – All years of service are combined from both the Kentucky Teachers' Retirement System and the Kentucky Retirement System for eligibility purposes.

### **Disability Retirement Benefit**

- **Eligibility** - Must be an active contributing member, with 5 or more years of full time service, but less than 27 years, with a disabling condition expected to last 12 months.
- **Approval** - Must have approval by the KTRS medical review committee.
- **Benefits** – Member earns 60% of average salary during entitlement period and may participate in the KTRS Health Insurance. Service credit is awarded at the end of entitlement period.
- **Restrictions** – Income limits are applied and there can be no work similar to KTRS positions.

### **Death and Survivor Benefits** (*if a member dies while in active status*)

- Spouse must be named as primary beneficiary to receive Spouse Survivor Benefits.
- Three levels of Spouse Survivor Benefits based on member's years of service and eligibility to retire.
- Children under 18, or under 23 if a full-time student, are eligible to receive Children Survivor Benefits.
- A Primary beneficiary other than spouse may receive the lump sum balance of the member's account.

### **Other Benefits**

- Life Insurance - \$2,000 as an active member and \$5,000 as a retired member.
- Cost of Living Increase– Retired members are guaranteed a 1.5% increase every July.

### **Health Insurance**

- Kentucky Employees Health Plan (KEHP) for retirees under age 65 and not Medicare eligible.
- Medicare Eligible Health Plan (MEHP) for retirees Medicare eligible or age 65 & over.

## **PROCESS OF RETIRING**

### **Application**

- Must be received ONE MONTH PRIOR TO RETIREMENT for Service Retirement.
- Must be received ON THE FIRST DAY OF THE RETIRING MONTH for Disability Retirement.
- Must be completed thoroughly including all signatures, even when waiving insurance.
- Member and Spouse must sign.
- Must be witnessed by two people.

## POST - RETIREMENT EMPLOYMENT

### **Return to Work (RTW) Options**

- Waivers – Retiree suspends annuity; Must work one year or more for service to be added to original retirement.
- Part-time or Substitute – Retiree is employed less than 7/10 of the year; Subject to DWT.
- Full-time Program – Employed 7/10 or more; Subject to DWT; Employers must have KTRS approval before retiree can accept Full-Time or Critical Shortage employment.

### **RTW Limits**

- No pre-arranged agreements between retiree and employer
- Three month break in service from last paid day
  - Part time - return to work any district.
  - Full time return to work in a different school system from which employee retired.
- Twelve Month Break In Service From Last Paid Day
  - Full time return to work in the same district from which employee retired.
- Daily Wage Threshold (DWT)
  - 65% of last annual salary, if retired with less than 30 years.
  - 75% of last annual salary, if retired with 30 years or more.
- Number of Days A Retiree Can Work
  - Part Time - 69% of the contracted days.

### **Consequences of Violating RTW Limits**

- Exceeding either the number of days worked or the DWT – Retiree pays KTRS “dollar for dollar” earned over the limit or voiding of retirement.
- Violation of break in service – Retirement will be voided if a retiree returns to any KTRS employment too soon (*paid or unpaid*).

### **Form 30-E**

- Any return in a classified position, including coaching must have KTRS approval using Form 30-E.
- NEVER submit Form 30-E before retirement (pre-arranged agreement).
- No KTRS contributions withheld – KTRS re-employment limits do not apply.