

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



December
2010

Your KTRS "DB Plan" Provides Retirement Security-Even If You Live To Be 110 Years Old

A Message from the Executive Secretary
Gary L. Harbin, CPA

All across America the baby boom generation is starting to think about retirement. Many of these Americans with defined contribution accounts (like 401(k) accounts) are coming to the stark realization that they have not saved enough money. In a 2009 article titled "Why It's Time to Retire the 401(k)", Time Magazine noted that 46% of all 401(k) accounts have balances less than \$10,000. With such meager savings for retirement, many Americans are at substantial risk for outliving their retirement money and thereafter suffering poverty, dependence, and a loss of dignity in the last years of life.

For a person relying on a 401(k) account, how much money will they need to save to remain self-sufficient for their life? That is a fairly standard calculation if they know they will die on or before their 74th birthday. The much more difficult calculation is trying to figure out how much money they will

need if they live beyond normal life expectancy. What if they live well beyond normal life expectancy to be 85, 95, or maybe 110 years old?

The idea of living until 110 may not be as absurd as you might think. KTRS's most senior retiree is 107 years old and has received a monthly pension benefit from KTRS for 41 years. KTRS has 39 other retirees over 100 years old. There are almost 5,000 retirees ages 80 through 99 years old. Unlike those people with 401(k) accounts, KTRS retirees will not outlive their benefits.

KTRS is a Defined Benefit Group Retirement Plan or what is commonly called a "DB Plan." It provides true retirement security for your lifetime. It also provides ancillary benefits such as disability benefits if you become disabled prior to normal retirement.

continued on page 2
RETIREMENT SECURITY ...

Is Your Beneficiary Designation Current?

Keeping your beneficiary designation current for receipt of the KTRS life insurance benefit is an important matter. Failure to do so can result in added costs and stress, and even the loss of benefits, for loved ones during a very difficult time in their lives. All retirees should be sure that they have designated a beneficiary on the KTRS Life Insurance Benefit designation form. Even if you have already designated a beneficiary on this form, be sure that it is current. Subsequent marriage (after you become a member) will void any previously designated primary beneficiary and replace that beneficiary with your new spouse. Subsequent divorce will void any designation of the former spouse as beneficiary (unless a trust is the beneficiary and the former spouse is a beneficiary of the trust) and your estate will be listed as your new beneficiary unless you designate someone else. In the event of the death of the designated beneficiary, your estate will also become the new beneficiary. By keeping your beneficiary designation on the KTRS Life Insurance Benefit designation form current, you can insure that your wishes will be carried out.

Additionally, you will want to make sure that your beneficiary designation that you made on your membership application is still current. This designation is for receipt of your member contributions

continued on page 2
Beneficiary Designation ...

**** Inside This Issue ****

Your KTRS "DB Plan" Provides Retirement Security-Even If You Live To Be 110 Years Old	1
Is Your Beneficiary Designation Current?	1
FY 2010-2011 Furlough Days and Your Retirement Account	2
Board Structure & Solicitation of Candidates for Consideration	2
Please Review Your Annual Statement	3
Commonwealth Issues Bond for KTRS Pension Funds	3
Career Planning Workshops & Pre-Retirement Seminars	3
Deadlines for Purchasing Service Credit	3
Holiday Closing Schedule	3

DB Plans operate similarly to insurance policies by pooling "longevity risk" and carefully monitoring the average life expectancy and the amount of funds that need to be collectively set aside for retirements...no more, nor no less. This type of risk sharing mechanism eliminates the possibility of outliving retirement savings.

DB Plans also operate in an efficient manner for both the retiree and the taxpayers of the Commonwealth. Studies have also shown that on average, DB Plans can negotiate lower investment fees and enjoy higher investment returns than individuals do with their 401(k) accounts. As a long-term, group investor, rather than an individual, short-term investor, DB Plans can afford to invest in a more diversified portfolio and have a greater capacity for riding out periodic downturns in the market.

KTRS provides members with efficient pooling of longevity and investment risk. Members' assets are professionally managed at a very low cost. All of these reasons make the KTRS "DB Plan" the most secure retirement system for Kentucky's educators, most of whom do not participate in the federal Social Security program and therefore rely primarily upon KTRS for their retirement security. KTRS's efficient, effective, and secure plan stands in severe contrast to the substantial social risks and high costs associated with 401(k) accounts.

FY 2010-2011 Furlough Days and Your Retirement Account

KTRS members subject to furloughs who complete a full work calendar under the new furlough schedule will receive a full year of service credit. Members will still have the five (5) grace days they currently have and for which they can miss and still be credited with a full year of service credit.

Furthermore, under the guidance of the emergency regulation and accompanying Personnel Cabinet documents, members subject to furloughs will have the option to purchase the six days of lost salary credit by making the necessary contribution. There are no partial days purchases. All six days must be purchased. Contributions received after June 30 of the fiscal year in which the member had furlough days will be assessed interest.

If you have any further questions, please contact KTRS at 1-800-618-1687.

Board Structure & Solicitation of Candidates for Consideration

The Teachers' Retirement System is governed by a nine-member Board of Trustees. Two members of the Board, the Chief School Officer and the State Treasurer, are ex-officio members. The remaining seven trustees are elected by the combined retired and active membership. Two of the seven elected trustees are identified as "lay members," and are persons who are not KTRS members. One trustee is a retired teacher; the other four trustees are active members, one of which is customarily an administrator. A vacancy has occurred for an active teacher trustee as of January 1, 2011. This term is scheduled to expire in June 30, 2013. Pursuant to KRS 161.270, the Board will select an interim replacement.

Members who wish to submit the name of an active KTRS teacher for the Board's consideration to complete the remaining three-year term should forward submissions to the address below:

**Chairman of the Nominating Committee
Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, KY 40601**

Suggested candidates for the interim appointment must be received at KTRS no later than January 7, 2011.

Beneficiary Designation continued from page 1 ...

deposited in your KTRS account. Furthermore, if you designate your spouse as your primary beneficiary, he or she may be entitled to additional important survivor benefits that your spouse would not otherwise receive. Your beneficiary designation on your membership application can change for any of the reasons described above under which the beneficiary designation can change for the life insurance benefit. Please contact KTRS at 1-800-618-1687 or 1-502-848-8500 if you have any questions.

Please Review Your Annual Statement

The Kentucky Teachers' Retirement System annual statements for fiscal year ending June 30, 2010, were mailed in early December 2010. The accuracy of the information contained in this statement is important to your retirement and serves as the basis for preparing an estimate of your retirement benefits. Your employer furnished the salary and service credit reflected on your statement. To assist members in maintaining accurate retirement accounts, KTRS will perform service credit audits on member accounts that will be eligible to retire in the next two years. You can help by carefully reviewing your statement to assure its accuracy. Please pay particular attention to the total service credit ending balance at June 30, 2010. Members are entitled to receive a full year of service credit if they have no more than five days without pay during a year. If you think your account may have an error, please contact your employer. Your employer will then notify KTRS of errors and/or omissions that need to be corrected.

Commonwealth Issues Bond for KTRS Pension Funds

On August 26, 2010, KTRS received \$465 million in proceeds from a bond issued by the Commonwealth of Kentucky and purchased by private investors. This bond issue was approved by the Governor under the authority of legislation enacted by both chambers of the General Assembly during the 2010 Regular and Special Sessions. The proceeds of this bond issue were deposited in the KTRS Pension Fund in repayment of retirement contributions that had, since fiscal year 2005, been re-directed by the Commonwealth to pay retiree health insurance.

This is great news for the retirement system and its members. It not only repays the Pension Fund for re-directed contributions since fiscal year 2005, but it also provides a significant infusion of cash at a time when there are a lot of good investment opportunities in the marketplace. This one payment reduces the actuarially required employer contribution to the retirement system by just over three-quarters of one percentage point of total active member payroll. For this, KTRS and its membership can be very thankful to the Governor and General Assembly.

Career Planning Workshops

Registration 4:30 pm

Workshop 5:00 - 7:00 pm (Local Time)

January 11, 2011

Ramada Conference
Center
2143 N Broadway
Lexington

February 15, 2011

Breckinridge Inn
2800 Breckenridge
Ln.
Louisville

Pre-Retirement Seminars

Registration 8:30 am

Seminar 9:00 am - Noon (Local Time)

January 8, 2011

My Old Kentucky
Home State Park
501 East Stephen
Foster Avenue
Bardstown

February 12, 2011

KTRS
477 Versailles Road
Frankfort

Deadlines for the Purchase of Service Credit

FY 2009-10 Unpaid Contract Days *
Contact KTRS about eligibility to obtain full service and/or salary credit.

*DEADLINE for purchase is
December 31, 2010*

FY 2009-10 Leaves of Absence *
Contact KTRS about recovering this credit.

*DEADLINE for purchase is
June 30, 2011*

** Appropriate forms can be obtained at www.ktrs.ky.gov and must be completed by your employer.*

KTRS Holiday Closing Schedule for 2010

The Kentucky Teachers' Retirement System will be closed to observe the upcoming holidays:

Christmas

Thursday & Friday, December 23 & 24

New Year's

Thursday & Friday, December 30 & 31



TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
479 Versailles Road
Frankfort, Kentucky 40601-3800

PRSRRT STD
U.S. POSTAGE
PAID
Frankfort KY
Permit No. 730