

# KENTUCKY

## TEACHERS' RETIREMENT SYSTEM

RETIRED MEMBER  
EDITION



MARCH  
2011

### The KTRS Defined Benefit Group Retirement Plan: A Positive Impact on the State's Economy

As you know, a deduction is made from every paycheck that you ever receive, from your first date of employment to your last, to help pay for your retirement benefits. What you may not know is that your employee contributions, and the corresponding employer contributions, pay for only a fraction of your retirement benefits. When employee and employer contributions are made to the retirement system they aren't just thrown down a black hole never to be seen again. They are invested in a diversified portfolio that includes stocks, bonds, real estate, timberland and private equity. Over the lifespan of KTRS, the investment earnings from this portfolio have provided the dollars for

approximately seventy percent (70%) of all retirement benefits paid out by the retirement system. Employer and employee contributions historically pay for less than one third of these benefits.

The investment earnings as well as the accumulated contributions are injected into the state's economy in the form of retirement benefits. In the last fiscal year, approximately \$1.6 billion dollars in benefits were paid out. And since ninety-three percent (93%) of KTRS retirees remain in Kentucky, the majority of those dollars stay in Kentucky. Every community in the Commonwealth benefits from the expenditure of these retirement dollars as local

*"KTRS Defined Benefit Group Retirement Plan"  
continued on page 2 ...*

### Are You Turning 65 in 2011?

As of the first day of the month that you reach your 65th birthday you will no longer be eligible for the Kentucky Employees' Health Plan and **you must obtain Medicare** to continue medical and prescription coverage through KTRS. Contact Social Security to enroll in Medicare approximately three months before your birth month. See sections below regarding enrolling in Medicare and their respective income adjusted premiums established by Social Security. It is imperative that your demographic information at Social Security match what you have on file at KTRS including your name, date of birth, and your address or your plan enrollment could be affected. Since Medicare will not accept a PO Box address you must supply KTRS with a residential

*"TURNING 65 SOON"  
continued on page 3 ...*

#### \*\* Inside This Issue \*\*

The KTRS Defined Benefit Group Retirement Plan: A Positive Impact on the State's Economy .....	1
Are You Turning 65 in 2011? .....	1
2010 Tax Year Information .....	5
Kentucky State Tax Laws .....	6
Shared Responsibility Legislation-Timeline for Changes to Occur .....	7
Essential Information Re-employed Retirees .....	8

**"KTRS Defined Benefit Group Retirement Plan" continued from page 1 ...**

businesses and jobs are supported. As such, your group retirement plan not only serves you individually, but it also serves as a powerful and efficient economic engine for Kentucky.

The retirement benefits paid to members who live in each county in Kentucky for the 2009-2010 fiscal year are listed below. These amounts will be even greater in the current fiscal year.

COUNTY	RETIREMENT BENEFITS	COUNTY	RETIREMENT BENEFITS	COUNTY	RETIREMENT BENEFITS
ADAIR	\$5,803,989	HANCOCK	2,327,430	NELSON	12,392,193
ALLEN	5,004,719	HARDIN	25,799,119	NICHOLAS	1,981,850
ANDERSON	6,189,502	HARLAN	12,750,879	OHIO	6,489,655
BALLARD	3,600,110	HARRISON	6,101,989	OLDHAM	14,971,402
BARREN	13,120,878	HART	5,085,082	OWEN	2,611,795
BATH	3,928,011	HENDERSON	13,359,655	OWSLEY	3,615,737
BELL	11,381,065	HENRY	5,363,750	PENDLETON	4,287,584
BOONE	26,213,505	HICKMAN	1,215,858	PERRY	11,648,561
BOURBON	5,984,861	HOPKINS	15,120,996	PIKE	25,658,541
BOYD	17,461,240			POWELL	3,692,336
BOYLE	13,571,950	JACKSON	3,648,518	PULASKI	20,996,812
BRACKEN	2,765,982	JEFFERSON	230,683,392		
BREATHITT	7,003,122	JESSAMINE	9,718,978	ROBERTSON	696,510
BRECKINRIDGE	6,110,119	JOHNSON	10,764,618	ROCKCASTLE	5,637,560
BULLITT	14,648,903	KENTON	28,059,001	ROWAN	15,062,587
BUTLER	2,530,633	KNOTT	7,455,421	RUSSELL	6,563,178
		KNOX	7,595,500	SCOTT	12,013,972
CALDWELL	5,733,550	LARUE	5,333,007	SHELBY	13,617,230
CALLOWAY	21,201,802	LAUREL	17,124,691	SIMPSON	5,374,555
CAMPBELL	22,527,968	LAWRENCE	4,283,300	SPENCER	4,138,423
CARLISLE	1,424,270	LEE	2,154,765		
CARROLL	2,716,613	LESLIE	4,464,851	TAYLOR	9,072,651
CARTER	10,899,817	LETCHER	9,970,740	TODD	2,628,852
CASEY	5,047,735	LEWIS	5,618,466	TRIGG	5,326,341
CHRISTIAN	16,842,789	LINCOLN	8,900,313	TRIMBLE	1,906,278
CLARK	10,572,359	LIVINGSTON	2,909,842	UNION	3,816,143
CLAY	8,793,064	LOGAN	8,606,390	WARREN	48,791,688
CLINTON	4,139,231	LYON	3,124,304	WASHINGTON	3,404,497
CRITTENDEN	2,075,605			WAYNE	7,156,848
CUMBERLAND	2,572,104	MADISON	41,875,340	WEBSTER	4,459,885
DAVISS	33,205,962	MAGOFFIN	5,155,618	WHITLEY	18,553,725
EDMONSON	3,018,085	MARION	5,095,048	WOLFE	3,779,999
ELLIOTT	1,822,100	MARSHALL	11,468,566	WOODFORD	8,942,725
ESTILL	4,427,457	MARTIN	4,209,939		
FAYETTE	88,041,172	MASON	6,216,039		
FLEMING	5,074,921	MCCRACKEN	22,055,363		
FLOYD	17,082,119	MCCREARY	6,015,814		
FRANKLIN	23,586,330	MCLEAN	3,313,441		
FULTON	2,435,003	MEADE	5,588,740		
		MENIFEE	1,840,025		
GALLATIN	674,067	MERCER	7,231,079		
GARRARD	5,377,933	METCALFE	3,403,928		
GRANT	5,558,655				
GRAVES	12,473,985	MONROE	5,220,228		
GRAYSON	8,634,506	MONTGOMERY	8,961,947		
GREEN	3,510,939	MORGAN	5,987,964		
GREENUP	11,795,949	MUHLENBERG	9,647,011		

<p><b>TOTAL BENEFITS DISTRIBUTED IN KENTUCKY</b></p> <p><b>\$1,386,701,737</b></p>
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address, too. If your 65th birthday is the first day of the month, your Medicare will become effective the month prior and you can enroll in the MEHP early. If this is your desire, contact KTRS at 800-618-1687 for enrollment forms.

You must provide documentation verifying your Medicare enrollment before the first day of your birth month. **Complete the Medicare Information Form (MIF) supplied by KTRS with an attached copy of your Medicare card, and submit them to KTRS to be enrolled in the MEHP coverage currently with Humana and Medco.** Upon receipt, KTRS will submit enrollment to Humana and Medco for the first day of your birth month. Humana and Medco will then submit your enrollment directly to Medicare for approval. In the event that proof of your Medicare Part B coverage is not provided to KTRS before the first day of your birth month, you will not be enrolled in this MEHP coverage through KTRS. If you are the retiree and your coverage terminates, then your spouse is not eligible for coverage. And, outside of the annual open enrollment, you will only be eligible to re-enroll within 30 days of obtaining Part B of Medicare or another valid qualifying event. **If you do not wish to be enrolled in the KTRS coverage, you must notify this office in writing by the 10th of the month prior to your birth month to decline the MEHP coverage. If you do not submit the required documentation, you will not have coverage under the KTRS MEHP.**

### ENROLLING IN MEDICARE

Medicare Part A generally covers services furnished by providers like hospitals or skilled nursing facilities. Most people automatically receive premium free Part A coverage from Social Security. This is because they or a spouse paid Medicare taxes while working. If



you do not automatically receive Part A at no cost, you are not required to purchase Part A, and the KTRS plan will pay as Medicare would have paid on Part A expenses, excluding the MEHP deductibles and copayments. When you contact Social Security to enroll in Medicare, please make sure they check to see if you qualify for Part A free not only through your Social Security and/or Medicare tax payments but also through your spouse's. You could also qualify through an ex-spouse or a deceased spouse.



When you contact Social Security to enroll in Medicare, please make sure they check to see if you qualify for Part A free not only through your Social Security and/or Medicare tax payments but also through your spouse's. You could also qualify through an ex-spouse or a deceased spouse.

**Medicare Part B** covers most other medical services not covered by Part A such as physician's services and outpatient services. ***All*** retirees/spouses must enroll in Part B and pay the required monthly income adjusted premium to Social Security. Contact Social Security to determine your Part B income adjusted premium. See section on higher income persons. In some cases, your Part B premium could be higher if you fail to enroll when you first become eligible. **If you fail to enroll in Part B, you will not be enrolled in the KTRS MEHP. If at any time while enrolled in the MEHP, your Part B coverage lapses due to non-payment or any other reason, you will be terminated from the KTRS MEHP and you will be responsible for the actual cost of any claims.**

**Medicare Part D** is prescription coverage that is offered through Medicare-approved plans. Part D is available to anyone who is eligible for and enrolled in Medicare Part A and/or Part B. All Medicare Part D plans must provide coverage that meets certain minimum standards set by Medicare. Just like Medicare Part B, Medicare Part D requires monthly income adjusted

***"TURNING 65 SOON" continued on page 4 ...***

premium payments to Social Security. Contact Social Security to determine your Part D income adjusted premium (if any). See section on higher income persons. If you are in the MEHP and have Medicare, you will have Medicare Part D prescription coverage through KTRS via Medco and you must NOT enroll in a Medicare Part D plan outside of KTRS. If you enroll in another Medicare Part D plan, your Humana and Medco coverage through the KTRS MEHP will be terminated immediately.

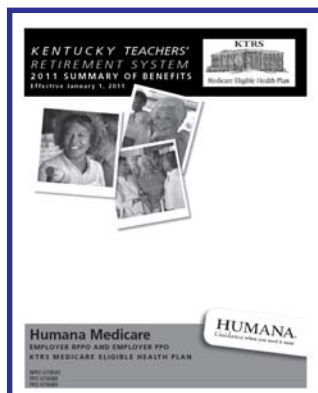
### HIGHER INCOME PERSONS

Medicare law requires some higher income persons to pay higher premiums to Social Security for Medicare Part B (medical insurance) and Medicare Part D (prescription drug coverage). This Medicare law generally affects individuals with incomes higher than \$85,000 and couples with incomes higher than \$170,000. Medicare/Social Security will contact the Internal Revenue Service to get information about your total income. Questions regarding this should be directed to **Medicare @ 1-800-633-4227**.

### YOUR KTRS MEDICAL COVERAGE

The MEHP medical plan is a Medicare Advantage plan currently administered by Humana. This plan allows you the same in and out-of-network cost-share; therefore you can see any licensed provider who accepts Medicare patients and Medicare assignment and agrees to bill Humana directly. If any of your providers are unfamiliar with the Medicare Advantage plan for KTRS, please have them call:

**Humana Provider  
Relations at  
1-800-626-2741**



Show your new Humana Medicare Advantage ID card each time you receive care and have providers file claims directly with Humana instead of Medicare. **PLEASE NOTE: if you enroll in another Medicare Advantage Plan outside of KTRS, your Humana and Medco coverage will be terminated immediately.**

### YOUR KTRS PRESCRIPTION COVERAGE

The KTRS MEHP Prescription Drug Plan is a Medicare-approved Part D plan insured by Medco and called the Medco Medicare Prescription Plan (PDP). The program consists of a Retail Drug Program and a Mail Service Drug Program. The Retail Drug Program is designed for initial and short-term prescriptions and allows up to a 34 day supply of medication to be obtained at a retail pharmacy. As an added convenience, a 90 day supply of prescription medication may be filled at retail for the full coinsurance cost times three months. The Mail Service Drug Program is designed for prescriptions which are taken on a long-term basis and allows up to a 90 day supply of medication to be obtained at Medco's mail service pharmacy. If you need specific information regarding a prescription cost and/or restrictions prior to your effective date of coverage, you can visit [www.medco.com/medd/ktrs](http://www.medco.com/medd/ktrs) or call:

**Medco at 1-800-551-8060**

### BENEFIT BOOKLETS AND IDENTIFICATION CARDS

You can access benefit documents at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). After your coverage begins you will receive Evidence of Coverage Booklets giving the Medco and Humana plan rules. Also, we must inform you that if the Humana Medicare Advantage plan ever denies a claim or a service, you have the right to appeal and ask for a review of the denied claim or service. If Humana's decision isn't made in your favor, an independent organization that works for

**"TURNING 65 SOON" continued on page 7...**

# 2010 TAX YEAR INFORMATION

KTRS mailed the 1099R tax forms during the last week of January 2011. To request a duplicate for a lost 1099R form, please call 1-800-618-1687. The tax statement contains confidential information and can only be mailed to the member's address currently on record with KTRS. For your privacy and protection, the member, power of attorney, or beneficiary, must submit a written request to KTRS in order to send a duplicate 1099R form to an address that is different from the one currently on record with KTRS. The written request may be mailed to KTRS, or faxed to (502) 573-0254. This special request will not change your permanent address record unless you specifically request that it be changed. You may also visit the

KTRS Website at [www.ktrs.ky.gov](http://www.ktrs.ky.gov) for additional information and forms, including the change of address forms.



## Need to contact someone?

KTRS .....	502/848-8500
Toll Free .....	800-618-1687
KERS .....	502-696-8800
Toll Free .....	800-928-4646
Deferred Compensation .....	502-573-7925
Toll Free .....	800-542-2667
KY Revenue	
Cabinet .....	502-564-4581
IRS .....	800-829-1040

## THE EASY EXPLANATION

### **BOX 1**

Shows your total KTRS pension benefit prior to withholdings.

**BOX 1 (less)  
BOX 2a = BOX 5**

### **BOX 2a**

Shows the taxable portion of your benefit. If blank, box 2b "Taxable Amount Not Determined" should be marked. In this case, please see your tax advisor.

### **BOX 5**

Shows the nontaxable portion of the total. This amount is **NOT** reported anywhere on your tax return. It is an 'information only' box.

### **BOX 9b**

This box will **only** show an amount in the first year of retirement. It provides the total amount of previously taxed contributions.

<b>Form 1099R 2010</b>		OMB No. 1545-0119 Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. This information is being furnished to the Internal Revenue Service.		<b>Payer's Federal ID Number</b>		<b>STATE</b> <i>COPY 1 - File with Recipient's STATE Tax Return</i>	
Recipient Information		<b>1 Gross Distribution</b>  <b>BOX 1</b>		<b>2a Taxable Amount</b>  <b>BOX 2a</b>		<b>2b Taxable Amount Not Determined</b> <input type="checkbox"/> <b>Total Contribution</b> <input type="checkbox"/>	
Recipient Identification Number		<b>3 Amount in Box 2a Eligible for Capital Gain Election</b>		<b>4 Federal Income Tax Withheld</b>		<b>5 Employee Contributions</b>  <b>BOX 5</b>	
Payer's Full Name and Address  KENTUCKY TEACHERS' RETIREMENT SYSTEM 479 VERSAILLES ROAD FRANKFORT KY 40601-3800		<b>6 Net unrealized appreciation in employer's securities</b>		<b>7 Distribution Code</b> <input type="checkbox"/> <b>IRA/SEP/ Simple</b>		<b>8 Other</b>	
		<b>9a Your Percentage of Total Distribution</b>		<b>9b Total Emp. Contribution</b>  <b>BOX 9b</b>		<b>10 State Tax Withheld</b>	
		<b>11 State/Payer's State Number</b>  <b>KY 077156</b>		<b>12 State Distribution</b>		<b>State Taxable Percentage</b>  %	

**BOXES 10 - 13** Show the state tax information. KTRS does not withhold state taxes. Only pension income attributable to service credit earned after January 1, 1998, is subject to Kentucky state taxes. Outside Kentucky, your resident state tax regulations apply.

# KENTUCKY STATE TAX LAWS

The majority of our members do not owe Kentucky state taxes on KTRS benefits. KTRS strongly recommends you seek the advice of a qualified tax preparer for any specific questions concerning Kentucky income taxes on your pension.

The good news is that when calculating your Kentucky state income tax liability, there is a \$41,110 EXCLUSION for total state taxable pension income on the Form 740 Kentucky Income Tax Return. Your Form 740 begins with the federal adjusted gross income (AGI). Schedule M of the KY state return allows adjustments to the federal AGI. Schedule P of the KY state return is NOT always required; it reports pension income in more detail. You may want to take this newsletter to your tax preparer.

You must compute the state taxable amount. Multiply the state taxable percentage (next to box 12) by the federal taxable amount in box 2a to arrive at the state taxable amount. **DON'T FORGET TO APPLY THE KENTUCKY PENSION INCOME EXCLUSION AGAINST THE STATE TAXABLE AMOUNT.**

## Kentucky Tax Form 740 - SCHEDULE M

Add all your 1099R, Box 2a,  
FEDERAL taxable amounts.

**IF THE TOTAL IS UNDER \$41,110 YOU DO NOT HAVE TO FILL OUT KY 740 - SCHEDULE P.** Just subtract the amount from the federal AGI by entering the amount on Part II, line 11. Therefore, you do not owe any state taxes on pensions.

**IF THE TOTAL IS OVER \$41,110 YOU MUST FILL OUT KY 740 - SCHEDULE P.** Even if you are required to fill out a KY 740 - Schedule P, most retired teachers still do not owe any Kentucky state taxes.

## Kentucky Tax Form 740 - SCHEDULE P

Add all your 1099R, STATE taxable amounts. Enter the total on Part II of Schedule P.

**IF THE TOTAL IS UNDER \$41,110 YOU DO NOT OWE ANY KENTUCKY STATE INCOME TAX ON PENSIONS.** Follow instructions on completing the schedule.

**IF THE TOTAL IS OVER \$41,110 YOU OWE KY STATE TAXES ON THE AMOUNT ABOVE THE EXCLUSION AMOUNT.** Again, follow instructions on completing the schedule.

### CAUTION:

\*Computing a Kentucky state taxable amount does not mean you owe Kentucky state taxes!!

\*The requirement to prepare KY 740 - Schedule P does not mean you owe state taxes!

#### Retired Prior to January 1, 1998

KTRS remains as KY STATE NONTAXABLE income. If you receive more than \$41,110 federal taxable pension income you still must prepare KY 740 - Schedule P.

#### Retired After January 1, 1998 TOTAL FEDERAL RETIREMENT INCOME LESS THAN \$41,110

If total federal taxable income is less than \$41,110 then all pension income is KY STATE NONTAXABLE income.

#### Retired After January 1, 1998 TOTAL RETIREMENT INCOME <sup>11</sup> MORE THAN \$41,110

You must fill out KY 740 - Schedule P on your State Income Tax Return. Follow the instructions. Your 1099R will have the information needed to complete the KY 740 - Schedule P.

**"TURNING 65 SOON" continued from page 4...**

Medicare will automatically review your appeal. If your correctly completed MIF is submitted to KTRS in a timely manner and Medicare approves your enrollment, you should receive ID cards before your coverage is effective. Prior to receipt of your ID cards, if Humana and Medco have processed your enrollment, you can access a letter of medical coverage or print a temporary ID card by registering at [www.humana.com](http://www.humana.com) and [www.medco.com](http://www.medco.com). **To avoid any possible lapse in your medication with the KTRS MEHP, obtain a refill through your current plan on the last day of the month prior to your birth month.**


Listed below is the monthly cost of the 2011 MEHP  
*(You must also continue to pay your Medicare Part B premium and any additional Part B and D income adjusted premium billed by Social Security.)*

Years of Service	KTRS Entry Date Before 07/01/02	KTRS Entry Date on or After 07/01/02	KTRS Entry Date on or After 07/01/08	Spouses Pay Full Premium Rate of:
5-9.99	\$216.75	\$260.10	Not Eligible	<b>\$289.00</b>
10-14.99	\$144.50	\$216.75	Not Eligible	
15-19.99	\$72.25	\$158.95	\$158.95	
20-24.99	\$0.00	\$101.15	\$101.15	
25-25.99	\$0.00	\$28.90	\$28.90	
26-26.99	\$0.00	\$14.45	\$14.45	
27 or more	\$0.00	\$0.00	\$0.00	

You can obtain additional information about enrolling in Medicare by contacting **Social Security at 1-800-772-1213**, **Medicare at 1-800-633-4227**, or [www.medicare.gov](http://www.medicare.gov) on the web. If you have any other questions, please contact KTRS at 1-800-618-1687.

## Retirees Under Age 65

### Shared Responsibility Legislation Timeline for Changes to Occur in Retiree Health Insurance Cost for Non-Medicare Eligible Retirees

Effective Date	Medicare Part B <u>Estimated</u> Monthly Cost	Cost to Retiree Under Age 65
July 1, 2010	<b>\$110.50</b>	<b>\$37.00</b> <i>(1/3 x \$110.50)</i>
January 1, 2011	<b>\$115.40</b>	<b>\$39.00</b> <i>(1/3 x \$115.40)</i>
 July 1, 2011	<b>\$115.40</b>	<b>\$77.00</b> <i>(2/3 x \$115.40)</i>
January 1, 2012	<b>\$131.00</b> <i>Estimated</i>	<b>\$87.00</b> <i>(2/3 x \$131.00)</i>
July 1, 2012	<b>\$131.00</b> <i>Estimated</i>	<b>\$131.00</b> <i>Estimated</i>

Retirees Under age 65, regardless of retirement date, who receive health insurance from any retirement system through the Kentucky Employees' Health Plan, began contributing an additional amount to the Medical Insurance Fund effective July 1, 2010. This amount is based on the standard Medicare Part B premium that is currently paid by retirees age 65 and over.

## Essential Information

### Re-employed Retirees

You can help your employers be sure the correct KTRS forms are submitted for the type of job you are being hired to do. If you are returning to **part-time employment** for a KTRS employer, you fill out the form F-1RET at the time you first return to work. This opens a new retirement account and allows designation of beneficiaries for your contributions. This form must be completed only once if you are returning just to **part-time employment**. By contrast, retirees that return or change to **full-time or Critical Shortage employment** must complete the form F-1RET each year. This **full-time or Critical Shortage** group must also have their employer get KTRS approval before beginning work.

If you are employed full time by an agency that participates in the Kentucky Employees' Health Plan (KEHP) and you are eligible for health insurance, you must stop the KTRS coverage and sign up for coverage with your active employer. If you return to an employer that does not participate in the KEHP, you may keep your insurance through KTRS as long as the insurance

provided by your employer is not as good as that offered by KTRS. Additionally, once you terminate your return-to-work employment, drop from full-time to part-time employment, or otherwise become ineligible for employer provided insurance, **it is your responsibility** to contact KTRS to re-enroll based on that qualifying event. Loss of insurance coverage with your active employer is a qualifying event that allows you to re-enroll with KTRS even if it is outside open enrollment. You should contact KTRS as soon as you know you will be terminating employment, dropping from full-time to part-time employment or losing coverage with your active employer for any other reason. This contact must be no later than 30-35 days from the qualifying event. In most cases you will be required to provide proof of the qualifying event. This information can also be found on our website at [www.ktrs.ky.gov](http://www.ktrs.ky.gov).

**PLEASE BE SURE TO FOLLOW ALL BREAKS IN SERVICE REQUIRED BETWEEN THE TIME OF RETIREMENT AND RE-EMPLOYMENT AND BE MINDFUL OF YOUR DAILY WAGE THRESHOLD. FAILURE TO DO SO CAN HAVE SERIOUS FINANCIAL CONSEQUENCES. CONTACT KTRS IF YOU HAVE ANY QUESTIONS.**