

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



MAY
2011

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Career Planning
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40601-3800
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The KTRS Defined Benefit Group Retirement Plan is the Most Efficient Way to Deliver Retirement Security

Gary L. Harbin, CPA
Executive Secretary

Kentucky Teachers' Retirement System

"The envious man thinks that if his neighbor breaks his leg, he will be able to walk better himself."¹ There is universal agreement that envy is one of the darkest and most destructive of all human emotions. Unfortunately, "pension envy" has crept into the national discussion about retirement plans for public school teachers.

In some parts of the country, people are advocating eliminating traditional defined benefit group retirement plans (DB retirement plans) in favor of individual 401(k) type savings accounts (DC savings accounts). The rationale for this position is not that DC savings accounts provide better retirement security, rather it is based upon the bitter idea "if I don't have a pension then no one should have a pension." Public policy concerning retirement should be based upon reason, not resentful emotion.

My entire career has been devoted to practicing the fine points of accounting and finance. I love numbers and the straightforward stories they tell. More than thirty years of professional work on the details of retirement have led me to the conclusion that DB retirement plans provide a successful, cost effective retirement model. To the contrary, DC savings accounts just don't make the grade — and the numbers prove it!

The National Institute on Retirement Security conducted a study making an

"apples to apples" calculation of the actual dollar contributions required for a DB retirement plan and a DC savings account to achieve the same target retirement benefits.² **The study found that traditional DB retirement plans provide the same retirement income at nearly half the cost of DC savings accounts.**

DB retirement plans are more efficient than DC savings accounts because:

- **DB retirement plans earn higher investment returns** due to professional asset management and lower costs compared to individual DC savings accounts. Over a person's career, this accounts for about 26% less cost for a DB retirement plan.
- **DB retirement plans continually optimize their investment portfolios;** however, persons with DC savings accounts generally have to take less investment risk to protect principal as they near retirement. Over a person's career, this accounts for about 5% less cost for a DB retirement plan.
- **DB retirement plans pool "longevity risk" and pay benefits for a retiree's lifetime.** In a DC savings account, the person must make excess contributions to make sure they don't run out of

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Upcoming KTRS Board of Trustees Election

The Teachers' Retirement System is governed by a nine member Board of Trustees. Two trustees are ex-officio members, the Chief State School Officer and the State Treasurer. The remaining seven trustees are elected by the retired and active membership. Elections are held in May of each year to fill either one or two positions on the Board. Positions are held for four-year terms and the elections are staggered. This May, the membership will elect a lay member trustee and an active member trustee. The candidates for the lay position are Ronald L. Sanders, the incumbent, from Hodgenville, and John David King from Barbourville. The candidates for the active

teacher position are Ruth Ann Sweazy, the incumbent, from Taylorsville, and Michael H. Ross, from Maysville.

In early May, each retired and active KTRS member was mailed a ballot with information about the

candidates. Retired members will receive a yellow ballot and active members will receive a blue ballot. Please select your candidate, tear along the perforation, and drop the ballot in the mail. Postage is prepaid. You may return your ballot any time during May, but no later than May 31, 2011. The Chief State School Officer is responsible for counting the ballots.

All members are urged to review the qualifications of each candidate and cast their ballot for the candidate that they feel has the best qualifications to be an effective member of the Board of Trustees. The results of the election will be announced in the next KTRS newsletter.



Board Vacancy Filled Unanimously



Mr. Charles W. Ludwig, of Louisville, Kentucky, was unanimously approved by the Board of Trustees of the Kentucky Teachers' Retirement System (KTRS) to fill the vacancy left on the Board by the resignation of former Board member, Dr. Jay Morgan. Mr. Ludwig is a graduate of the University of

Kentucky with a Bachelor of Arts Degree in Secondary Education. He received a Masters in Science in the Administration of Justice, and his Rank I, from the University of Louisville. Mr. Ludwig currently serves as a professor with the Kentucky Community and Technical College System and is assigned to the Kentucky Department of Corrections. For the past 23 years he has taught Adult Basic Education Classes at the Kentucky Correctional Institution for Women in Peewee Valley. Mr. Ludwig serves on the Board of Directors of the Kentucky Education Association, and as Treasurer for the Fifth District Education Association. He also serves on the boards of the Kentucky Community and Technical Education Association and the Kentucky Association for Adult and Continuing Education. Mr. Ludwig holds the offices of both the Secretary and Chief Financial Officer for the Commission of Adult Basic Education. The unexpired term that Mr. Ludwig is filling runs through June 30, 2013.

The KTRS Defined Benefit Group Retirement Plan is the Most Efficient Way to Deliver Retirement Security continued from page 1 ...

money if they live beyond normal life expectancy. Over a person's career, this accounts for about 15% less cost for a DB retirement plan.

In summary, the KTRS Defined Benefit Group Retirement Plan offers the very best retirement security for much less cost than is offered by individual Defined Contribution savings accounts. The Defined Benefit Group Retirement Plan is, in short, a model to be emulated.

¹ The quote is by Helmut Schoeck author of "Envy: A Theory of Social Behavior."

² The study is titled "A Better Bang for the Buck: The Economic Efficiencies of Defined Benefit Pension Plans;" a "Fact Sheet" summarizing the study is available on KTRS's website at www.ktrs.ky.gov.

Deadlines for the Purchase of Service Credit

All forms must be
COMPLETED BY YOUR EMPLOYER

FY 2009-10 Leaves of Absence * *DEADLINE for purchase is **June 30, 2011***

Contact your employer for appropriate forms.
Use form LOA-1

FY 2010-11 Unpaid Contract Days * *DEADLINE for purchase is **December 31, 2011***

Contact your employer for appropriate forms.
Use form LS-1

FY 2010-11 Leaves of Absence * *DEADLINE for purchase is **June 30, 2012***

Contact your employer for appropriate forms.
Use form LOA-1

FY 2010-11 Salary Credit for the Six Furlough Days * ***Salary credit for the SIX days must be purchased all at once and before retirement. Members do not lose service credit as a result of furlough days. To avoid interest, DEADLINE for purchase is **June 30, 2011.*****

Contact your employer for appropriate forms.
Use form LS-1

* Contact your EMPLOYER for the correct form or they may be found on our website at www.ktrs.ky.gov/employer/active_member.

Questions: call KTRS @ 1-800-618-1687

If you are age 70 ½ or over and no longer contributing to the retirement system, please contact KTRS immediately for the appropriate forms to apply for retirement or a refund to avoid substantial and recurring federal tax penalties. Federal tax law also requires the beneficiary of an active or retired member to begin receiving benefits or take a refund soon after the member's death.

Beneficiaries should contact the retirement office soon after the member's death to begin receiving benefits or take a refund in order to avoid any applicable penalties.

Do You Have a Life Insurance Beneficiary?

All members of KTRS are covered by a life insurance benefit. KRS 161.655 sets this benefit at \$5,000 for retirees and \$2,000 for active contributing members. The law specifies that this benefit is payable upon the death of the member to the member's estate or to a party designated by the member on a form prescribed by the retirement system. Members who do not have a party designated to receive this benefit can do so by completing a Designation of Beneficiary Form [KTRS Life Insurance Form DB-1].

KTRS retirees are reminded that changing the life insurance benefit designation does not affect the beneficiary designation made at retirement that provides for a monthly payment to a survivor in the event of death of the retired member. It is very important that both active and retired KTRS members keep their life insurance beneficiary designation current and up to date. Failure to keep your beneficiary designation up to date could lead to costly legal fees. To request this form call KTRS toll free at 1-800-618-1687.

Minimum Distribution Requirements

Regardless of whether you are vested with at least five (5) years of service or not, if you are no longer working for a participating KTRS employer, federal tax law requires you to take action soon after you reach age 70½ to withdraw the contributions that have been deposited in your retirement account. If you are vested with at least five (5) years of service, you are required to withdraw your contributions by filing a retirement application to start receiving your retirement allowance. If you are not vested with at least five (5) years of service, you are required to file an application for a refund of your account. Failure to take action to timely withdraw the contributions that have been deposited in your retirement account may result in federal tax penalties.

How Would a Career Planning Workshop or Pre-Retirement Seminar Benefit You?

Throughout the year, KTRS offers **Career Planning Workshops** to teachers, university faculty, school administrators and others. Members who desire to learn about their KTRS retirement account or how the System operates will benefit from attending one of these sessions. Also available are **Pre-Retirement Seminars** for those within one to five years of retirement, who would like to know how to maximize their KTRS pension, learn the retirement process, and get all their questions answered. These workshops and seminars are packed with information that will help each person move smoothly from one phase of life into the next. We should all prepare for a fresh new journey earned by our previous labor.

Career Planning Workshops

NOTE DIFFERENT WORKSHOP TIMES!

May 24, 2011

Registration 4:30 pm

Workshop

5:00 – 7:00 pm

(Local Time)

KTRS

477 Versailles Road
Frankfort, KY

June 29, 2011

Registration 8:30 am

Workshop

9:00 – 11:00 am

(Local Time)

LAKE BARKLEY SRP

3500 State Park Road
Cadiz, KY

July 12, 2011

Registration 8:30 am

Workshop

9:00 – 11:00 am

(Local Time)

**GENERAL BUTLER
SRP**

1608 Highway 227
Carrollton, KY

Pre-Retirement Seminars

NOTE DIFFERENT WORKSHOP TIMES!

May 23, 2011

Registration 4:30 pm

Seminar

5:00 pm – 7:00 pm

(Local Time)

ROUGH RIVER SRP

450 Lodge Road
Falls of Rough, KY

June 10, 2011

Registration 8:30 am

Seminar

9:00 am – NOON

(Local Time)

DALE HOLLOW SRP

5970 State Park Road
Burkesville, KY

July 30, 2011

Registration 8:30 am

Seminar

9:00 am – NOON

(Local Time)

**CUMBERLAND FALLS
SRP**

7351 Highway 90
Corbin, KY

Please visit www.ktrs.ky.gov for ALL workshop & seminar

PRE-REGISTRATION along with address information.

YOU MUST PRE-REGISTER TO ATTEND!

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