

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



November/December
2011

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KTRS
479 VERSAILLES ROAD
FRANKFORT,
KENTUCKY
40601-3800
1-800-618-1687

"A Business-Like Arrangement"

A Message from the Executive Secretary

Gary L. Harbin, CPA

In more than 70 years of operations, KTRS has always provided retirement security to Kentucky's teachers and good value for taxpayers. However, some in the media have characterized teachers' retirement annuities as being unduly burdensome on taxpayers and little more than expensive gifts and handouts. History proves that these characterizations are simply wrong.

Rather than being a gratuity, retirement annuities are actually part of the compensation earned by teachers during their working years. Furthermore, teachers actually participate in funding their retirement. On every payday during their careers, teachers make mandatory contributions to KTRS that are matched by their employers. Those contributions are invested and thereafter are paid out during retirement. In this way, most of the costs of retirement are paid from investment earnings (please refer to the KTRS schedule on page 2 of this article). Across the nation defined benefit plans like KTRS pay about 70% of the costs of retirement with investment earnings. This article sets forth some historical perspective about why the KTRS began operations and how it is "a business-like arrangement" for both teachers and taxpayers.

THE PROBLEM

In the 1930s, the people of Kentucky and the rest of the world were suffering through the Great Depression. The general distress of that period framed a more specific problem—Kentucky had an aging population of

impoverished classroom teachers. Newspaper accounts from that era indicate many of these teachers began their careers in one room school houses in the 1880s. Their salaries averaged about \$215 per school year. Even during the Great Depression, these wages were regarded as below subsistence living.

A report prepared in 1936 by the Bureau of School Services of the University of Kentucky noted that school boards frequently felt an obligation to continue the employment of these teachers even after physical or mental disability had seriously reduced their efficiency in the classroom. These teachers faithfully served their communities for 40 or 50 years (and in a few cases more than 60 years) and then became physically or mentally unable to perform teaching duties. During their careers these teachers earned very little, had little or no savings, and were rejected from participating in the federal Social Security program.

The report by the University of Kentucky noted that having school boards caring for physically or mentally disabled teachers was unsuitable both educationally and financially. The incapacitated teachers were not effectively teaching children. Moreover, the school boards could not pay the wages of replacement teachers and also pay the physically or mentally disabled teachers. The destitute teachers were dependent upon the charity of local school boards and often literally worked until relieved of their duties by death.

*"A Business-Like Arrangement" continued
on page 2 ...*

THE SOLUTION

The 1936 report by the University of Kentucky recommended establishing a teachers' retirement system as a solution to this problem. The report emphasized that a teacher retirement system is not a "gratuity or charity," instead it is "a business-like arrangement whereby both the public and teachers make investments which return large dividends." In essence, the report described a mechanism to defer small portions of compensation earned during teachers' careers, professionally invest those small amounts over long periods of time, and thereby achieve retirement security and protection from dependency. The report noted that a retirement system protects society by helping to assure the orderly replacement of teachers choosing to retire after a specified period or retiring because of disability.

Following the 1936 report, the Kentucky General Assembly took action in 1938 to establish the Kentucky Teachers' Retirement System. Thereafter, KTRS began operations on July 1, 1940.

RETIREMENT SECURITY FOR THE LONG-TERM

For some perspective on how far we have come since the 1930s, let's take a look at KTRS's operations from July 1, 1985 through June 30, 2011. During this 26-year period, KTRS paid benefits totaling \$16.4 billion. During this same period of time, the investments of teachers' retirement monies earned \$16.3 billion (truly remarkable considering stock market investment returns over the last ten years have averaged zero). KTRS's pre-funded retirement benefits program truly exemplifies the idea set forth in the 1936 report that investing a small portion of teachers' salaries over their careers will return large dividends for retirement security.

Beginning Balance as of July 1, 1985	\$1.8
Member Contributions	5.1
Employer Contributions	8.5
Investment Income	16.3
Benefit Payments & Refunds	(16.4)
Administrative Expenses	(0.1)
Ending Balance of June 30, 2011	\$15.2

Since 1940, KTRS has provided low-cost, high-quality retirement security for the teachers of Kentucky whether financial markets were tranquil or volatile, on the rise or falling. Although there has been considerable turmoil in the global financial system over the last seventy years, KTRS's retirement program has always performed as "a business-like arrangement" for the teachers of Kentucky and the public they serve.

Members Should Retain Annual Statements

During your working career, your Kentucky Teachers' Retirement System Annual Statement is one of the most important retirement planning documents you will receive from our office each year. The Annual Statement shows how much service credit you earned during the last fiscal year and your accumulated salary and service credit. Please keep your statement for future reference.

The annual statements for fiscal year ending June 30, 2011, are being mailed the first part of November. Please keep your address current with KTRS to ensure that a copy of this statement is mailed to you each year. Employers furnish the salary and service credit reflected on your

statement; therefore, questions about earnings and service credit should be directed to those entities. Personal payments received in this office after June 30, 2011, will not be shown on your 2011 statement. As always, please examine your statement for accuracy.

Questions?

**Call the KTRS
Information Center**

1-800-618-1687

Deadline Reminder: Furlough Days / Lost Service Purchases

“Lost service purchases”, authorized under KRS 161.545 and 102 KAR 1:038, conditionally allow members to purchase service and salary credit for unpaid days that they may have incurred during a period of employment in a KTRS-covered position. Among the conditions that are required in order to purchase lost service is that it must be purchased no later than December 31 of the year following the fiscal year in which the unpaid days were experienced. For example, furlough days incurred during the 2010-2011 fiscal year must be purchased no later than **December 31, 2011**. Interest starts accruing on purchases made after June 30, 2011.

Remember, furlough days do not reduce the amount of service credit that you’ll receive as you still receive a full year of service credit. Making a lost service purchase for these unpaid days will, however, allow you to receive a full year’s salary credit. This is especially important if you are in your last three (3) or five (5) years before retirement and want salary credit for furlough days to be included for retirement calculation purposes. All six days must be purchased at one time. If you have questions regarding the purchase of lost service, please contact KTRS staff for further details.

Please Use Your KTRS Member Number

As part of our commitment to protect the privacy of our members, KTRS will not print the Social Security number on member documents or correspondence. Instead, each of our members has been assigned a separate and unique member number which is only identifiable to KTRS. Please use your **KTRS Member Number** when contacting KTRS.

Deadlines for the Purchase of Service Credit

**All forms must be
COMPLETED BY YOUR EMPLOYER**

**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
Salary Credit for
the Six Furlough
Days ***

*Salary credit for the SIX days must be
purchased **all at once**. Members do
not lose service credit as a result of
furlough days. **DEADLINE for purchase
is December 31, 2011. Interest starts
accruing on purchase made after
June 30, 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 2011-12 Leaves of
Absence ***

*DEADLINE for purchase
is **June 30, 2013***

Contact your employer for appropriate forms.
Use form LOA-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

KTRS Holiday Closing Schedule

Veterans Day

Friday,
November 11, 2011

Thanksgiving

Thursday & Friday,
November 24-25, 2011

Inauguration Day

Tuesday, December 13, 2011

Christmas Holiday

**Since 2011 is a gubernatorial election year,
the Governor, upon Inauguration, is
responsible for setting the Christmas and
the New Year holiday dates for 2011-2012.*

Please visit www.ktrs.ky.gov for
ALL workshop & seminar REGISTRATION along with address information.
Additional workshops/seminars may be added.

Career Planning Workshops

**NOTE DIFFERENT
WORKSHOP TIMES!**

Registration 4:30 pm
Workshop
5:00 – 7:00 pm
(Local Time)

November 15, 2011
Natural Bridge SRP
2135 Natural Bridge Rd
Slade, KY

December 5, 2011
Pennyrile Forest SRP
20781 Pennyrile Lodge Rd.
Dawson Springs, KY

January 24, 2012
Crowne Plaza
Louisville Airport
830 Phillips Ln.
Louisville, KY

February 28, 2012
Ramada Conference Center
2143 N Broadway
Lexington, KY

Pre-Retirement Seminars

NOTE DIFFERENT WORKSHOP TIMES!

Registration 8:30 am
Seminar
9:00 am – NOON
(Local Time)

November 19, 2011
Crowne Plaza
Louisville Airport
830 Phillips Ln.
Louisville, KY

February 4, 2012
General Butler SRP
1608 Highway 227
Carrollton, KY

Registration 4:30 pm
Seminar
5:00 – 7:00 pm
(Local Time)

December 7, 2011
Ramada Inn &
Conference Center
624 James Trimble Blvd.
Paintsville, KY

January 24, 2012
Hilton Garden Inn
110 Grandstand Dr.
Georgetown, KY

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

