

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



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KTRS
479 VERSAILLES
ROAD
FRANKFORT,
KENTUCKY
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Your KTRS "DB Plan" "Defined Benefit Group Retirement Plan" Ensures Against Outliving Your Benefit

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 105 years old?

The idea of living until 105 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 over 40 years. As you can see from the chart, KTRS has 59 other retirees over 100 years old. There are over 5,200 retirees ages 80 through 99 years old. **Unlike those people with 401(k) accounts, KTRS retirees will NOT outlive their benefits.**

	<u>Dec 31, 2011</u>	<u>Jun 30, 2012</u>
Age 100 years old or more	37	60
Age 95-99 years old	266	250
Age 90-94 years old	758	712
Age 80-89 years old	3,687	4,297
TOTAL RETIREES	4,748	5,319

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.

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.

Members Should Retain Their Annual Statement

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 **KTRS Annual Statement** shows how much service credit you earned during the last fiscal year and your accumulated salary and service credit.

The annual statements for fiscal year ending June 30, 2012, were mailed the latter part of October. Please pay particular attention to the total service credit ending balance at June 30, 2012. 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**, as employers furnish the salary and service credit reflected on your statement. Your employer will then notify KTRS of errors and/or omissions that need to be corrected. If needed, a new annual statement will be mailed to you. Personal payments received in this office after June 30, 2012, will not be shown on your 2012 statement. Please keep your statement for future reference.

KTRS Workshops and Seminars are "Tailor-Made" for Our Members

The Retirement 101 Workshop and the Pre-Retirement Seminars are a great way to help you learn more about your retirement system and how it affects you, no matter what stage in life you are entering!

The **Retirement 101 Workshop** (which replaces the previous *Mid-Career Planning Workshop*) primarily targets members with time to plan for retirement. Our workshops include valuable information on the advantages of your Defined Benefit Group Retirement Plan, ways to increase your monthly retirement benefit, how to select a retirement date, recognizing the value of your sick days, and the legal importance of protecting the benefit you have acquired. Workshops also provide updates on legislation and its impact on the member and KTRS. There will also be a representative from Kentucky Deferred Compensation who will address supplemental income options. Come join us and start planning your "Smart Retirement".

The KTRS **Pre-Retirement Seminars** are developed to help those members who are within 3 to 5 years of retirement. KTRS is dedicated to helping you make your retirement process an easy and exciting transition as you approach your retirement date. Topics range from pre-retirement debt reduction to ways to increase your service credit. We include a guideline of requirements and documents you will need within twelve months prior to retirement. Other subjects of discussion include retiree health insurance, how to calculate your retirement income, and returning to work after retirement. There will also be a representative from Kentucky Deferred Compensation who will address supplemental income options, as well as what to do with the money you are going to receive for your sick leave payment at retirement. On most occasions, a representative from the Kentucky Retired Teachers Association (KRTA) attends to explain the benefits you will have as a future retiree.

KTRS offers these free workshops and seminars to members throughout the year which are held in many locations around the state. **Check our website, select a date and REGISTER ON-LINE for all workshops and seminars.**

KTRS is committed to making your retirement process a smooth transition! **Since 1938, KTRS has provided retirement security for Kentucky's educators with a Defined Benefit Group Retirement Plan.**

Retirement 101 Workshops

Registration 4:30 pm

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

December 3, 2012

Holiday Inn
7905 Freedom Way
Florence, KY

December 10, 2012

Carter Caves SRP
344 Caveland Dr
Olive Hill, KY

Pre-Retirement Seminars

Note Different Times for Each Seminar!

November 17, 2012

Cumberland Falls SRP
7351 Hwy 90
Covington, KY
Registration
8:30 am
Seminar
9:00 am - Noon
(Local Time)

December 5, 2012

Capital Plaza Hotel
405 Wilkinson Blvd
Frankfort, KY
Registration
5:00 pm
Seminar
5:30 pm - 7:30 pm
(Local Time)

FULL

Your Life Insurance Beneficiary and Retirement Account Beneficiary ... *Are Yours Current?*

One of the advantages of being part of KTRS, is that you have 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.

Deadlines for the Purchase of Service Credit

**FY2011-12
Leaves of Absence ***
Contact KTRS about
eligibility to obtain full
service and/or salary
credit.

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

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

**FY2011-12
Unpaid Days ***
Contact KTRS about
recovering this credit
& for appropriate
form. Use form LS-1

*DEADLINE for
purchase is
December 31, 2012*

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

KTRS Holiday Closing Schedule for 2012

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

THANKSGIVING

Thursday & Friday,
November 22-23, 2012

CHRISTMAS

Monday & Tuesday,
December 24-25, 2012

NEW YEAR'S

Monday, December 31, 2012 -
Tuesday, January 1, 2013

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.

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.

KTRS Jeep Retired From Service

If you have ever received printed material from KTRS via the U.S. mail, chances are very good that the information was transported to the Frankfort Post Office in the KTRS Jeep. In January 1996, KTRS purchased the Jeep as a service vehicle supporting mail room operations and facilities maintenance. The Jeep was used by KTRS staff every business day for the last 16.5 years.

Ty Hawkins, KTRS's supervisor of mail room operations, said "the Jeep was always a reliable vehicle, and other than just standard maintenance, the Jeep was never in the repair shop." Then, in July 2012, the Jeep began shuddering intermittently at various speeds. Diagnostic testing of the problem revealed bad news.

The Jeep's front end was worn out. The mechanic noted that it had to be repaired to be safe to operate. He also reported that the Jeep's braking system was failing and must also be replaced. The repair estimate was about 20% of the original purchase price of the vehicle.

"At KTRS, we take good care of equipment and use things until they are worn out," said Tim Hammons, KTRS's manager of facilities maintenance. Hammons explained that staff looked into buying used parts to repair the Jeep. However, even with used parts, the cost of repairing the old Jeep was several times the value of the vehicle. Therefore, the difficult decision was made to retire the old Jeep rather than fix it.

Over the 16.5 years the Jeep was in service, KTRS staff member Vince Jordan used the vehicle most often. "The Jeep was a great vehicle and we knew we could make it where we needed to go whether there was snow, ice, rain, flood, or



heat wave. The Jeep helped us keep our commitments to the members of the retirement system," said Jordan.

The KTRS Jeep was in service longer than any other vehicle in the state fleet. "Making effective, efficient, long-term use of equipment is just another example of how KTRS makes a conscious effort to keep the costs of administration low for our members", said Eric Wampler, Deputy Executive Secretary of Finance and Administration. "As we evaluate proposals to replace the Jeep, finding the 'best value' vehicle for the long-term will be the primary factor considered", noted Wampler.

