

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



MARCH
2013

Headlines



Declining Retirement Security? Not with the KTRS Defined Benefit Group Retirement Plan!



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Declining Retirement Security? **Not with the KTRS Defined Benefit Group Retirement Plan!**

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

After increasing retirement security for the elderly every year since the great depression, this year a majority of Americans are now headed toward a retirement in which they will be financially worse off than their parents.¹ Although many factors have contributed to this reversal of fortune, I believe the primary culprit is America's growing reliance on 401(k) type individual savings accounts for retirement.

KTRS began operations back in 1940 as a defined benefit retirement plan for the Commonwealth's teachers. After more than 72 years in operation, KTRS continues to ensure retirement security with a plan that provides lifetime retirement income for retired teachers. The KTRS defined benefit group retirement plan provides retirement security in a more cost effective way than any other means.

At the end of 2012, balances in 401(k) savings accounts stood at record highs because of strong investment returns and increased contributions by participants.² Good news, right? In actuality, it is not good news. The balances in 401(k) type savings accounts are still so low (despite record highs) that a majority of participants can expect a much lower standard of living in their retirement years.

Since being introduced more than 30 years ago, the 401(k) type savings accounts have proven woefully inadequate for those relying on them as their primary retirement income. Moreover, participants in savings plans pay higher costs and run the risk of dependence on

family and social programs in later years when savings are depleted. The vast majority of Americans are deeply worried about their retirement security³ and the features of 401(k) type savings accounts do nothing to allay those concerns.

The KTRS defined benefit group retirement plan ensures retirement security and its positive features stand in stark contrast to "do-it-yourself" 401(k) savings accounts.

Investment Professionals Manage Your KTRS Retirement Funds

Many people with 401(k) accounts experienced dramatic losses during the financial crisis and then locked in those losses by abandoning investments at the bottom of the market. Most people simply lack the investment knowledge to make informed decisions about risk, diversification, and other critical matters. Individual investors usually have short-term focus and lack the means to invest in long-term diversified portfolios. As a result, retirement security can be literally wiped out in one market downturn.

KTRS has a long and consistent record of strong investment performance. These results have been the product of a fundamental long-term investment philosophy and a high degree of professionalism. Because member assets are pooled together and managed by a diverse group of experts, KTRS typically has better long-term results than individual

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investors and a greater capacity for riding out periodic downturns in the market.

Moreover, KTRS achieves these superior results at much lower costs than individual investors. The National Institute on Retirement Security conducted a study making an “apples to apples” calculation of the actual dollar contributions required for a defined benefit group retirement plan (like KTRS) and a 401(k) savings account to achieve the same target retirement benefits.⁴ The study found that traditional defined benefit group retirement plans provide the same retirement income at nearly half the cost of 401(k) defined contribution savings accounts.

KTRS invests and plans for the long-term. At June 30, 2012, KTRS’s 30 year rate of return stood at 9.52%, which is right on target with the Board’s investment policy and long-term assumed rate of return of 7.5%. KTRS’s investment program is carefully managed by investment experts who are committed to implementing the retirement plan’s long-term objectives and ensuring the retirement security of teachers.

Across the nation, defined benefit group retirement plans like KTRS pay about 70% of the costs of retirement with investment earnings and all of the costs of administering the retirement system are paid from investment earnings. In this way, most of the costs of retirement are paid from investment earnings (please refer to the following chart). The KTRS investment program helps ensure retirement security for KTRS’s members and economical operations are also beneficial for the taxpayers of the Commonwealth.

Kentucky Teachers’ Retirement System Schedule of Funds Available for Retirement Benefits For the Twenty-Seven Year Period Ending June 30, 2012 <i>In Billions of Dollars</i>	
Beginning Balance as of July 1, 1985	\$1.8
Member Contributions	5.4
Employer Contributions	9.1
Investment Income	16.6
Benefit Payments & Refunds	(17.9)
Administrative Expenses	(0.1)
Ending Balance as of June 30, 2012	\$14.9

KTRS Provides Lifetime Retirement Income

Many people who rely on 401(k) savings accounts for retirement are finding out too late that they have not saved enough money. Unexpected medical expenses, investment losses, or living longer than

expected can result in poverty, dependence, and a loss of dignity in the last years of life.

KTRS provides predictable monthly retirement income that cannot be outlived. It also provides ancillary benefits such as medical insurance, the ability to designate a beneficiary to receive benefits after your death, and disability benefits if you become disabled prior to normal retirement.

Conclusion

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. The KTRS defined benefit group retirement plan is 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 stark contrast to the substantial social risks and high costs associated with 401(k) savings accounts.

¹The Washington Post, “Fiscal trouble ahead for most future retirees,” February 16, 2013, Michael A. Fletcher.

²Market Watch, “401(k) balances hit record highs,” February 14, 2013, Andrea Combs.

³National Institute On Retirement Security, February 26, 2013, “Pensions and Retirement Security 2013: A Roadmap for Policy Makers.”

⁴National Institute On Retirement Security, August 2008, “A Better Bang for the Buck: The Economic Efficiencies of Defined Benefit Pension Plans.”

**Deadlines for
Purchasing Service Credit**

<p>FY 2011-12 Leaves of Absence * Contact KTRS about eligibility to obtain full service and/or salary credit.</p>	<p><i>DEADLINE for purchase is June 30, 2013</i></p> <p><i>Contact your employer for appropriate form. Use form LOA-1</i></p>
<p>FY 2012-2013 Unpaid Days * Have your employer complete Form LS-1 and submit to KTRS.</p>	<p><i>DEADLINE for purchase is December 31, 2013</i></p>

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

Important Information for Year 2013 Retirees

The following answers are provided to help with often-asked questions pertaining to retirement.

If I am planning to retire this year, what should I do in preparation?

- **Request the KTRS Application for Service Retirement packet.** You will need this retirement packet from the KTRS office at **least 60 days before** your prospective date of retirement.
- You will be required to submit copies of your signed Social Security card and the official, certified birth certificate when you submit your retirement application.
- A copy of your official certified marriage license is required if married.
- If you select a payment option that provides a lifetime benefit to a surviving beneficiary, you will need to provide a copy of the beneficiary's official, certified birth certificate AND a copy of your beneficiary's signed Social Security card.

Does my employer need to complete any part of my retirement application?

- **YES.** Sections VIII and IX need to be completed and signed by your employer in order to finalize your retirement application. *Please allow sufficient time for your employer to complete these sections.*

What is the deadline to file for JULY 1st retirements?

- **JULY** retirement applications must be received in the KTRS office no later than **June 1, 2013**. All retirement applications must be submitted by the **FIRST** of the month **PRIOR** to the month of retirement.

When will I receive my first check?

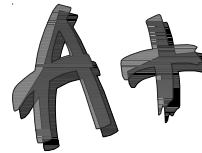
- You will receive your first check at the end of the month in which your retirement takes effect. *For example, if you retire June 1st, your check will be direct deposited on June 28th. Please be reminded that as a result of 1998 legislation, all retirement payments must be sent by Electronic Funds Transfer (EFT). Section III of the retirement application requires you to supply your financial institution information and attach your voided or cancelled check.*

When can I retire if my contract is completed in May?

- To be eligible for the June 1st effective date, retiring members must complete their employment contract and resign from their position by May 31st.
- A one-month service credit reduction will occur for June 1st retirements.

If I am retiring this year, when will my medical insurance become effective through KTRS?

- Your medical insurance will be effective through KTRS on the first day of the month your retirement is effective. *(Provided your completed insurance application was received by the deadline.)*



**Your Homework
for a
Successful
Retirement
Experience!**

What you will need:

- **Your KTRS Service Retirement application.**
(Form 23) ***(must be completed and signed by YOU and YOUR EMPLOYER).*** Call KTRS @ **1.800.618.1687** if you have any questions about the application!
- **A copy of your official certified birth certificate.**
- **A copy of your Social Security card.**
(issued by the SSA and bearing its seal and your signature).
- **A copy of your official certified marriage license.**
(if married at the time of your retirement)
- **A copy of your beneficiary's official certified birth certificate AND a copy of your beneficiary's signed Social Security card.**
(if Retirement Option III, IIIA, IV or IVA is selected).
- **And remember to submit payment for certain service credit purchases two months prior to your retirement.**
(If you are qualifying previously purchased out-of-state service or purchasing non-standard, prior military, or out-of-state service to retire, the retirement system will calculate the amount due and notify you in writing upon receipt of your completed application.)



**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY**

479 Versailles Road

MAR 2013

Frankfort, Kentucky 40601-3800

How Would a Retirement 101 Workshop or Pre-Retirement Seminar Benefit You?

Throughout the year, KTRS offers **Retirement 101 Workshops** to teachers, university faculty, school administrators and others who have time to plan for retirement. Topics for the session include such items as understanding your total retirement benefit package, how to save and invest money, ways to increase your retirement benefit, recognizing the value of your sick days, and the importance of staying informed on current pension legislation.

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, understand your total retirement benefit package, pre-retirement debt reduction, planning a supplementary retirement nest-egg, increasing service credit, things to do the last twelve months before retirement, how to calculate your retirement income, post-retirement employment, health insurance, and the importance of staying informed on current pension legislation.

These workshops and seminars are packed with information that will help each person move smoothly from one phase of life into the next.

Retirement 101 Workshops

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

May 6, 2013

Cave City Convention Center
502 Mammoth Cave Street
Cave City, KY

Pre-Retirement Seminars

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

May 1, 2013

Holiday Inn
2910 Ft. Campbell Blvd.
Hopkinsville, KY

**Please visit www.ktrs.ky.gov for ADDITIONAL DATES
and for ALL workshop & seminar PRE-REGISTRATION.**

YOU MUST PRE-REGISTER TO ATTEND!