

# KENTUCKY

## TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER  
EDITION



APRIL/MAY  
2014

### The Highest Duty

A Message from the Executive Secretary

Gary L. Harbin, CPA

#### Headlines

The Highest  
Duty



May 2014  
KTRS  
Board of  
Trustees  
Election



Kentucky  
Teachers'  
Retirement  
System  
Achieves  
Exceptional  
Investment  
Performance  
In 2013



Are Your Life  
Insurance  
Beneficiary and  
Retirement  
Account  
Beneficiary  
Current?



What You Will  
Need for a  
Successful  
Retirement  
Experience!



Seminars &  
Workshops



Minimum  
Distribution  
Requirements

A nine member Board of Trustees is responsible for the general administration, management, and proper operation of the retirement system. Each member of the Board is charged with transacting the business of the retirement system according to the highest standards of ethical conduct and putting the interests of retirement system's members before their personal interests. In short, each member of the Board acts in a fiduciary capacity, which is the highest duty under law.

In May 2014, every active and retired member of KTRS will have the opportunity to vote for candidates for two open positions on the Board. The results of the election will be announced by the Board on Monday, June 16, 2014, and thereafter, the terms for the two positions will begin on July 1, 2014. I would like to encourage every member to participate in this important election and continue to support the Board's long history of exemplary service to the membership of the retirement system and the Commonwealth of Kentucky.

KTRS began operations on July 1, 1940 with \$1 million. Now, almost seventy-five years later, the retirement system has grown to be the largest financial institution in the Commonwealth of Kentucky. KTRS currently has more than 145,000 active and retired members and invests over \$18 billion of teachers' pay held in trust for disbursement during retirement. KTRS's annual payroll to retirees exceeds \$1.8 billion. Most of this delayed compensation paid to retired teachers stays within the state and is a significant economic stimulus to every county in the Commonwealth.

The Board has repeatedly demonstrated an unwavering commitment to satisfying its fiduciary duties, meeting the expectations of Kentucky's education community, and easing financial burdens on the state. Under the Board's leadership, \$5.2 billion in liability was eliminated from the retired teacher health care plan through implementation of the 2010 "shared responsibility" solution and careful management of health care costs. Also, KTRS's investment program is setting the standard for public pension funds in terms of exceptional performance, low costs of operations, and governance. KTRS's performance was ranked in the top 4 percent of the nation over the last year and in the top 7 percent over the last five years. KTRS has two nationally recognized investment experts serving on the investment committee. These experts have added significant value to the investment program because of their extensive backgrounds in finance, risk management, governance, and alternative investments. These actions, along with many others, demonstrate the Board's continuing efforts in improving operations and the long-term sustainability of the retirement system.

The philosophies and practices of the Board are dominated by the ideas of following the highest standards of ethical conduct and putting the interests of members and beneficiaries first. For 75 years, the independent Board of Trustees of KTRS has successfully upheld its obligations to members, the education community, and the Commonwealth of Kentucky.

## May 2014 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. During this year's

election, the membership will elect a lay trustee and an active teacher trustee. The candidates for the lay trustee position are the incumbent Hollis Gritton, from Union, and Carl M. Thomas from Louisville.

The candidates for the active teacher trustee position are the incumbent Laura A. Zimmerman, from Lexington, and Michael H. Ross, from Maysville.

In early May, ballots are mailed to each retired and active KTRS member 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 your ballot **must not be postmarked after May 31, 2014**. 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 who 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.

## Kentucky Teachers' Retirement System Achieves Exceptional Investment Performance In 2013

(Frankfort, KY, March 18, 2014)

The Board of Trustees of the Kentucky Teachers' Retirement System (KTRS) announced at its quarterly meeting on March 17, 2014 the investment returns for the teachers' pension portfolio for the year ended December 31, 2013. The teachers' fund ended the year with a return of 19.7 percent and a market value of \$17.5 billion. The teachers' fund has diversified holdings in domestic and international stocks, bonds, loans, real estate, and private equity.

KTRS's return of 19.7 percent places it in the top 4 percent of pension plans nationwide with assets over \$1 billion. The median return of pension plans nationwide was 15.76 percent. KTRS's returns also exceeded the median returns of corporate plans (13.7 percent) and foundations (15 percent).

"The teachers' fund performance was strong in terms of total return and performing better than its market benchmark. As a result of strong internal investment management and the careful selection of outside managers, KTRS added more than \$1.5 billion to the teachers' fund over the last year," said Gary Harbin, KTRS Executive Secretary.

"Going into the great recession in 2008, KTRS was very well positioned because the teachers' fund did not include subprime mortgages and other high risk investments. KTRS had top 10 percent performance as the market was falling, and thereafter by adjusting asset allocation, has performed in the top 4 percent as markets have rebounded.

### Are Your Life Insurance Beneficiary & Retirement Account Beneficiary 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 in probate court. To request this form call KTRS toll free at 1-800-618-1687.



## What You Will Need for a Successful Retirement Experience!

- Your KTRS Application for Service Retirement (Form 23.)  
(This application must be completed and signed by YOU and YOUR EMPLOYER.)
- 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 SPOUSE'S Social Security card IF you are choosing Option 3,3a,4 or 4a.  
(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.  
(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.)
- Attend a PRE-RETIREMENT SEMINAR!!

## RETIREMENT 101 WORKSHOP

May 12, 2014

Registration 4:30 pm

Workshop 5:00 – 7:00 pm (Local Time)

Cave City Convention Center

502 Mammoth Cave Street

Cave City, KY

Please visit [www.ktrs.ky.gov](http://www.ktrs.ky.gov) for additional dates and registration.  
**YOU MUST REGISTER TO ATTEND!**

## PRE-RETIREMENT SEMINAR

May 17, 2014

Registration 8:30 am

Seminar 9:00 am – Noon (Local Time)

Madisonville Community College

2000 College Dr

John H Gray Building, Room 162

Madisonville, KY

Please visit [www.ktrs.ky.gov](http://www.ktrs.ky.gov) for additional dates and registration.  
**YOU MUST REGISTER TO ATTEND!**

## Deadlines for Purchasing Service Credit

Contact KTRS about eligibility to obtain full service and/or salary credit.

### FY 2012-2013 LEAVES OF ABSENCE

**DEADLINE for purchase is**

**June 30, 2014**

Contact your employer for required documentation confirming the leave of absence. Use form LOA-1\*

### FY 2013-2014 UNPAID DAYS

Have your employer complete Form LS-1\* and submit to KTRS.

**DEADLINE for purchase is**

**December 31, 2014**

- \* Employers can either complete the information on the KTRS Employer's Portal or download the forms at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). These forms must be completed and submitted by your employer.

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## **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 70½ 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.