



Teachers' Retirement  
System of the  
State of Kentucky

**SUMMARY PLAN  
DESCRIPTION**

Effective July 1, 2004

## ***IMPORTANT NOTICE***

The Summary Plan Description is meant to serve only as a general informational resource to assist members in understanding the nature of the retirement system. Every attempt is made to ensure that the information contained in this Summary Plan Description is accurate. However, in the case of conflict between the Summary Plan Description and applicable law, the applicable law will govern. The Summary Plan Description is published only once every two years. The Kentucky General Assembly meets every year. Therefore, there may be legislative changes that are not reflected in the current Summary Plan Description. Additionally, changes in regulations and policy may not be reflected in the current Summary Plan Description. As such, it is extremely important that you read the KTRS newsletters carefully for updates regarding the retirement system and contact KTRS counselors before making important decisions regarding your retirement account.

Summary Plan Description 2004  
TABLE OF CONTENTS

**IMPORTANT NOTICE** ..... 1  
**INTRODUCTION** ..... 5  
**BOARD OF TRUSTEES** ..... 7  
**EXECUTIVE SECRETARY** ..... 7  
**SERVICE OF PROCESS** ..... 7  
**KTRS IS A DEFINED BENEFIT PLAN** ..... 8  
**MEMBERSHIP** ..... 9

**OVERVIEW** ..... 10  
    **VESTED ACCOUNT** ..... 10  
    **SERVICE RETIREMENT** ..... 10  
    **DISABILITY RETIREMENT** ..... 11  
    **LIFE INSURANCE AND SURVIVOR BENEFITS** ..... 11  
    **PURCHASE OF SERVICE CREDIT** ..... 11  
    **REFUND OF ACCOUNT BALANCE** ..... 12

**RETIREMENT SYSTEM FINANCES**  
    **FUNDING THE RETIREMENT SYSTEM** ..... 12  
    **ADEQUACY OF FUNDING** ..... 13

**YOUR RESPONSIBILITY TO KEEP YOUR ACCOUNT INFORMATION CURRENT** ..... 14  
    **ANNUAL STATEMENT OF RETIREMENT ACCOUNT** ..... 14  
    **CHANGE OF NAME AND ADDRESS** ..... 14  
    **BENEFICIARY DESIGNATION** ..... 15

**PURCHASE OF ADDITIONAL SERVICE CREDIT** ..... 15  
    **WHAT IS SERVICE CREDIT?** ..... 15  
    **REINSTATEMENT** ..... 16  
    **CURRENT LEAVE OF ABSENCE** ..... 16  
    **NON CURRENT LEAVE OF ABSENCE** ..... 16  
    **MILITARY SERVICE** ..... 17  
    **OUT-OF-STATE SERVICE** ..... 19  
    **PEACE CORPS SERVICE** ..... 20  
    **FRACTIONAL SERVICE / BALANCE OF THE YEAR PURCHASES** ..... 21  
    **NON-QUALIFIED SERVICE CREDIT** ..... 21  
    **KY LEGISLATIVE SERVICE** ..... 22  
    **FEDERAL HEAD START SERVICE** ..... 22  
    **REGIONAL COMMUNITY MENTAL HEALTH AND MENTAL RETARDATION SERVICE PROGRAM SERVICE** .... 22

PART-TIME SERVICE / UNIVERSITIES ONLY .....	22
PURCHASING SERVICE CREDIT INTIME TO IMPROVE YOUR ACCOUNT .....	23
INSTALLMENT PAYMENTS .....	24
ROLLOVERS AND TRANSFERS FROM OTHER ELIGIBLE PLANS .....	24
FULL ACTUARIAL COST .....	24
SURVIVOR BENEFITS .....	25
SURVIVING SPOUSE BENEFITS .....	25
CHILDREN AND OTHER DEPENDENTS .....	26
DEATH OF A MEMBER ELIGIBLE TO RETIRE .....	27
REFUND OF MEMBER CONTRIBUTIONS .....	28
LIFE INSURANCE BENEFIT .....	28
RETIREMENT ESTIMATES .....	29
RETIREMENT APPLICATION .....	29
SERVICE .....	29
DISABILITY .....	29
DOCUMENT REQUIREMENTS .....	30
APPLICATION PROCESSING .....	30
TAX ASPECTS .....	30
SERVICE RETIREMENT .....	32
RETIREMENT OPTIONS .....	33
CHANGING YOUR OPTION AFTER RETIREMENT .....	36
ANNUITY ESTIMATE .....	36
COMBINING KTRS WITH SERVICE IN ANOTHER STATE ADMINISTERED RETIREMENT SYSTEM .....	38
COST OF LIVING ADJUSTMENTS .....	40
MINIMUM VALUE OF A YEAR OF SERVICE .....	40
PAYMENT OF ANNUITIES .....	40
ELECTRONIC FUNDS TRANSFER .....	40
DISABLED ADULT CHILD .....	41
DISABILITY RETIREMENT .....	41
KTRS MEDICAL PROGRAM .....	44
ELIGIBILITY FOR MEMBER COVERAGE .....	45
ENROLLMENT .....	45

SPOUSE COVERAGE .....	46
DEPENDENT CHILD COVERAGE .....	46
MEDICAL COVERAGE FOR RETIREES UNDERAGE 65 .....	46
MEDICAL COVERAGE FOR RETIREES AGE 65 & OVER .....	47
PRESCRIPTION DRUG PROGRAM .....	47
MEDICARE DIRECT CLAIM FILING SERVICE .....	48
POST-RETIREMENT EMPLOYMENT .....	48
WAIVER OF RETIREMENT BENEFITS .....	48
RETURNING TO WORK WITHOUT HAVING TO WAIVE YOUR RETIREMENT ALLOWANCE (FOR NON-POST SECONDARY POSITIONS ONLY) .....	49
CRITICAL SHORTAGE POSITIONS .....	52
100-DAY PROGRAM FOR NON-POST SECONDARY POSITIONS .....	52
RETURNING TO WORK IN POST SECONDARY POSITIONS .....	53
EMPLOYMENT IN NON-KTRS POSITIONS .....	53
REPORTING OF POST RETIREMENT EMPLOYMENT .....	53
DIVISION OF MARITAL PROPERTY .....	54
LOSS OF BENEFIT .....	54
DISQUALIFICATION, INELIGIBILITY, LOSS OF BENEFITS .....	54
CORRECTION OF ERRORS .....	55
APPEALS .....	55

## INTRODUCTION

Kentucky Revised Statutes provide for the Board of Trustees of the Kentucky Teachers' Retirement System (KTRS) to furnish all active contributing members with a Summary Plan Description of the retirement program. This publication has been prepared to provide a basic description of the KTRS retirement plan. Space does not permit a comprehensive review of all plan provisions. You may need to request additional information from KTRS to answer questions that may arise after reading the material presented in this publication. The Summary Plan Description is published only once every two years. The most recent edition can be found at the KTRS web site at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). Remember, the Kentucky General Assembly meets every year, therefore, there may be legislative changes that are not reflected in the current edition of the Summary Plan Description. Additionally, there may be regulatory or policy changes that are not reflected in the current edition of the Summary Plan Description. It is strongly advised that you read all KTRS newsletters carefully for updates regarding the retirement system and contact KTRS counselors when making retirement decisions. A thorough understanding of your account is necessary to insure that you may take advantage of every opportunity to keep your account in proper order. Some opportunities available to you, such as purchasing additional service credit, must be completed by a specified date. Legislative amendments may also affect your ability to improve your account. Should you have questions concerning your individual account, please contact KTRS in writing. Each member's account is administered in a confidential manner and specific data regarding a member's account shall not be released unless authorized by the member.

The legal framework of the plan is found in Chapter 161 of the Kentucky Revised Statutes (KRS 161.220 through KRS 161.716) and in applicable administrative regulations adopted by the KTRS Board of Trustees, both of which govern the System's operation and administration.

Every effort has been made to insure that the information presented in this Summary Plan Description is accurate. However, in cases of conflict, the retirement plan will be administered in accordance with the relevant statutes and administrative regulations. Insurance issues are governed by KRS 161.675, contracts with third-party administrators, the KTRS Medicare Eligible Health Plan ("MEHP") and the state sponsored health insurance program administered by the Kentucky Personnel Cabinet, Department for Employee Insurance.

**GENERAL INFORMATION  
BOARD OF TRUSTEES**

Miss Virginia Murrell  
*Chairperson Somerset, Kentucky*

Mr. Arthur W. Green  
*Vice Chairperson Elkton, Kentucky*

Mr. Robert M. Conley  
*Lay Trustee Paintsville, Kentucky*

Governor Julian M. Carroll  
*Lay Trustee Frankfort, Kentucky*

Ms. Ruth Ann Sweazy  
*Teacher Trustee Taylorsville, Kentucky*

Ms. Laura Zimmerman  
*Teacher Trustee Lexington, Kentucky*

Dr. Zella Wells  
*Teacher Trustee Paintsville , Kentucky*

**Ex-Officio**

Mr. Jonathan S. Miller  
*State Treasurer Frankfort, Kentucky*

Mr. Gene Wilhoit  
*Chief State School Officer Frankfort, Kentucky*

**EXECUTIVE SECRETARY  
SERVICE OF LEGAL PROCESS**

**Mr. Gary L. Harbin, C.P.A.**  
Kentucky Teachers' Retirement System  
479 Versailles Road  
Frankfort, Kentucky 40601-3800



**KTRS IS A  
DEFINED BENEFIT PLAN**

KTRS is a “defined benefit” plan qualified under Section 401(a) of the Internal Revenue Code and is operated on a fiscal year basis ending June 30 of each year. As a result of the defined benefit status of KTRS, your contributions to the retirement system are not subject to taxation, but your retirement allowance will be. Under 401(a) defined benefit plans such as KTRS, you are eligible upon retirement to draw a retirement allowance for the rest of your life regardless of how much you contributed to the retirement system over your career in a KTRS-covered position. A KTRS retirement allowance by law may not be assigned by you, or attached or garnished by a creditor, except for the payment of court ordered child support or to satisfy an Internal Revenue Service tax levy. You may not withdraw your contributions to KTRS unless you permanently separate from service from your KTRS-covered employment, nor may you borrow against your contributions to KTRS. If you do permanently separate from service from your KTRS-covered employment, and if you do wish to then refund your contributions to KTRS, you may maintain the tax-deferred status of your contributions to the retirement system by rolling them over or transferring them in a timely and appropriate manner to another qualified tax-deferred plan. If you are eligible to retire when you permanently separate from service from your KTRS-covered employment, you must elect to receive a retirement allowance from KTRS rather than a refund of your contributions, unless you wish to use your contributions to purchase retirement credit in another retirement system or unless a KTRS retirement allowance would make you ineligible for Social Security benefits. You do not, however, make FICA contributions to Social Security as a result of your KTRS-covered employment unless you are an employee of a university or community college. As a result of your employment in a position that does not participate in Social Security, the current federal Windfall Elimination Provision law will reduce any Social Security income that you could draw from any Social Security-covered employment and the federal Government Pension Offset will substantially reduce any Social Security benefit that you might draw as the spouse or widower of a Social Security recipient. These are

provisions of federal law. You may contact the Social Security office or visit their website at [www.ssa.gov](http://www.ssa.gov) for details.

## MEMBERSHIP

KTRS membership is mandatory for all persons in eligible agencies occupying positions that require either certification or graduation from a four (4) year college or university as a condition of employment. Additionally, any person providing part-time or substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers shall be a member of the retirement system, regardless of whether certification or graduation from a four (4) year college or university is required. University employees, however, must be employed on a full-time basis (seven-tenths or more of normal full-time service measured by the contract days in the position for which they are employed) and must be filling a position requiring either certification or a four-year degree in order to be eligible for membership in KTRS. Agencies eligible for participation in KTRS include public elementary and secondary schools, regional educational cooperatives, Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Western Kentucky University, the School for the Deaf, the School for the Blind, the Workforce Development Cabinet, the Kentucky Community and Technical College System, the Department of Education, the Education Professional Standards Board and other agencies as specified by law. An optional retirement plan is authorized for designated employees of public institutions of higher education. Eligible university employees must make an irrevocable election to participate in an optional retirement plan within thirty (30) days of their date of employment. KTRS does not have any involvement in the management of optional retirement plans. Individuals who choose to participate in an optional retirement plan have a one-time opportunity to change to KTRS as long as they are employed in a position otherwise eligible to participate in KTRS. Individuals exercising this option will participate in KTRS prospectively only and cannot purchase as KTRS service credit any previous service during which they participated in an optional retirement plan. Eligible

members may combine service credit in KTRS and other public retirement systems in Kentucky to qualify for retirement benefits.

**To become eligible for KTRS membership benefits, you must file an "F-1" membership application form through your employer. You should file your membership application immediately upon employment.**

## **OVERVIEW**

There are many features and options offered by the KTRS Retirement Plan to learn. The following paragraphs briefly describe those. More detailed descriptions will be presented in later sections of this Summary Plan Description. Members employed on a substitute or part-time basis (i.e. less than seven-tenths of a full contract year) should contact KTRS for a more detailed explanation of various provisions of the retirement plan as the provisions described in this Summary Plan Description are generally addressed to members employed in full-time positions.

## **VESTED ACCOUNT**

Your retirement account is vested when you have completed five (5) years of creditable Kentucky service. Vesting entitles you, as long as you do not receive a refund of your account, to future benefits even if you are not currently contributing to the system. If you discontinue employment in a KTRS covered position and do not withdraw your account, you should contact KTRS concerning your eligibility for future retirement benefits.

## **SERVICE RETIREMENT**

You are eligible for service retirement without reduction in benefits if you have twenty-seven (27) or more years of active Kentucky service regardless of age. You may also retire without benefit reduction if you have five (5) or more years of active Kentucky service and are at least age sixty (60). Additionally, you may retire for service if you have at least five (5) years of Kentucky service and are at least age fifty-five (55), but you will be subject to a statutory reduction in your retirement allowance.

## DISABILITY RETIREMENT

Disability retirement is available for persons who become disabled prior to retiring for service. Members must have completed five (5) or more years of Kentucky service and must apply within one (1) year of their last contributing service. Members with twenty-seven (27) or more years of service credit are eligible for service retirement only. Disability retirement is available for members with less than five (5) years of service only if they are physically or mentally incapacitated as a result of an injury related directly to their covered employment.

## LIFE INSURANCE AND SURVIVOR BENEFITS

Life insurance benefits are payable to the estate or designated beneficiary of active contributing members and retired members. Survivor benefits are payable as appropriate to eligible survivors of active contributing members and to eligible survivors of disability retirees whose death occurs during the entitlement period.

## PURCHASE OF SERVICE CREDIT

If eligible, members may purchase additional service credit to increase their annuity. Categories of service that may be purchased include:

- 1) reinstatement of previously withdrawn KTRS service;
- 2) current and non-current leaves of absence;
- 3) military service;
- 4) out-of-state teaching service;
- 5) Peace Corps service;
- 6) federal Head Start service;
- 7) fractional service/balance of the year;
- 8) mental health and mental retardation service; or
- 9) nonqualified service

Service credit may be purchased by making a lump sum payment to the retirement system or, if eligible, by making payroll-deducted installment payments. Purchases of service credit may also be made as permitted under the Internal Revenue Code by rolling over or transferring funds from another qualified plan.

## **REFUND OF ACCOUNT BALANCE**

If you permanently terminate employment covered by KTRS and wish to have your money returned to you, the system will refund your account. Your account balance consists of member contributions plus earned interest, less medical insurance fund deductions. If you are eligible for service retirement, you cannot refund your account unless it would prohibit you from qualifying for Social Security benefits or you choose to withdraw all or part of the service to obtain credit in another retirement plan. If you are contemplating a refund of your account balance, you should contact KTRS for more details. Your refund may be subject to an IRS early withdrawal penalty if you are under age 59 ½, unless you transfer or roll over your refund to another eligible plan. If the refund is paid directly to you, there are federal deadlines by which you must roll your refund into another eligible plan to avoid the IRS early withdrawal penalty.

## **RETIREMENT SYSTEM FINANCES**

### **FUNDING THE RETIREMENT SYSTEM**

Both members and employers are required to make contributions to help fund the benefits KTRS offers. All benefits are financed from assets created in the following manner:

1. contributions from members;
2. contributions from employers; and
3. investment earnings.

All members except those employed by a university or a community college currently contribute 9.855% of their gross salary. University members and community college members contribute at a lesser rate of 8.375% that is reflective of the retirement factor upon which university and community college members' retirement allowances are calculated. University members also contribute to Social Security while most other active members do not contribute to Social Security. KRS 161.565 permits the universities to contribute 2.215% of the 8.375%

on behalf of their members. Member contributions are automatically deducted from each member's salary.

KRS 161.550 establishes the employer funding level at an amount equal to that contributed by KTRS members and in addition requires the employer to provide an appropriation of 3.25% of salaries. The current employer contributions are 13.105% for non-university members and 13.84% for university members.

The required member contribution is deducted from each member's salary each pay period and forwarded to KTRS. Each reporting agency is required to forward all amounts deducted from salaries within fifteen (15) days following the end of each payroll period. When these deductions have been made, the contributions immediately become trust funds that may only be used for the exclusive benefit of KTRS members.

Member and employer contributions are invested under the authority specified in the KTRS statutes and administrative regulations. The Board of Trustees delegates investment authority to an Investment Committee comprised of two (2) trustees and the retirement system's Executive Secretary. The Investment Committee works closely with experienced investment counselors contracted with by the Board of Trustees to provide investment advice. Investment income is a substantial contribution to the system and is expected to finance well over one-half (1/2) of your retirement annuity.

### **ADEQUACY OF FUNDING**

KRS 161.400 requires an actuarial valuation to determine whether or not the system is being properly funded. KTRS contracts with an independent actuary to evaluate the system's ability to fund all costs involved with its operation.

In January of 2004, the actuary submitted experience and valuation reports on KTRS for the period ended June 30, 2003. The actuary reported that liabilities not funded with current assets were

\$2,730,995,000. The actuary stated that current levels of contributions from members, employers, and anticipated income from investment earnings will be sufficient to cover the unfunded liability of the system over a period of thirty (30) years. These figures do not include the under-funding of the medical insurance program.

The 2003 Actuarial Valuation Report concludes that KTRS is operating on an actuarially sound basis with no excess assets or contributions available to provide additional member benefits. Any further benefit improvements, including ad hoc increases, should be accompanied by the additional contributions necessary to support the benefits.

In addition to periodic actuarial reports, KTRS produces an annual financial report in December of each year. This report contains the system's annual audit and is furnished to employers and other interested parties on a routine basis. Copies of the report will be provided to individual members upon request.

## **YOUR RESPONSIBILITY TO KEEP YOUR ACCOUNT INFORMATION CURRENT**

### **ANNUAL STATEMENT OF RETIREMENT ACCOUNT**

After the close of each fiscal year, you will receive a statement of your account. This will report to you the salary and service credit earned in the preceding fiscal year, the contributions made, total monies in your account, and your total service credit. If you think there is an error in this statement, contact your employer. The annual statement is subject to final audit and correction by KTRS in accordance with the applicable statutes and regulations.

### **CHANGE OF NAME AND ADDRESS**

Your Social Security number is the identification number of your account. It is your responsibility to send KTRS written notification of any status changes, such as name and address. A copy of your Social Security card is requested at the time of your membership so KTRS can verify the accuracy of your Social Security number.

## **BENEFICIARY DESIGNATION**

One of your most important responsibilities as an active contributing member is to maintain a current beneficiary designation. You may name beneficiaries to receive in the event of your death both the contributions accredited to your KTRS account and the KTRS life insurance benefit. Failure to do so can result in loss of valuable benefits for your survivors. A beneficiary is not required to be a relative and members may designate their estate as beneficiary.

If you marry after becoming a member, your spouse automatically becomes your primary active account beneficiary and your previous primary beneficiary designation is void. To designate your new spouse as beneficiary of your life insurance benefit, however, you need to submit a new beneficiary designation form to KTRS. Divorce voids any previous designation of your spouse as a beneficiary and, unless there is another appropriately designated beneficiary remaining, your estate becomes your primary beneficiary by operation of law. If you are married and designate a beneficiary other than your spouse, your spouse will not be eligible for survivorship benefits.

**NOTE:** Please remember to keep your address current with KTRS.

## **PURCHASE OF ADDITIONAL SERVICE CREDIT**

### **WHAT IS SERVICE CREDIT?**

Service credit is the time that you accumulate during your career in KTRS-covered positions that is used in calculating your retirement benefit. The more service credit that you have at the time of retirement, the greater your retirement allowance will be. You can never have more than one year of service credit for any one fiscal year. There are opportunities for members to purchase additional service credit to add to their retirement accounts. The various types of service credit purchases are described below. The decision whether to purchase service credit is yours alone and should be judged according to your particular circumstances and retirement goals. You may wish to consult with



your financial adviser to help you decide whether a service credit purchase is advisable in your circumstances and helps you achieve your retirement goals.

### **REINSTATEMENT**

If you resign from a KTRS covered position, you may either withdraw your funds or leave the funds on deposit. If you withdraw the funds, your membership will be cancelled just as if you had never contributed to the system and, if you later return to KTRS-covered employment, it will be as a new member. You may reinstate a withdrawn account if you have contributing service equal to at least one (1) year by repaying the amount of the original withdrawal plus 8% interest compounded annually from the date of withdrawal to the date of repayment. After the account is reinstated, your membership status is the same as if the account had never been withdrawn.

### **CURRENT LEAVE OF ABSENCE**

You may also make contributions to KTRS while on an official, current leave of absence as provided under the statutes and administrative regulations that are effective at the time the leave is granted. A current leave of absence is a leave that has been granted for the current fiscal year or school year or the year immediately preceding the current year. You are permitted to purchase a current leave of absence until June 30 of the year following the year in which the leave was granted. Interest is charged on a leave purchased after the end of the year in which the leave occurred. University members placed on paid sabbatical leave are eligible to make personal contributions to KTRS in order to receive service credit for their sabbatical time. Leaves must be certified to KTRS by your employer. Members are limited to the purchase of three (3) years leave of absence in a ten (10) year period. Failure to properly comply with the statutory provisions or administrative regulations of the KTRS Board of Trustees can result in the permanent loss of your ability to purchase a current leave of absence.

### **NON-CURRENT LEAVE OF ABSENCE**

You may be eligible to purchase service credit for a non-current leave of absence when the leave was granted for health reasons, for maternity

or child rearing, or to improve your educational qualifications. "Health reasons" include official leaves granted as a result of your own ill health or to take care of a seriously ill child, spouse or parent. A non-current leave of absence is a leave that has occurred since July 1, 1964, and prior to the fiscal year preceding the current fiscal year. The leave must be certified to KTRS by supplying a copy of the board minutes that granted the leave. If you are employed by an agency in which a board does not grant leaves of absence, other official and contemporaneously generated documentation evidencing both the leave and the reason for it may suffice. You will be required to pay both the employer and the member contributions, plus any accrued interest at the rate of eight percent (8%) per annum, when purchasing non-current leaves of absence. You may not receive credit for more than two (2) years under this provision.

## **MILITARY SERVICE**

### **Prior Military and Public Health Service**

You may receive service credit for up to six (6) years of active military service or service in the commissioned corps of the Public Health Services if you are in active contributing status, were in the military or Public Health Service prior to your employment in a position covered by KTRS, and purchase the credit prior to retirement. Service may be credited only if the discharge was honorable. To obtain a statement of cost and service credit, send KTRS an official copy of your Form DD 214 or other official military records establishing your dates of entry and release from active duty. KRS 161.507(4)(a) requires you to contribute 100% of the actuarial cost of each year of military service credited. Prior military service is considered Kentucky teaching service, but does not count toward vesting your account. If you are drawing or eligible to draw retirement benefits for twenty (20) or more years of active duty military service, you are not eligible to purchase military service credit. No credit shall be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

### **Military Service After Becoming a Member of KTRS**

You may also receive service credit for military service that occurs after you become a member of KTRS if you give your employer advance written or verbal notice of performing military service and you return directly to covered employment following the military service. Contributions are based upon the salary you would have earned during the period of your absence for military service plus interest at eight percent (8%) per annum.

If you are drawing or eligible to draw retirement benefits for twenty (20) or more years of active duty military service, you are not eligible to purchase military service credit. No credit shall be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

In addition to state law, the Uniformed Services Employment and Re-employment Rights Act (USERRA) provides federal guidelines for continued participation in KTRS while you are on active duty. KTRS can provide you only with very limited, general information regarding USERRA as this is a federal law subject to federal amendment and interpretation. Therefore, you should always contact the federal authorities charged with the administration of USERRA if you have any questions regarding its application to your individual circumstances. The National Committee for Employer Support of the Guard and Reserves maintains a USERRA website at [www.esgr.org](http://www.esgr.org). You may also contact their toll-free number at (800) 336-4590 and ask for Ombudsmen Services.

### **National Guard and the Military Reserves**

Active contributing members of KTRS may receive service credit for service in the military reserves or the National Guard. The member may purchase one (1) month of service for each six (6) months of service in the reserves or the National Guard. The member shall pay the full actuarial cost for this service. This service cannot be used in meeting the service requirements for either regular service retirement or disability retirement. If you are drawing or eligible to draw retirement benefits for twenty (20) or more years

of active duty military service, you are not eligible to purchase National Guard or military reserve service as service credit. No credit shall be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

## **OUT-OF-STATE SERVICE**

If you are an active contributing member of KTRS with at least one year of KTRS service subsequent to the latest out-of-state service and you contributed to KTRS prior to July 1, 1976, you are eligible to purchase credit for up to ten (10) years of certifiable out-of-state service performed in a public school or United States Government Dependency School. If you entered KTRS on or after July 1, 1976, you may purchase one (1) year of out-of-state service credit for every two (2) years of Kentucky service completed. Members who joined the System on or after July 1, 1976, and have completed ten (10) years of Kentucky service, may purchase credit for up to ten (10) years of acceptable out-of-state service. Only full-time out-of-state service is purchasable. Part-time and substitute service are not.

You may purchase retirement credit for out-of-state teaching service rendered under contract in public schools in another state, or service performed at the University of Kentucky, University of Louisville, and Northern Kentucky University. Members may purchase out-of-state teaching service by paying the member and the employer contributions for the out-of-state service based upon the member's first salary in a KTRS covered position following the out-of-state service. Accrued interest must also be paid on these contributions. Out-of-state credit counts the same as Kentucky service when calculating your retirement benefit, but it does not count toward the five (5) years of Kentucky service required for vesting. Members may use out-of-state service to qualify for twenty-seven (27) year retirement by paying an additional charge. The additional charge is computed by multiplying 8% times your final average salary at retirement for each year of out-of-state service that is qualified. Members age sixty (60) or older are not required to pay the additional charge, unless out of state service is used to qualify for the three (3) year final average salary formula. In this case, members are

required to make the qualifying payment at retirement. Credit will not be granted for service that is being or will be used in qualifying for annuity benefits from another state. *Effective July 1, 2005, out-of-state teaching service will be purchasable only at full actuarial cost. For some members, the cost of out-of-state service will be more expensive under the full actuarial cost formula, while for others it will be less expensive. If you are considering the purchase of out-of-state service, you should contact KTRS well in advance of the July 1, 2005 change and compare cost estimates between the current formula and the full actuarial cost formula.*

If you wish to obtain retirement credit for out-of-state service, you must have your former employer certify your service to KTRS on forms prescribed by KTRS. Upon receipt of the certification, KTRS will notify you concerning the amount of service you may purchase and the cost. Out-of-state service may be purchased at any time by an active contributing member. Interest charges, however, increase monthly under the current purchase formula.

### **PEACE CORPS SERVICE CREDIT**

If you have completed service as a federal Peace Corps volunteer you may be eligible to purchase retirement system credit for your service. Members who are eligible may purchase up to two (2) years of qualifying service credit. The cost is determined on the same basis that is used for calculation of the out-of-state service. Members may use Peace Corps service in qualifying for twenty-seven (27) year retirement, but an additional charge will be required at retirement. To obtain a statement of your cost and purchasable credit, send KTRS a certified copy of your Certification of Peace Corps Volunteer Service. No credit shall be granted for service that is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds. *Effective July 1, 2005, Peace Corps service will be purchasable only at full actuarial cost. For some members, the cost of Peace Corps service will be more expensive under the full actuarial cost formula, while for others it will be less expensive. If you are considering the purchase of Peace Corps service, you should contact KTRS well in advance of the July 1, 2005 change and compare cost estimates between the current formula and the full actuarial cost formula.*

## **FRACTIONAL SERVICE / BALANCE OF THE YEAR PURCHASES**

### **Members Who Work at Least 7/10 of the Year**

If you are employed on a regular full-time or part-time basis, or as a substitute, and actually work less than the regular contract year, you will earn less than a full year of service credit. If your employment continues for seventy percent (70%) of the regular contract year or more but less than the full year, you may make a personal contribution which will provide a full year of service credit. If your employment began after the start of the contract year, you are not eligible to purchase credit for service prior to the time of your employment. All payments must be made by December 31 following the fiscal year in which the fractional service occurred.

### **Members Who Work at Least 1/2 of the Year**

If you are employed on a regular full-time basis and complete the first one-half (1/2) or more of a regular contract year you may purchase the balance of the contract year. This option cannot be exercised more than once every three (3) years. All payments must be made by December 31 following the fiscal year in which the fractional service occurred.

### **Members Who Are Employed for at Least One Complete Pay Period**

If you are employed on a regular full-time basis at the beginning of the fiscal year and work for at least one complete pay period you may purchase the balance of the year for a full year of service credit. This option cannot be exercised more than once every ten (10) years. All payments must be made by the end of the fiscal year following the year in which the salary payment was made.

## **NON-QUALIFIED SERVICE CREDIT**

An active contributing member who has a minimum of twenty (20) years of service credit may purchase up to a maximum of five (5) years of service credit not otherwise provided for in the KTRS statutes and which meets the definition of nonqualified service as contained in federal law. At the time of retirement, the member is required to pay the full

actuarial cost of any benefit enhancement derived from the usage of nonqualified service credit.

### **KENTUCKY LEGISLATIVE SERVICE**

A member of KTRS who has service as a Kentucky Legislator which is not covered by a retirement system administered by the Commonwealth of Kentucky may present up to four (4) years of such service for credit in this retirement system by paying the full actuarial cost of the service credit.

### **FEDERAL HEAD START SERVICE**

An active contributing member of KTRS who was formerly employed by a federal Head Start Agency and who did not participate in a state-administered retirement system may obtain KTRS service credit for the period of the member's Head Start service. Since July 13, 2004, the cost of Head Start service has been required by statute to be based on the same purchase formula as out-of-state teaching service. *Effective July 1, 2005, the formula for purchasing out-of-state teaching service, and hence Head Start service, will be at full actuarial cost only. For some members, the cost of Head Start service will be more expensive under the full actuarial cost formula, while for others it will be less expensive. If you are considering the purchase of Head Start service, you should contact KTRS well in advance of the July 1, 2005 change and compare cost estimates between the current formula and the full actuarial cost formula.*

### **REGIONAL COMMUNITY MENTAL HEALTH AND MENTAL RETARDATION SERVICE PROGRAM SERVICE**

An active contributing member of KTRS who was formerly employed by a Regional Community Mental Health and Mental Retardation Service Program and who did not participate in a state-administered retirement system may obtain credit for the period of the member's service by paying the full actuarial cost of the service credit purchased.

### **PART-TIME SERVICE — UNIVERSITIES ONLY**

Universities cannot deduct retirement contributions from a part-time member's salary unless the member is employed on at least a seven-tenths (7/10) basis of regular full-time service. If a part-time university

employee has an active account from previous Kentucky service, he or she may make personal retirement contributions and receive service credit under the following conditions:

- a. An active member who teaches or is paid the equivalent of at least three-tenths (3/10) or more of regular full-time service may apply to KTRS to pay retirement contributions and receive fractional service credit.
  
- b. An active member who teaches or is paid on the basis of at least seven-tenths (7/10) of regular full-time service may apply to the retirement system to pay contributions on an equivalent annual salary and receive a full year of service credit.

Questions concerning this type of service should be directed to KTRS. Personal payments for part-time service must be made by December 31, immediately following the fiscal year in which the part-time service was rendered. If the payment is not made by this date, the right to purchase is lost.

## **PURCHASING SERVICE CREDIT IN TIME TO IMPROVE YOUR ACCOUNT**

Members interested in purchasing additional credit for out-of-state service, non-current leaves of absence, military service, Peace Corps, or reinstatement of a withdrawn account may contact KTRS anytime during their career in a KTRS-covered position, but at least ninety (90) days prior to their retirement date. Remember, current leaves of absence purchases, fractional / balance of the year purchases, and part-time service purchases must be made by certain deadlines as discussed above under the individual heading for each of these types of service credit purchases. Additionally, there may be other conditions and deadlines if you are purchasing active duty military service credit under the USERRA provisions. Members are encouraged to put their account in order prior to filing a retirement application. You will not be permitted to purchase service credit of any kind for your account after the effective date of your retirement. KTRS must receive payments made by the member or



the employer in time to process the retirement application. Approval of your retirement application will be delayed until all payments have been received.

### **INSTALLMENT PAYMENTS**

A member in active contributing status may purchase certain types of service credit by making installment payments through payroll deduction or by bank draft in lieu of a lump sum payment. To initiate an installment payment plan the member is required to make a written request. This allows KTRS to determine if the member is eligible to purchase service credit through making installment payments. The member contribution plus interest must be at least \$1,000. The minimum monthly payment is \$50. Installment payments will be paid over a period of time between twelve (12) and sixty (60) months.

### **ROLLOVERS AND TRANSFERS FROM OTHER ELIGIBLE PLANS**

You may purchase service credit in KTRS as permitted under the Internal Revenue Code by rolling over or transferring funds from another eligible plan. There may be certain limitations if you are purchasing non-qualified service credit or service credit that is purchasable at less than full actuarial cost. If you are interested in rolling over or transferring funds from another eligible plan, you should contact KTRS for details.

### **FULL ACTUARIAL COST**

The methodology for calculating the full actuarial cost of service credit purchases is subject to periodic review by the retirement system's actuary and may be adjusted if necessary to ensure that the full actuarial cost is charged.

**NOTE:** All payments for service credit purchases, whether made in lump sum or by installment, are subject to a final reconciliation at the time of retirement to ensure that the member has paid the correct cost of the service. Overpayments by the member will be refunded. Underpayments will require the member to pay any additional amount necessary to reflect the true cost of the service.

## SURVIVOR BENEFITS

Survivor benefits are monthly benefits provided to the survivors of an active contributing member upon the death of the member. Survivor benefits are also available to survivors if the member has made contributions in the previous fiscal year or if the member is receiving an allowance based on the disability retirement formula at the time of death.

Persons who may, *if eligible*, qualify for survivor benefits include:

1. A member's widow or widower if named as primary beneficiary;
2. Unmarried children:
  - a. under age eighteen (18);
  - b. up to age twenty-three (23) if a full-time student in college; and
  - c. Mentally or physically disabled adult children;
3. Dependent parents; or
4. Dependent brothers or sisters.

Survivor benefits are not available once the member retires under the service retirement formula. Survivor benefits terminate upon the marriage of the survivor. Survivor benefits are available in lieu of a refund of a member's account.

The five (5) categories of survivor benefits are discussed in greater detail below:

## SURVIVING SPOUSE BENEFITS

The basic monthly payment for a surviving spouse is \$180 with no restriction on other income. If a surviving spouse's income from other sources is less than \$6,600 per year, they are eligible to receive \$240 per month. Monthly payments are guaranteed for a surviving spouse's life, but eligibility ceases upon remarriage.

A member with a minimum of ten (10) years of KTRS service upon death may provide a surviving spouse with an actuarially equivalent annuity. This annuity would become available to the surviving spouse at the time the member would have become eligible for retirement.

Monthly payments are guaranteed for a surviving spouse's life with eligibility ceasing upon remarriage. Surviving spouses selecting this benefit may receive monthly survivor benefits of \$180 or \$240 while waiting to qualify for the annuity benefits provided they do not remarry before eligibility conditions are met.

A surviving spouse may be eligible for these benefits only if the member designated the spouse as his or her primary beneficiary.

### **CHILDREN AND OTHER DEPENDENTS**

Dependent children under age eighteen (18) qualify for a monthly allowance regardless of the income or marital status of the remaining parent. Benefit eligibility ceases at the end of the month the child reaches age eighteen (18) or marries, or age nineteen (19) if still a full-time high school student. Surviving children may apply to continue these benefits into the ages between eighteen (18) and twenty-three (23) if they are full-time students in a recognized educational program beyond the high school level. Eligibility for benefits ceases at age twenty-three (23), when a student drops to part-time status, graduates or leaves school, or upon marriage. Payments are suspended for the period between high school graduation and full-time enrollment and attendance in college. If a surviving child marries while receiving benefits, his or her eligibility for benefits is terminated.

If there is surviving child who is age eighteen (18) or older and whose mental or physical condition made that child dependent on the member at the time of death, the child is eligible for a allowance of \$200 per month. This allowance is payable for the life of the child or until the mental or physical condition creating the dependency no longer exists or the child marries. The mental or physical condition of the child will be determined from examination by a licensed physician and must be approved by a majority of the KTRS Medical Review Committee.

Dependent parents or siblings may qualify for survivor benefits in the absence of a widow, widower, minor children, or a physically or mentally incapacitated adult child if they are able to establish dependency upon the deceased member.

**NOTE:** For vested and non-vested members who are employed on a part-time or substitute basis and have worked less than forty-five (45) days during a current fiscal year, survivorship benefits will be available for eligible survivors only if the member's death is the result of a single, traumatic, physical injury related directly to the member's covered employment. For vested members who are employed on a part-time or substitute basis for at least a full forty-five (45) days during a current fiscal year, survivorship benefits will be available for eligible survivors for the remainder of that fiscal year regardless of whether the member provides any more services in a KTRS covered position that year. For non-vested members, these benefits continue to be available only if the member suffers a work-related injury, even after the member has worked a full forty-five (45) days. The forty-five (45) days of active employment must be accumulated by both vested and non-vested members for each fiscal year that coverage is sought.

### **DEATH OF A MEMBER ELIGIBLE TO RETIRE**

If an active contributing member dies with twenty-seven (27) or more years of service or is at least fifty-five (55) years of age with five (5) years of service, the surviving spouse or legal dependent if named as primary beneficiary, may choose to receive an annuity in lieu of survivor benefits or a refund of the member's account. The annuity will be actuarially equivalent to the annuity the member would have received had the member retired the day before death. A spouse or legal dependent is limited to selecting an option providing either a straight life annuity with refundable balance (Option I) or a term certain option. Survivor benefits to minor children are not affected by the spouse's or dependent's selection of these options. A spouse or legal dependent would continue to receive benefit payments for their lifetime with no income restrictions. A spouse's remarriage would not affect eligibility.

A surviving spouse, of an active member who was eligible to retire upon death, may elect to participate in medical insurance coverage available through KTRS by making the appropriate premium payments. This election must be made within thirty (30) days of the member's death. Medical coverage terminates if the spouse remarries.

## **REFUND OF MEMBER CONTRIBUTIONS**

If there are no eligible survivors for one of the foregoing monthly survivorship benefits, the accumulated contributions plus interest will be paid to either the designated beneficiary or estate. Or, if survivor benefits are terminated before total payments equal the refundable amount in the KTRS account at the time of death, the difference will be paid to the designated beneficiary or estate.

## **LIFE INSURANCE BENEFIT**

You are covered by a \$2,000 life insurance benefit from the first day of employment in a KTRS covered position. This coverage continues as long as you remain in active contributing status. Service and disability retirees are covered by a \$5,000 life insurance benefit. Life insurance benefits are paid to the member's estate or designated beneficiary. To designate a beneficiary, you must complete a "Designation of Beneficiary for KTRS Life Insurance Benefit" form (Note: divorce will void a spouse's designation as beneficiary). The life insurance benefit is payable in addition to any other benefits that may accrue and is comparable to a paid-up life insurance policy. The life insurance benefit is not subject to state or federal taxation.

**NOTE:** For vested and non-vested members who are employed on a part-time or substitute basis and have worked less than forty-five (45) days during a current fiscal year, the life insurance benefit will be available only if the member's death is the result of a single, traumatic, physical injury related directly to the member's covered employment. For vested members who are employed on a part-time or substitute basis for at least a full forty-five (45) days during a current fiscal year, the life insurance benefit will be available for the remainder of that fiscal year regardless of whether the member provides any more services in a KTRS covered position that year. For non-vested members, this benefit continues to be available only if the injury is work-related, even after the member has worked a full forty-five (45) days. The forty-five (45) days of active employment must be accumulated by both vested and non-vested members for each fiscal year that coverage is sought.

## RETIREMENT ESTIMATES

To obtain a complete estimate of your retirement benefits contact KTRS and include the following information:

- a. Name;
- b. Address;
- c. Social Security number;
- d. Current year salary;
- e. Beneficiary's birth date;
- f. Projected retirement date;
- g. If the employer pays for sick days, provide balance of unused sick leave; and
- h. Projected salary increases for each year beyond the current year.

You may also wish to visit the KTRS homepage at [www.ktrs.ky.gov](http://www.ktrs.ky.gov) and click on the Retirement Benefit Estimator to obtain an unofficial, basic estimate of an Option I straight life annuity based upon the hypothetical information that you provide.

## RETIREMENT APPLICATION

### SERVICE RETIREMENT

You must first obtain and complete an "Application for Service Retirement" available only through KTRS. You may retire at any time during a year with the approval of your employer. Your retirement will take effect on the first of the month following approval of your application by KTRS. However, if you are planning to retire at the close of a school year with an effective retirement date of July 1, your application must be on file with KTRS by *June* 1. Retirement becomes effective only on the first day of a month.

### DISABILITY RETIREMENT

To retire for reasons of a disabling condition that prevents your continued employment, you must first obtain and complete an "Application for Disability Retirement". If approved, disability retirement takes effect on the first day of the month following the month in which the application is filed with KTRS.

## DOCUMENT REQUIREMENTS

In addition to the application for retirement (Form 23 for service retirement and Form 21 for disability retirement), the following documents must be on file in the KTRS office prior to your retirement:

1. A copy of your **official, government certified** birth certificate; and
2. A copy of your **official, government issued** Social Security card. (These cards bear the seal of the Social Security Administration).
3. A copy of your **official, government certified** marriage license if married.
4. For service retirement, if choosing a joint and survivor retirement option [i.e. Options III, III(a), IV or IV(a)], a copy of the beneficiary's **official, government certified** birth certificate must also be filed with KTRS prior to your retirement. For disability retirement, this document is required for any primary beneficiary.

## APPLICATION PROCESSING

Once KTRS has received your application and completed the necessary computations, you will be notified in writing of your monthly annuity amount based on the retirement option you selected. This information should be received prior to your first annuity payment. Once the first annuity payment check has been issued, you may not change your status as a retired member of KTRS, nor may you change the retirement option you selected unless there is a later qualifying event allowing you to do so as specified by law or administrative regulation.

## TAX ASPECTS

All members receiving benefits from KTRS will receive a Form 1099R, "Distributions From Pensions, Annuities, Retirement . . .etc." on an annual basis. The 1099R reports the member's gross benefits received, taxes withheld, federal taxable income and income subject to Kentucky

state income taxes. KTRS mails these statements the last week of January. The Internal Revenue Service (IRS) and the Kentucky Revenue Cabinet are also provided with this information.

**FEDERAL** - - - Upon retirement you must report your federal taxable income to the IRS. Under federal tax law, members must pay taxes on their tax-sheltered annuities immediately. If you made contributions prior to August 1982 or made personal payments to the retirement system, KTRS will exclude a small portion of your retirement annuity from taxation over your expected lifetime or that of your beneficiary.

When you retire, you must complete a Form W-4P instructing KTRS how to withhold federal taxes from your annuity. If you elect to withhold, KTRS will withhold federal taxes on the taxable portion of your annuity as calculated using the “simplified general rule”.

**STATE OF KENTUCKY**- - - Your retirement annuity is exempt from Kentucky income tax if you retired before January 1, 1998. Members who retire after January 1, 1998 will need to determine IF they owe Kentucky income tax. Thanks to a state pension exclusion on the Kentucky Income Tax Form 740, KTRS estimates it will take several years before most retirees who retire after January 1, 1998 will pay Kentucky state income taxes. Please reference the current year Kentucky income tax form instructions for the amount of the pension income exclusion.

Box 12 of the 1099R tax statement reports the portion of the KTRS benefit subject to Kentucky state taxes. Retired members will have to compare the box 12 (pension income subject to Kentucky state taxes) to the state pension exclusion to determine IF any state income tax is owed. (Please note, all pension income from all sources must be totaled and compared to the state pension exclusion.)



## SERVICE RETIREMENT

The two (2) types of service retirement available are “Unreduced Benefit” and “Reduced Benefit” retirement.

### A. Unreduced benefit retirement

(1) Members with twenty-seven (27) or more years of active Kentucky service regardless of age may retire with no reduction in benefits.

(2) Members with five (5) or more years of active Kentucky service who are at least age sixty (60) may retire with no reduction in benefits.

### B. Reduced benefit retirement

Members age fifty-five (55) or more but less than age sixty (60) who have five (5) or more years of Kentucky service, but less than twenty-seven (27) years of service, may retire with reduced benefits. The reduction rate is 5% for each year the member's age is less than sixty (60) or 5% for each year the member's Kentucky service is less than twenty-seven (27) years, whichever is the lesser number.

The member's age is considered as the age attained on the first day of the month immediately following the member's birth date. To qualify for a July 1 retirement date, the member must have a properly completed retirement application on file in the offices of KTRS no later than June 1 of the year the member intends to retire. For retirements other than July, the properly completed retirement application must be on file in the offices of KTRS no later than the first day of the month that the member intends to retire. Although KTRS counselors are available to answer questions about effective retirement dates, it is solely the member's responsibility to select a retirement date that best suits his or her retirement plans.

Members who have established membership and maintained active accounts in more than one state-funded retirement system (the Kentucky Employees' Retirement System, the County Employees' Retirement

System, the State Police Retirement System, the Legislators' Retirement Plan, the Judicial Retirement System, or the Kentucky Teachers' Retirement System) may determine their eligibility for retirement benefits by combining service credit in all systems.

## **RETIREMENT OPTIONS**

Selecting the "option" under which KTRS will pay your retirement allowance is one of the most important retirement decisions you will make. The KTRS staff is available to work with you to insure your full understanding of all retirement options. The final decision, however, is yours.

You *may* have an opportunity to change your retirement option if any of these qualifying events occur:

1. You marry or remarry after the effective date of retirement;
2. Your beneficiary dies; or
3. Your marriage ends by divorce, annulment, or dissolution.

If you have experienced a qualifying event and you are determined eligible to change your retirement option, you have sixty (60) days from the date of the qualifying event to make the change with KTRS. In the event of divorce, the sixty (60) day period begins running from the date the divorce is effective by order of the court, not from the date of subsequent orders assigning and dividing marital property.

## **OPTION I**

### **Straight Life Annuity with Refundable Balance**

The Straight Life Annuity (SLA) is the basic retirement plan. This provides you with the largest monthly annuity throughout your life with annuity payments ceasing upon death. If you die before you receive monthly payments equal to your account, the balance will be refunded to your estate or beneficiary. You may wish to consider a SLA if you do not have dependents to be supported after your death.

You may change to a Joint-Survivor Annuity if you marry or remarry after retirement. A copy of your official, government certified marriage

certificate must accompany your application for a joint-survivor annuity. The effective date of your new option selection will be the first of the month following receipt of the application at KTRS.

You have sixty (60) days from the date of the marriage to make this change with KTRS.

A joint-survivor annuity with your new spouse as beneficiary will reduce your monthly annuity, but will provide a continuing benefit to your new spouse after your death. In some cases, the reduction is substantial depending on the ages of the member and spouse or beneficiary at the time of the option selection.

## **OPTION II:**

### **Ten Years Certain and Life Thereafter**

This option provides you with a monthly retirement annuity that is somewhat smaller than the annuity provided under Option I. Under Option II, in the event of your death within the first ten (10) years of your retirement, your beneficiary would receive the same monthly annuity that you were receiving at the time of your death until the expiration of the ten (10) year period. If you survive beyond the ten (10) year period, you will continue to receive for the rest of your life the monthly retirement annuity that you were receiving during the ten (10) year period, but your beneficiary will not be eligible for survivorship benefits in the event of your death. The age of the beneficiary is of no consequence under this option.

Years certain payment plans are also available in five (5), fifteen (15), and twenty (20) year certain periods. This option insures that a guaranteed amount will be returned. If your beneficiary predeceases you before the ten (10) year guaranteed period expires, you may name a new beneficiary.

## **OPTION III**

### **Joint-Survivor Annuity**

This option allows you to elect a lifetime annuity in an amount less than the SLA benefit to provide at death a lifetime annuity to your designated beneficiary. Your beneficiary's monthly annuity would equal the annuity

you received. This option is most useful when you have other income available that will cease upon your death or when your beneficiary's primary income will be the KTRS annuity.

**NOTE:** Under this option, if you select as your beneficiary a person other than your spouse, an Internal Revenue Service regulation may require a substantial reduction in the benefit your beneficiary would be eligible to draw. Please contact KTRS to determine whether your non-spouse beneficiary designation is affected by this regulation.

### **OPTION III(A)**

#### **Joint-Survivor Annuity with "Pop-up" Option**

This option is identical to Option III except that, in the event of your beneficiary's death, your annuity increases to the amount you would have received under Option I.

**NOTE:** Under this option, if you select as your beneficiary a person other than your spouse, an Internal Revenue Service regulation may require a substantial reduction in the benefit your beneficiary would be eligible to draw. Please contact KTRS to determine whether your non-spouse beneficiary designation is affected by this regulation.

### **OPTION IV**

#### **Joint-Survivor Annuity, One-half Benefit to Beneficiary**

This option allows you to elect a reduced lifetime annuity for yourself so that you may provide your beneficiary with a lifetime annuity after your death. Your beneficiary's annuity would equal one-half (1/2) of the amount you were receiving. In many instances, other income may be available to the beneficiary upon your death, such as the proceeds of life insurance policies or trust funds.

### **OPTION IV(A)**

#### **Joint-Survivor Annuity, One-half Benefit to Beneficiary with "Pop-up" Option**

This option is identical to Option IV except that in the event of your beneficiary's death, your annuity increases to the amount you would

have received under Option I. The restrictions that apply to Option III(a) in making changes to your plan also apply to this plan.

## **OPTION V**

### **Other Payment**

In most cases, the payment plans provided in Options I through IV(a) will meet members' needs and those of the members' estates. However, the Board of Trustees realizes that for some members a plan of payment other than those provided under the first six (6) options is desirable.

As a result, you have the right to select Option V. This option allows you to provide a benefit or benefits to a person or persons that you shall designate who have an insurable interest in your life. If you choose this option, it shall be certified by the System's actuary to be of equivalent value to the annuity provided under Option I, and it shall be approved by the Board of Trustees.

**Note:** The annuity amount payable under each option will be less than the Option I Life Annuity amount because of the additional benefits or survivor features. For Options III, III(a), IV and IV(a), the age of your beneficiary has a direct bearing on the amount of retirement allowance that you will receive.

## **CHANGING YOUR OPTION AFTER RETIREMENT**

There are a few, limited qualifying events that permit members to change, with certain conditions, their retirement options after they have retired. Qualifying events are events that occur after retirement and include divorce, annulment of marriage, dissolution of marriage, marriage, remarriage, death of a spouse and death of a beneficiary. If you experience a qualifying event and are interested in exploring the options that then become available to you, you should contact the retirement system immediately as you have only sixty (60) days from the date of the qualifying event in which to file with KTRS an election for a new retirement option.

## **ANNUITY ESTIMATE**

The Straight Life Annuity with Refundable Balance (Option I) is the basic retirement plan and must be calculated before adjustments can be

made for optional retirement plans or for early retirement. The following steps will provide you with a general understanding of how a Straight Life Annuity (Option I) is calculated. These steps do not include limits that may be imposed by state and federal law in the calculation of retirement allowances. You may also wish to visit the Retirement Benefit Estimator located on the KTRS homepage at [www.ktrs.ky.gov](http://www.ktrs.ky.gov).

**STEP 1 / Salary Credit:**

- a. Total your five (5) highest years of salary and divide by five (5) to determine your final average salary, or;
- b. Total your three (3) highest years of salary and divide by three (3) to determine your final average salary if you are at least fifty-five (55) years of age and have at least twenty-seven (27) years of Kentucky service at the time of your initial retirement.

NOTE: Salaries received in the last three (3) years that are included in the highest five (5) or three (3) annual salaries used in calculating the final average salary are reviewed to ensure that the increases received for those years over prior years do not exceed the percentage increase received by all other members employed by the employer. See KRS 161.220(9)(b). These salaries are also reviewed to ensure that they do not include a benefit or salary adjustment not available to other members. See KRS 161.220(10). That portion of salaries or compensation in excess of these limits cannot, by law, be used in calculating a member's retirement allowance and the contributions made on the disallowed amount will be refunded to the member.

**STEP 2 / Service Credit:**

- a. Total your years of service before June 30, 1983. Multiply the total service by the final average salary from Step 1 and then by 2%. If you are a university member, total your years of service to present, multiply the total service by the final average salary and then by 2%. University and community college members disregard sections (b) and (c) of this step.
- b. Multiply the total service after July 1, 1983, by the final average salary from Step 1 and then by 2.5%. (If you retire on or after July

1, 2004, multiply qualifying service in excess of thirty years by 3.0%. Contact KTRS for details.)

c. Total the values computed in (a) and (b) to find your yearly Straight Life Annuity.

**STEP 3:**

Divide the yearly annuity by twelve (12) to determine your monthly annuity under the Option I (Straight Life Annuity) Plan.

**STEP 4:**

If your age or service does not entitle you to unreduced benefits, calculate the applicable statutory reduction. (Refer to Service Retirement section for explanation of reduced benefit retirement.)

**NOTE:** Your retirement allowance, as measured by the Straight Life Annuity, cannot exceed your last annual compensation or your final average salary, whichever is greater. If you became a member of KTRS on or after July 1, 2002, or if you are a retired member of KTRS starting a second account under the return to work provisions, and you retire with less than ten (10) years of service credit, you are eligible for a retirement factor of 2.0%, not 2.5%, for each year of service. The calculation of your retirement allowance is subject to limits imposed by state and federal law. All estimates, including those provided by KTRS, are subject to correction and adjustment upon detection of any error. At the time of retirement, an audit of each member's account is conducted to search for errors and to make any necessary corrections or adjustments. Corrections and adjustments, however, can occur at any time, even after retirement.

**COMBINING KTRS SERVICE WITH SERVICE IN ANOTHER STATE ADMINISTERED RETIREMENT SYSTEM**

KTRS is subject to "reciprocity" statutes and regulations that require the recognition of service in the other state-funded retirement systems in Kentucky in determining eligibility for retirement benefits. The state-funded retirement systems include the Kentucky Employees' Retirement System, County Employees' Retirement System, State Police Retirement

System, Legislators' Retirement Plan, Judicial Retirement System and Kentucky Teachers' Retirement System. Reciprocity laws are applicable to members who have established membership and maintained active accounts in more than one of these state-funded retirement systems. These laws allow members to determine their eligibility for retirement benefits by combining service credit in all systems. Service credit is coordinated between the systems to assure no overlap in service. Members cannot receive more than one year of service credit for a fiscal year.

Each system will calculate your annuity separately. Your KTRS final average salary is based on the five (5) highest annual salaries, or three (3) highest if you qualify, regardless of the system under which the service was rendered. Under KTRS, members with at least twenty-seven (27) years of Kentucky service credit and who are at least fifty-five (55) years of age at the time of their initial retirement are eligible to have their final average salary based upon their three (3) highest annual salaries in the calculation of the KTRS retirement annuity. Under the reciprocity laws, calculation of retirement allowances will be based on the formula in effect for each retirement system involved. Any legally required reductions in annuity payments will be applied by each system according to the laws and administrative regulations governing that system. In lieu of combined service accounts, a member may request in writing that each retirement account be kept separate. Unless you make a written request to separate your accounts, you must file all necessary forms and documents with each retirement system from which you are retiring before a retirement allowance is payable from any retirement system. If combining service with any of the other Kentucky public retirement systems, please contact each system for the necessary forms in order to retire from that system properly.

**NOTE:** KTRS will recognize non-qualified service credit purchased in another state administered retirement system only to the extent that you have an equivalent number of full months of active employment in the position covered by the other retirement system during the period that the non-qualified service credit is purchased.



## **COST OF LIVING ADJUSTMENTS**

A standard, statutory cost of living adjustment (“COLA”) in the full amount of one and one-half percent (1.5%) is provided annually to retirees who have been retired for at least one year prior to July 1, the annual effective date of the COLA. For members who were retired for less than a full year immediately preceding the date that a COLA becomes effective, the COLA is awarded on a pro rata basis depending on how long the member was retired during the prior fiscal year. For example, a member who retires on January 1 of any given year would receive only one-half of the COLA that would become effective on the following July 1. In addition to the standard one and one-half percent (1.5%) COLA, KTRS asks the Governor and General Assembly each biennial budget period for an additional “ad hoc” COLA to help retirement allowances keep pace with inflation. During the October 2004 Special Session, the General Assembly passed, and the Governor signed, House Bill 1 which approved an eight-tenths of one percent (0.8%) COLA applied retroactively to July 1, 2004, and a seven-tenths of one percent (0.7%) COLA effective July 1, 2005.

## **MINIMUM VALUE OF A YEAR OF SERVICE**

The minimum value of each year of service is \$440 multiplied by your total years of service. These minimums are based upon the Straight Life Annuity option and will be reduced proportionately for any other option choice or any other discount that was taken at the time of retirement.

## **PAYMENT OF ANNUITIES**

Retirement annuities are payable monthly. Your first payment will be paid on or before the last day of the month in which your retirement is effective. You may expect to receive future payments around the end of each month.

## **ELECTRONIC FUNDS TRANSFER**

You are required to have your annuity check directly deposited to your savings or checking account by electronic funds transfer (EFT). Direct deposit prevents late delivery, loss, or theft of your annuity check. In

addition, if you are away from home, your money is deposited to your account.

To have your check deposited by EFT, you should complete Section IV of the retirement application and attach a personalized voided check or request an Authorization for Direct Deposit of KTRS Annuities form from KTRS. When you use EFT, your check will be available in your bank account on the day KTRS mails the retirement checks.

### **DISABLED ADULT CHILD**

An additional monthly benefit of \$200 is available if you have an adult child whose mental or physical condition is sufficient to cause dependency on you at retirement. Eligibility for this payment shall continue for the lifetime of the child, until the time the mental or physical condition creating the dependency no longer exists, or until the child marries. Benefits under this program shall also be available to adopted children. The Board of Trustees shall be the sole judge of eligibility or dependency, and proper KTRS documentation must be completed at the time of retirement to apply for these benefits.

## **DISABILITY RETIREMENT**

To be eligible for disability retirement, you must have completed five (5) or more years of Kentucky service and must apply for disability retirement within one (1) year of your last contributing service. The disability must have occurred during the most recent period of employment in a covered position subsequent to the completion of five (5) years of service in Kentucky. Medical evidence must show that you are physically or mentally disabled from further performance of service in a KTRS-covered position and that your disability is expected to be permanent, lasting twelve (12) months or more. If you have twenty-seven (27) or more years of service credit, you are eligible for service retirement only. If you have less than five (5) years of service you may also apply for disability retirement, but only if you are mentally or physically incapacitated due to an injury directly related to your covered employment.

If approved for disability retirement, you will enter an initial “entitlement period”. During the entitlement period, your benefit will equal 60% of your final average salary, if you have at least five (5) or more years of Kentucky service, and 50% of your current annual contract salary if you have less than five (5) years of Kentucky service. If you combine accounts from other state-funded retirement systems with your KTRS account, your disability retirement payments will be pro rated with each retirement system paying its proportional share according to the amount of service that you have in each system. Entitlement service credit is service credit that you earn while on disability during the entitlement period. Members can earn a maximum of five (5) years of entitlement service credit. Entitlement service credit is added to your account at the end of the entitlement period. Total KTRS service credit when entitlement service credit is added cannot exceed twenty-seven (27) years. The entitlement period is reduced if you have been on disability retirement previously. KTRS contributions are not required while you are on disability.

An impartial KTRS Medical Review Committee (Committee) composed of licensed physicians reviews all disability retirement applications. The Committee recommends the disposition of each case to KTRS. It is not unusual for additional medical information to be required by the Committee. After receiving the Committee’s recommendations, KTRS then makes a determination on each individual application.

If you remain disabled at the end of your entitlement period, your disability retirement allowance will be recalculated using a different formula based on service credit. The minimum monthly allowance shall be \$500 under Option I (Straight Life Annuity). If you are less than sixty (60) years of age at the end of the entitlement period, you will be considered to be sixty (60) years of age and not subject to a reduction in benefits due to early retirement. All restrictions on earning limitations and yearly medical examinations will apply to a disabled retiree. Pursuant to KRS 161.662, under certain conditions school districts must return disability retirees to employment if they recover within 24 months of the date of their disability retirement.

Disability retirees may not teach or be employed in a public or private position that entails duties or qualification requirements similar to positions subject to participation in KTRS either within or without the state of Kentucky. If you become employed in another occupation, one dissimilar to any KTRS covered position, you must make a report of the duties involved, compensation received and other pertinent information to the retirement system. There are important limitations on the amount of earnings that you may receive in employment while on disability retirement. You should contact a KTRS counselor to determine what the earnings limits are. Violation of the earnings limits will have a direct financial impact on your disability retirement allowance, even to the extent of eliminating it altogether.

If the character or the extent of other employment indicates that you may not be disabled for teaching services or other KTRS covered employment, a new appraisal of your case will be made through re-examination. If the findings of the new examination reveal that you are capable of employment in a KTRS-covered position, disability retirement will be terminated.

In the event of your death during the disability entitlement period, your surviving spouse or other qualified dependent beneficiaries may be eligible for service retirement benefits or monthly survivor benefits. These benefits may be selected in lieu of accepting a cash refund of your account.

If a disability retiree passes away during the entitlement period, survivorship benefits are available as follows: 1) If the disability retiree had less than twenty-seven (27) years of service credit at the time of death, any spousal benefit would terminate upon remarriage. 2) If the disability retiree had earned, prior to death, the maximum twenty-seven (27) years of service credit earnable under disability retirement, the surviving spouse may be eligible for a monthly benefit that would last their lifetime and remarriage would not cancel this benefit.

Please refer to the section on “Death and Survivor Benefits” for additional information.

**NOTE:** For vested members who are employed on a part-time or substitute basis and have worked less than forty-five (45) days during a current fiscal year, and for members who are employed on a part-time or substitute basis and are not vested regardless of the number of days that they have worked, disability retirement will be available only if the member’s disability is the result of a single, traumatic, physical injury related directly to the member’s covered employment. Members who are vested and employed on a part-time or substitute basis for at least a full forty-five (45) days during a current fiscal year may be eligible for disability retirement for the remainder of that fiscal year under the standard disability retirement provisions. The forty-five (45) days of active employment must be accumulated for each fiscal year that coverage is sought.

### **KTRS MEDICAL PROGRAM**

The KTRS medical program is provided as an optional program and a service to KTRS retirees. This program is not part of the regular retirement program and is subject to change when necessary to contain expenses within the funds available to finance the program. Currently, retirees under age 65 are offered coverage through the State Group Health Plan (SGHP). A retiree age 65 or older is offered coverage through the KTRS self-insured Medicare Eligible Health Plan (MEHP).

The KTRS medical program is primarily funded by retired member payments, active member contributions, employer contributions, and actuarial funding provided by the Commonwealth. Active members contribute 0.75% of their compensation to the medical insurance fund (MIF). The KTRS supplemental payment applied toward the retiree’s insurance premium is based on service retirement credit. If your original date of employment in a KTRS-covered position is prior to July 1, 2002, and you retire with twenty (20) or more years of service credit, you will receive the maximum supplemental payment toward coverage.

If your original date of employment is on July 1, 2002 or thereafter, you must retire with twenty-seven (27) or more years of service credit to receive the maximum supplemental payment toward your medical insurance coverage. There are other differences as well in the medical program for members who were first employed on or after July 1, 2002 as compared to those who were employed prior to this date. Please contact KTRS for further details.

## **ELIGIBILITY FOR MEMBER COVERAGE**

Recipients of a retirement allowance from KTRS are generally eligible for medical insurance benefits. However, retired members re-employed in a position that makes them eligible for medical insurance coverage through the Office of Public Employee Health Insurance SGHP, or in a position that could be a KTRS-covered position, regardless of whether they are receiving a retirement allowance or not, will be required to WAIVE their KTRS medical insurance coverage. Subsequent termination of that active employment is considered a qualifying event permitting re-enrollment through KTRS. If you are going to experience this qualifying event, you and your employer should promptly notify the KTRS Insurance Division of the date that your active coverage will become effective. KTRS will terminate your KTRS coverage to coincide with this date.

## **ENROLLMENT**

### **At Retirement**

If you indicate a desire for coverage on your retirement application, you will be mailed an insurance packet giving you the information needed to select an insurance plan. (If you do not indicate a desire for coverage on your retirement application, you will be provided no medical insurance coverage through KTRS.) You should complete the insurance application and return it to the KTRS office within fourteen (14) days of the effective date of your retirement. Insurance will become effective the first day of the month following your effective retirement date. If you do not return a completed application by the deadline, your non-response will be interpreted as a waiver of coverage.

## **After Retirement**

If you do not elect coverage at retirement, you may only enroll during the annual open enrollment period or within thirty (30) days of a loss of coverage due to a qualifying event. If a loss of coverage occurs, you must contact KTRS immediately and complete an application no later than thirty (30) days following the qualifying event in order to enroll. It is the responsibility of the retired member to prove eligibility.

## **SPOUSE COVERAGE**

Spouses of retired members may be eligible for medical coverage through KTRS, but KTRS does not pay any supplement toward the cost of a spouse's coverage. Coverage in the KTRS medical plan is through the retiree. Spouses who are covered by the KTRS medical plan at the time of the retired member's death are eligible to continue that coverage unless they remarry. If the spouse is not covered by the KTRS medical plan at the time of the retiree's death, the spouse may elect to participate in the plan by making the required premium payments. Spouses who are not covered by the KTRS medical plan at the time of the retired member's death must make this election within thirty (30) days of the member's death. Remarriage terminates this coverage. Any surviving spouse who terminates coverage under the KTRS medical plan will not be eligible to later re-enroll in such coverage.

## **DEPENDENT CHILD COVERAGE**

Children of retired KTRS members age 65 or older are not eligible for medical coverage through the KTRS self-insured MEHP. Retirees under age 65 can cover eligible dependent children through the SGHP offered through KTRS.

## **MEDICAL COVERAGE FOR RETIREES UNDER AGE 65**

Medical coverage for retirees under the age of 65 is currently provided through the same state administered plan offered to active teachers. Medical coverage for retirees under the age of 65 is, therefore, subject to change with changes made by the Commonwealth to this state plan.

## **MEDICAL COVERAGE FOR RETIREES AGE 65 AND OVER**

If you are entitled to Medicare due to attainment of age 65 or Social Security Disability, you may select your secondary medical and prescription drug coverage through the KTRS self-insured Medicare Eligible Health Plan (MEHP).

The federal Medicare program, which provides primary medical coverage for persons 65 and over and certain disability retirees below age 65, is composed of two parts: Part A (Hospitalization Insurance) & Part B (Medical Insurance). Part A is automatically extended to you if you are eligible for Social Security benefits. You are not expected to enroll in Part A if there is a charge for this coverage. You must apply for Part B and agree to pay the required monthly premium to Social Security. It cannot be emphasized enough the importance of enrolling in Part B of Medicare at the time you become eligible. Your medical coverage is incomplete without Part B.

The KTRS MEHP plan provisions assume that each individual who qualifies for Medicare coverage has enrolled in all eligible parts. The MEHP requires that all health expenses covered must first be considered for payment under Medicare. Any benefits payable or which would be payable under Medicare, whether or not you have enrolled in Part B, will be deducted from the medical expenses covered under the MEHP before the benefits of the Plan are determined. If you fail to enroll in any part of Medicare for which you are eligible, the MEHP will not reimburse you for expenses that would have been covered by Medicare. It is important that you apply for Medicare coverage as soon as you qualify.

## **PRESCRIPTION DRUG PROGRAM**

The KTRS self-insured MEHP currently offers Medicare eligible retirees a prescription drug program. The program consists of a Retail Drug Program and a Home Delivery Drug Program. The Retail Drug Program is designed for initial and short-term prescriptions and allows up to a 30-day supply of medication to be obtained at a retail pharmacy. The Home Delivery Drug Program is designed for prescriptions which



are taken on a long-term basis and allows up to a 90-day supply of medication to be obtained at a Home Delivery pharmacy.

### **MEDICARE DIRECT CLAIM FILING SERVICE**

KTRS retired members who are enrolled in Medicare Part B are encouraged to take advantage of a time-saving program called Medicare Direct. This program authorizes Medicare to forward non-hospital claims directly to the MEHP administrator and eliminates the necessity for the retiree to file Part B claims.

**NOTE:** This is a summary of the KTRS Medical Program. It is not intended to give you complete information since the plan provisions and premiums are subject to change. For answers to specific questions regarding current provisions, please contact KTRS at (502) 848-8500 or toll free at (800) 618-1687.

## **POST-RETIREMENT EMPLOYMENT**

### **WAIVER OF RETIREMENT BENEFITS**

If you retire for service, you may elect to waive your annuity and return to regular, full-time employment in a Kentucky public school or state agency covered by KTRS. You cannot receive annuity payments during the waiver period. You must waive your KTRS medical insurance.

During the period that you are waiving your retirement allowance, KTRS contributions will be deducted from your salary by your employer. If you remain "on waiver" for at least one (1) full contract year, you may have your annuity recalculated. Otherwise, your contributions will be refunded to you at the end of the waiver period. You may return to the retirement payroll upon your employer's verification that your employment has been terminated. This must be done on the prescribed form furnished by the KTRS office. A member retired for service who has been employed the equivalent of twenty-five (25) days or more during a school year may waive his or her retirement annuity and return to covered employment during that school year a maximum of one (1) time during any five (5) year period.

If you want to exercise a retirement waiver, you should write KTRS for a Waiver Application Form. If you have any questions concerning any employment after retirement, you should contact KTRS.

## **RETURNING TO WORK WITHOUT HAVING TO WAIVE YOUR RETIREMENT ALLOWANCE (FOR NON-POST SECONDARY POSITIONS ONLY)**

### **General Provisions**

There are opportunities for KTRS retirees to return to work in part-time and full-time positions while continuing to draw their retirement allowance. Under these return to work provisions, members make contributions to the retirement system and start a second retirement account. If you return to work under these provisions and earn five years of service credit in the second account you will be entitled to a second retirement allowance for the rest of your life. Members who earn less than ten (10) years of service credit in their second account will be entitled to a retirement allowance of 2% of their final average salary for each year of service. Members who earn at least ten (10) years of service credit in their second account will be entitled to a retirement allowance of 2.5% of their final average salary for each year of service. Members not vesting in their second retirement account, will be entitled to a refund of their account as provided under KRS 161.470(6). Service credit is determined by dividing the number of days worked by the number of days in the full year's contract.

Retired members returning to work under these provisions and starting a second retirement account will not be entitled to a duplication of medical insurance, life insurance or adult handicapped child benefits, nor will they be eligible for disability retirement or survivorship benefits with this second account. Members cannot purchase any service credit in the second account that they would have been eligible to purchase prior to initial retirement. Second accounts are administered independently from and have no reciprocal relationship with the first account. All KTRS retirees are reminded that when they return to active employment and are eligible for coverage through the State Group Health Plan, administered by the Kentucky Personnel Cabinet, they are required to waive their KTRS medical insurance coverage. Termination

of the active employment is considered a qualifying event that permits the member to once again enroll through KTRS for medical insurance.

### **Breaks in Service After Retirement**

Retired members returning to work under these provisions must experience a complete break in service before returning to work either part-time or full-time in a KTRS position. This break in service protects the actuarial soundness of the System and is required by the Internal Revenue Service in order for the retirement event to be meaningful.

All new retirees who desire to return to work on a part-time or substitute basis must experience at least a complete three-month break before returning to covered employment in a KTRS position. Part-time/substitute employment is defined as employment for less than seven-tenths of the contract days in the position for which you are being employed.

All retirees who desire to return to full-time employment must experience a minimum three-month complete break in service before returning to work with a different employer and must experience a complete break in service of one year before returning to work full-time with the same employer. Full-time employment is defined as employment equal to or greater than seven-tenths of the contract days in the position for which the member is being re-employed

### **Alternative Breaks in Service**

Effective July 1, 2004, a retired member may return to employment after a complete two (2) month break in service. This opportunity to return to work earlier requires the retired member to forfeit his or her retirement allowance for the balance of the required standard break in service. To return to part-time employment with any employer or full-time employment with an employer from which the member did not retire, the retired member must forfeit one (1) month's retirement allowance following the complete two (2) month break in service. To return to work full-time with the same employer from which the member retired, the retired member would forfeit ten (10) month's of retirement allowance following the complete two (2) month break in service. For

retired members returning to full-time employment for the same employer from which they retired, the forfeiture of their retirement allowance is required on a month-for-month basis for each month that the member has less than a full twelve (12) month break in service. A minimum, complete two (2) month break in service is required under all of the foregoing scenarios.

### **Number of Full-time Positions Available**

The number of retired KTRS annuitants that each KTRS employer can re-employ in full-time positions is limited to 3% of each employer's active full-time non-retired KTRS membership. Additionally, KTRS must provide prior written approval to the employer of each retired KTRS annuitant who is employed in the standard 3% full-time program.

### **Calculating the Daily Wage Threshold**

Retirees are also reminded of the need to obtain their Daily Wage Threshold (DWT) from KTRS. The DWT represents the maximum daily rate of pay that retirees may earn on a daily basis by virtue of their return to covered employment, without experiencing a reduction in their KTRS annuity payment. The DWT has been established by statute at 75% of retirees' last daily rate of pay prior to their initial retirement date for those retirees who retired with thirty (30) or more years of service. All KTRS retirees with a retirement date prior to August 1, 2002 have a DWT of 75%. The DWT has been established by statute at 65% of retirees' last daily rate of pay prior to their initial retirement date for those retirees who retired with less than 30 years service. The DWT may be indexed (increased) by the consumer price index (CPI) on an annual basis for those retirees who have been retired for one year or more. The CPI increase will be applied to the last annual compensation in a KTRS-covered position, whenever that compensation was earned.

**NOTE:** It is very important that any KTRS retiree who has questions about the break in service requirements and/or the daily wage threshold contact KTRS before returning to covered employment. There are serious consequences for failure to comply with these mandatory return-to-work provisions, including the

voiding of the member's retirement and the required return of all benefits paid by KTRS to the retiree.

### **CRITICAL SHORTAGE POSITIONS**

Effective July 1, 2004, a local school district may employ retired members in a limited number of full-time or part-time teaching or administrative positions in which the Daily Wage Threshold will not apply. Prior to employment in a critical shortage position, the local school superintendent must certify to KTRS that there are no other qualified applicants available for the position. The required breaks in service must still be met. The district may employ a maximum of only two (2) retirees per district, or a number not exceeding one percent (1%) of all the active full-time employees within the district, whichever number is greater. Retired members returning to work in a critical shortage position will start a second account with the retirement system that, if they vest, will pay them a second retirement allowance under conditions similar to the standard return-to-work provisions set forth above.

### **100-DAY PROGRAM FOR NON-POST SECONDARY POSITIONS**

In addition to the other provisions for returning to work in non-postsecondary positions, KTRS annuitants who were retired on or before June 30, 2002, are also eligible to participate in the old 100-day program. Members continuing in the 100-day program will now make contributions to the retirement system and earn service credit in a second account. This program will sunset effective June 30, 2007.

**Retired members returning to work in non-post secondary positions must submit a new membership application (form F-1 RET) since they will be starting a second account as a new member. Retired members considering re-employment are strongly encouraged to contact the KTRS office in order to have a complete understanding of the eligibility for each post-retirement program.**

## **RETURNING TO WORK IN POST SECONDARY POSITIONS**

Retired members may return to teaching in a post secondary position not to exceed twelve (12) teaching hours in any one fiscal year. Retired members may return to a non-teaching or administrative post secondary position for a period not to exceed one hundred (100) days in any one fiscal year.

## **EMPLOYMENT IN NON-KTRS POSITIONS**

Retired members who wish to return to employment with KTRS employers in positions that do not qualify for KTRS membership may do so. Prior to the retiree's employment in a "non-KTRS" position, the employer must submit a Form 30-E, Request for Exemption from KTRS Employment Limitations. KTRS will notify the employer and the retired member whether the KTRS return to work provisions apply, or whether the retiree is exempt from the application of these provisions. Failure by the employer to submit the Form 30-E and obtain a written determination by KTRS cause the retired member to be in violation of the return to work provisions.

## **REPORTING OF POST RETIREMENT EMPLOYMENT**

Each school district and agency employing retired members of KTRS is required to maintain a record of the days employed and the compensation paid to each annuitant. This record will be used to report all retired members who return to work under the conditions established by the KTRS 100-day program as well as those who may be exempted from those provisions. Following the completion of the fiscal year and no later than August 1, the employer will report this information to KTRS on forms prescribed by the system. Penalties may be imposed when the employer fails to meet the August 1 reporting date or fails to provide the information required for employment of retired members of the system.

## DIVISION OF MARITAL PROPERTY

In accordance with KRS 161.700(2), any benefits due you from KTRS are not classified as marital property or as an economic circumstance during the division of marital property in the event of dissolution of marriage. However, it is possible that a court might apply this statute in conjunction with KRS 403.190(4), which is found in the KRS chapter on dissolution of marriage and contains general marital property provisions. Under KRS 403.190(4), if your spouse has a retirement annuity, your spouse's annuity may also be exempt as marital property. A court *might* further order an equalization of benefits pursuant to this statute that may expose a portion of your retirement benefits to division as marital property, depending upon how the court applies KRS 490.190(4), if at all, in conjunction with KRS 161.700(2). KTRS receives little feedback from the parties and the various local Family Courts and thus currently does not have a clear picture of what is happening with this issue across the Commonwealth. As such, KTRS can only put its members on notice of the two statutes of which it has been made aware that are being asserted in divorce proceedings and to provide notice that it appears to the retirement system that there are currently many conflicting interpretations and arguments regarding this issue. Regardless of the court's interpretation of the foregoing statutes, KTRS can never, under any circumstances, accept a Qualified Domestic Relations Order ("QDRO") as KRS 161.700(1) expressly prohibits the assignment, attachment or garnishment of members' retirement annuities except for the payment of child support. It is highly recommended that if you have questions regarding your retirement and its treatment in the event of dissolution of marriage, that you seek competent legal advice from an attorney of your choice.

## LOSS OF BENEFITS

### DISQUALIFICATION, INELIGIBILITY, LOSS OF BENEFITS

If you resign from your position covered by KTRS, you may either withdraw your funds in the retirement system or leave them on deposit. If you withdraw the funds, your membership will be cancelled just as if

you had never contributed to KTRS. You may reinstate a withdrawn account if you have contributing service equal to one (1) year. After the account is reinstated, your membership status is the same as if the account had never been withdrawn. You will not be entitled to a full year of service credit if your total paid days were less than 180 of a 185-day contract for a regular school or fiscal year. You may, however, purchase credit according to administrative regulations adopted by the Board of Trustees. Any teacher or employee of a district board of education who willfully violates any provision of KRS 161.164 shall be ineligible for employment in the common schools for a period of five (5) years.

### **CORRECTION OF ERRORS**

KTRS is required by statute to correct any errors that result in any annuitant or beneficiary receiving more or less in benefits than he or she is entitled to receive. In such cases, KTRS is required to adjust the payments made to the annuitant or beneficiary so that the annuitant or beneficiary receives only the payment to which he or she is entitled.

### **APPEALS**

If you feel that the System has denied a valid claim or made an error in computation you should request a reconsideration of the System's decision in writing to the Executive Secretary. After review, the Executive Secretary will notify you of the agency's final decision, subject to administrative appeal. Any decision by KTRS that materially affects the amount of service retirement allowance, the amount of service credit, eligibility for service or disability retirement, or eligibility for survivorship benefits may be appealed in writing with the opportunity to request an administrative hearing pursuant to the provisions of KRS 161.250(2) and Chapter 13B.