

Kentucky Teachers' Retirement System
Daily Wage Threshold

IMPORTANT INFORMATION

Regarding KTRS Post-Retirement Employment and the Daily Wage Threshold

KTRS staff desires that retirees avoid violations of the limitations imposed by the Daily Wage Threshold, break in service requirements, service credit and salary credit limitations. The following table contains a list of questions and answers that will be helpful to you as you determine your status regarding post-retirement employment.

<i>What is the Daily Wage Threshold (DWT)?</i>	The Daily Wage Threshold (DWT) is the maximum daily rate of pay that may be earned for a full day of work during the regular school contract by KTRS retirees who are re-employed in covered positions in the part-time and 3% full-time programs which began July 1, 2002.
<i>How is the Daily Wage Threshold determined?</i>	The Daily Wage Threshold is a percentage of the daily rate of the member's last annual compensation, which is defined per KRS161.220 (23).
<i>What is the definition of a full day of work under the guidelines of the Daily Wage Threshold?</i>	A full day of work is calculated from the required arrival time in the morning for full-time employees to the earliest release time in the afternoon, less any duty-free time for lunch. As an example, some school districts require their full-time employees to be at work 7 hours, some 7.25 hours and others require 7.5 hours.
<i>Do all KTRS retirees receive the same percentage of their last daily rate of pay as their Daily Wage Threshold?</i>	No. Members who retire with 30 or more years of service have a DWT of 75% of the daily rate of their last annual compensation. . Members who retire with less than 30 years of service have a DWT of 65% of that daily rate. The DWT for all KTRS retirees who retired on or before July 1, 2002 is established at 75%.
<i>Do KTRS retirees receive annual increases in their Daily Wage Threshold?</i>	If your Daily Wage Threshold is greater than the minimum DWT set by KTRS, it will be increased for each full year you have been retired based on the Consumer Price Index (CPI); provided the CPI percentage is greater than 0.00%.
<i>Does the Daily Wage Threshold apply to all wages earned from KTRS employers during a regular school fiscal year?</i>	Yes. Per KRS 161.605 (6), retirement benefits will be reduced on a dollar-for-dollar basis if the salary paid to you is in excess of your DWT. The retiree and employer understand that any additional compensation received for additional duties performed beyond that normal full day or school year will cause the retiree to exceed their DWT and incur an obligation to repay pension, dollar for dollar, over the DWT. This repayment obligation must be paid before a retirement or refund of this new account will be allowed.
<i>Describe how the Daily Wage Threshold is affected when a retiree is working less than full days.</i>	When an employee is working less than full days, the DWT must be converted to an Hourly Wage Threshold. <u>Working less than a full day decreases a retiree's DWT on a pro rata basis.</u>
<i>How is the Hourly Wage Threshold determined?</i>	The Hourly Wage Threshold is calculated by dividing the Daily Wage Threshold by the number of hours a full-time employee is required to be on the job.
<i>What programs are available for re-employment in KTRS covered positions?</i>	Currently, retirees may be re-employed in KTRS covered positions under the part-time or full-time programs, in which the DWT is applied. Other re-employment positions are the part-time or full-time Critical Shortage programs, or the Waiver option, in which the DWT may be waived.

<p><i>Describe the procedures for enrolling in a return to work program.</i></p>	<p>At the time of re-employment, all retirees must complete Form F-1 RET, which can be obtained from their employer. When a retiree elects to change 'return to work programs', it is their responsibility to obtain a new Form F-1RET , complete it and submit it to KTRS.</p>
<p><i>Is KTRS approval required when enrolling in a return to work program?</i></p>	<p>All employers of retirees reemployed in the Full-Time and Critical Shortage programs must receive KTRS approval annually on Form RET-FT. They must also complete a new F-1 RET annually.</p>
<p><i>Is there a required break in service before enrolling in a return to work program?</i></p>	<p>All retirees who return to KTRS covered employment must experience the required break in service. Failure to observe the required break in service can cause the member's retirement to be voided and all pension funds received will be returned to KTRS. Please call KTRS for information regarding the length of your required break in service.</p>
<p><i>Do KTRS retirees earn service credit and salary credit for part-time and/or full-time post retirement employment?</i></p>	<p>Yes. KTRS retirees earn service credit and salary credit for part-time and/or full-time post retirement employment that occurs during the normal regular school workday and normal school year (examples of contracts: 187, 240, 260 days) for KTRS employees. However, when receiving a pension from KTRS, most post-retirement employment has limits for both service credit and salary credit. Additional duties and compensation received for work performed outside regular hours/days will not increase service credit but will almost always be applied toward the DWT earnings limitation.</p>

Determining the Hourly Wage Threshold

The following examples show calculations to be used in determining the **Hourly Wage Threshold**, salary credit earned and service credit earned.

Each employer should set the number of hours required for a full day of work for each position and use these numbers to report service credit earned for all retired KTRS employees, either part-time or full-time.

EXAMPLE 1:

In a 185-day position, a retiree works 112 hours, 4 hours per day. The district has a 7.25-hour workday. This retiree worked 15.45 days (112 hours divided by 7.25 hours). If the DWT is \$174, then the Hourly Wage Threshold is \$174 divided by 7.25 hours = \$24.00. The retiree's maximum earnings would be \$24 x 112 hours = \$2,688. Service credit is calculated at 15.45 days divided by 185 days = .08 year.

EXAMPLE 2:

In a 210-day position, a retiree works 395.5 hours, 3.5 hours per day. The district has a 7-hour workday. This retiree worked 56.5 days (395.5 hours divided by 7 hours). If the DWT is \$234, then the Hourly Wage Threshold is \$234 divided by 7 hours = \$33.43. The retiree's maximum earnings would be \$33.43 x 395.5 hours = \$13,221.57. Service credit is calculated at 56.5 days divided by 210 days = 0.27 year.

EXAMPLE 3:

In a 240-day position, a retiree works 752 hours. The district has a 7.5-hour workday. This retiree worked 100.27 days (752 hours divided by 7.5 hours). If the DWT is \$203, then the Hourly Wage Threshold is \$27.07 (\$203 divided by 7.5). The retiree's maximum earnings would be \$27.07 x 752 hours = \$20,356.64. Service credit is calculated at 100.27 days divided by 240 days = 0.42 year.

Knowing the service credit, salary credit, break in service requirements, Daily Wage Threshold and Hourly Wage Threshold limits will help to make post-retirement employment enjoyable and productive. KTRS encourages you to contact one of our counselors by telephone at 800-618-1687 or email ktrs.info@ky.gov, if you have questions about post-retirement employment or the Daily Wage Threshold.