



Tier 1 Overview





**Kentucky Employees
Retirement System**
Hazardous | Non-hazardous



**State Police
Retirement System**



**County Employees
Retirement System**
Hazardous | Non-hazardous

These employees include state employees, state police officers, firefighters, city and county employees, local agency employees, and classified staff of local school boards and regional universities.

KRS administers retirement benefits for over 386,000 state and local government employees



DID YOU KNOW...

- As of June 30, 2019, the market value of KRS assets (pension and insurance) was \$18.1 billion.
- KRS pays over \$2.0 billion in pension and insurance benefits each year.
 - 93.64% of benefit payments are delivered to Kentucky residents and have a significant impact on the Kentucky economy.
 - Each county in Kentucky receives at least \$1 million annually from KRS.

Reference 2018 Comprehensive Annual Financial Report

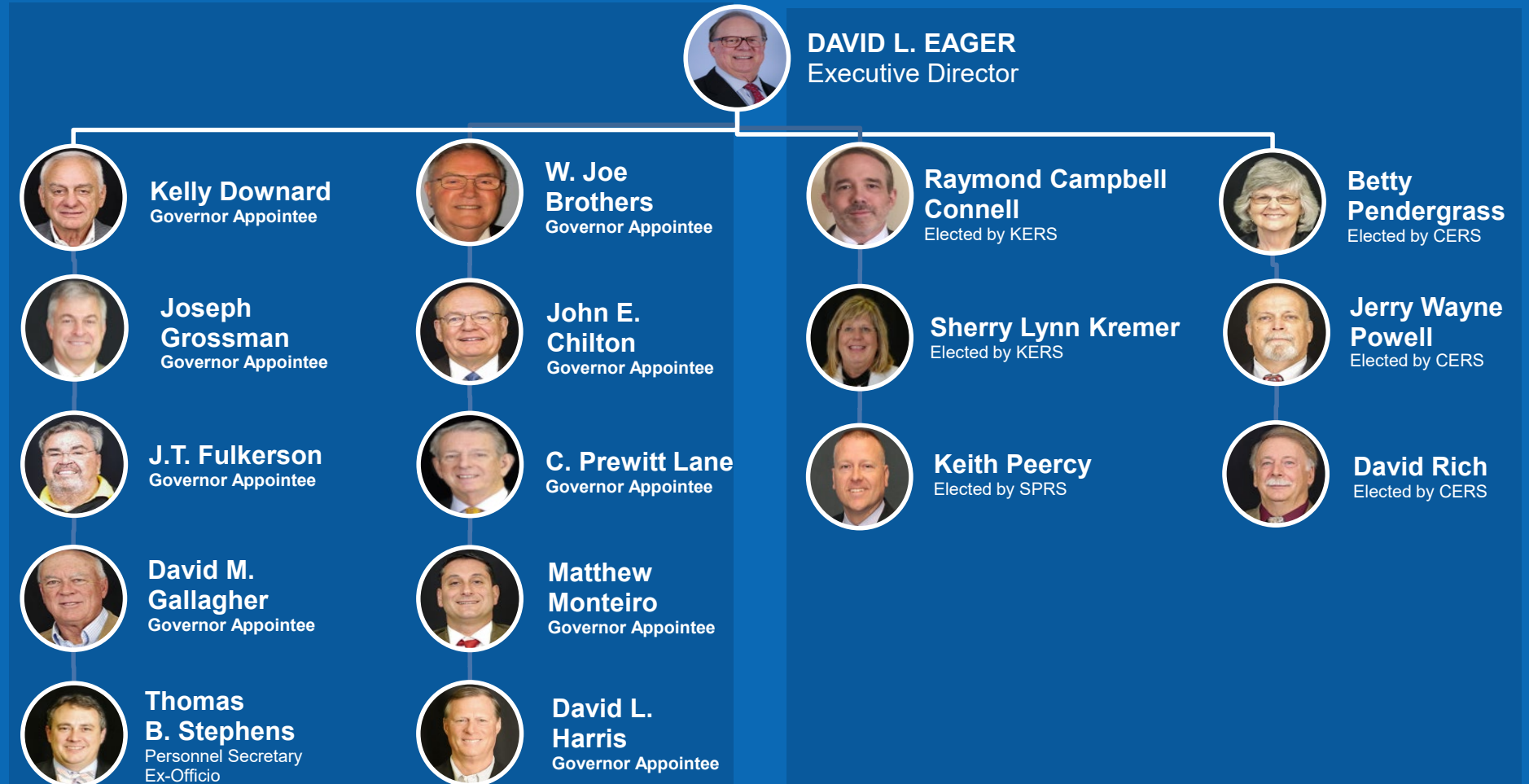


PLAN ADMINISTRATION

A seventeen member Board of Trustees administers the systems.
KRS reports for budget purposes to the Kentucky General Assembly.

Requirements for Governor Appointee:

- Must be knowledgeable about the pension requirements on local government
- Six must have at least 10 years of investment experience
- One each from a list of nominees submitted by: **KY League of Cities, the KY Association of Counties, and the KY School Boards Association**





PLAN FUNDING

Check
these
pages in
your
PREP
Handbook

5

Benefits are funded through three sources:

1. Member Contributions
2. Employer Contributions
3. Return on Investments






PLAN FUNDING

HOUSE BILL 1 Emergency Bill- Effective 7/24/19

provides a one-time voluntary cessation window for KERS quasi-governmental agencies and maintains the lower contribution rate of 49.47% for those same KERS quasi-governmental agencies in FY 2019-2020.

HOUSE BILL 362

passed during the 2018 legislative session, capping CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

	2017-2018 Fiscal Year	Employee Contribution Rate*	Employer Contribution Rate Effective 7/1/2018	Employer Contribution Rate Effective 7/1/2019
	Non-Hazardous	5%	83.43%	83.43%
	Hazardous	8%	36.85%	36.85%
	Non-Hazardous	5%	21.48%	24.06%
	Hazardous	8%	35.34%	39.58%
	SPRS	8%	146.28%	146.28%

Employees with a participation date 9/1/2008 and after contribute an additional 1% towards the KRS Insurance Fund

Check these pages in your
PREP
Handbook

5

MEMBER ACCOUNTS

Check
these
pages in
your
PREP
Handbook

7



Policies & Processes



How KRS Protects Your Information



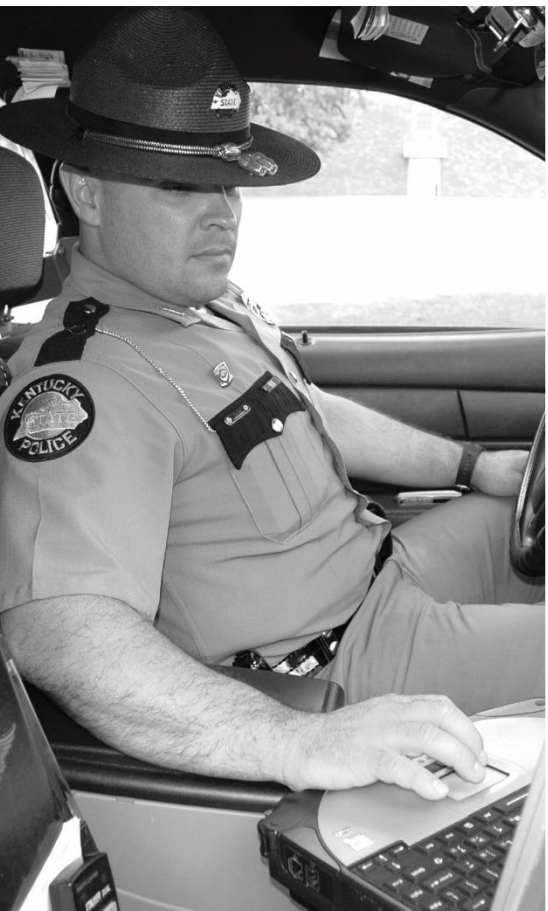
Personal Identification Number (PIN)

- 4-digit number
- Serves as added layer of security
- Required to obtain account information by phone

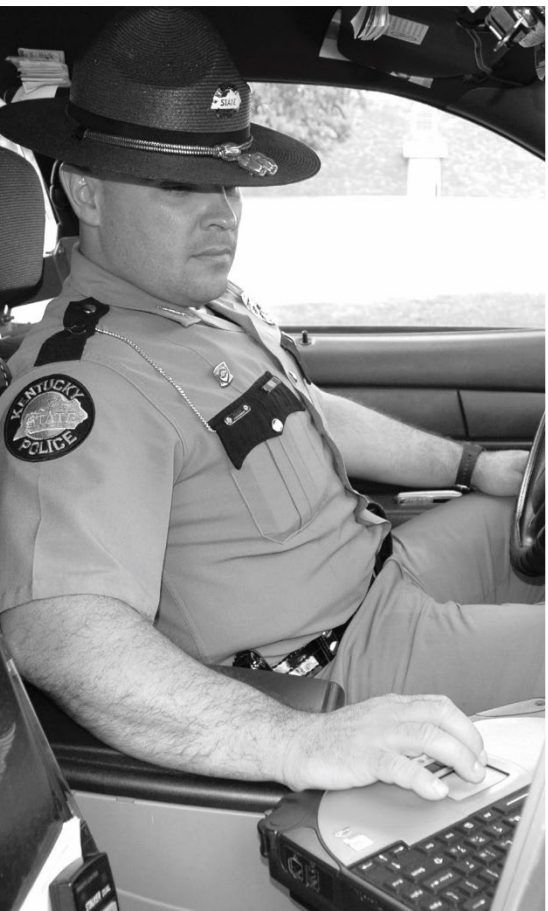


Member ID

- 6 or 7 digit number
- Used to maintain your account and file information
- Used on forms and letters



MEMBER ACCOUNTS



Annual
Statement of
Account

- Available online

Interest on
Accounts

- Currently 2.5%

Member
Responsibilities

- Change of Address

Accessing
Benefits Info

- Internet
 - Member Self Service (MSS): Myretirement.ky.gov
 - KRS website: Kyret.ky.gov
- Telephone: 800-928-4646
- Mail
- Email: krs.mail@kyret.ky.gov
Email is not secure



MEMBER ACCOUNTS

Check
these
pages in
your
PREP
Handbook

7-8

What happens to my account if I terminate employment?

- **Retire, if eligible**
- **Leave the contributions in KRS until you reach retirement eligibility**
- **Refund of account balance**
 - You will receive a one-time payment representing the money you contributed plus interest. The money your employer(s) contributed will remain with KRS.
 - Refunds can be paid in a lump sum or rolled into another qualified retirement plan.
 - If you take a lump sum refund, KRS is required to withhold 20% for federal income taxes.





MEMBER ACCOUNTS

Keep your
email address
current!

We now offer
Call Back
Assist!



OUR WEBSITE

<https://kyret.ky.gov>

- Member Forms and directions
- News & Updates
- Publications (Recent and Archive)



SELF SERVICE

- Update your personal information
- Calculate your benefits
- Get your retirement information



Member Self Service
(MSS) website:

myretirement.ky.gov

KRS website:
kyret.ky.gov

Email: krs.mail@kyret.ky.gov
Email is not secure



Telephone
(800) 928-4646

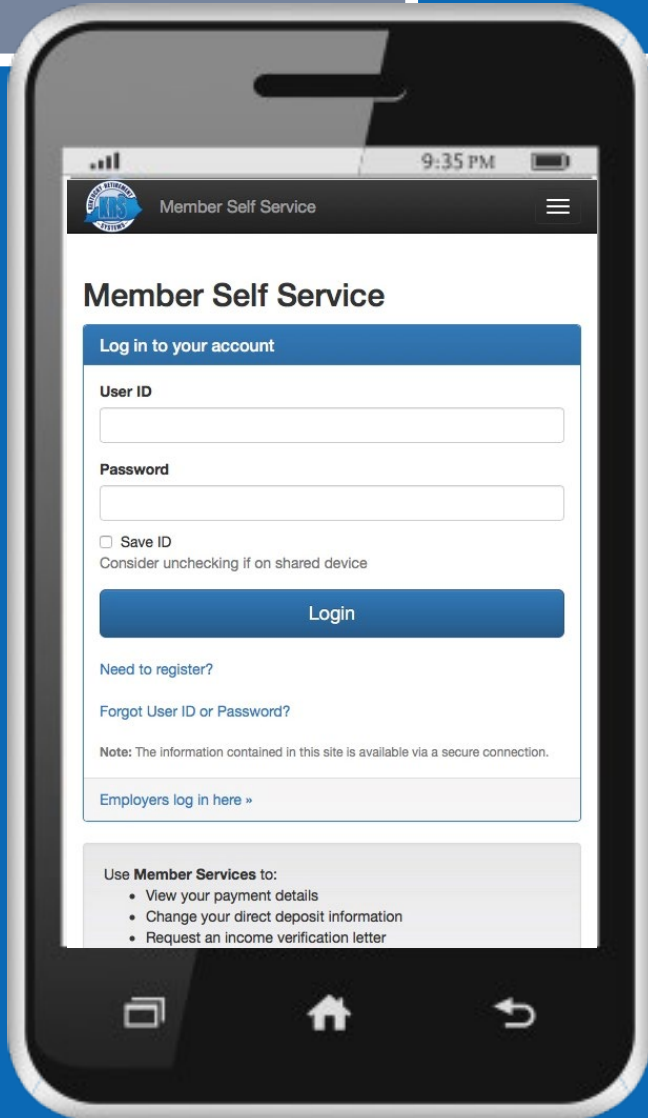


Mail
1260 Louisville Road
Frankfort, KY 40601

SELF SERVICE REGISTRATION

Check
these
pages in
your
PREP
Handbook

9



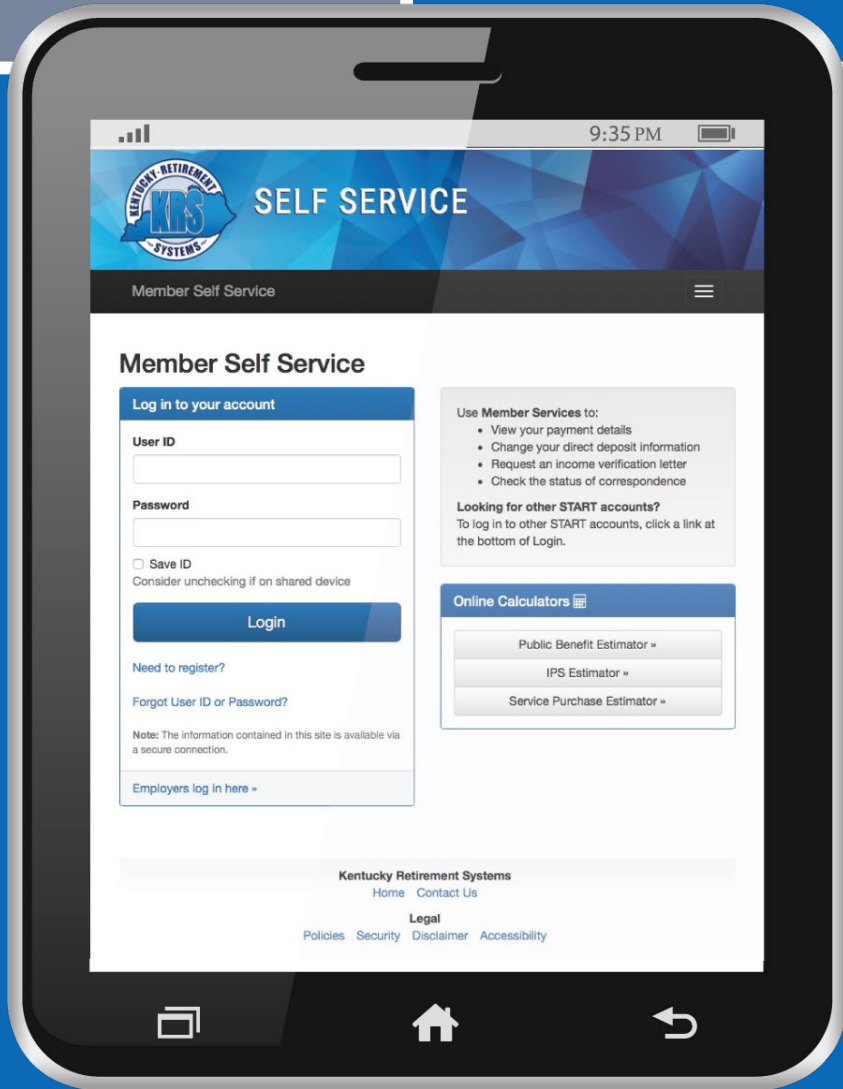
To register, you will need your:

1. Social Security Number
2. Date of birth
3. Personal Identification Number (PIN)
4. Email address

SELF SERVICE REGISTRATION

Check these pages in your PREP Handbook

9



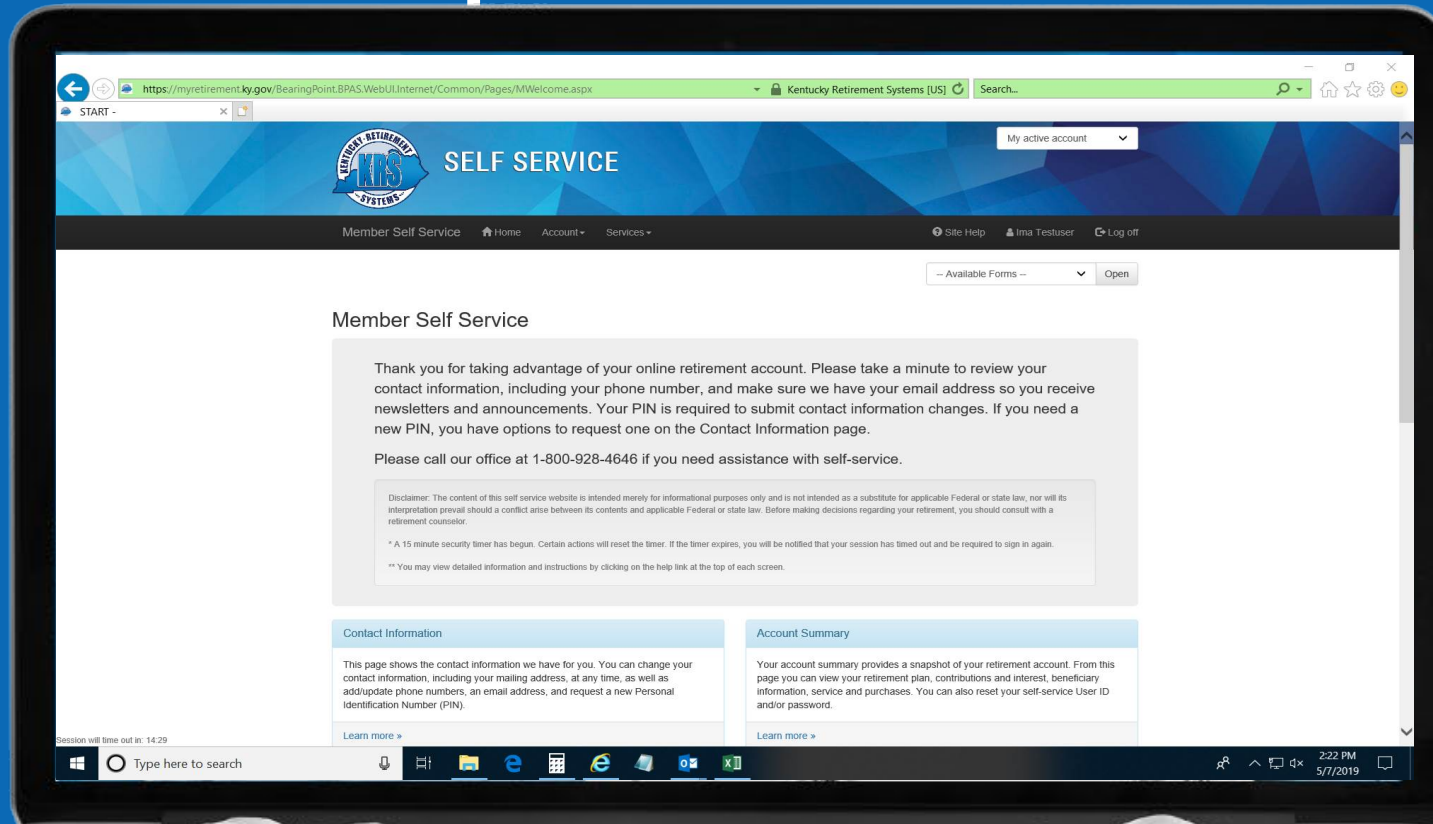
Password requirements

Creating a strong password is important.

- Must be at least 8 characters
- Is case sensitive
- Can't contain spaces
- Must have:
 - at least one uppercase letter
 - at least one lowercase letter
 - at least one number
 - one of the following special characters:
@ # ! % \$

SELF SERVICE

What can you do with your online account?

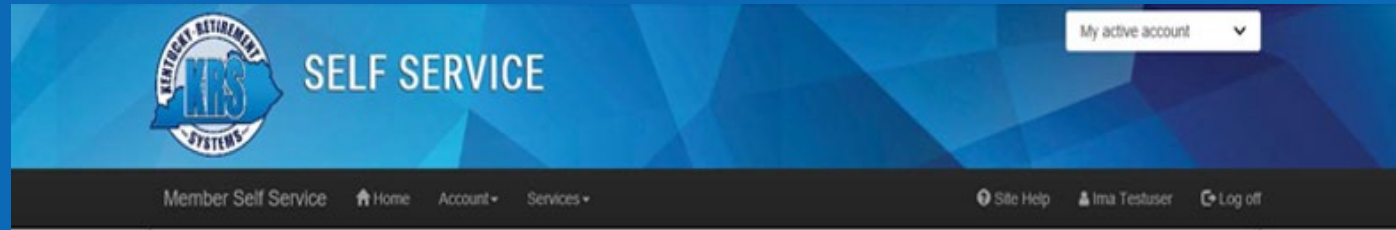


- Contact Information
- Account History
- Account Balance Letter
- Account Summary
- Benefit Estimate
- Service Purchase Estimator
- Annual Statement

BENEFIT ESTIMATE

The Benefit Estimate page uses real-time information to determine:

- Your earliest retirement date
- Your first unreduced retirement date
- Your payment options and amounts



Benefit Estimate

Membership Info

Member ID:	1
Social Security Number:	XXX-XX-8888
Name:	IMA TESTUSER
Birth Date:	1/1/1966
Retirement System:	KERS - Kentucky Employees Retirement System

Benefit Estimate Calculator

You can generate a customized benefit estimate by completing the information below. As the data you enter is processed, you will be prompted for additional information. Once you have selected the criteria to be used, click the show estimate button to view your calculation results and options. This calculator does not perform any disability calculations. If you have questions about disability retirement, contact our office.

Membership Information

Your benefit estimate will automatically be calculated using all of your membership(s) with KERS. Uncheck any memberships that you do not want included in the benefit estimate by clicking the box to the left of the membership.

	Retirement System	Retirement Plan	Status	Participation Date	End Date
<input checked="" type="checkbox"/>	Kentucky Employees Retirement System	KERS Non-Hazardous	INAC	7/30/2005	9/30/2009

Beneficiary Information

Your current beneficiary on file is listed below. Statutes require that members may have only one beneficiary at retirement. You may use a different beneficiary for the estimate by updating the information below. This will have no bearing on your beneficiary selection on file.

SERVICE PURCHASE ESTIMATE



SELF SERVICE

My active account

Member Self Service Home Account Services

Site Help Ima Testuser Log off

Retirement System: KERS - Kentucky Employees Retirement System

Service Purchase Calculator

Active members of KERS may be able to purchase over 30 types of participating service, depending on eligibility and vesting requirements. The calculator below will display a real-time computation of the purchase amount, based on your salary, age, and service. Many purchases require documentation verifying the service; if you wish to inquire further, please contact our office.

Calculation Information

Please enter the requested information to calculate your purchase of service. Please use the last calendar date of the month for your cost calculation date.

Cost calculation date:	<input type="text" value="05/31/2019"/>
Member's birth date:	<input type="text" value="1/1/1966"/>
Participation date:	<input type="text" value="7/30/2005"/>
Your current service as of 6/30/2018 is:	<input type="text" value="50 Months"/>
Service purchase type:	<input type="text" value="Interim"/>

* Required field

Calculation Detail Information

Please enter the requested information for your selected service purchase type. If you have multiple memberships, click the icon to the left of that membership to see the cost. The system will calculate the total months of service you are eligible to purchase based on your start and end dates. The service cannot overlap with any other service you may have earned. The system will also calculate either your Final Compensation or your Current Rate of Pay, whichever is higher. You can override to a greater amount, but not a lesser amount. When the results are calculated, the system will display a lump sum amount, plus any increments of service that you can buy in lieu of the lump sum. You can click on the purchase cost to obtain a breakdown of monthly payment deductions.

The service purchase estimate screen allows you to estimate the cost to purchase service you may be eligible to purchase using real-time data, as well as obtain an estimate of monthly payments using an installment plan.

IPS- If you click on the cost, you will be taken to a payroll deduction calculator, so you may estimate your payment schedule.

MEMBER ANNUAL STATEMENT

The Annual Statement page allows a member to view/print any Annual Statement issued since 2012.

A small percentage of our membership may not have had an Annual Statement generated due to unforeseen issues. If you do not see a link to your annual statement, please contact our office.

Annual Statement as of June 30, 2018

Account Information

Member Name: IMA TESTUSER	Date of Birth: 1/1/1966	Member ID: 1
Principal Beneficiary:	Date of Birth:	Participation Date: 7/30/2005
Contingent Beneficiary:	Date of Birth:	Coverage Type: NON-HAZARDOUS

Statement of Benefits

The following monthly benefit estimates are based upon final compensation and service credited as of June 30, 2018. Early Retirement estimates may include penalties if you are not eligible for an unreduced benefit as of June 30, 2018.

System	Normal Retirement (AGE 65)			Early Retirement (AGE 65)			Disability Retirement (AGE 52)		
	Final Comp.	Benefit Factor	Monthly Benefit	Final Comp.	Benefit Factor	Monthly Benefit	Final Comp.	Benefit Factor	Monthly Benefit
KERS Non-Hazardous									
KERS Hazardous									
CERS Non-Hazardous									
CERS Hazardous									
SPRS									
All Systems Total:			\$0.00			\$0.00			\$0.00

NOTES: Your beneficiary information is incomplete. Please submit a completed Form 2035 to the KRS Office. Please see Member Handbook.

Statement of Service and Final Compensation (Service Stated in Months)

System	Total Service as of June 30, 2017	+	Service Earned During Fiscal Year	+	Service Purchased During Fiscal Year	=	Total Service as of June 30, 2018
KERS Non-Hazardous	50						50
KERS Hazardous							
CERS Non-Hazardous							
CERS Hazardous							
SPRS							
All Systems Total:	50		0		0		50 Months

Years Used to Determine Final Compensation as of June 30, 2018		
Fiscal Year	Salary	Months

(or 4.16 Years)

Based upon the fiscal year salaries, your final compensation used to determine benefits is:

Statement of Account

Summary of Fiscal Year Transactions	
Balance as of 6/30/2017:	\$0.00
Current Year Transactions:	
Member Contributions:	\$0.00
Service Purchases:	\$0.00
Adjustments*:	\$0.00
Interest Credited:	\$0.00
Total Transactions:	\$0.00
Balance as of 6/30/2018:	\$0.00

Breakdown of Balance:	
Before Tax Contributions:	\$0.00
After Tax Contributions:	\$0.00
Total Interest Credited:	\$0.00
Balance as of 6/30/2018:	\$0.00

*Notes: Adjustments reflect net corrections to your account. Any account transactions which occurred after June 30, 2018 will be reflected on next year's annual statement.

THREE TIERS OF PLANS

With statutory changes enacted in 2008 and 2013, the retirement eligibility and structure of retirement payments changed dramatically.

KRS designates members in three distinct tiers, based on initial participation date:



DEFINED BENEFIT PLAN

*Participation date
prior to
September 1, 2008*



DEFINED BENEFIT PLAN

*Participation date
on, or after,
September 1, 2008 through
Dec 31, 2013*



HYBRID CASH BALANCE PLAN

*Participation date
On, or after,
January 1, 2014*

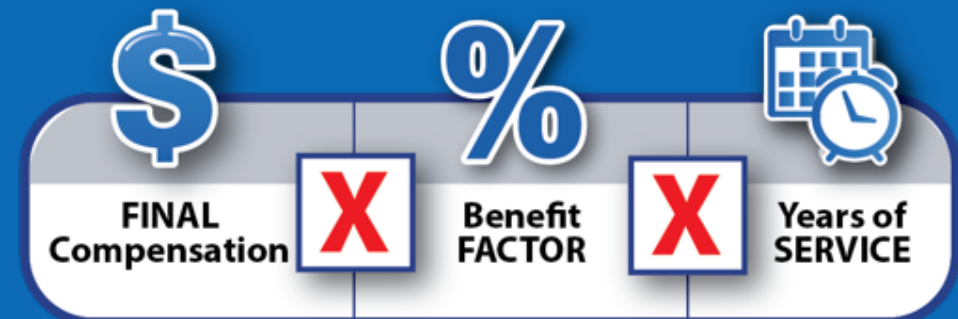


YEARS OF SERVICE

CURRENT SERVICE is earned as a contributing member. For each month in which wages and contributions are reported for regular full-time employment, a member earns one month of service credit.

- A regular full-time position averages 100 or more hours per month over a calendar or fiscal year.
- For local school boards, a regular full-time position is a permanent full-time, permanent part-time or substitute non-certified position where the job duties require the employee to average 80 or more hours of work per month over actual days worked.

Types of Service Credit





SICK LEAVE SERVICE CREDIT

Check
these
pages in
your
PREP
Handbook

12

KERS – Standard Plan

TIER 1 - pre 9/2008 participation: unlimited

CERS – Optional for each agency

STANDARD SICK LEAVE PLAN: Credit up to 6 months

CERS employers may choose to split cost of sick leave in excess of 6 months or elect to pay the entire cost.

ALTERNATE SICK LEAVE PLAN: Members are paid for unused sick leave and receive service credit at termination or retirement.

Subject to the employer's personnel policy.

NOTE TO CERS MEMBERS:

If your participation date with CERS is on, or after, 1/1/2014, you are not eligible for sick leave service credit at retirement, even if an earlier participation date is established in KERS or SPRS.



SICK LEAVE SERVICE CREDIT

Check
these
pages in
your
PREP
Handbook

12



For Pre 9/2008 participants,
sick leave service credit counts
toward retirement eligibility and
health insurance benefits.



SICK LEAVE SERVICE CREDIT



7 ½ Hour Day	8 Hour Day	Months of Service
82.5	88	1 Month
240	256	2 Months
397.5	424	3 Months
555	592	4 Months
712.5	760	5 Months
870	928	6 Months
1,027.5	1,096	7 Months
1,185	1,264	8 Months
1,342.5	1,432	9 Months
1,500	1,600	10 Months
1,657.5	1,768	11 Months
1,815	1,936	12 Months

Sick Leave Conversion Chart
for 24-hrs on & 48-hrs off
employees:

Days	Months of Credit
5-10	1
15-20	2
25-30	3
35-40	4
45-50	5
55-60	6

For more chart information,
please refer to your PREP
Handbook.



PURCHASED SERVICE

Check these pages in your **PREP Handbook**

14

Basic Requirements for Purchased Service Credit

Most types of service must meet minimum requirements in order to be purchased:

Current Service

- + Sick Leave Service
- + Purchased Service

=Years of SERVICE

- The service must be in a full-time position in accordance with Kentucky Revised Statutes 61.510 and 78.510.
- The service cannot be credited to another defined benefit retirement plan.
- The member or the employer must provide verification of employment as required by KRS.

Most purchase types require the member to be participating and vested in KERS, CERS, or SPRS at the time the purchase is made.



PURCHASED SERVICE

Check these pages in your **PREP Handbook**

14

Can I Buy Additional Service Credit?

Current Service

- + Sick Leave Service
- + Purchased Service

=Years of SERVICE

- Purchases made after 8/1/2004 do not count toward insurance eligibility except for omitted service, hazardous conversion, and refund buybacks.

- Members with a participation date on or after 8/1/2004 cannot use most service purchase types for determining eligibility for retirement, disability retirement and death benefits.





BENEFITS OF PURCHASED SERVICE

Check
these
pages in
your
PREP
Handbook

14

For members who participated prior to 8/1/04,
purchasing service allows them to retire earlier.

Compare estimates with and without eligible service purchases:

- Carefully compare the cost of the service credit against the benefits of the purchase.
- Weigh the cost against the recovery of the investment.



FOR EXAMPLE:

A non-hazardous member can work 22 years, purchase 5 years of service and retire without penalty based on 27 years of service.



PURCHASING SERVICE

Types of Service Credit

Check
these
pages in
your
PREP
Handbook

15

Purchases Without Service Requirements:

- Repayment of a Refund* (6 months to validate)
- Omitted Service
- Summer Months
- Hazardous Conversion

** The purchase does not reinstate the original participation date from that service.*



PURCHASING SERVICE

Types of Service Credit

Check
these
pages in
your
PREP
Handbook

15-17

VESTED PURCHASE TYPES

Past Service	Active Duty Military	National Guard/ Reserves	State University Service	Out of State Service
Temporary	Seasonal	Other Public Service	Educational Leave	Federal Government
Interim	Emergency	Maternity Leave	Sick Leave Without Pay	Part-Time

In order to be vested, a member under the age of 65 must have at least 60 months of service credit while a member over the age of 65 must have at least 48 months of service.



PURCHASING SERVICE

Types of Service Credit

Check
these
pages in
your
PREP
Handbook

15-17

NON-QUALIFIED SERVICE (Air Time)

- May purchase up to 5 years.
- Must have 15 years of service credit to purchase.
- Requires 20 years in order for service to be added at the time of retirement.
- Must purchase with pre-tax money.
- Must have at least 60 months of current service in KERS, CERS, SPRS.
- Only employees with KRS service before AUGUST 1, 2002 will be eligible to purchase non-qualified service.



Paying for **SERVICE PURCHASE**

Check
these
pages in
your
PREP
Handbook

18-19



Lump Sum Payment

- Federal law limits the use of after-tax money to purchase service by lump sum payment
- IRC 415(c)



Rollover or Transfer from a Qualified Plan:

- Section 401(a), 401(k), 403(b), 457
- “Conduit” or “Rollover” IRA
- Traditional IRA

To initiate a rollover or transfer, Form 4170 must be completed and is available online or by request.



Installment Purchase of Service Agreement (IPS):

- Before-Tax
- After-Tax {Subject to IRC 415(c)}



Paying for **SERVICE PURCHASE**

Check
these
pages in
your
PREP
Handbook

18



Installment Payment Plan (IPS)

- ✓ A minimum service purchase cost of \$1,000 is required.
- ✓ One year of installment payments is allowed for each \$1,000 in cost with a maximum of 5 years to pay off the cost.
- ✓ An interest charge of 7.5% compounded annually is applied to the cost.



SERVICE WITH OTHER PLANS

Check these pages in your **PREP Handbook**

20

What are the other State Administered Systems?



OTHER SYSTEMS



Kentucky Employees Retirement System
Hazardous | Non-hazardous



County Employees Retirement System
Hazardous | Non-hazardous



State Police Retirement System

TEACHERS Retirement System (TRS)

LEGISLATORS Retirement Plan (LRP)

JUDICIAL Retirement Plan (JRP)





SERVICE WITH OTHER PLANS

Check
these
pages in
your
PREP
Handbook

20

What if I have time in another Retirement Systems?

Members who have accounts in more than one state-administered retirement system in Kentucky

- Accounts may be combined at the time of retirement to determine retirement eligibility and benefit amounts.
- A Tier 1 member is eligible for an unreduced benefit based upon their combined service of 27 years.

17 years TRS + 10 years CERS = 27 total years service credit

- The member would receive a check from each system based on the actual service in each system.



Retirement Eligibility

When can I retire?





When can I retire?

NON-HAZARDOUS

Members participating prior to 9/1/08

Requirements for an UNREDUCED BENEFIT:

AGE 65 OR OLDER *(48 months of service credit)*

Eligible to receive an unreduced monthly benefit based on the retirement formula.

AGE 65 OR OLDER *(with at least 1 month of service credit)*

Eligible to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest

27 YEARS OF SERVICE CREDIT - *regardless of age*

Requirements for a REDUCED BENEFIT:

25 TO 27 YEARS OF SERVICE CREDIT - *regardless of age*

AGE 55 *(with at least 60 month of service credit)*

Check these pages in your
PREP
Handbook

23





When can I retire?

HAZARDOUS

Members participating prior to 9/1/08

Requirements for an UNREDUCED BENEFIT:

20 YEARS OF SERVICE

Eligible to receive an unreduced monthly benefit based on the retirement formula

AGE 55 OR OLDER *(with at least 1 month of service credit)*

Eligible to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest

AGE 55 OR OLDER *(with at least 1 month of service credit)*

Eligible for a benefit based on the member's salary and service.

Requirements for a REDUCED BENEFIT:

AGE 50 *(with at least 15 years of service credit)*

Check these pages in your
PREP
Handbook

23



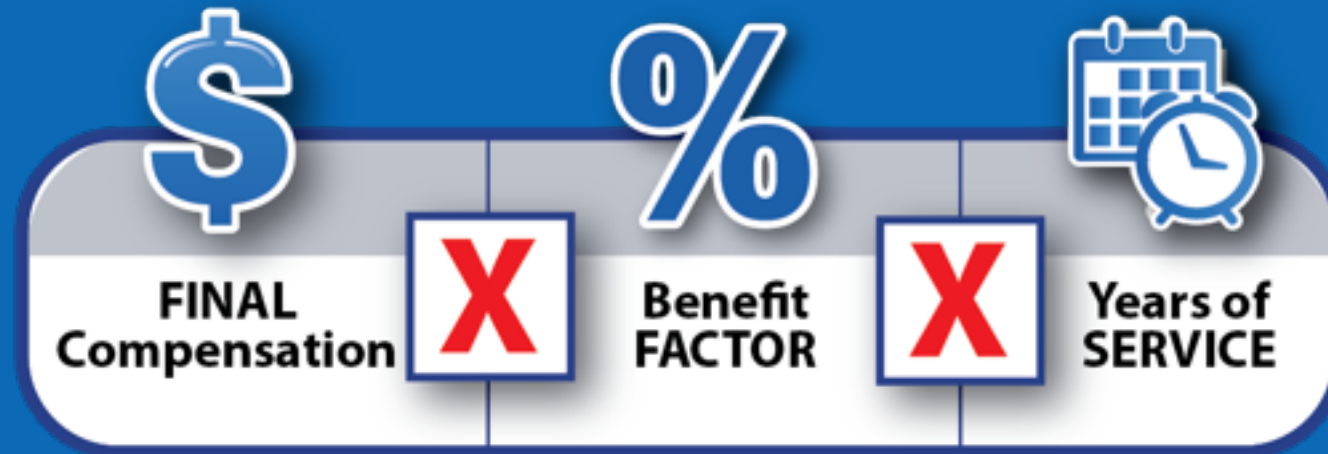


DETERMINING RETIREMENT BENEFITS

How is my monthly payment calculated?

The three (3) systems administered by the KRS are qualified public defined benefit plans

A defined benefit plan pays benefits based on a formula



X Reduced Benefit Percentage
(if applicable)

Check these pages in your
PREP
Handbook

25





WHAT IS CREDITABLE COMPENSATION?



**CREDITABLE
COMPENSATION**
is earnings that must
be reported to KRS and
is used to calculate
retirement benefits.

Check
these
pages in
your
PREP
Handbook

6

WHAT IS INCLUDED?

Check
these
pages in
your
PREP
Handbook

6



- **All salary, wages, tips and fees, plus payments for *compensatory time** paid to you as a result of services performed for the employer, including time when you are on paid leave.
- **Lump sum bonuses, severance pay** or employer-provided payments for purchase of service credit.
- **Lump sum payments for sick leave** when an employee terminates may be included IF the agency participates in the Alternate Sick Leave Program.



WHAT IS **NOT** INCLUDED?

Check these pages in your **PREP** Handbook

6



- Living allowances
- Expense Reimbursements
- Lump-sum payments for unused vacation time
- Lump-sum payments for unused **sick leave** *(Unless the agency participates in the Alternate Sick Leave Program)*



FINAL COMPENSATION

- Final Compensation is defined as the average of the **HIGHEST FIVE (5) FISCAL YEARS** of salary for **NON-HAZARDOUS** and **HIGHEST THREE (3) FISCAL YEARS** of salary for **HAZARDOUS**
- Partial years may be used to determine Final Compensation
- A minimum of 48 months may be used in the averaging of salary FOR NON-HAZARDOUS and a minimum of 24 months for HAZARDOUS
- **Compensatory payments can be reported as salary and used in determining the average salary*

Check
these
pages in
your
PREP
Handbook

26



FINAL COMPENSATION

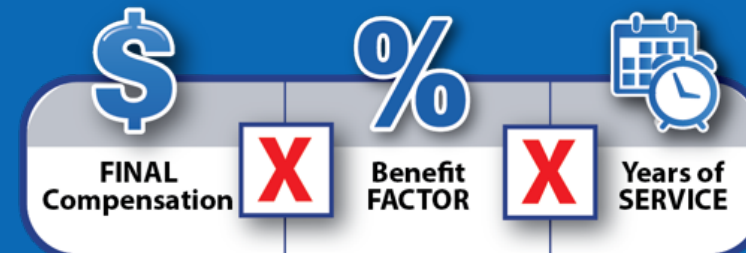
SALARY AVERAGE

Check these pages in your **PREP Handbook**

26

NON-HAZARDOUS		
HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
$(\\$119,805 \div 49) \times 12 = \\$29,340$		

HAZARDOUS		
HIGH 3		
YEAR	PAY	# MONTHS
Year 1	\$4,000	1
Year 2	\$46,000	12
Year 3	\$44,000	12
$(\\$94,000 \div 25) \times 12 = \\$45,120$		





BENEFIT FACTOR

Check these pages in your **PREP Handbook**

26

	KERS Non-Hazardous (1)	1.97%
	If a member does not have 13 months credit for 1/1/1998-1/1/1999.	
	KERS Non-Hazardous (2)	2.00%
If a member has 13 months credit for 1/1/1998-1/1/1999.		
	KERS Hazardous	2.49%
	Only approved hazardous duty positions are eligible.	
	CERS Non-Hazardous (1)	2.00%
If a member began participating on, or after, 8/1/2004-9/1/2008.		
	CERS Non-Hazardous (2)	2.20%
	If a member began participating prior to 8/1/2004.	
	CERS Hazardous	2.50%
Only approved hazardous duty positions are eligible.		
	SPRS	2.50%
	Only approved hazardous duty positions are eligible.	

Set by statute and vary based on:

- Participation date
- Type of service
- System

FINAL Compensation		Benefit FACTOR		Years of SERVICE



EXAMPLE

NON
HAZ
ARD

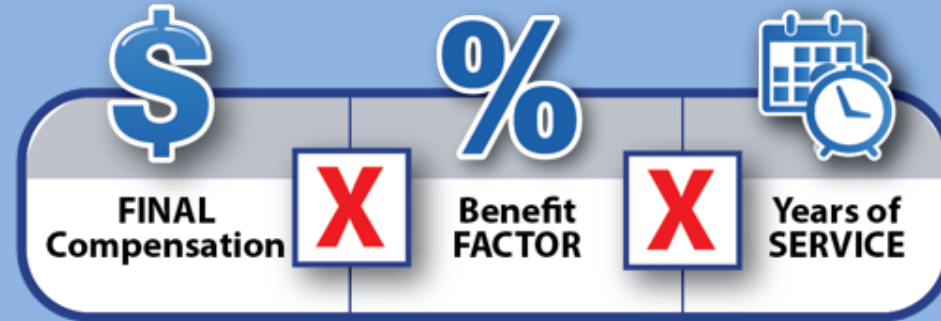
TIER 1 EXAMPLE

John Doe works in a
Non-Hazardous
position for an
agency participating
in CERS

Retirement Date is
8/1/2023

Final Compensation
is \$29,340

27 years of
Service Credit



RETIREMENT FORMULA:

Members participating prior to 9/1/08



$$\begin{aligned}
 & \$29,340 \times 2.2\% \\
 & \times 27 \text{ yrs} =
 \end{aligned}$$

\$17,427.96

Check these pages in your PREP Handbook

27



REDUCED BENEFIT

Non-Hazardous



REDUCED BENEFIT CHART NONHAZ

Years to Attain Age 65 or 27 Years
of Service (Whichever is Less)
% of Non-Hazardous Benefit Paid



Year	% of Benefit	Year	% of Benefit
1	93.5%	6	63%
2	87%	7	58.5%
3	80.5%	8	54%
4	74%	9	49.5%
5	67.5%	10	45%

If you will be receiving a reduced benefit under early retirement:

An additional percentage is used in the calculation, lowering the retirement benefit.

Reduced Benefit is also known as SEF (Special Early Factor)



REDUCED BENEFIT

Non-Hazardous



**REDUCED
BENEFIT CHART NONHAZ**
Years to Attain Age 65 or 27 Years
of Service (Whichever is Less)
% of Non-Hazardous Benefit Paid

Year	% of Benefit	Year	% of Benefit
1	93.5%	6	63%
2	87%	7	58.5%
3	80.5%	8	54%
4	74%	9	49.5%
5	67.5%	10	45%



A Tier 1 Non-Hazardous member has 25 years of service and is age 55. **If the member chooses to retire, his/her benefit will be reduced to 87%.** (6.5% for each year away from 27 years of service).

PENSION SPIKING

Senate Bill 104
Effective 1/1/2018



SB 104

SENATE BILL 104 PENSION SPIKING

Effective 1/1/2018

Check
these
pages in
your
PREP
Handbook

34

- Applies to members retiring **on or after 1/1/2018**.
- Refunds employee contributions due to a reduction in creditable compensation.
- New exemptions.

An increase in creditable compensation that exceeds 10% more when compared to the prior fiscal year's creditable compensation will not be used when calculating the member's retirement benefit.





Exemptions

Fiscal years prior to 7/1/2017 will not be considered
An increase caused by:

- Bona fide promotion or career advancement; or
- Lump sum payout from compensatory time at termination only; or
- Lump sum payout for alternate sick leave payments.
- Increases in years where the employee was on leave without pay in the prior fiscal year.
- Increases due to overtime work and pay required by a state or federal grant, grant pass-through or similar program that requires overtime as a condition or necessity of the employer's receipt of the grant.
- Increases due to overtime work and pay required by a federal or state-declared emergency. *The employer will have to report and certify any overtime due to a federal or state-declared emergency.*

SENATE BILL 104 Effective 1/1/2018

PENSION SPIKING

Check these pages in your **PREP Handbook**

34



Pension Spiking Determination

Step 1: Evaluate the last five fiscal years

Last Fiscal Years	Creditable Comp.	Months of Service	Annualized	% Change	Spiking
Fiscal Year 5	\$18,750.00	12	\$18,750.00	0%	NO
Fiscal Year 4	\$18,695.00	12	\$18,695.00	14%	YES
Fiscal Year 3	\$16,333.25	12	\$16,333.25	8%	NO
Fiscal Year 2	\$15,152.33	12	\$15,152.33	-2%	NO
Fiscal Year 1	\$14,138.00	11	\$15,423.27	0%	NO

SENATE BILL 104 Effective 1/1/2018

PENSION SPIKING

Check these pages in your **PREP Handbook**

35



Pension Spiking Determination

Understanding the Calculation

Last Fiscal Years	Creditable Comp.	Spiking	Revised creditable comp. due to spike	\$ Amount of spike
Fiscal Year 4	\$18,695.00	YES	\$17,966.58	\$728.42
Fiscal Year 3	\$16,333.25	NO	\$16,333.25	\$0.00

Prior fiscal year with no spike → \$16,333.25

Cannot be greater than 10% → X 1.10

Revised creditable comp. → \$17,966.58

SENATE BILL 104 Effective 1/1/2018

PENSION SPIKING

Check these pages in your PREP Handbook

35



Pension Spiking Determination

Step 2: Revise creditable compensation

Last Fiscal Years	Creditable Comp.	Spiking	Revised creditable comp. due to spike	\$ Amount of spike*
Fiscal Year 5	\$18,750.00	NO	\$18,750.00	\$0.00
Fiscal Year 4	\$18,695.00	YES	\$17,966.58	\$728.42
Fiscal Year 3	\$16,333.25	NO	\$16,333.25	\$0.00
Fiscal Year 2	\$15,152.33	NO	\$15,152.33	\$0.00
Fiscal Year 1	\$14,138.00	NO	\$14,138.00	\$0.00

** If there is an exclusion amount due to an allowed exemption, the revised creditable compensation would be increased by the exclusion amount.*

RETIREMENT PAYMENT OPTIONS



RETIREMENT PAYMENT OPTIONS

Check
these
pages in
your
PREP
Handbook

38

Upon retirement, KRS provides various payment options.

- Carefully review the payment options.
- No changes can be made to the payment option or the designated beneficiary after the 1st day of the month the first check is issued.
- Test each option by assuming various contingencies and the likelihood of the contingencies occurring.
- For most payment options, an individual must be receiving a monthly retirement allowance to participate in the medical insurance program.

RETIREMENT PAYMENT OPTIONS

Non-Hazardous

Check these pages in your PREP Handbook

41

Go to Member Self Service for your specific retirement

LOGIN 

The payment amounts below are examples only

Payment Options	Member Payment	(or) Beneficiary Payment
Basic Option	\$1,452.33	\$0.00
Life with 10 years certain	\$1,432.19	\$1,432.19 (or) \$0.00
Life with 15 years certain	\$1,408.70	\$1,408.70 (or) \$0.00
Life with 20 years certain	\$1,378.87	\$1,378.87 (or) \$0.00
Survivorship 100%	\$1,321.32	\$1,321.32
Survivorship 66 2/3 %	\$1,362.28	\$908.23
Survivorship 50%	\$1,383.73	\$691.87
Pop-Up Option	\$1,310.14* (see Handbook)	\$1,310.14

John Doe can also reject all monthly payment options and request an actuarial refund of approximately \$73,344.41.

RETIREMENT PAYMENT OPTIONS

Social Security Adjustment

Check
these
pages in
your
PREP
Handbook

40

Options:

- A member must be under age 62 to choose a Social Security Adjustment Option.
- The Social Security Adjustment Options allow you to receive a higher monthly payment from your retirement date to your 62nd birthday, at which time your payment will drop, based on your age 62 Social Security payment. *(The Social Security with Beneficiary Option is available only if you and the beneficiary meet certain age requirements.)*

RETIREMENT PAYMENT OPTIONS

Social Security Adjustment

Check these pages in your **PREP Handbook**

41

EXAMPLE BASED ON \$1,000 MONTHLY SOCIAL SECURITY BENEFIT AT AGE 62

Payment Options	Member Payment		(or) Beneficiary Payment	
	Until Age 62	Age 62 & After	Until Age 62	Age 62 & After
Basic/Annuity	\$1,452.33	\$1,452.33	-\$0.00-	-\$0.00-
Without Survivor Rights	\$2,145.71	\$1,145.71	-\$0.00-	-\$0.00-
100% Survivorship	\$1,321.32	\$1,321.32	\$1,321.32	\$1,321.32
With Survivor Rights	\$2,040.24	\$1,040.24	\$2,040.24	\$1,040.24

Compare the Option without Survivor Rights to the Basic/Annuity Payment

Compare the Option with Survivor Rights to the Survivorship 100% Option

MEDICAL INSURANCE FOR RETIREES & BENEFICIARIES





MEDICAL INSURANCE BENEFITS

Check
these
pages in
your
PREP
Handbook

52

Kentucky Retirement Systems offers Medicare and non-Medicare plans to eligible retirees.

To be eligible for insurance, you must receive a monthly retirement benefit.

KRS may pay a portion or the full cost of insurance depending upon your years of service*, and the level of coverage. chosen



MEDICAL INSURANCE BENEFITS

Percentage Based Plan

Check
these
pages in
your
PREP
Handbook

57

Medical Insurance Benefits

For Members participating prior to 7/1/03:

Total Years of Service	% paid for Retiree	Total Hazardous Service	% paid toward Dependent Coverage
Less than 4 years	0%	Less than 4 years	0%
4 – 9+ years	25%	4 – 9+ years	25%
10 – 14+ years	50%	10 – 14+ years	50%
15 – 19+ years	75%	15 – 19+ years	75%
20 or more years	100%	20 or more years	100%



MEDICAL INSURANCE BENEFITS

Dollar Contribution Plan

Check
these
pages in
your
PREP
Handbook

58



Participation between 7/1/03 – 8/31/08

- Employees must have 10 years of earned service credit

Non-Hazardous Members will earn \$10 per month towards insurance for each year of earned service

Hazardous Members will earn \$15 per month towards insurance for each year of earned service

The contribution amount will be increased each year by 1.5% per statute.

The monthly contribution rates for Fiscal Year 2019 \$13.38 Non-Hazardous/\$20.07 Hazardous

The monthly contribution rates for Fiscal Year 2020 are \$13.58 Non-Hazardous/\$20.37 Hazardous



MEDICAL INSURANCE BENEFITS

2020 Under 65 Health Insurance Plans

	Plan Option	Single	Parent Plus	Couple	Family	Family X-Ref*
	Livingwell CDHP	\$710.94	\$982.30	\$1,342.78	\$1,500.50	\$821.36
	Livingwell PPO	\$731.82	\$1,044.12	\$1,604.96	\$1,787.46	\$881.40
	LW Limited High Deductible Plan	\$608.24	\$866.76	\$1,334.18	\$1,485.46	\$731.68
	LW Basic CDHP	\$683.58	\$942.52	\$1,457.82	\$1,624.66	\$801.82



*Retiree Portion



MEDICAL INSURANCE BENEFITS

2020 Over 65 Health Insurance Plans- Medicare Advantage



Available Plans	2020	2020- Mirror plan for members with no Medicare Part B
KRS Medical Only*	\$176.26	N/A
Humana Medicare Employer PPO- KRS Essential Prescription Drug Plan	\$75.56	\$214.92
Humana Medicare Employer PPO- KRS Premium Prescription Drug Plan	\$252.51	\$315.29

***The KRS Medical Only Plan is not a Medicare Advantage Plan and does not provide any outpatient prescription drug benefits.**

EMPLOYMENT AFTER RETIREMENT



RETIREMENT AND RE-EMPLOYMENT



Check these pages in your PREP Handbook

63

LOGIN

Ky.gov An Official Website of the Commonwealth of Kentucky



KENTUCKY RETIREMENT SYSTEMS

Members

Retirees

Employers

Investments

Publications & Forms

About

KRS-FYI

Legislative Updates

Contact

Retirees Overview

Receiving Your Benefits

Taxes and Your Responsibilities

Marital Status Change

Re-employment After Retirement

Survivor Benefits

Disability Benefits

Insurance

Retiree Self Service

Retiree Outreach

Retirees Overview

Currently over 112,000 people draw a monthly benefit from Kentucky Retirement Systems, either as a retiree or as a beneficiary of a deceased retiree. Retirement brings many changes to the lives of our members, and when or how to retire is one of the biggest decisions we all face.

This section of our website can help you learn more about the retirement process, the benefits provided to our retirees, and what retirees can do to re-enter the workforce.



RETIREMENT AND REEMPLOYMENT

Prior to Retirement:

NOTE: Members are prohibited from having a prearranged agreement to return to employment in any position with an agency participating in any of the systems administered by Kentucky Retirement Systems.

The member will certify on the Form 6000, “Notification of Retirement” that no prearranged agreement exists prior to retirement.

KRS must issue a determination regarding the member’s reemployment status within thirty (30) days from receipt of the required form(s) and any additional information requested.



RETIREMENT AND REEMPLOYMENT

TWELVE (12) MONTH RULE

Within twelve (12) months of retirement:

If a retired member seeks employment or begins serving as a volunteer with a participating agency within twelve (12) months of his or her effective retirement date, both the member and participating agency must notify KRS by submitting the necessary forms.

After twelve (12) months of retirement:

Neither a retired member nor a participating agency are required to notify, seek a final determination, or submit forms to KRS related to any employment, independent contractor, leased employee or volunteering, accepted twelve (12) months after the member's effective retirement date.





RETIREMENT AND REEMPLOYMENT

Break in Service:

The retired member is required to observe a three (3) calendar month break in service from his/her effective retirement date before returning to work with a participating agency.

****If a member retires from a HAZARDOUS position and returns to employment with a participating agency in a REGULAR, FULL-TIME HAZARDOUS position, the member would only need to observe a one (1) calendar month break before returning to work.****

Carefully read the note at the bottom of page 2 in your Reemployment Handbook.
Contact KRS if you have any questions!



RETIREMENT AND REEMPLOYMENT WITH A PARTICIPATING AGENCY

Required Forms: If within twelve (12) months of a member's effective retirement date, the member seeks employment with a participating agency, he/she is required to report this to KRS by submitted a **Form 6754, "Member Reemployment Certification."**

The agency must also certify no prearranged agreement by submitting a **Form 6751 , "Employer Certification Regarding Reemployment."**

Failure to submit the required forms will result in the member's retirement benefits being voided. The member will be required to repay all retirement allowances, dependent child payments, and health plan premiums paid by KRS.



RETIREMENT AND REEMPLOYMENT INDEPENDENT CONTRACTOR

Failure to submit the required forms will result in the member's retirement benefits being voided. The member will be required to repay all retirement allowances, dependent child payments, and health plan premiums paid by KRS.

Required Forms: If within twelve (12) months of a member's effective retirement date, the member accepts employment with a participating agency as an independent contractor or leased employee, he/she is required to report this to KRS by submitting a

Form 6754, "Member Reemployment Certification."

The participating agency shall also submit the information required or requested by KRS including submission of a

Form 6752, "Employer Certification of Independent Contractor / Leased Employee."



RETIREMENT AND REEMPLOYMENT VOLUNTEERING

Failure to submit the required forms will result in the member's retirement benefits being voided. The member will be required to repay all retirement allowances, dependent child payments, and health plan premiums paid by KRS.

Required Forms: If a member seeks to serve as a volunteer within twelve (12) months of his/her retirement date with an agency participating in KRS or an entity affiliated with a participating agency, the member is required to report this to KRS by submitting a

Form 6754, "Member Reemployment Certification."

The agency must also certify no prearranged agreement by submitting a

Form 6753, "Employer Certification of Volunteer."





RETIREMENT AND REEMPLOYMENT



*If you do NOT observe a proper break or if you have a prearranged agreement, your retirement will be **VOIDED!***

*...and
repay all the benefits you
have received!*



RETIREMENT AND REEMPLOYMENT

Health Insurance for Retired Reemployed Members



If the retiree is Tier 1 and is reemployed in a regular full-time position, the retiree may enroll in health insurance through his employer OR through KRS. If the retiree enrolls in health insurance through KRS, his employer will be billed for the single contribution rate premium.

LEGAL NOTICE

If you have any questions about the material in this presentation please contact KRS at 1-800-928-4646.

This presentation is intended merely as a general information reference for members of the KRS.

This presentation is not intended as a substitute for applicable Federal or state law, nor will its interpretation prevail should a conflict arise between its contents and applicable Federal or state law.

Before making decisions about your retirement, you should contact Kentucky Retirement Systems.





Questions?