Kentucky Retirement Systems
KRS administers retirement benefits for over 372,000 state and local government employees.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Contributions</td>
<td>The rate is set by statute. Members’ contribute a set percentage of their annual creditable compensation. Specific to the Insurance plans, employee contributions include premium payments from retired recipients.</td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>An amount is paid by the employer participating in KRS (state and local government agencies). All employer rates are set each year by the KRS Board of Directors based on actuarial valuations and recommendations; however, the KERS and SPRS employer rates are subject to final adoption by the Kentucky General Assembly in the biennial state budget legislation.</td>
</tr>
<tr>
<td>Investment Income</td>
<td>This represents a portion of every benefit dollar paid. Investments support employee and employer contributions and represent an asset base from which benefits are paid. KRS investment policies are developed based on each plan’s specific needs with a long-term view. Short-term investment performance can be impacted by market conditions.</td>
</tr>
</tbody>
</table>
Retirement Eligibility

When can I retire?
## Requirements for an Unreduced Benefit:

<table>
<thead>
<tr>
<th>Age 65 or older</th>
<th>(48 months of service credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible to receive an unreduced monthly benefit based on the retirement formula</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age 65 or older</th>
<th>(with at least 1 month of service credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible to receive a benefit for life that is the actuarial equivalent to twice the member’s contributions and interest</td>
<td></td>
</tr>
</tbody>
</table>

**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 months of service) |

When can I retire?
### Requirements for an Unreduced Benefit:

**Rule of 87:**

* *Age + years of service credit must = 87*

*Member must be at least 57 years of age*

**Age 65**

(with 5 years of service credit)

### Requirements for a Reduced Benefit:

**Age 60**

(with 10 years of service credit)
Determining Retirement Benefits

How is my monthly payment calculated?

The three (3) systems administered by the Kentucky Retirement Systems are qualified public defined benefit plans.

A defined benefit plan pays benefits based on a formula:

\[
\text{Monthly Payment} = (\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service}) \times \text{Reduced Benefit Percentage (if applicable)}
\]
Final Compensation is defined as the average of the highest five (5) fiscal years of salary for nonhazardous 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 nonhazardous and a minimum of 24 months for hazardous.
- *Compensatory payments can be reported as salary and used in determining the average salary.
• Final Compensation is defined as the LAST FIVE (5) FISCAL YEARS of salary for NONHAZARDOUS and HIGHEST THREE (3) FISCAL YEARS of salary for HAZARDOUS.

• Non-Hazardous- Final Compensation must include at least 60 months in the calculation. Complete years (12 months) will be used first in the calculation. If the member does not have five full fiscal years over their entire service, partial years will be used to attain the 60 month minimum.

• Hazardous- Final Compensation must include at least 36 months in the calculation. Complete years (12 months) will be used first in the calculation. If the member does not have three full fiscal years over their entire service, partial years will be used to attain the 36 month minimum.
Salary Average
The average salary used for determining benefits at the time of retirement

\[
\frac{159,900}{49} \times 12 = 39,159.18
\]

\[
\frac{192,500}{60} \times 12 = 38,500
\]
Set by statute and vary based on:
- Participation date
- Type of service
- System

<table>
<thead>
<tr>
<th>Plan</th>
<th>Benefit Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERS Nonhazardous (1)</td>
<td>1.97%</td>
</tr>
<tr>
<td>KERS Nonhazardous (2)</td>
<td>2.00%</td>
</tr>
<tr>
<td>KERS Hazardous</td>
<td>2.49%</td>
</tr>
<tr>
<td>CERS Nonhazardous (1)</td>
<td>2.00%</td>
</tr>
<tr>
<td>CERS Nonhazardous (2)</td>
<td>2.20%</td>
</tr>
<tr>
<td>CERS Hazardous</td>
<td>2.50%</td>
</tr>
<tr>
<td>SPRS</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

- If member does not have 13 months credit for 1/1/1998-1/1/1999
- If member has 13 months credit for 1/1/1998-1/1/1999
- Only approved hazardous duty position are eligible.
- If member began participating on or after 8/1/2004 and before 9/1/2008
- If member began participating prior to 8/1/2004
- Only approved hazardous duty position are eligible.
Set by statute and vary based on:

- Participation date
- Retirement date
- Type of service
- Total amount of service
- Higher factors are attained as members reach higher levels of service.

### Benefit Factor

**NONHAZARDOUS**

<table>
<thead>
<tr>
<th>Benefit Factor</th>
<th>Service Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.10%</td>
<td>&lt;120 months</td>
</tr>
<tr>
<td>1.30%</td>
<td>121 - 240 months</td>
</tr>
<tr>
<td>1.50%</td>
<td>241 - 312 months</td>
</tr>
<tr>
<td>1.75%</td>
<td>313 - 360 months</td>
</tr>
<tr>
<td>2.00%</td>
<td>&gt; 361 months</td>
</tr>
</tbody>
</table>

* The 2.00% benefit factor only applies to service credit in excess of 30 years.

**HAZARDOUS**

<table>
<thead>
<tr>
<th>Benefit Factor</th>
<th>Service Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.30%</td>
<td>&lt;120 months</td>
</tr>
<tr>
<td>1.50%</td>
<td>121 - 240 months</td>
</tr>
<tr>
<td>2.25%</td>
<td>241 - 300 months</td>
</tr>
<tr>
<td>2.50%</td>
<td>&gt; 300 months</td>
</tr>
</tbody>
</table>

**TIER 2**

<table>
<thead>
<tr>
<th>Final Compensation</th>
<th>Benefit Factor</th>
<th>Years of Service</th>
</tr>
</thead>
</table>
Example:

John Doe works in a Nonhazardous position for an agency participating in CERS

- Retirement Date: 8/1/2017
- Final Compensation is $29,340
- 27 years of Service Credit

Final Compensation multiplied by Benefit Factor (%) multiplied by Years of Service equals BASIC ANNUAL BENEFIT

Retirement Formula:

Members participating prior to 9/1/08

\[ \text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service} = \text{BASIC ANNUAL BENEFIT} \]

\[ \$29,340 \times 2.2\% \times 27 \text{ yrs} = \$17,427.96 \]
Jane Doe works in a Nonhazardous position for an agency participating in CERS

- Retirement Date: 9/1/2038
- Final Compensation is $29,340
- 30 years of Service Credit

Final Compensation multiplied by Benefit Factor (%) multiplied by Years of Service equals BASIC ANNUAL BENEFIT

Retirement Formula:

Members participating between 9/1/08 and 12/31/13

$29,340 X 1.75%

X 30 yrs =

$15,403.50

See pages 28-31 in the PREP Handbook
Retirement Payment Options
• 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

The payment amounts below are examples only

<table>
<thead>
<tr>
<th>Payment Options</th>
<th>Member Payment</th>
<th>(or) Beneficiary Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Option Annuity</td>
<td>$1,452.33</td>
<td>$0.00</td>
</tr>
<tr>
<td>Life with 10 years certain</td>
<td>$1,432.19</td>
<td>$1,432.19 (or) $0.00</td>
</tr>
<tr>
<td>Life with 15 years certain</td>
<td>$1,408.70</td>
<td>$1,408.70 (or) $0.00</td>
</tr>
<tr>
<td>Life with 20 years certain</td>
<td>$1,378.87</td>
<td>$1,378.87 (or) $0.00</td>
</tr>
<tr>
<td>Survivorship 100%</td>
<td>$1,321.32</td>
<td>$1,321.32</td>
</tr>
<tr>
<td>Survivorship 66 2/3 %</td>
<td>$1,362.28</td>
<td>$908.23</td>
</tr>
<tr>
<td>Survivorship 50%</td>
<td>$1,383.73</td>
<td>$691.87</td>
</tr>
<tr>
<td>Pop-Up Option</td>
<td>$1,310.14*</td>
<td>$1,310.14</td>
</tr>
</tbody>
</table>

(see Handbook)

Go to myretirement.ky.gov for your specific retirement
Form 6000
Completing your Form 6000 Notification of Retirement

About 45-60 days before your retirement, complete Form 6000 and return it to KRS.

- You may file this form with KRS up to 6 months prior to your retirement date.
- Your employer must complete a section of this form.
- All required forms must be filed with KRS by the last day of the month prior to the retirement date.
This form contains several sections:

- **Section A:** Member Information
- **Section B:** Type of Retirement
- **Section C:** Retirement Systems
- **Section D:** Retirement Account Beneficiary Designation
- **Section E:** $5000 Death Benefit Beneficiary Designation
- **Section F:** Authorization of Deposit for Retirement Payment
- **Section G:** Tax Withholding
- **Section H:** Employer Certification of Leave Balances & Final Salary
- **Section I:** (Disability applicants only): Member’s Statement of Disability
**The Retirement Process**

What happens after KRS receives the Form 6000?

- **Complete Form 6010, Estimated Retirement Allowance**
  - You must select one payment option.
  - Sign and date the form.
  - Have a witness sign the form (spouse may serve as your witness).

- **Form 6200 Insurance Application**
  - Complete this form if you are eligible for health insurance coverage through KRS for you, your spouse and eligible dependents.
    - The insurance application is not required in order to process your retirement benefit.
    - However, you are responsible for timely filing of your Form 6200, insurance application, if you wish to obtain insurance coverage.
Medical Insurance Benefits
For Members Participating

**Prior to July 1, 2003:**

| 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 |

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* 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

For Members participating prior to 7/1/03:

<table>
<thead>
<tr>
<th>Total Years of Service</th>
<th>% paid for Retiree</th>
<th>Total Hazardous Service</th>
<th>% paid toward Dependent Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 4 years</td>
<td>0%</td>
<td>Less than 4 years</td>
<td>0%</td>
</tr>
<tr>
<td>4 – 9+ years</td>
<td>25%</td>
<td>4 – 9+ years</td>
<td>25%</td>
</tr>
<tr>
<td>10 – 14+ years</td>
<td>50%</td>
<td>10 – 14+ years</td>
<td>50%</td>
</tr>
<tr>
<td>15 – 19+ years</td>
<td>75%</td>
<td>15 – 19+ years</td>
<td>75%</td>
</tr>
<tr>
<td>20 or more years</td>
<td>100%</td>
<td>20 or more years</td>
<td>100%</td>
</tr>
</tbody>
</table>
Employees must have 10 years of earned service credit
Participation between 7/1/03 – 8/31/08

Employees must have 15 years of earned service credit
Participation on or after 9/1/08

Nonhazardous 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 $10 contribution will be increased each year by the Cost of Living Adjustment (COLA)
The monthly contributions for 2017 are $12.99 Non-Hazardous/$19.48 Hazardous
The monthly contribution rates for 2018 $13.18 Non-Hazardous/$19.77 Hazardous
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?