

Summary Plan Description-Active



*Notice:
This document does not reflect updates to legislative,
health insurance, or KRS policy changes as of 10/2012*

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Chapter 1

Plan Administration

Retirement benefits for most state and local government employees are provided through the Kentucky Retirement Systems (KRS).

 **KERS**
Kentucky Employees Retirement System

 **CERS**
County Employees Retirement System

 **SPRS**
State Police Retirement System

KRS is governed by a nine-member Board of Trustees and consists of three separate retirement systems:

 Kentucky Employees Retirement System (KERS) established July 1, 1956 for state employees.

 County Employees Retirement System (CERS) established July 1, 1958 for local government employees and classified school board employees.

 State Police Retirement System (SPRS) established July 1, 1958 for uniformed Kentucky State Police officers.

Kentucky Retirement Systems is a 401(a) plan.

REVIEW PROCESSES

All funds are invested in accordance with the Kentucky Revised Statutes and the Board of Trustees' adopted policies.

★ The Board is governed by the “Prudent Person” rule and must invest solely in the interests of members and their beneficiaries, impartially and with good faith interpretation of the law.

As a fiduciary of plan assets for more than 324,000 members, KRS is held to a very high standard of public scrutiny. The following reports are completed each year and provide an overview of the annual review processes in place for the retirement plans:

 An annual audit is conducted to ensure proper accounting procedures.

 An annual actuarial valuation is performed each year to examine the plan's funding status and to ensure that contribution rates are sufficient to fund benefits.

 **CAFR**
Comprehensive Annual Financial Report

 A Comprehensive Annual Financial Report (CAFR) is completed each year, detailing the financial and actuarial status of KRS.

Copies of these reports are available on the KRS website, <https://kyret.ky.gov>.

LAWS & REGULATIONS

 **Find Statutes and Regulations**
Unofficial copies can be found on the Kentucky Legislative Research Commission's website, <http://www.lrc.ky.gov>.

The three systems administered by KRS are governed by the following state statutes:

 SPRS: Kentucky Revised Statutes 16.505 through 16.652

 KERS: Kentucky Revised Statutes 61.510 through 61.705

 CERS: Kentucky Revised Statutes 78.510 through 78.852

The regulations, which implement the statutes covering KRS, are found in Chapter 105 of the Kentucky Administrative Regulations. Copies of the Kentucky Revised Statutes may be available at public libraries.

Benefits are funded through three sources: employee contributions deducted from an employee's creditable compensation, employer contributions paid by each state and county agency participating in the KRS, and return on investments.

★ Note: House Bill 1, enacted by the 2008 Special Session of the General Assembly, amended the contribution rates for members with a participation date on or after September 1, 2008.

Employee Contributions

The employee contribution rate is set by state statute. Members with a participation date prior to September 1, 2008 contribute five percent (5%) of their creditable compensation if non-hazardous and eight percent (8%) if hazardous. Non-hazardous employees who began participating with KRS on or after September 1, 2008 contribute a total of six percent (6%) of all their creditable compensation to KRS. Five percent (5%) of this contribution will be deposited to the individual employee's account; the other one percent (1%) will be deposited to the KRS Insurance Fund. Hazardous employees who begin participating with KRS on or after September 1, 2008 contribute a total of nine percent (9%) of all their creditable compensation to KRS. Eight percent (8%) of this contribution will be deposited to the individual employee's account; the other one percent (1%) will be deposited to the KRS Insurance Fund. Employee contributions paid to KRS are deposited to individual member accounts. When an employee retires, his or her account balance is transferred to the Retirement Allowance Account.

Employee contributions since August 1, 1982, are made on a before-tax basis and are automatically deducted. This means contributions are withheld from employees' gross pay before state and federal taxes or FICA are withheld.

 **Employer Rates Online**
Employer contribution rates are published on the KRS website at <https://kyret.ky.gov>.

Employer Contributions

The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of KRS as required by Kentucky Revised Statutes 61.565 and 61.702. KERS and SPRS employer rates are subject to approval by the Kentucky General Assembly through the adoption of the biennial Executive Branch Budget. The Board also sets CERS employer contribution rates, unless altered by legislation enacted by the Kentucky General Assembly. Employer contributions are deposited to the Retirement Allowance Account and the Insurance Fund and are used to pay monthly benefits and to fund KRS expenses.

CREDITABLE COMPENSATION

Creditable compensation is used to calculate retirement benefits and includes 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.

★ **Note:** If you are paying into a before-tax compensation plan, such as a 401(k) or 457 plan, the amount contributed does not reduce your creditable compensation for retirement purposes. Your compensation is determined prior to any deductions to before-tax compensation plans.

Creditable compensation is compensation that must be reported to KRS. For employees hired on or after September 1, 2008, creditable compensation will not include any payments for compensatory time. Lump sum bonuses, severance pay or employer-provided payments for purchase of service credit are also included in creditable compensation; however, if these types of payments exceed \$1,000 for the fiscal year, the combined payments will be averaged over your total service in the system in which the bonus was paid. Lump sum payments for sick leave when an employee terminates may be included in creditable compensation if the agency participates in the Alternate Sick Leave Program. Lump sum payments for sick leave at any time other than termination are not reportable.

The following are not included in creditable compensation:

- ☛ Living allowances,
- ☛ Expense Reimbursements,
- ☛ Lump-sum payments for unused vacation time, and
- ☛ Lump-sum payments for unused sick leave (unless the agency participates in the Alternate Sick Leave Program).

ANNUAL COMPENSATION LIMITS

Since 1996, Section 401 (a)(17) of the Internal Revenue Code has limited the amount of creditable compensation upon which employee and employer contributions are paid. Under these guidelines, employee and employer contributions are paid on all creditable compensation you earn up to the maximum annual limit. Once you meet the maximum annual creditable compensation limit, no contributions are to be reported for the remainder of the fiscal year. Prior to the beginning of each fiscal year, KRS notifies each participating employer of these limits. For the current annual creditable compensation limit, please contact your employer or visit our website at <https://kyret.ky.gov>.

TAX TREATMENT OF CONTRIBUTIONS

All non-mandatory member contributions for recontributions of refunds, omitted contributions and grandfathered service purchases may be made on an after-tax basis subject to federal limits or with before-tax dollars under an installment purchase of service agreement, a rollover, or a trustee-to-trustee transfer. For more on service purchases with after tax monies see chapter 3.

Payments made with after-tax dollars will not be subject to federal income tax when the benefit is issued, whether through a refund or monthly benefits. In the case of monthly benefits, current IRS regulations provide that the amount of after-tax dollars in the account be recovered by making a portion of each monthly benefit non-taxable. Before-tax contributions do not eliminate taxes on the contributions made, but rather defer tax liability until the benefits are received.

Chapter 2

Participation & Account Info

KRS MEMBERSHIP

All employees working in a regular, full-time position with a participating agency are members of KRS.

How you become a member of KRS

When an agency first participates with KRS, each employee working in a regular full-time position has the option to elect or reject retirement coverage. If an employee rejects retirement coverage at the time the agency first participates and later wants to join KRS, he may do so on the first day of the month following election. The employer is not required to pay for any service that the employee would have received had he elected retirement coverage when the agency first participated with KRS. Any employee who rejected retirement coverage and terminates employment is required to start retirement coverage if reemployed.

★ **Note:** 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.

After initial agency participation, all new employees who work in a regular full-time position must be enrolled in KRS at the beginning of employment. Depending on an employee's job classification, some employees may not be eligible to immediately participate. In addition, certain elected or appointed officials, who are considered full-time, may decline membership in CERS upon taking office prior to their participation in the System. These positions are identified in Kentucky Revised Statute 78.540(1).

Non-Participating Positions

There are several classifications that are non-participating positions. Employees with the following classifications do not contribute to the retirement system:

- ☛ Seasonal: Positions which are temporary in duration and coincide with a particular season of the year and may recur regularly from year to year and are limited to nine (9) months, with the exception of noncertified school board employees which shall not exceed six (6) months.
- ☛ Temporary: Positions in KERS not to exceed nine (9) months and positions in CERS not to exceed twelve (12) months.
- ☛ Part-time: Positions that require less than a calendar or fiscal year average of one hundred (100) hours* of work per month. **Exception: Part-time noncertified school board positions are positions that require an average of less than 80 hours of work per month over actual days worked in a school year.*
- ☛ Interim: Positions in KERS established for a one-time or recurring need, not to exceed nine (9) months.
- ☛ Emergency: Position that is limited to thirty (30) working days and not renewable.
- ☛ Probationary (CERS only): Positions in CERS not to exceed twelve (12) months and not renewable.
- ☛ Independent Contractors: Individuals working as independent contractors should not be reported to KRS.

★ Note: Please keep your Member ID in a secure location.

 **PIN**
Personal Identification Number

 **Access your account online**
Login to self-service at <https://myretirement.ky.gov>. You will need your PIN to fully utilize our self service website and authorize changes to your account online.

Account Administration Prior to retirement, an account is maintained for individual employee contributions. The balance in the account cannot be garnished or used for collateral on a loan. Members actively contributing to one of the Systems cannot withdraw funds except upon termination of employment.

Member ID KRS has created a six-digit, unique account number for all members known as a Member ID. Your Member ID is your KRS account number and is only valid when you are doing business with our office.

We use your Member ID to maintain your account and file information you submit to our office. Your Member ID is the identifying number on KRS forms and letters you receive from our office. When calling to discuss your account, you will need to provide your Member ID and Personal Identification Number (PIN).

When you login to our self-service site, your Member ID will be the first item displayed on each page under your benefit account information. Member ID cards were mailed to all members in August 2011. We send Member ID cards to new members **periodically** throughout the year. You may contact our office at 1-800-928-4646 to request a duplicate card, which will be mailed with the next scheduled mailing.

Your four-digit PIN provides an added layer of security when you interact with KRS, whether online or over the phone. We will ask for your PIN before discussing account information with you over the phone. Our Call Center counselors can help you obtain a new PIN, which will be mailed to the address you have on file at KRS.

Confidentiality of Accounts Information in your account is confidential. Requests for information about your account must be made in writing or in person and should contain your Member ID, home mailing address, and signature. Please note that KRS must release account information in response to a lawful subpoena or court order.

How KRS Protects Your Information KRS is committed to protecting the confidentiality and security of your member data. Some of KRS' efforts to safeguard your information include:

-  Developing policies and processes that protect employees, facilities, networks and the technology infrastructure.
-  Restricting the use of Social Security numbers in internal forms and other documentation. We only use the last four digits of your SSN in most cases.
-  Investing in mainstream, highly regarded technology solutions that better protect all aspects of your member information.
-  Utilizing a new business system that was heavily influenced in its design by security and data protection principles.
-  Implementing secure solutions when transmitting data anywhere, such as encrypted email and secure file transfer.
-  Securely disposing of information, whether in paper or electronic form, so that your information is protected throughout its useful lifecycle.
-  Our management team is working to limit the access to your information to only those KRS employees that regularly require access in order to provide high quality services for you.

- 🔒 Implementing, monitoring and auditing systems and security processes to ensure that your data is protected.

KRS has taken a very proactive stand on data disclosures by adopting a specific policy to address such issues. Our disclosure policy guides us in protecting your information and revealing potential exposures. Our policy dictates that we notify members in a timely manner if your information may have been exposed. This includes making sure our business partners and vendors adhere to the same, strong policies for disclosing potential exposures of your information.

Annual Statement of Account Prior to retirement, an Annual Statement of your account is made available to you each year. The purpose of the Annual Statement is to provide a snapshot of the retirement benefits, contributions, interest, and service you have accrued through the end of the fiscal year (June 30). You should always review your Annual Statement carefully to ensure your information is correct.

Inquiries concerning your Annual Statement should be made in writing. Beginning in 2012, you may access our self-service website to view your Annual Statement. To request a printed copy of your annual statement, complete Form 2416, Request for Duplicate Annual Statement, and return to our office.

★ **Note:** The purpose in crediting interest is to provide a modest return to those members who are not eligible for a retirement benefit and choose to take a refund after termination of employment.

Interest on Accounts The interest credited to your account and reported on your Annual Statement is calculated based upon your account balance as of June 30 (the previous fiscal year). For employees hired prior to September 1, 2008, the interest paid is set by the Board of Trustees and will not be less than 2.0%. For employees hired on or after September 1, 2008, interest will be credited at a rate of 2.5%.

Interest credited to your account is typically not related to the amount of benefits you will receive when you retire. Benefits for most retiring members are based on a formula using the member's service and salary.

Refund of Account Balance Upon termination of employment, you have three options in regard to your retirement account: (1) retire if eligible, (2) leave the contributions in KRS until you reach retirement eligibility, or (3) take a refund of your account balance. If you choose to take a refund of your account balance, you will receive your individual retirement contributions plus any accumulated interest. You will not receive a refund of any employer contributions or any employee contribution made to the KRS Insurance Fund.

Your refund can be paid directly to you or the funds can be rolled into another qualified retirement plan or individual IRA. If you elect to receive a direct payment, KRS is required to withhold 20% for federal income taxes. The amount withheld is not a penalty tax and will apply towards your federal tax liability for the year in which the refund was issued. Additional taxes due to age or other factors may also apply if you choose to receive a direct payment.

👉 Find forms online at <https://kyret.ky.gov>.

In order to process a refund of contributions, you must complete a Form 4525, Request for Refund of Contributions. In addition, a valid Form 2001, Membership Information, must be on file with KRS. The agency reporting official is also required to report your termination date on the monthly report to KRS. A refund cannot be issued until all information is received. A refund cannot be processed until at least 45 days following

the termination date provided all required information has been submitted by you and your employer. If you are interested in taking a refund of your account balance, you may obtain Forms 4525 and 2001 from our website or call our office to request copies. If you return to employment with the same employer in any capacity, or a different employer who participates in the same retirement system from which you have applied for the refund, within 45 days of terminating the employment, you will become ineligible to receive the refund.

MEMBER RESPONSIBILITIES

New Employee When you are hired, your employer will submit information regarding your employment to our office. Once you are eligible to participate in KRS, your account will be created. Upon participation you are required to complete a Form 2001, Membership Information and a Form 2035, Beneficiary Designation. KRS will mail Form 2001 to you once your account is established. Your employer should provide you with a Form 2035 or you may obtain the form from our website at <https://kyret.ky.gov>.

No benefit will be paid, including a refund of account, until a completed Form 2001 is received in the KRS office. Valid forms must be on file at the retirement office in Frankfort to be effective. If you do not have a valid Form 2035 on file with our office, the beneficiary of your active member retirement account will be your estate.

★ Note: Use Form 2040 (Change of Address Notification) if you are inactive or retired.

Change of Address It is important to keep your address current with KRS. Doing so will ensure retirement checks, newsletters and other materials are delivered to you on time. If your address changes, let your employer know as soon as possible. Your employer will notify KRS as part of their monthly reporting. You may also change your address online (see following section) however; the change must also be made through your employer.

ACCESSING BENEFITS INFO

 We encourage our members to utilize the information and services available on our website, <https://kyret.ky.gov>.

On the Internet Most educational materials and forms are available online. Visit the Current Employees section of our website to learn more about your benefits. You may also use our self-service site to access your retirement account online. Register in three simple steps:

1 Go to MyRetirement.ky.gov This is the direct link to your online account. You can also visit the KRS homepage at <https://kyret.ky.gov> to access the login page. Look for the Your Account link in the Current Employees section of our website.

2 Connect to your account To register, you will enter your Social Security number, date of birth and PIN so we can identify your account. You will only be asked for your Social Security number during this initial registration process.

3 Create login information We will ask you to create a User ID and Password, which you will use each time you login to your account. For additional security, you will answer a secret question. This answer will be required when you need to reset your User ID or Password.

When the setup steps are complete, you are ready to manage your retirement account online.

 **PIN**
Personal Identification Number

★ **Note:** You can find your PIN on your Annual Statement. If you don't know your PIN, call our office at 1-800-928-4646.

The features of self-service include:

-  Benefit Estimates - Use current information to calculate a retirement estimate.
-  Service Purchase Estimate - Estimate the cost to purchase eligible service using current data and see an estimate of monthly payments under an installment plan.
-  Contact Information - Change contact information such as your mailing address, phone numbers and email address.
-  Account Balance Letter - Request an account balance letter showing your total service, contributions, and interest.
-  Account Summary - View service credit, contributions, and beneficiary information.
-  Account History - See an overview of contributions and salary through the end of the previous fiscal year.
-  Member Correspondence - Check on the status of a request or see if a document has been filed to your account.
-  Annual Statements - View your Annual Statement beginning in 2012.

★ Note: Always report address changes to your employer.

Telephone

Telephone inquiries are handled by the KRS Call Center. The Call Center is staffed with qualified retirement counselors who are there to help you obtain services and to answer your questions. Counselors may provide specific information about your account over the phone if you provide your PIN and Member ID. If you need to schedule an office appointment to meet with a retirement counselor, you should contact the Call Center. Office appointments can be scheduled up to three months in advance.

 PIN
Personal Identification Number

★ Note: Use the telephone or make written requests for specific information about account information or benefits.

Phone Numbers

1-502-696-8800 — or — 1-800-928-4646

Electronic Mail (e-mail)

You may e-mail KRS at krs.mail@kyret.ky.gov. Incoming e-mail is not secure. Therefore, it is recommended that e-mail be used for general inquiries only and that the sender not include information of a confidential or personal nature. Examples of information which should not be transmitted by e-mail include your Social Security number, Member ID, PIN, date of birth, home address, telephone number, bank account and credit card information, mother's maiden name, medical information, and any information that you would not want a third party to discover.

 Submit Form 5016, Request for Benefit Estimate and/or Service Purchase Cost, to request an official cost calculation. This form is available on our self-service website at <https://myretirement.ky.gov>.

By Mail

All written inquiries should include the member's name, Member ID, home mailing address, and signature. If you are requesting an estimate of retirement benefits, please include the retirement dates you are considering. If you are requesting a service purchase calculation, please include the type of purchase and the necessary verification. All written inquiries should be sent to the following address:

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601

Chapter 3

Service Credit

In KRS' defined benefit plan, a member's service credit is used in part to determine eligibility for retirement and for determining the amount of benefit received upon retirement.

The amount of service credit used to determine retirement eligibility and benefits may include current service, prior service, purchased service (depending on participation date), and sick leave service (if the agency participates in a KRS approved sick leave program). The more service credit you have, the higher your retirement benefit. Below is a listing of the types of service credit and the effects each type has on retirement eligibility and benefit calculation.

TYPES OF SERVICE CREDIT

★ Note: 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.

👉 Use our self-service website at <https://myretirement.ky.gov> to generate a cost calculation.

👉 Submit Form 5016, Request for Benefit Estimate and/or Service Purchase Cost, to request an official cost calculation. This form is available on our self-service website at <https://myretirement.ky.gov>.

Current 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.

Prior Service Prior service is all service rendered before July 1, 1956 in KERS and July 1, 1958 in CERS and SPRS. There is no cost for this service. A member must have a minimum of 12 months current service in the same system in which he has the prior service in order to use the prior service toward a retirement benefit. Prior service is only credited for months in which the member worked at least 100 hours in performing his job duties.

Members who began participating in KRS on or after August 1, 2004 cannot use most service purchase types for determining eligibility for early retirement, normal retirement, disability retirement and death benefits. This applies to all service purchases made by the member or employer with the exception of omitted service and recontribution of service refunds.

Purchased Service There are more than 30 types of service a participating member may purchase in order to increase service credit. The requirements for each purchase type are regulated by state statute. You may request that an official cost calculation be prepared and mailed to you by completing Form 5016, Request for Benefit Estimate or Service Purchase Cost. Please note that the appropriate verification must be filed with KRS before the purchase cost can be calculated (see the section in this chapter for more information on service purchases). Refer to the required verification listed on Form 5016 for the type of service purchase you are considering. Please include the necessary verification and write your Member ID on any documentation you submit to our office.

Most service purchases made on or after August 1, 2004 will not be used to determine insurance benefits at retirement. This provision applies to all service purchases made by the member or employer with the exception of omitted service, recontribution of refunded service, hazardous conversion and sick leave credit.

Sick Leave Service Most members of KERS and SPRS who began participating prior to September 1, 2008 receive service credit for all unused accumulated sick leave at the time of retirement. Members who began participating on or after September 1, 2008 may receive a maximum of 12 months of service credit for unused sick time. Members of CERS may receive service credit for their sick leave at the time of retirement if their employer has adopted a sick leave program with KRS.

There are two (2) types of sick leave programs that the CERS employer may adopt: Standard or Alternate. (See Sick Leave section later in this chapter for more information).

PURCHASING SERVICE CREDIT

Basic Requirements Most types of service must meet the following minimum requirements in order to be purchased:

-  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.
-  The member must not already have service credit from the same calendar month.

★ Note: Refer to the list of required verification on pages 13-15.

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

Retirees or members who are not contributing to one of the state administered retirement systems cannot purchase service credit unless the type is omitted. Retirees who have returned to work since August 1, 1998 and are contributing to a new retirement account cannot purchase service they were eligible to purchase prior to their initial retirement.

 Use our self-service website at <https://myretirement.ky.gov> to view a cost calculation online.

Calculating service purchases For almost all purchase types, the cost is determined by multiplying the higher of the member's current rate of pay, final rate of pay, or Final Compensation by the actuarial factor by the number of years of service being purchased.

 Submit Form 5016, Request for Benefit Estimate and/or Service Purchase Cost, to request an official cost calculation. This form is available on our self-service website at <https://myretirement.ky.gov>.

The actuarial factor used to calculate the cost varies based upon your age, years of accrued service credit, applicable benefit factor, and final compensation. The factor assumes the earliest retirement date the member may retire with no reduction in benefits and the Cost of Living Adjustments that may be applied to the member's benefit after retirement. Purchases not calculated under this method include Recontribution of Refunded Service, Hazardous Conversions, and Omitted Service.

PURCHASE TYPES

The following is a listing of most service purchase types and the information required to verify the period of service.

Purchase Types without Service Requirements Verification Required

Recontribution of Refunded Service

A member currently participating in one of the state administered retirement systems who has taken a refund of retirement contributions for previous employment may regain the service lost by paying the amount of contributions withdrawn plus interest calculated from the time of withdrawal. Note: The member must work for at least six months to validate the purchase.

Information should be on file at KRS.

Summer Months

A member currently participating in one of the state administered retirement systems who was contracted by a local school board, university, community action agency, or school for the deaf or blind to work 9, 10, or 11 months may purchase up to three (3) additional months to complete a full year.

Information should be on file at KRS.

Omitted Service

If a member was entitled to service credit but was not reported to KRS, the member may obtain service by paying the employee contributions on the period of omitted service. If employee contributions are not received within six (6) months of notification by KRS, a participating employee may obtain the service by paying the employee contributions plus any accumulated interest. Service credit will not be awarded to the member's account until KRS has also received the employer contributions.

Form 4225
— or —
Personnel Forms

Hazardous Conversion

Members participating in hazardous positions may pay the cost to convert eligible non-hazardous service to hazardous service. The service credit must be in a position that was reported to KRS under non-hazardous coverage, but has since been approved for hazardous duty coverage by the Board of Trustees. The agency where the non-hazardous service was earned must complete a Form 4150, Certification of Employment in a Hazardous Position, in order for the member to convert the service.

Form 4150

Vested Purchase Types Verification Required

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.

Delayed Service

A member may purchase service with an agency that did not participate in KRS but has since joined. Delayed Service (also referred to as past service) is service worked prior to the date the agency began participating or in the case of a member who initially rejected membership, service worked from the member's hire date through his or her election to participate in KRS.

Form 4225

Active Duty Military

A member may purchase all periods of active duty service with a branch of the Armed Forces. This purchase may require an honorable or general discharge from service.

A copy of your DD-Form 214 for each period of active duty.

Historical note: Prior to August 1, 2000, a member could purchase up to 4 years of active duty military service. Effective August 1, 2000, the statute provided that all periods of active duty service may be purchased.

National Guard/Reserves

A member may purchase one (1) month of credit for every six (6) months served.

Most recent Annual Statement of Points.

Maternity/Authorized Sick Leave Without Pay/FMLA Leave

A member may purchase service credit for official maternity leave without pay, approved sick leave without pay, or approved leave without pay under the Family Medical Leave Act (FLMA) that occurred while working for a participating agency.

Form 4225
— or —
Personnel Forms or a letter from the agency verifying the period of leave

Vested Purchase Types Continued

Verification Required

Seasonal, Temporary, Emergency, Interim or Part-time

A member may purchase service for time served in a seasonal, temporary, interim, emergency, or part-time position (more than 100 hours per month) that occurred with a participating agency.

Form 4225
— or —
Personnel Forms

State University Service

A member may purchase service for certain types of employment with Kentucky's state sponsored universities provided they did not participate in a defined benefit plan during employment, and the position held would not have qualified as a regular full-time position had the university been a participating department. This purchase is limited to the University of Kentucky and the University of Louisville since other state-sponsored universities participate in KERS.

Form 4120

Historical note: From April 1, 2003 until June 20, 2005, Kentucky Revised Statute 61.552 (8) provided that university service may be purchased if the member did not participate in either a defined benefit plan or a defined contribution plan. Effective June 20, 2005, the statute was amended to allow the purchase if the university service was covered under a defined contribution plan.

Approved Educational Leave

A member may purchase service credit for approved educational leave.

Personnel Forms
— or —
Letter from agency verifying
the period of leave.

Federal Service

A member may purchase service worked as a full time federal employee provided the member withdrew all funds or did not participate in the Federal Retirement System.

Form 4115

Out of State Service (Non-Hazardous)

A member may purchase up to 10 years of service credit for full-time out-of-state public service. To qualify, the out-of-state service must have been credited in a state or locally administered defined benefit retirement plan, other than one for teachers. The member must provide verification that he or she has received a refund or is not eligible for a retirement benefit from the period of out-of-state service.

Form 4140

Out of State Service (Hazardous)

A member may purchase up to 10 years of service credit for full-time out-of-state public service if the position would be determined as hazardous duty. To qualify, the out-of-state service must have been credited in a state or locally administered defined benefit retirement plan, other than one for teachers. The member must show that he or she has received a refund or is not eligible for a retirement benefit from the period of out of state service. The member must also submit a copy of the job description for his or her out of state public service.

Form 4140 and a copy of the
former job description.

Vocational/Technical School Service

A member may purchase service worked in a non-teaching position with a Vocational/Technical School in the state of Kentucky that averages at least 80 hours per month on a calendar or fiscal year basis.

Form 4225
— or —
Personnel Forms

Community Action Agency

A member may purchase service for regular full-time employment with a Community Action Agency created under Kentucky Revised Statute (KRS) 273.405 to 273.453 if that service was not covered by a state-administered retirement system.

Form 4225
— or —
Letter from agency verifying
period of service.

Mental-Health/Mental Retardation Service

A member may purchase service for employment in a regional community mental health and mental retardation services program, organized and operated under the provisions of Kentucky Revised Statute (KRS) 210.370 and 210.480, which does not participate in a state-administered retirement.

Form 4225
— or —
Letter from agency verifying
period of service.

Approved Leave to Work for Work-Related Labor Organization

A member may purchase service credit for periods of approved leave to work for a work-related labor organization provided that the agency approving the leave subsequently participated in CERS.

Letter from the IRS or U.S.
Department of Labor stating
that the purchase is allowable
under federal restrictions.

Area Development District/Business Development Corporation

A member may purchase service for employment with an Area Development District (ADD) created pursuant to Kentucky Revised Statute 147A.050 or a business development corporation created pursuant to Kentucky Revised Statute 155.001 to 155.230 which does not participate in KERS.

Letter from the IRS or U.S.
Department of Labor stating
that the purchase is allowable
under federal restrictions.

Urban-County Government Service

A hazardous member may purchase service credit with an urban-county government. To qualify, the employment must have been considered regular full-time and qualify for hazardous duty coverage under Kentucky Revised Statute 61.592. The member must show that he or she has received a refund or is not eligible for a retirement benefit for the period of urban-county government service.

Form 4131

Verification Required

Non-Qualified Service

Members currently participating and who participated prior to August 1, 2002, may purchase up to five (5) years of service once they have 15 years of total service in a state administered retirement system. At least five (5) of the 15 years required for this purchase type must be in KERS, CERS, or SPRS. The Non-Qualified service may not be used for benefit purposes until the member has accrued 20 years of service, excluding the Non-Qualified service.

Information should be on file at KRS

PAYING FOR A SERVICE PURCHASE

Eligible service credit may be purchased by the following payment methods provided it falls within the limitations set forth in Section 415 of the Internal Revenue Code:

- 👉 **Lump Sum Payment:** Service may be purchased by making a lump sum payment to KRS. **Federal law limits the use of after-tax money to purchase service with a lump-sum payment** (see following section on provisions affecting service purchases).



IPS
Installment Purchase of Service Agreement



Note: To be eligible for payroll deduction, the purchase cost must be at least \$1,000.

- 👉 **Installment Purchase of Service Agreement (IPS):** Members participating in KERS, CERS, or SPRS may elect to have the cost of service deducted from their paycheck on a before-tax or after-tax basis provided the employer has arranged to make installment deductions with KRS. To be eligible for payroll deduction, the cost must be at least \$1,000. One year of installment payments is allowed for each \$1,000 in cost with a maximum of five (5) years to pay off the cost. An interest charge compounded annually is applied to the cost with this payment method. The interest charge is equal to the actuarial rate in effect at time of purchase. More information on the before-tax Installment Purchase of Service Agreement (IPS) and provisions affecting service purchases is covered below.



Note: Members should check with the administrator of their qualified plans to determine the eligibility of funds for rollover or transfer. Certain funds may not be able to be used for certain purchases.

- 👉 **Rollover or Transfer From a Qualified Plan:** The Internal Revenue Code allows KERS, CERS, and SPRS, which are qualified plans under Section 401(a), to accept rollovers or, in some cases, trustee-to-trustee transfers from other qualified plans like: Section 401(a), Section 401(k), Section 403(b), Section 457, “Rollover” IRA, Traditional IRA.



Download Form 4170 at <https://kyret.ky.gov>.

In order to complete a direct rollover or transfer of funds from another qualified plan to purchase service with KRS, the member and the financial institution making the direct rollover or transfer of funds must complete a Form 4170, Direct Transfer/Rollover Acknowledgement Form. A copy of this form can be requested from KRS or can be downloaded from <https://kyret.ky.gov>.

A combination of these methods may or may not be used to pay for some service purchases. Members who wish to combine two or more payment methods, or transfer/rollover funds from more than one plan, are advised to contact KRS in advance.

More about the before-tax IPS KRS began accepting before-tax IPS Agreements in February 2003. This payment option allows members to purchase service credit with before-tax contributions, which reduces their taxable income in the year the contributions are made. This option does not eliminate taxes but rather defers tax liability until retirement. Often at retirement, a person will be in a lower tax bracket, which can reduce the amount of taxes paid.

★ Note: You cannot stop payment or pay off a **before-tax** IPS agreement while you are actively employed with a participating agency.

The before-tax IPS agreement resembles the after-tax IPS agreement with one major exception. All payroll deductions under the before-tax IPS program shall be irrevocable once a member has completed the necessary forms. This means a member cannot stop payment on the contract or pay off the remaining balance except upon death or termination of employment.

Stop payment/pay off an IPS contract

While working, members who are purchasing service credit through an after-tax IPS agreement can stop payment or pay off the remaining balance or a portion of the remaining principal of the contract at any time by notifying KRS and may request a recalculation if payment is stopped. If the member stops payment and does not pay off the IPS contract in full or in part, the account will only be credited with the service purchased through the last installment payment.

Upon termination of employment or death, a member or beneficiary will be given 60 days from termination or death to pay off the remaining balance of a before-tax or after-tax IPS agreement. If the member or beneficiary chooses not to pay off the remaining balance, the account will only be credited with the amount of service purchased through the last installment payment.

Members planning to retire will also be given 60 days from termination of employment to pay off a before-tax or after-tax installment purchase agreement; however, payments for the remaining balance of the contract must be received prior to the member's effective retirement date.

★ Note: In this example, John's health insurance coverage with KRS cannot begin until John's effective date of retirement.

For example: John Doe has an installment purchase agreement and is planning to terminate employment on January 31st. He chooses to pay off the remaining balance on February 10th. Therefore, his effective retirement date will be March 1st.

Provisions affecting service purchases

Beginning in 2008, KRS accepts after tax monies for only: repayments of refunds, omitted service and grandfathered service purchases. In order to be considered a grandfathered service purchase:

- ☛ The member must have participated prior to July 1, 1999,
- ☛ The purchase type must have been available for purchase on August 5, 1997, and
- ☛ The member must participate in the system in which the purchase is being made.

 **IRC**
Internal Revenue Code

This approach assures compliance with IRC 415(c) limits and avoids any impact on other retirement funds held by the member.

KRS members are encouraged to use pre-tax service purchase installment payments, rollovers, transfers from other plans, and transfers from 457(b) plans (Ex: Kentucky Deferred Compensation) and from 403(b) plans (for example, a tax sheltered annuity at a school district) to fund service purchases.

 **IRS**
Internal Revenue Service

Under this approach, members are using "pre-tax" contributions to buy service, just as pre-tax payroll contributions are used for the Kentucky Retirement Systems retirement benefits. The 415(c) limits do not apply to in-service transfers from 457(b) plans or 403(b) plans for service purchases. KRS has obtained IRS approval for this program.

KRS provides information on the use of Pre-tax or Post-tax monies for a purchase when a cost calculation is sent to the member for a service purchase.

SICK LEAVE SERVICE CREDIT

★ Note: The sick leave chart on the following page is provided to help you determine the number of months of service you may be credited upon retirement if applicable.

The sick leave service credit for members with a participation date prior to September 1, 2008 counts toward retirement eligibility and health insurance benefits. Members with a participation date on or after September 1, 2008 may receive a maximum of 12 months of service credit for unused sick time. The sick leave service credit for these members does not count toward retirement eligibility or health insurance benefits.

KERS and SPRS members Most members of KERS and all SPRS members with a participation date prior to September 1, 2008, receive service credit for all unused accumulated sick leave at the time of retirement.

CERS Members Members of CERS may receive service credit for sick leave at the time of retirement if their employer has adopted a sick leave program with KRS. There are two (2) types of sick leave that the employer may adopt — Standard or Alternate.

Under the Standard program in CERS the member receives service credit for up to six (6) months of unused sick leave. A CERS agency may also elect to split the cost of sick leave in excess of six (6) months with the member or pay the entire cost in excess of six (6) months. Under the Standard program, any sick leave for which the employee is paid upon termination is not reported to CERS and is not eligible to be used as service credit.

★ Note: The computation of alternate sick leave is complex. If your agency participates in this plan, it is advisable that you consult with a counselor to determine the effect of alternate sick leave credit on your specific benefits.

Under the Alternate sick leave program in CERS, members are paid for unused sick leave and receive sick leave service credit at the time of termination or retirement. The money paid to the member for their unused sick leave is used in determining the member's Final Compensation and the service is also used to increase the member's service credit.

ACTIVE MILITARY SERVICE

A member is entitled to receive free military service if the member was on leave of absence from employment with a member agency, and within three (3) months of the last day of paid employment entered the Armed Forces of the United States, and subsequently returned to employment with a participating employer within two years of receiving an honorable discharge. If the member's employment preceding the military service was in a non-participating status, such as seasonal or temporary, the non-participating service must be purchased in order for the member to be eligible to receive free military service credit. If the member contributed, but subsequently took a refund for the period immediately prior to the military service, the refund of contributions must be repaid in order for the member to qualify for free military service credit. Service credit and creditable compensation, as provided in 38 U.S.C. 4318, shall be given for a period not to exceed 6 years.



U.S.C.
United States Code

Sick Leave credited based on hours of Sick Leave accumulated (hours worked per day)

| 4 hours/day | 6 hours/day | 7.5 hours/day | 8 hours/day | Months of Service |
|--------------------|--------------------|----------------------|--------------------|--------------------------|
| 44 - 84 | 66 - 126 | 82.5 - 157.5 | 88 - 168 | 1 |
| 128 - 168 | 192 - 252 | 240 - 315 | 256 - 336 | 2 |
| 212 - 252 | 318 - 378 | 397.5 - 472.5 | 424 - 504 | 3 |
| 296 - 336 | 444 - 504 | 555 - 630 | 592 - 672 | 4 |
| 380 - 420 | 570 - 630 | 712.5 - 787.5 | 760 - 840 | 5 |
| 464 - 504 | 696 - 756 | 870 - 945 | 928 - 1008 | 6 |
| - | - | 1027.5 - 1102.5 | 1096 - 1176 | 7 |
| - | - | 1185 - 1260 | 1264 - 1344 | 8 |
| - | - | 1342.5 - 1417.5 | 1432 - 1512 | 9 |
| - | - | 1500 - 1575 | 1600 - 1680 | 10 |
| - | - | 1657.5 - 1732.5 | 1768 - 1848 | 11 |
| - | - | 1815 - 1890 | 1936 - 2016 | 12 |
| - | - | 1972.5 - 2047.5 | 2104 - 2184 | 13 |
| - | - | 2130 - 2205 | 2272 - 2352 | 14 |
| - | - | 2287.5 - 2362.5 | 2440 - 2520 | 15 |
| - | - | 2445 - 2520 | 2608 - 2688 | 16 |
| - | - | 2602.5 - 2677.5 | 2776 - 2856 | 17 |
| - | - | 2760 - 2835 | 2944 - 3024 | 18 |
| - | - | 2917.5 - 2992.5 | 3112 - 3192 | 19 |

**You only need the minimum hours of sick leave for each range to obtain the indicated months of service. For example, if you work 7.5 hours per day, and you have 900 hours of accumulated sick leave, you will receive 6 months of credit. You would also receive 6 months of service credit if you only had 870 hours of accumulated sick leave.*

**Members with a participation date on or after September 1, 2008 may receive a maximum of 12 months of service credit for unused sick time.*

SERVICE WITH OTHER PLANS

Members with more than one retirement plan administered by the Commonwealth of Kentucky may be allowed to combine service to determine eligibility for benefits, total service credit and final compensation. Each system will pay a benefit based on the amount of service in that system.

The six (6) state-administered retirement systems are:

- 🏛️ Kentucky Employees Retirement System (KERS)
- 🏛️ County Employees Retirement System (CERS)
- 🏛️ State Police Retirement System (SPRS)
- 🏛️ Kentucky Teachers' Retirement System (KTRS)
- 🏛️ Judicial Retirement Plan (JRP)
- 🏛️ Legislators' Retirement Plan (LRP)

★ Note: In this example, John would need to apply to each retirement system separately for retirement benefits.

For example, John was employed with a local board of education in a classified position and accumulated 10 years of service in CERS. He is now employed with the same board of education as a teacher and has accumulated 17 years of service in KTRS. John would be eligible to retire at any age with no reductions in his retirement benefits because he has accumulated a combined total of 27 years of service. John would receive a retirement check from CERS based upon his 10 years of service and a separate retirement check from KTRS based on his 17 years of service.

If you have an account in more than one of these retirement systems, you should contact KRS to determine the benefits you may be entitled to receive upon retirement. You may also obtain your benefit estimate on our Member Self Service website <https://myretirement.ky.gov>. In order to receive benefits from all the systems, you must submit the required retirement forms with each system at the time of retirement. No system will pay a benefit until all required forms have been submitted to all applicable retirement systems, pursuant to KRS 61.680(8).

Also, vested service in a retirement system other than the Kentucky Teachers' Retirement System sponsored by the Kentucky Higher Education Assistance Authority, Council on Postsecondary Education, or a state-sponsored university in Kentucky, may apply toward attaining 25 years of service credit for reduced retirement benefits or 27 years service credit for unreduced retirement benefits. You must have 15 years current service in KRS. This service is not used in determining the monthly benefit you will receive at retirement. In addition, the service does not apply toward vesting for medical insurance benefits except for employees of the Council on Postsecondary Education who meet certain criteria specified by statute.

Chapter 4

Retirement Eligibility

Retirement eligibility is dependent upon the member's age, service credit, participation date and type of service (non-hazardous or hazardous).

For members participating prior to August 1, 2004, the amount of service credit used to determine retirement eligibility includes current service, prior service, purchased service, and sick leave service. For members participating on or after August 1, 2004, the amount of service credit used to determine retirement eligibility includes current service and sick leave service but does not include purchased service, with the exception of Recontribution of Refunded Service and Omitted Service. This means you must meet retirement eligibility without the purchased service. The purchased service is used to calculate your benefit amount.

The General Assembly passed House Bill 1 during the 2008 special legislative session. House Bill 1 established different criteria for retirement eligibility, the final compensation calculation, and benefit factors for members with a participation date on or after September 1, 2008.

PARTICIPATION DATE PRIOR TO 9/1/08

★ Note: The following pages apply to members with a participation date prior to 9/1/08. If you began participating on or after 9/1/08, turn to page 26 to learn more about your retirement benefits.

Non-Hazardous members

For Non-Hazardous members, the requirements for an Unreduced Benefit are:

- ☛ A non-hazardous member, age 65 or older, with at least 1 month of service credit may elect to receive a benefit for life that is an actuarial equivalent to twice the member's contributions and interest.
- ☛ A non-hazardous member, age 65 or older, with at least 48 months of service credit is eligible to receive an unreduced monthly benefit for life based on the member's salary and service credit.
- ☛ A non-hazardous member with 27 or more years of service credit can retire at any time with no reduction in benefits. If the member's participation date is 8/1/04 or after, purchases other than omitted service and recontribution of refund are not included in the 27 years for purposes of determining eligibility.

The requirements for a Reduced Benefit are:

- ☛ A non-hazardous member with at least 25, but less than 27 years of service credit, may retire at any time, prior to age 65, with a reduction in benefits. If the member's participation date is 8/1/04 or after, purchases other than omitted service and recontribution of refund are not included in the 25 years for purposes of determining eligibility.
- ☛ A non-hazardous member, age 55, with at least five (5) years of service credit may retire with a reduction in benefits.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement.

The following chart shows the reductions for age or service:

| Years to Attain Age 65 or 27 Years of Service (Whichever is Less) | | | |
|--|-------|----------|-------|
| % of Non-Hazardous Benefit Paid | | | |
| 1 Year | 93.5% | 6 Years | 63% |
| 2 Years | 87% | 7 Years | 58.5% |
| 3 Years | 80.5% | 8 Years | 54% |
| 4 Years | 74% | 9 Years | 49.5% |
| 5 Years | 67.5% | 10 Years | 45% |

For example, a non-hazardous member has 25 years of service and is age 55. If the member chooses to retire, his or her benefit will be reduced to 87% (6.5% for each year away from 27 years of service).

Hazardous members

For Hazardous members, the requirements for

an Unreduced Benefit are:

- ☛ A hazardous member with 20 or more years of service credit may retire with no reduction in benefits.
- ☛ A hazardous member, age 55 or older, with at least 1 month of hazardous duty service credit may elect to receive a benefit for life that is an actuarial equivalent to twice the member's contributions and interest.
- ☛ A hazardous member, age 55 or older, with at least 60 months hazardous duty service credit is eligible to receive an unreduced benefit based on the member's salary and service.

The requirements for a Reduced Benefit are:

- ☛ A hazardous member, age 50 with at least 15 years of service credit may retire with a reduction in benefits.

If a hazardous duty member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement.

The following chart shows reductions for age or service:

| Years to Attain Age 55 or 20 Years of Service (Whichever is Less) | |
|--|-------|
| % of Hazardous Benefit Paid | |
| 1 Year | 93.5% |
| 2 Years | 87% |
| 3 Years | 80.5% |
| 4 Years | 74% |
| 5 Years | 67.5% |

For example, a member has 18 years of service and is age 52. If the member chooses to retire, his/her benefit will be reduced to 87.0% (6.5% for each year away from 20 years of service).

The information on this page applies to members with a participation date prior to 9/1/08.

DETERMINING RETIREMENT BENEFITS

The three systems administered by KRS are qualified defined benefit plans. A defined benefit plan pays benefits based on a formula. The formula for calculation of benefits is:

Benefit Formula

| Final Compensation | X | Benefit Factor | X | Years of Service |
|--|---|---|---|--|
| Fiscal year earnings used when calculating your retirement benefit | | Benefit factors are set by statute and vary depending upon the type/amount of service, participation date and retirement date | | Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program). |

FINAL COMPENSATION

★ Note: Payments for compensatory time are included in this calculation.

For members who began contributing to KRS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final Compensation is determined by dividing the total salary earned (5-High or 3-High) by the total months worked, then multiplying by twelve (see the example on page 23 and 24).

Non-Hazardous members Non-Hazardous retirement benefits are based upon 5-High Final Compensation. When Final Compensation is based on the 5-High, it must include at least 48 months and a minimum of five fiscal years. The example below walks you through the final compensation calculation.

For example: John Doe is a Non-Hazardous employee and is planning to retire August 1st. To see John's annual benefit turn to page 26.

| Fiscal Year | 5-High | Months |
|--------------|------------------|-----------|
| 2012-2013 | \$2,625 | 1 |
| 2011-2012 | \$31,295 | 12 |
| 2010-2011 | \$29,795 | 12 |
| 2009-2010 | \$28,295 | 12 |
| 2008-2009 | \$27,795 | 12 |
| <i>Total</i> | <i>\$119,805</i> | <i>49</i> |

John's 5-High salary total comes to \$119,805 which is then divided by 49 months, averaging to \$2,445. Finally, multiply this average by 12 months (to annualize), yielding a Final Compensation of \$29,340.

The information on this page applies to members with a participation date prior to 9/1/08.



You can submit a request for a benefit estimate calculation using our self service website at <https://myretirement.ky.gov>.

Hazardous members retirement benefits are based upon 3-High Final Compensation. When Final Compensation is based on the 3-High, it must include at least 24 months and a minimum of three fiscal years.

For example: Jane Smith is a hazardous employee and is planning to retire August 1st.

| Fiscal Year | 3-High | Months |
|-------------|----------|--------|
| 2012-2013 | \$3,625 | 1 |
| 2011-2012 | \$40,000 | 12 |
| 2010-2011 | \$38,500 | 12 |
| Total | \$82,125 | 25 |

Jane's 3-High salary total comes to \$82,125 which is then divided by 25 months, averaging to \$3,285. Finally, multiply this average by 12 months (to annualize), yielding a Final Compensation of \$39,420.

For hazardous and non-hazardous members, if the years with the highest monthly average (5-High or 3-High) do not contain the minimum number of months required (48 months or 24 months), additional years must be added into the Final Compensation until the minimum number of months required has been obtained. The fiscal years do not have to be consecutive, although for most members, the last years are generally the years of highest earnings.

Members approaching retirement should plan termination of employment so that the last day of employment is the last working day of the month. Otherwise, the member's Final Compensation might be reduced as a result of an individual's final month representing only a partial month's wages.



U.S.C.
United States Code

For fiscal years beginning with 1996-97, Final Compensation will be limited to the annual compensation limits in 26 U.S.C. 401(a)(17). Members who may be subject to this limitation will want to contact the retirement office to determine the most advantageous time to retire.

The information on this page applies to members with a participation date prior to 9/1/08.

A member who has hazardous and non-hazardous service will receive two monthly benefits upon retirement: one for the hazardous service and one for the non-hazardous service. In this situation, a member will have 5-High Final Compensation for the non-hazardous service and 3-High Final Compensation for the hazardous service.

 Generate benefit estimates for different retirement dates online at <https://myretirement.ky.gov>.

Usually, a member’s Final Compensation can be increased if termination of employment is timed so that it occurs in the early part of a new fiscal year (as opposed to terminating employment at the end of a fiscal year). KRS’ fiscal year begins July 1 and ends June 30. A retirement date of August 1 or September 1 may be an appropriate time to retire because of the effect on Final Compensation. If provided, the Cost of Living Adjustments (COLAs) for retirees are also effective in July. It is advisable to compare retirement prior to the effective date of a potential COLA (June or earlier) with retirement after July. A recipient who has been retired less than 12 months will receive a reduced COLA prorated based on the number of months the recipient has received a benefit.

BENEFIT FACTORS

Benefit factors are set by statute and vary depending upon the type of service, amount of service, participation date and the retirement date. The benefit factors shown below apply to members with participation prior to September 1, 2008.

The years of service used to calculate retirement benefits include current service, prior service, purchased service, and sick leave service (See Chapter 3 for more information on Service Credit).

Non-Hazardous Member Benefit Factors

KERS 1.97% if: Member does not have 13 months credit for 1/1/1998-1/1/1999.

KERS 2.00% if: Member has 13 months credit from 1/1/1998-1/1/1999.

CERS 2.20% if: Member begins participating prior to 8/1/2004.

CERS 2.00% if: Member begins participating on or after 8/1/2004 and before 9/1/2008.

Hazardous Member Benefit Factors

KERS 2.49%

CERS 2.50%

SPRS 2.50%

Only KERS and CERS members in an approved hazardous duty position are eligible.

The information on this page applies to members with a participation date prior to 9/1/08.

YEARS OF SERVICE CREDIT

The years of service used to calculate retirement benefits include current service, prior service, purchased service, and sick leave service (See Chapter 3 for more information on Service Credit).

EXAMPLE OF RETIREMENT FORMULA

For example, John Doe works in a Non-Hazardous position for an agency participating in CERS. He is retiring August 1st with a Final Compensation of \$29,340 and 27 years of Service Credit. The retirement formula is: Final Compensation multiplied by Benefit Factor (%) multiplied by Years of Service equals Annual Benefit. In John's case, his retirement benefit totals \$17,427.96 per year.

$$\$29,340 \times 2.2\% \times 27 \text{ years} = \$17,427.96$$

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic Option.

$$\$17,427.96 / 12 \text{ months} = \$1,452.33$$

In this case, his monthly payment would be \$1,452.33 under the Basic payment option.

The information on this page applies to members with a participation date prior to 9/1/08.

PARTICIPATION DATE 9/1/08 OR AFTER

★ Note: The following pages apply to members with a participation date on or after 9/1/08. If you began participating prior 9/1/08, turn to page 21 to learn more about your retirement formula for retirement benefits.

Non-Hazardous members

For Non-Hazardous members, the require-

ments for an Unreduced Benefit are:

- ☛ A non-hazardous member, age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87.
- ☛ A non-hazardous member, age 65, with at least 60 months of service credit may retire at any time with no reduction in benefits.

The requirements for a Reduced Benefit are:

- ☛ A non-hazardous member, age 60 or older, with at least 120 months of service credit may retire with a reduction in benefits.

★ Note: Refer to page 22 for the reduction amounts for Non-Hazardous members.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement. The reduction amount is the same for all members, regardless of participation date.

Hazardous members

For Hazardous members, the requirements for an Unreduced Benefit are:

- ☛ A hazardous member with 25 or more years of service may retire at any time with no reduction in benefits.
- ☛ A hazardous member, age 60 or older, with at least 60 months of service credit may retire at any time with no reduction in benefits.

For Hazardous members, the requirements for a Reduced Benefit are:

- ☛ A hazardous member, age 50 or older, with at least 180 months of service credit may retire with a reduction in benefits.

★ Note: Refer to page 22 for the reduction amounts for Hazardous members.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement. The reduction amount is the same for all members, regardless of participation date.

DETERMINING RETIREMENT BENEFITS

The three systems administered by KRS are qualified defined benefit plans. A defined benefit plan pays benefits based on a formula. The formula for calculation of benefits is:

| Final Compensation | X | Benefit Factor | X | Years of Service |
|--|---|--|---|---|
| Fiscal year earnings used when calculating your retirement benefit | | Benefit factors are set by statute and vary depending upon the type/ amount of service, participation date and retirement date | | Years of service represents your total service credit at the time of retirement |

The information on this page applies to members with a participation on or after 9/1/08.

FINAL COMPENSATION



Note: Payments for compensatory time are not included in the final compensation calculation.

Non-Hazardous members

Final Compensation is calculated by taking the average of the last (not highest) five full fiscal years of salary. Partial fiscal years will not be included.

Hazardous members

Final Compensation is calculated by taking the average of the highest three full fiscal years of salary. Partial fiscal years will not be included.

| Non-Hazardous Members | | |
|---|-----------|--------|
| Fiscal Year | Last 5 | Months |
| 2010-2011 | \$38,500 | 12 |
| 2011-2012 | \$40,000 | 12 |
| 2012-2013 | \$42,000 | 12 |
| 2013-2014 | \$44,000 | 12 |
| 2014-2015 | \$46,000 | 12 |
| Total | \$210,500 | 60 |
| $\$210,500 / 60 \text{ mos.} \times 12 = \mathbf{\$42,100}$ | | |

| Hazardous Members | | |
|---|-----------|--------|
| Fiscal Year | 3-High | Months |
| 2012-2013 | \$42,000 | 12 |
| 2013-2014 | \$44,000 | 12 |
| 2014-2015 | \$46,000 | 12 |
| Total | \$132,000 | 36 |
| $\$132,000 / 36 \text{ mos.} \times 12 = \mathbf{\$44,000}$ | | |

BENEFIT FACTORS

Benefit factors are set by statute and vary depending upon the type of service, amount of service, participation date and the retirement date. The benefit factors shown below apply to members with participation on or after September 1, 2008. Benefit factors are applied based on a tiered structure. Higher factors are attained as members reach specified levels of service.

| Non-Hazardous Member Benefit Factors | |
|--------------------------------------|----------------|
| Service Credit | Benefit Factor |
| < 120 months | 1.10% |
| 121 - 240 months | 1.30% |
| 241 - 312 months | 1.50% |
| 313 - 360 months | 1.75% |
| > 360 months* | 2.00% |

**The 2.0% benefit factor only applies to service credit in excess of 30 years.*

| Hazardous Member Benefit Factors | |
|----------------------------------|----------------|
| Service Credit | Benefit Factor |
| < 120 months | 1.30% |
| 121 - 240 months | 1.50% |
| 241 - 300 months | 2.25% |
| > 300 months | 2.50% |

YEARS OF SERVICE CREDIT

The years of service used to calculate retirement benefits include current service, prior service, purchased service, and sick leave service (See Chapter 3 for more information on Service Credit). Members with a participation date on or after September 1, 2008 may receive a maximum of 12 months of service credit for unused sick time. Please note that the sick leave service credit does not count toward retirement eligibility or health insurance benefits.

The information on this page applies to members with a participation on or after 9/1/08.

EXAMPLE OF RETIREMENT FORMULA

Jerry Doe is retiring with 30 years of non-hazardous service at age 57 with a \$42,100 Final Compensation. The retirement formula is : Final Compensation multiplied by Benefit Factor (%) multiplied by Years of Service equals Annual Benefit. In Jerry's case, his retirement benefit totals \$22,102.50 per year.

$$\$42,100 \times 1.75\% \times 30 \text{ years} = \$22,102.50$$

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic Option.

$$\$22,102.50/12 = \$1,841.88$$

In this case, his monthly payment would be \$1,841.88 per month under the Basic payment option.

The information above applies to members with a participation on or after 9/1/08.

RETIREMENT PAYMENT OPTIONS

Upon retirement, KRS provides various payment options so that a retiring employee can select a monthly benefit option most suited to his or her particular retirement needs. The amounts shown in the retirement estimate on page 31 are based on a non-hazardous employee's account and are meant only as an example.

A Member who is retiring should carefully review his payment options because no changes can be made to the payment option or the designated beneficiary of the retirement account on or after the first day of the month in which a member receives his first retirement allowance.



Login to our self-service website at <https://myretirement.ky.gov> to generate estimates naming different beneficiaries to determine if your payment options are impacted by the IRS rules.

Each member planning to retire should also consider each option by assuming various contingencies and the likelihood of the contingencies occurring (i.e. the beneficiary dies before the member). Members should keep in mind that, for most payment options, an individual must be receiving a monthly retirement allowance to participate in the medical insurance program. This is particularly important if a spouse or any dependent children will need continued medical insurance coverage after the member's death. Members should also be aware that if a non-spouse beneficiary is designated for the retirement account, certain payment options may not be available to the member. IRS regulations require that KRS perform a test on certain payment options to determine the age difference between a member and a non-spouse beneficiary.

PAYMENT OPTION DESCRIPTIONS



Note: Under the Basic option, the payment would stop upon the member's death, unless the member had not received all of his account balance.

Basic option

This option provides a monthly benefit to the member until death. It does not provide any benefits to the beneficiary after the member's death. It provides the highest monthly lifetime benefit. If the member dies before receiving an amount equal to his or her account balance at the time of retirement, the beneficiary will receive the difference.

★ Note: If a member selected Life with 10, 15, or 20 Years Certain and a trust or his estate is beneficiary, the trustee or estate shall receive a lump sum payment totaling the actuarial equivalent of the remaining payments.

Life with 10 years certain A member, age 75 or younger, may choose this option. This guarantees payments for a 120 month period, which begins when the member retires. If the member dies before 120 payments have been made, the beneficiary will receive the remaining payments. If the estate or a trust is the beneficiary, the estate or trust shall receive a lump-sum payment which shall be the actuarial reduced equivalent to the remaining payments. If the member survives past the 120 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

Life with 15 years certain A member, age 67 or younger, may choose this option. This guarantees payments over a 180 month period, which begins when the member retires. If the member dies before 180 payments have been made, the beneficiary will receive the remaining payments. If the estate or a trust is the beneficiary, the estate or trust shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments. If the member survives past the 180 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

★ Note: If the beneficiary is not receiving a monthly benefit upon the member's death, the beneficiary cannot participate in the insurance program.

Life with 20 years certain A member, age 61 or younger, may choose this option. This guarantees payments over a 240 month period, which begins when the member retires. If the member dies before 240 payments have been made, the beneficiary will receive the remaining payments. If the estate or a trust is the beneficiary, the estate or trust shall receive a lump-sum payment, which shall be the actuarial equivalent to the remaining payments. If the member survives past the 240 month period, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

If the member dies before the 120, 180 or 240 month period ends and the beneficiary is receiving the benefit, the beneficiary's estate would be entitled to any remaining benefits if the beneficiary dies before all payments have been made.

★ Note: Under the Survivorship 100%, 66 2/3% and 50% options, the payments would stop upon the member's death if the beneficiary preceeded the member in death.

Survivorship 100% option This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for the same monthly benefit until death.

Survivorship 66 2/3% option This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 66 2/3% of the member's monthly benefit until death.

Survivorship 50% option This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 50% of the member's monthly benefit until death.

Pop-Up option This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for the same monthly benefit until death; however, if the beneficiary dies before

the member, the member’s monthly benefit “Pops-Up,” or increases, to the amount under the Basic Option. The member’s benefit will also Pop-Up if the member’s beneficiary is a spouse and they become divorced.

Social Security adjustment option (without survivor rights) A member under age 62 may elect to take a larger monthly payment until reaching age 62, when they may be eligible for Social Security. The monthly benefit will be reduced the month following the member’s 62nd birthday. This option allows the member to draw a larger benefit until age 62. This option does not affect the amount of Social Security that the member will receive. A beneficiary is not eligible for benefits if the member dies.

Social Security adjustment option (with survivor rights) This provides the same benefits as the Social Security Adjustment Option Without Survivor Rights. In addition, it guarantees the same benefit to the beneficiary if the member dies. If the member dies before age 62, the beneficiary draws the higher payment until the member would have become age 62. Thereafter, the beneficiary will receive the same reduced monthly benefit that the member would have received.

Actuarial equivalent refund option This option provides a one-time lump sum payment to the member that is the actuarial equivalent of the amount the member would have received had his or her benefits been paid over 60 months. Be especially careful when considering this payment option. By selecting this option, the member forfeits health insurance benefits, the death benefit and any other KRS benefits. This is a retirement benefit, not a refund of the member’s account. An individual electing this payment option cannot repay the actuarial refund if employed with a participating employer at a later date. If you select this option, you may be subject to additional tax penalties. You may wish to consult a tax advisor. This option normally takes longer to process than a continuing monthly payment option.

★ Note: If a non-spouse beneficiary is selected at time of retirement, certain payment options may not be available depending on the age difference between the member and the beneficiary.

Below is a listing of John’s payment options.
(From Retirement Formula Example on Page 26)

| Payment Options | Member Payment | (or) Beneficiary Payment |
|--|-----------------------------------|---|
| Basic | \$1,452.33 | \$0.00 |
| Life with 10 years certain | \$1,426.38 | \$1,426.38 (or) \$0.00 |
| Life with 15 years certain | \$1,399.38 | \$1,399.38 (or) \$0.00 |
| Life with 20 years certain | \$1,367.05 | \$1,367.05 (or) \$0.00 |
| Survivorship 100% | \$1,272.52 | \$1,272.52 |
| Survivorship 66 2/3% | \$1,326.95 | \$884.68 |
| Survivorship 50% | \$1,356.08 | \$678.04 |
| Pop-Up Option | \$1,264.99 or Basic | \$1,264.99 |
| Social Security Option <i>Without Survivor Rights</i> | \$1,727.04 <i>Until Age 62</i> | \$1,227.04 <i>Age 62 & After</i> |
| Social Security Option <i>With Survivor Rights</i> | \$1,567.30 <i>Until Age 62</i> | \$1,067.30 <i>Age 62 & After</i> |

★ Note: You cannot rename a beneficiary in retirement. If your designated beneficiary dies before you or if you divorce, consider what happens to the benefit payment.

John Doe can also reject all monthly payment options and request an actuarial refund of approximately \$72,564.07.

TAX TREATMENT OF BENEFITS

Federal income tax Monthly benefits from KERS, CERS and SPRS are subject to federal income tax. If a member made contributions with after-tax dollars, then a portion of the monthly benefit will not be subject to federal income tax.

★ Note: After August 1, 1982, all employee contributions are pre-tax deductions per Section 414(h) of the Internal Revenue Code.

State income tax All benefits attributable to service earned on or before December 31, 1997, are exempt from Kentucky income tax. The portion of the member's benefits earned January 1, 1998 and after is subject to Kentucky income tax. Retirement credit for unused sick leave is treated as being earned at the time of retirement.

 **IRA**
Individual Retirement Account

Retirement income from all sources including KERS, CERS and SPRS benefits earned January 1, 1998 or after, as well as income from private pensions such as IRAs, Deferred Compensation and others may be excludable up to a certain amount (see Schedule P in the Kentucky income tax forms for the exclusion amount and calculation).

Minimum distribution requirements Federal tax law requires members who are no longer working for a participating KRS employer to begin drawing benefits or withdraw contributions soon after reaching age 70½. If you are age 65 or older, you may wish to begin planning for withdrawal or retirement in order to avoid any applicable tax penalties. If you are age 70½ or older and no longer contributing to one of the Systems, please contact the KRS immediately for the appropriate forms to apply for retirement or a refund to avoid substantial and recurring federal tax penalties.

Federal tax law also requires the beneficiary of an active or retired member to begin receiving benefits or take a refund soon after the member's death. Beneficiaries should contact the retirement office soon after the member's death to begin receiving benefits or take a refund in order to avoid any applicable penalties.

DIVORCE AND RETIREMENT BENEFITS

A final divorce decree voids the designation of a spouse as beneficiary. If the divorce occurs after the first day of the month in which the member receives his first retirement allowance, the retired member's estate becomes the beneficiary of the account. The member's estate will not be entitled to payments under a survivorship payment option. In the event of remarriage to the former spouse, the former spouse who was the named beneficiary on the member's notification of retirement shall be reinstated as the member's beneficiary for the survivorship payment option previously chosen.

 **QDRO**
Qualified Domestic Relations Order

KRS accepts and enforces QDROs that are submitted in accordance with Kentucky Revised Statute 61.690 and 105 KAR 1:190. QDROs will only be accepted if they are on the form incorporated by reference to the administrative regulation.

 **KAR**
Kentucky Administrative Regulation

 Forms are available on the KRS website at <https://kyret.ky.gov>.

If you now have a QDRO that is not on the form provided by KRS you must return to court and obtain a new QDRO on the form provided by KRS. Otherwise, your QDRO cannot be accepted or enforced. QDROs will only be administered prospectively and KRS will not be responsible for collecting any payments that are delinquent at the time KRS accepts the QDRO.

Qualified domestic relations orders that were accepted by KRS for enforcement prior to July 14, 2000 will not be affected by Kentucky Revised Statute 61.690 and no action is necessary for those orders to remain in effect.

The alternate payee of a QDRO is not eligible to enroll for health insurance coverage through KRS.

Chapter 5

Medical Insurance & Other Benefits

KRS provides group rates on medical insurance and other managed care coverage for retired members.

Participation in the insurance program is optional and requires the completion of the proper forms at the time of retirement and each year during open enrollment (if applicable) in order to obtain insurance coverage.

KRS provides access to group health insurance coverage through the Kentucky Employees Health Plan for recipients until they reach age 65 and/or become Medicare eligible. After a retired or disabled retired member becomes eligible for Medicare, coverage is available through a Medicare eligible plan offered by KRS.

If a member, member's spouse and/or eligible dependent(s) become eligible for Medicare due to a disability, the member, member's spouse and/or eligible dependent(s) **MUST** enroll in a KRS Medicare eligible plan. If a retired member is **NOT** eligible for Medicare, the retired member, retired member's spouse, and/or eligible dependents may be covered on health insurance through KRS on a Non-Medicare eligible plan.

MEDICAL INSURANCE COVERAGE

★ Note: This page applies to members with a participation date prior to 7/1/03. If you began participating on or after 7/1/03, refer to the next page to learn more about your insurance benefits.

Members participating prior to July 1, 2003 KRS pays a percentage of the monthly contribution rate for medical insurance coverage based on the retired member's years of service and type of service (hazardous or non-hazardous). Purchases made 8/1/04 or after, other than omitted service, hazardous conversion, and recontribution of refund are not applicable to insurance eligibility. The percentage of the monthly contribution rate paid is shown below:

| Non-Hazardous | Member % Paid ¹ | Hazardous | Member & Dependent Coverage Paid ² |
|-------------------|----------------------------|-------------------|---|
| 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% |

★ Note: For hazardous members, the portion paid toward couple, parent plus or family coverage is based solely on the amount of service the member has in an approved hazardous position.

¹ 100% of the monthly insurance contribution for a retired member in a non-hazardous position who is totally and permanently disabled from any occupation for remuneration or profit as a result of a duty-related injury, regardless of actual service.

★ Note: Certain CERS hazardous members who were contributing as of January 1998 and had non-hazardous service as police officers or firefighters may be able to use their total service to qualify for the additional contribution towards dependent coverage.

100% of the monthly insurance contribution for the spouse and dependent children of a member who was in a non-hazardous position and died as a result of a duty-related injury, regardless of the deceased member's service. Insurance benefits will be provided as long as the spouse and dependent children are eligible for a monthly benefit.

² 100% of the monthly insurance contribution for a member, member's spouse and eligible dependents if the member is in a hazardous position and is disabled in the line of duty as a result of a duty-related injury, regardless of actual service. Insurance benefits will be provided as long as the spouse and dependent children are eligible for a monthly retirement benefit.

100% of the monthly insurance contribution for the spouse and dependent children of a member who was in a hazardous position and dies in the line of duty regardless of the member's service. Insurance benefits will be provided as long as the spouse and dependent children are eligible for a monthly benefit.



Note: This page applies to members with a participation date on or after 7/1/03 and on or after September 1, 2008.

Members with a participation date between July 1, 2003 and August 31, 2008

The member must earn at least one hundred twenty (120) months of service in the state-administered retirement systems to be eligible for insurance benefits. Members with a participation date of July 1, 2003 or after, and who retire with less than 120 months of service credit applicable to insurance eligibility, may not participate in the health plans offered through KRS.

Members with a participation date on or after September 1, 2008

The member must earn at least one hundred eighty (180) months of service in the state-administered retirement systems to be eligible for insurance benefits. Members with a participation date of September 1, 2008 or after, and who retire with less than 180 months of service credit applicable to insurance eligibility, may not participate in the health plans offered through KRS.

Non-Hazardous members whose participation begins on or after July 1, 2003 will earn a contribution for insurance of ten dollars (\$10) per month for each year of earned service.

For example, if a non-hazardous member began participating October 1, 2008 and retires with 20 years of actual service, the contribution paid by KRS for insurance coverage is \$200 per month.

Hazardous duty members whose participation begins on or after July 1, 2003 will earn a contribution for insurance of fifteen dollars (\$15) per month for each year of service. Upon the retiree's death, the spouse of a hazardous duty member will receive a monthly insurance contribution of ten dollars (\$10) per month for each year of hazardous duty, provided the spouse is designated as beneficiary and remains eligible for monthly benefits upon the retired member's death.

For example, if a hazardous duty member began participating July 1, 2003 and retires with 20 years of actual hazardous service, the contribution paid by KRS for insurance coverage will be \$300 per month. Upon the member's death, the spouse, if eligible, would receive a monthly insurance contribution of \$200 per month.

The monthly insurance contribution will be increased annually by 1.5%. The annual increase shall be cumulative and shall continue to accrue after the member's retirement for as long as a monthly insurance contribution is payable to the retired member or beneficiary.

Retired Reemployed Members If the retiree has an initial participation date with KRS after September 1, 2008 and is reemployed after retirement in a regular full-time position, the employee will not be eligible for health insurance coverage through KRS and will be required to take health insurance coverage through his employer during the period of reemployment.

WAIVER OF INSURANCE COVERAGE

If a retiring member chooses to waive insurance coverage through KRS, the contribution KRS would have paid toward insurance is forfeited and coverage through KRS cannot be obtained until the next annual open enrollment period, unless a qualifying event occurs.

COLA FOR RETIREES



COLA Cost of Living Adjustment

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. However, the General Assembly has the authority to reduce, increase, suspend or eliminate the COLA in the future. **The COLA is not a guaranteed benefit.** If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

\$5,000 DEATH BENEFIT



Find Form 6030 on the KRS website at <https://kyret.ky.gov>.

A retired member receiving a monthly benefit based on at least 48 months or more of combined service with KERS, CERS, or SPRS shall be entitled to one \$5,000 death benefit from KRS payable upon his or her death. The retired member may designate an individual, estate, funeral home or established trust as beneficiary. This benefit is not a form of insurance since there is no policy, and the beneficiary can be changed at any time prior to the member's death by completing and filing a new Form 6030, Death Benefit Designation, at the KRS office. The beneficiary, administrator of the member's estate, trustee or funeral home must submit proper documentation of the member's death and appropriate documents required by KRS. The \$5,000 death benefit is subject to federal income tax and may be eligible in certain instances for a direct rollover to defer taxes.

The \$5,000 death benefit applies only to beneficiaries of retired members receiving a monthly benefit based upon at least 48 months of service credit.

Chapter 6

Retirement & Reemployment

 Login to our self service website at <https://myretirement.ky.gov> to generate a benefit estimate.

★ Note: If you are coming to KRS to discuss retiring, submit Form 6000 (Notification of Retirement) in advance.

 Find Form 6000 on the KRS website at <https://kyret.ky.gov>.

A member considering retirement within the next two years should obtain an estimate of retirement benefits. This estimate can be helpful in determining post-retirement income.

KRS provides benefits counseling and the retirement office is open Monday through Friday from 8:00 am to 4:30 pm Eastern time. Appointments are required.

If you will be eligible for Social Security at the time of retirement, you may want to contact your local Social Security Administration office at least 90 days before the anticipated retirement date. Social Security benefits and requirements differ from those of KRS. If you will be eligible for Medicare at retirement, it is advisable to contact the Social Security office even earlier. Medicare-eligible retirees must present a copy of their Medicare card if they are applying for Medicare-eligible insurance coverage. If you are considering a service purchase, you should allow several months to obtain any documentation on the service. In almost every case, the service must be purchased prior to termination and while a contributing member.

WHEN TO FILE FOR BENEFITS

About 45 to 60 days before your retirement date, you should complete the Form 6000, Notification of Retirement, and return it to KRS. You may file the Notification of Retirement up to six (6) months prior to your retirement date. Once you file, the beneficiary on your Notification of Retirement supersedes all previous designations. The estate of the recipient would become the beneficiary if both you and the beneficiary on your Notification of Retirement should die.

EXCEPTION: If the Form 6000 is withdrawn, invalid, or voided, the prior beneficiary designation on file with KRS is reinstated until changed by the member.

★ Note: You should notify your employer so that your employer will be aware of your intended retirement date.

You must include a copy of your birth certificate with the form if you have not previously provided a copy to the KRS office. A copy of the birth certificate is also required if you name a person as beneficiary.

Your employer must complete the employer certification (Section H) of Form 6000 in order for KRS to include future salary, service, and sick and compensatory leave balances in your estimated retirement allowance.

AFTER YOU FILE FORM 6000

★ Note: All required forms and documentation must be filed with our office by the last day of the month prior to your effective retirement date.

After receiving the Form 6000 KRS will mail a Form 6010, Estimated Retirement Allowance, and other information including Form 6200 for insurance coverage. If you elect to receive a monthly benefit, you should complete and return Form 6010, Estimated Retirement Allowance.

You must select one payment option, then sign and date the Form 6010. There is a space for a spouse to sign if you are married. The Form 6010 must be signed by a witness. Your spouse's signature may serve as the witness signature. Return the completed forms and any required documents to KRS.

If you elect to receive an actuarial or lump sum refund, complete and return the Form 6010 and Form 6025, Direct Rollover/Direct Payment Election. We require additional verification from your employer before we can process a refund which may delay your check. Upon receipt of the Forms 6010 and 6025, we will mail any required forms to you and your employer for completion.

★ Note: Refer to pages 33-34 to read more about eligibility for health insurance benefits.

All forms and required documentation must be filed with our office by the last day of the month prior to your effective retirement date. If you will be receiving a monthly payment, you may be eligible for health insurance coverage 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.

YOUR FIRST RETIREMENT CHECK

★ Note: If the 14th of the month is a weekend or holiday, retirement checks are mailed or deposited the last business day preceding the 14th.

If all required forms have been completed properly and returned by the end of the month prior to your retirement date, the first retirement check will be deposited or mailed on the 14th of the first month of retirement. After the initial payment, the monthly benefit will be deposited to the retired member's account on the 14th of each month. Members are required to have the monthly retirement benefit deposited directly to their bank accounts, unless their bank does not participate in the Automated Clearing House or the member does not have an account with a financial institution. If the member elects to receive a retirement or actuarial refund, the check cannot be issued until additional information is obtained from the agency and the post retirement audit has been completed; therefore, the payment may not be issued the first month of retirement. Retirement and actuarial refunds are generally issued 45 days from the effective retirement date if all required information has been received.

IMPORTANT CONSIDERATIONS

 Insurance forms and plan information can be found online at <https://kyret.ky.gov>. Click on the Retirees & Family link from the home page.

It is very important that all forms, especially insurance forms, be completed and returned prior to the desired retirement date. If insurance forms are not returned by the last business day of the month prior to the month of retirement, insurance coverage may lapse.

If you do not return the Form 6010(s) on which you selected a payment option within six (6) months, your Notification of Retirement will be voided. You will need to file a new Notification of Retirement, and the effective retirement date will be after receipt of the second Notification of Retirement. Until a post retirement audit of your account is completed, the monthly benefit will be based on the estimate of benefits made prior to final wages being reported by your employer. Once all wages, contributions and sick leave balances have been reported and the date of termination verified, your benefit payment may be adjusted (up or down) to reflect higher or lower actual earnings retroactive to the retirement date. Retirement benefits will not be adjusted unless the adjustment results in a difference of at least \$2 in your monthly payment.

KRS is statutorily required to correct all errors in records without exception. If an error regarding your account is discovered after the post retirement audit, it will be corrected. If the correction of the error reveals that you have been overpaid benefits, you are required to repay the benefits.

★ Note: At the time of reemployment, the agency and retiree must certify on Form 6751 (Member and Employer Certification Regarding Reemployment) that no prearranged agreement existed.

 **KAR**
Kentucky Administrative Regulation

 Find Form 6751 online at <https://kyret.ky.gov>.

★ Note: If the retiree does not observe the proper break, retirement is voided and all benefits must be repaid to KRS.

Most members pursue personal interests after retirement - the reward for their service to the public. Some members use retirement to begin a second career. Others return to work for financial reasons. Whatever the reason, there are several considerations before accepting other employment.

The following is an overview of the requirements of Kentucky Revised Statute (KRS) 61.637, the employment after retirement statute, and 105 KAR 1:390, the employment after retirement regulation. **If** you plan to return to employment in any capacity, you **must** obtain a written opinion from KRS **before starting work** in order to avoid any negative consequences to your monthly retirement benefit.

Bona fide separation from service When you retire, you must cease all employment with all CERS, KERS, and SPRS participating agencies. Retirees may not enter into a prearranged agreement to return to employment **in any position** with any agency participating in CERS, KERS, and SPRS. At the time of reemployment, the participating agency and retiree must certify on the Form 6751, under penalty of perjury, that no prearranged agreement exists. A prearranged agreement does not have to be in writing. An oral agreement or a mutual understanding is a prearranged agreement.

In order to avoid having a prearranged agreement, the wisest course of action is to wait until after your effective retirement date to seek employment with any agency that participates in CERS, KERS, or SPRS. You do not have to submit a Form 6751 if you do not intend to return to work. A Form 6751 completed prior to your effective retirement date by you and an agency participating in CERS, KERS, and SPRS tends to suggest a prearranged agreement if you do return to work, for that agency, even if the Form 6751 was not submitted until after your effective retirement date.

If you return to work and are found to have a prearranged agreement to return to work, your retirement will be voided and you will have to repay all retirement benefits you received, the health insurance premiums paid on your behalf, and any dependent child payments.

Duration of separation from service An employee who is retiring and returning to work will be required to observe a break in service of either one (1) or three (3) months before returning to work with a participating agency. Most employees will be required to observe a three (3) month break in service before returning to work. If you do not observe your break in service, your retirement will be voided and you will have to repay all retirement benefits you received, the health insurance premiums paid on your behalf, and any dependent child payments.

There are many factors that may impact your eligibility to pursue employment after retirement. You **must** contact KRS regarding your specific circumstances **and obtain a written opinion from KRS before** you accept employment after retirement.



Note: Please see the Disability section of the Handbook for more information on reemployment while on disability.

Participation in KRS

If the retiree is returning to a regular full-time position on September 1, 2008, or later, the retiree will not make contributions to KRS. The reemployed retiree will earn no service credit during the period of reemployment and will not be eligible for any additional retirement benefits based upon the reemployment.

Health Insurance

If the retiree has an initial KRS participation date on or before August 31, 2008, and is reemployed after retirement after September 1, 2008 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.

If the retiree has an initial KRS participation date on or after September 1, 2008, and is reemployed after retirement in a regular full-time position, the employee will not be eligible for health insurance coverage through KRS and will be required to take health insurance coverage through his employer during the period of reemployment.

State law requires that the retiree and employer notify KRS if the retiree is going to accept employment with or volunteer for an agency participating in the Kentucky Retirement Systems, including working in a non-participating position, through a third party at a participating agency, or as an independent contractor.

Before You Begin Reemployment

Obtain Form 6751, “Member and Employer Certification Regarding Reemployment” by contacting KRS, downloading a copy from the KRS website or contacting your prospective employer.

- ☛ Complete the employee section, obtain certification from your prospective employer and return the form to KRS, and submit a letter outlining the details of your reemployment to KRS **before returning to work**.
- ☛ **Wait for approval from KRS before returning to work.** Response time may require up to several weeks depending on the volume of requests. Requests are processed in the order they are received. *Allow sufficient time for a response before your expected reemployment date.*

Chapter 7

Disability & Death

If you become disabled during the course of employment, you may be eligible to receive disability retirement benefits.

Provided below are the requirements necessary to qualify for disability retirement as well as the steps you must take in order to apply for benefits. *Please note that in all cases, members participating prior to August 1, 2004 who are eligible for an unreduced benefit cannot apply for a disability benefit.*

QUALIFICATIONS FOR NON-HAZARDOUS MEMBERS

In order to qualify for disability retirement, a non-hazardous member must meet the following requirements.

- ☛ The member must have a minimum of 60 months of service credit, 12 of which are credited as current service.¹
- ☛ The member's application shall be on file at KRS no later than 24 months after the last day of paid employment in a regular full-time position as defined in Kentucky Revised Statute 61.510.
- ☛ The medical examiners contracted by KRS determine that the member is functionally incapacitated since his or her last day of paid employment from performing his or her job, or a job of similar duties.

An incapacity must not result directly or indirectly from bodily injury, mental illness, disease or condition which pre-existed the membership in KRS or re-employment, whichever is more recent. The prohibition against pre-existing conditions shall not apply if the incapacity is the result of bodily injury, mental illness, disease or condition that has been substantially aggravated by an injury or accident arising out of or in the course of employment, or if the member has at least 16 years of current or prior service with employers participating in KRS.

¹The 60 month service requirement shall be waived if the disability is a result of a duty-related injury. A duty-related injury is a single traumatic event that occurs while the employee is performing the duties of his position; or a single act of violence committed against the employee that is found to be related to his job duties, whether or not it occurs at his job site. The person must be totally and permanently disabled to engage in any occupation for remuneration or profit as a result of a duty-related injury.

QUALIFICATIONS FOR HAZARDOUS MEMBERS

Hazardous disability means a disability which results in an employee's total incapacity to continue as an employee in a hazardous position, but the employee is not necessarily deemed to be totally and permanently disabled to engage in other occupations for remuneration or profit. Total and permanent disability means a disability which results in the member's incapacity to engage in any occupation for remuneration or profit. The following criteria must be met:

- ☛ The person must have a minimum 60 months of service credit, 12 of which are credited as current service.²
- ☛ The member's application must be on file at KRS no later than 24 months after the last day of paid employment in a regular full-time position as defined by Kentucky Revised Statute 61.510.

 The medical examiners contracted by KRS determine:

- » The member is incapable of engaging in any occupation for remuneration or profit, or
- » The member is totally incapable of working in a hazardous position, but may still be capable of performing other types of work.

An incapacity must not result directly or indirectly from injury intentionally self-inflicted while sane or insane; injury or disease resulting from military service; bodily injury, mental illness, disease or condition which pre-existed membership in KRS or reemployment, whichever is more recent. The prohibition against pre-existing conditions shall not apply if the incapacity is the result of bodily injury, mental illness, disease or condition that has been substantially aggravated by an injury or accident arising out of or in the course of employment, or if the member has at least 16 years of current or prior service with employers participating in KRS.

²The 60 month service requirement shall be waived if the disability is a total and permanent disability or a hazardous disability that is a direct result of an act in the line of duty. An act in the line of duty is an act occurring or a thing done which was required in the performance of the specified duties.

STEPS REQUIRED TO APPLY FOR DISABILITY

★ Note: In some cases, you must provide an incident report with your disability application.

★ Note: An employee must make a request for reasonable accommodations under the Americans with Disabilities Act as provided for in 42 U.S.C. sec. 12111(9), and 29 C.F.R. Part 1630.

You **MUST** submit evidence of your request for accommodations.

Step 1: The member must accurately complete and file a Form 6000, Notification of Retirement, within 24 months of the last day of paid employment in a regular full-time position. Upon receipt of a valid Form 6000, a disability packet will be mailed which includes the forms listed below. If the member's disabling condition resulted from a duty-related injury (non-hazardous members) from of an act in the line of duty (hazardous members), an incident report must accompany the Form 6000.

Step 2: The member must obtain **all** medical information pertaining to the disabling condition for which he is applying for disability and file the information with KRS. KRS is not responsible for copying medical records for the member.

Step 3: The member must accurately complete a Form 8035, Employee Job Description, listing and describing the duties of the job performed as of the last day of paid employment and file the form with KRS.

Step 4: The member must accurately complete a Form 8040, Prescription and Non-prescription Medications, listing all current medications he or she is taking and file the form with KRS.

Step 5: Once Steps 2 - 4 have been completed, the member will need to certify that the information is ready for the medical examiners to review by completing a Form 8001, Certification of Application for Disability Retirement and Supporting Medical Information, and filing the form with KRS.

FORMS FOR EMPLOYER TO COMPLETE

Once the member has filed a valid Form 6000, KRS will request the following information from the employer:

 Employers may submit Form 8030 online.

 The employer must complete a Form 8030, Employer Job Description, listing and describing the duties performed by the person as of his or her last day of paid employment and file the form with KRS. The employer may complete and submit this form online using our Employer Self-Service Website.



ADA
American with Disabilities Act

U.S.C.
United States Code

C.F.R.
Code of Federal Regulations

 Requests for Accommodations: An employee must make a request for reasonable accommodations under the Americans with Disabilities Act (ADA) as provided for in 42 U.S.C. SEC. 12111(9) and 29 C.F.R. Part 1630 must be submitted. The employer must submit evidence of the response to the employee's request for accommodations. If the employee has not made a request as of the date the employer completes the Form 8030, the employer should indicate what accommodations could have been provided to the employee.

Note to Member: If you or your employer fail to complete and file the above forms and supporting medical information at KRS within 180 calendar days of the date you filed the Form 6000, Notification of Retirement, your application for disability retirement shall be void. This could possibly prevent you from qualifying for disability retirement benefits in the future or delay the disability decision by our medical examiners which may in turn delay your retirement benefit, and health insurance coverage with KRS.

DISABILITY APPLICATION REVIEW

★ Note: The incapacity must be expected to last at least 12 months or result in death to be considered permanent.

Determination of medical examiners

Upon receipt of the Form 8001 certifying that all objective medical evidence and other required forms are ready to be evaluated by the medical examiners, KRS will submit all evidence for review. The examiners must determine if the member, since his or her last day of paid employment, has been mentally or physically incapacitated to perform the job, or job of like duties, from which he or she received his or her last paid employment. The incapacity must be expected to last at least 12 months or result in death to be considered permanent. In addition, the incapacity cannot be directly or indirectly related to a condition that pre-existed membership or re-employment for persons with less than 16 years of service, unless objective medical evidence demonstrates that an injury or accident arising out of or in the course of employment substantially aggravated the underlying pre-existing condition.

If disability retirement is approved, the retirement benefit will be effective the first day of the month following the last day of paid employment.

Please note that your KRS medical insurance will be effective the first day of the month during which your disability is finalized for payroll. This may not be the same date as the effective date of your retirement. In many cases, the effective date of disability retirement is retroactive due to the time needed for approval by the medical examiners.

Health insurance coverage is not retroactive.

Appeal process If a member is denied disability retirement benefits by the medical examiners, the member will be notified of their right to appeal.

★ Note: A member receiving disability is not eligible for health insurance benefits until they receive a monthly benefit.

Annual review process

Members receiving disability benefits are required by law to undergo an employment and medical staff review once a year or less frequently as determined by the medical examiners, but not less than once every five years. The reviews continue until the member reaches normal retirement age. A member receiving disability benefits will be required to file current employment and medical information for the bodily injury, mental illness, or disease for which he or she is receiving a disability benefit.

Re-employment

A member receiving disability who contemplates re-employment must provide KRS with a detailed job description of the intended position. The job description must be completed by the employer. The medical examiners will review the intended position description to determine if the person may accept the new position and return to work and remain eligible to continue receipt of disability benefits. If a person receiving disability retirement benefits fails to disclose to KRS re-employment after disability retirement, KRS may recover all prior retirement benefits paid to or on behalf of the person while reemployed.

RECEIVING DISABILITY BENEFITS

How disability benefits are calculated

For members participating prior to August 1, 2004, disability benefits are calculated in the same manner as normal retirement benefits except that additional months of service may be added to the member's account depending on age and years of service.

Members participating on or after August 1, 2004 will be eligible for disability benefits based upon a different formula. The formula for non-hazardous members provides a disability benefit that is the higher of 20% of the final rate of pay, early/normal benefit based on actual service, actual age at retirement, actual Final Compensation with reduction, or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date with years of service and Final Compensation being determined as of the date of his or her disability.

For members participating on or after August 1, 2004, the formula for hazardous duty members provides a disability benefit that is the higher of 25% of the final rate of pay, early/normal benefit based on actual service, actual age at retirement, actual Final Compensation with reduction, or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date with years of service and Final Compensation being determined as of the date of his or her disability.

 Find Form 2035 on the KRS website at <https://kyret.ky.gov>.

Disability retirement maximum

If a member applies for Social Security disability and/or Workers' Compensation, the disability benefits from KRS shall be reduced if the combined income from KRS, Social Security, and Workers' Compensation exceeds 100% of the member's final pay or final compensation, whichever is greater.

DEATH BEFORE RETIREMENT

Naming a beneficiary

Prior to retirement, a member may name a principal and contingent beneficiary for his or her retirement account by completing and filing a Form 2035, Beneficiary Designation, with KRS. The principal beneficiary will receive benefits in the event of the member's death. The contingent beneficiary will receive benefits in the event of the member's death only if all of the named principal beneficiaries are deceased. A beneficiary may be one individual, multiple individuals, the member's estate, or a trust.

Prior to retirement, a member may change his or her beneficiary designation at any time by completing and submitting a new Form 2035 to KRS.

Eligibility requirement for benefits provided

If a member dies prior to retirement, the beneficiary may be eligible for a monthly benefit if the member was:

- ☛ Eligible for normal or early retirement at the time of death; or
- ☛ Under the age of 55 with at least 60 months of service credit and currently working for a participating agency or on official leave at the time of death; or
- ☛ No longer working for a participating agency but at the time of death had at least 144 months of service credit.

If the beneficiary is not eligible for a monthly benefit, a lump sum payment of the member's contributions and accumulated interest will be paid.

Beneficiary options

If the beneficiary is eligible for a monthly benefit, the following payment options are provided:

- ☛ If the beneficiary is an individual, the beneficiary may choose a lifetime monthly benefit which is equal to the Survivorship 100% Option amount. A single beneficiary may also choose a lump sum actuarial refund, a monthly payment for 5 years, or a monthly payment for 10 years.
- ☛ Multiple beneficiaries may choose a lump sum actuarial refund, a monthly payment for 5 years, or a monthly payment for 10 years.
- ☛ An estate or a trust may only take a lump sum actuarial refund.

Benefits paid to the beneficiary are based on the amount that would have been payable to the member had he or she filed for retirement at the time of death.

Duty-Related Death (Non-Hazardous Members)

If the member was married, the spouse becomes the beneficiary regardless of who was designated on file. The spouse of a non-hazardous member whose death resulted from a single traumatic event that occurred while the employee was performing the duties of his or her position or an act of violence committed against the employee that was related to the member's job duties shall be eligible for the higher of the normal death benefit options or a \$10,000 lump sum payment plus a monthly payment of 25% of the deceased member's monthly final rate of pay. See beneficiary options above for normal death options. In addition, each eligible dependent child will receive 10% of the member's monthly final rate of pay up to a maximum of 40%. Non-Hazardous members who have at least one month of service credit are eligible for duty-related death benefits.

Death in the line of duty (Hazardous Members)

If a hazardous duty member dies in the line of duty and the member's spouse is the only principal beneficiary named, the spouse may elect a lump sum payment of \$10,000 and a monthly benefit equal to 25% of the member's monthly final rate of pay, which will continue until death.

If the beneficiary is only one person who is a dependent receiving at least 50% of his or her support from the member, the beneficiary may elect a lump sum payment of \$10,000.

Dependent Child Benefits (in line of duty/duty related) Each dependent child will receive a monthly benefit equal to 10% of the member's monthly final rate of pay. Dependent child payments cannot exceed 40% of the member's monthly final rate of pay. A dependent child is a child en ventre as mere and a natural or legally adopted child of a member who has neither attained age eighteen (18) nor married or who is an unmarried full-time student who has not attained age twenty-two (22).

Beneficiary responsibilities The beneficiary is required to submit a death certificate for the deceased member listing the cause of death. Before any payment can be issued, the beneficiary will also be required to complete the appropriate forms to apply for the benefit and provide a birth certificate for the member and beneficiary if one is not already on file.

DEATH AFTER RETIREMENT

Beneficiary designation at retirement At the time of retirement, the member may name only one person, his or her estate, or a trust as beneficiary of the monthly retirement allowance. The retired member may not change this designation on or after the first day of the month in which the member receives the first retirement allowance.

If the beneficiary dies or divorces the retired member, state law provides that the member's estate becomes the beneficiary. An estate or trust cannot be eligible for a lifetime payment upon the death of a member.

A retiring member designates a beneficiary for his or her monthly retirement allowance on Section D of the Form 6000, Notification of Retirement.

Benefits provided Upon notification of a retired member's death, KRS will contact the beneficiary. The beneficiary must complete and file the proper forms along with a death certificate listing the cause of the member's death. The retired member's estate is entitled to the member's retirement payment for the month of the member's death.

If the retired member selected the Basic Option and had not recovered all the member contributions and interest which had accumulated in his or her retirement account, the beneficiary would receive the remaining account balance. If the retired member selected a Survivorship Option at the time of retirement, the beneficiary will receive monthly benefits beginning in the month following the member's death. Monthly benefits will not continue if the member's estate has become the beneficiary because the beneficiary has died or divorced the member.

The choice of payment option selected at retirement will determine the monthly benefits provided to the beneficiary upon the retired member's death.



Find Form 6030 on the KRS website at <https://kyret.ky.gov>.

\$5,000 death benefit

If the retired member is receiving a monthly benefit based on at least 48 months or more of combined service with KERS, CERS, or SPRS, he or she is entitled to name a beneficiary for a \$5,000 death benefit payable upon his or her death to an individual, estate, funeral home or established trust. This benefit is not a form of insurance since there is no policy. With the \$5,000 death benefit, the member can name a beneficiary other than the person named for the monthly benefit. A retired member can change the beneficiary for this benefit at any time by completing and filing a new Form 6030, Death Benefit Designation, with KRS.

Beneficiary responsibilities

The beneficiary or estate is required to submit a death certificate for the member listing the cause of death. If death occurred after the effective retirement date, the employer is not required to submit any information.

An audit will be performed on the deceased member's account once the death is reported to KRS. The retirement office will contact the beneficiary of the account by letter. Please note that a completed beneficiary designation must be on file with the KRS office in Frankfort prior to the member's death to be valid. A copy received after the member's death is not acceptable.



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