



**KPPA**

Kentucky Public Pensions Authority

KPPA Tier 1: Strategies for Retirement

Please keep in mind that  
Kentucky Revised Statute 61.661 requires KPPA to administer  
accounts in a confidential manner.

During our webinar today, please do not submit questions specific  
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your KPPA Member ID, Social Security Number, or PIN, in the chat.

If you have specific questions about your individual account,  
please contact KPPA at 1-800-928-4646.



# Agenda for Today's Webinar



- Zoom Tutorial
- Benefit Calculations for Tier I members
- Strategies to Retire
  - Purchasing Service Credit
  - Using Sick Leave and Compensatory Leave
  - Timing your Retirement





# KPPA

Kentucky Public Pensions Authority

## KPPA Tier 1: Strategies for Retirement



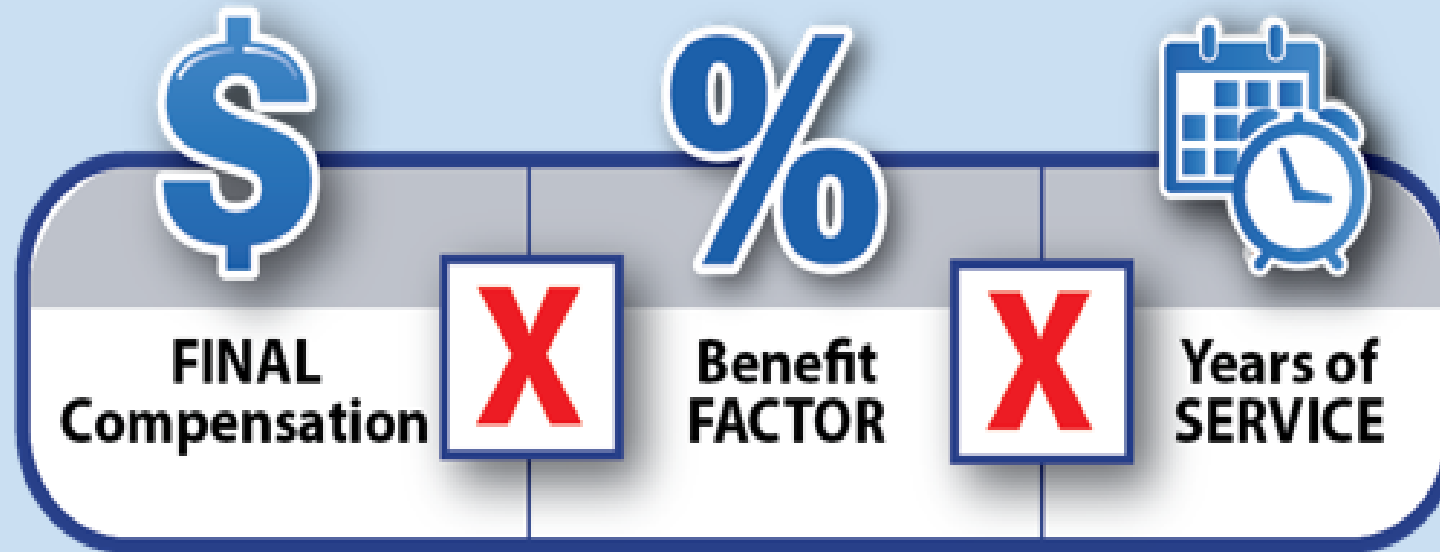


- The **Q&A** function is used to ask general retirement questions for a KPPA representative to respond. We will answer each question in the order they are received before the conclusion of the webinar today
- The **CHAT** and **RAISE HAND** function will not be used during this webinar



### How is my monthly payment calculated?

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



**X Special Early Factor**

*(if applicable)*

# Benefit Calculation

## Final Compensation

- ✓ Nonhazardous= Highest five (5) fiscal years
- ✓ Hazardous= Highest three (3) fiscal years

**NONHAZARDOUS**

**HIGH 5**

YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12

$(\$119,805 \div 49) \times 12 = \$29,340$

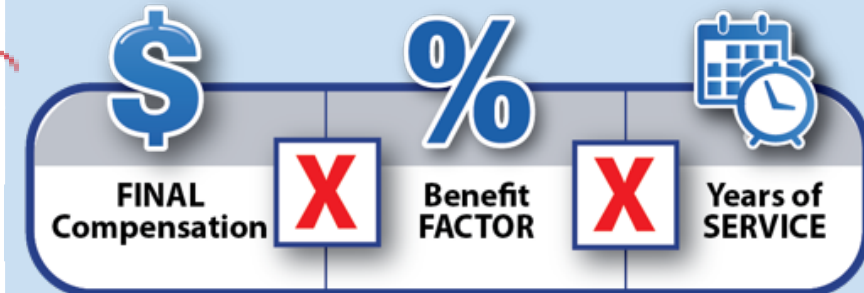
**HAZARDOUS**

**HIGH 3**

YEAR	PAY	# MONTHS
Year 1	\$4,000	1
Year 2	\$46,000	12
Year 3	\$44,000	12

$(\$94,000 \div 25) \times 12 = \$45,120$

- ✓ Partial years can be used to determine Final Compensation
- ✓ A minimum of 48 months may be used in the averaging of salary for Nonhazardous and a minimum of 24 months for Hazardous



# Benefit Calculation

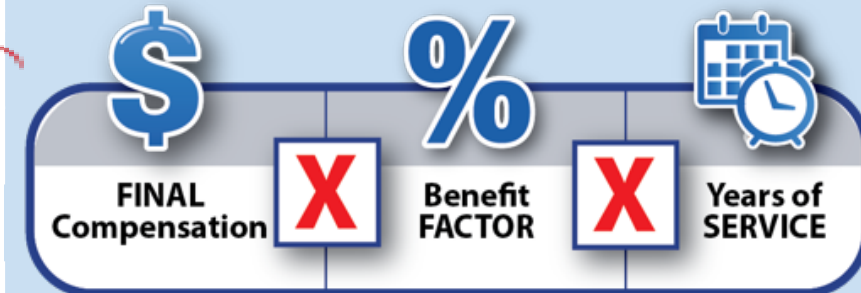
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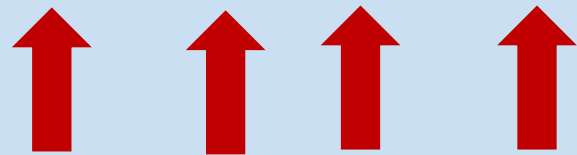


# Benefit Calculation

## Final Compensation

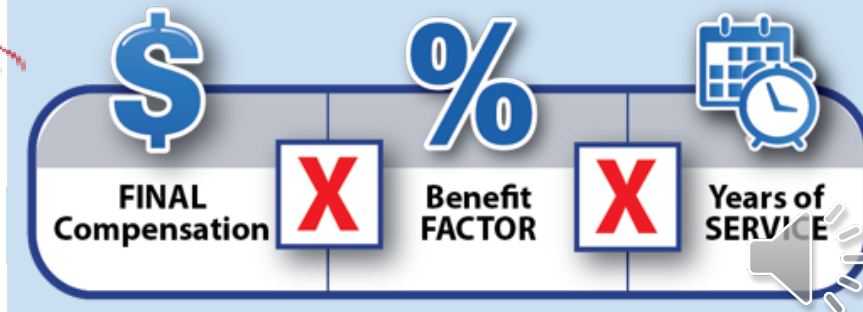
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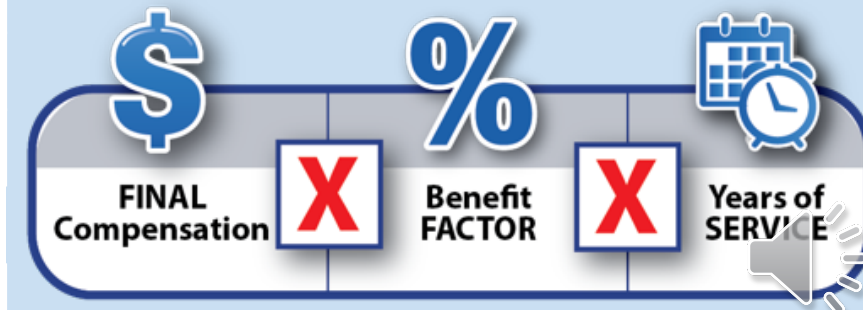
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# Benefit Calculation

## Benefit Factor



**KERS**

<b>KERS Non-Hazardous (1)</b> If a member does not have 13 months credit for 1/1/1998-1/1/1999	<b>1.97%</b>
<b>KERS Non-Hazardous (2)</b> If a member has 13 months credit for 1/1/1998-1/1/1999	<b>2.00%</b>
<b>KERS Hazardous</b> Only approved hazardous duty positions are eligible	<b>2.49%</b>



**CERS**

<b>CERS Non-Hazardous (1)</b> If a member began participating on 8/1/2004-8/31/2008	<b>2.00%</b>
<b>CERS Non-Hazardous (2)</b> If a member began participating prior to 8/1/2004	<b>2.20%</b>
<b>CERS Hazardous</b> Only approved hazardous duty positions are eligible	<b>2.50%</b>

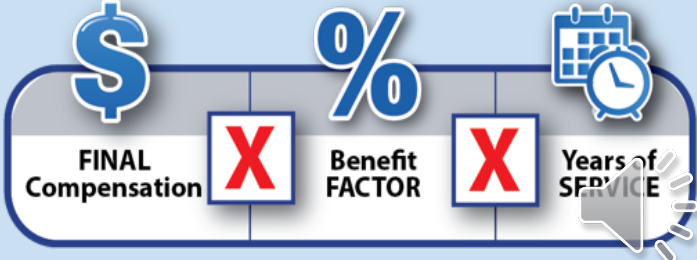


**SPRS**

<b>SPRS Hazardous</b> Only approved hazardous duty positions are eligible	<b>2.50%</b>
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**Set by statute and vary based on:**

- Participation date
- Type of service
- System





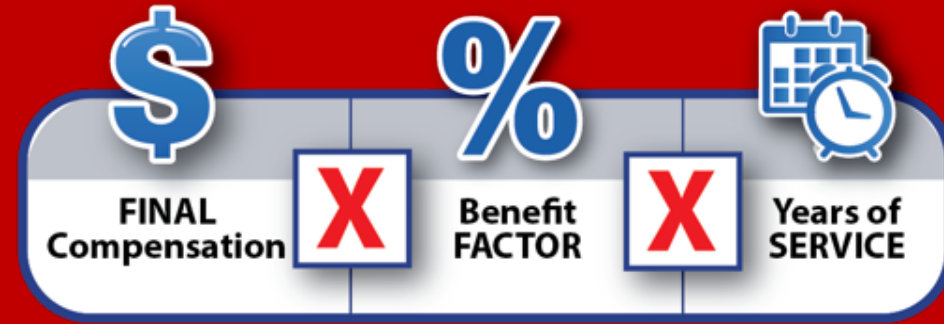
# Benefit Calculation Tier I Example

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

Retirement Date is  
8/1/2023

Final Compensation  
is \$29,340

27 years of  
Service Credit



**RETIREMENT FORMULA:**  
Members participating prior to 9/1/08

$$\begin{aligned} & \$29,340 \times 2.2\% \\ & \times 27 \text{ yrs} = \\ & \hline & \$17,427.96 \end{aligned}$$



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# Strategies to Retire

- Purchasing Service Credit
- Using Accrued Sick Leave
- Using Compensatory Time
- Timing your Retirement

# Purchasing Service Credit

## *WITHOUT Purchase*

Years of service = 27 years  
Final Compensation = \$29,340



### Retirement Formula:

$\$29,340 \times 2.2\% \times$

27 years

**\$17,427.96**



## *WITH Purchase*

Years of service = 32 years  
(27 current + 5 purchased)  
Final Compensation = \$29,340



### Retirement Formula:

$\$29,340 \times 2.2\% \times$

32 years

**\$20,655.36**

By purchasing 5 years of service credit, the annual benefit increased by \$3,227.40. On a monthly basis, the benefit increased by \$268.95!

Use our Member Self Service to produce retirement estimates and service purchase cost calculations

# Using Accrued Sick Leave

**Unused sick leave is converted to months of service credit at retirement.**

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

*Many members are eligible to receive service credit for unused accumulated sick leave upon retirement.*

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

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



# Using Accrued Sick Leave

*Example: Accumulation of 6 months of sick leave credit to increase service at retirement.*

Final Compensation	x	Benefit Factor	x	Years of Service Credit	x	SEF	=	Annual Benefit	Monthly Benefit
\$29,340.00	x	2.2%	x	27 Yrs.	x	1.000	=	\$17,427.96	\$1,452.33
\$29,340.00	x	2.2%	x	27.5 Yrs.	x	1.000	=	\$17,750.70	\$1,479.23

In this example, the member used 6 months of accumulated sick leave to increase service at retirement.

The monthly benefit increased by \$322.74 per year.  
On a monthly basis, the benefit increased by \$26.90.





# Using Accrued Sick Leave

*Example: Accumulation of 6 months of sick leave credit to attain unreduced benefits at retirement.*

Final Compensation	x	Benefit Factor	x	Years of Service Credit	x	SEF	=	Annual Benefit	Monthly Benefit
\$29,340.00	x	2.2%	x	26.5 Yrs.	x	0.9675	=	\$16,549.30	\$1,379.11
\$29,340.00	x	2.2%	x	27 Yrs.	x	1.000	=	\$17,427.96	\$1,452.33

In this example, the member used 6 months of accumulated sick leave to reduce the Special Early Factor and increased the monthly benefit by \$878.64 annually.

On a monthly basis, the benefit increased by \$73.22.

# Using Compensatory Time

The member's payout at termination for compensatory leave is \$5,164.00 based on a 7.5 hr/day employee.

No Compensatory Payment		
Year 1	\$3,500	1 month
Year 2	\$40,000	12 mos
Year 3	\$38,000	12 mos
Year 4	\$37,000	12 mos
Year 5	\$35,360	12 mos
<b>\$153,860 / 49 mos. X 12 = \$37,680.00</b>		

Compensatory Payment for 239 hours		
Year 1	\$8,664	1 month
Year 2	\$40,000	12 mos
Year 3	\$38,000	12 mos
Year 4	\$37,000	12 mos
Year 5	\$35,360	12 mos
<b>\$159,024 / 49 mos. X 12 = \$38,945.00</b>		

**At the time of retirement, the member's annual benefit increased by \$682.86.**

**On a monthly basis, the member's benefit increased by \$56.91.**

## Calculation for July wages with Comp

The member's payout at termination for compensatory leave is \$5,164.00 based on a 7.5 hr/day employee.

\$3,500 wages earned  
+ \$5,164 compensatory leave payout  
**\$8,664 new wages representing July**

At the time of retirement, the member's annual benefit increased by \$682.86.

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# Timing Your Retirement

## June 1<sup>st</sup> Salary Average

Year 1	\$40,333	11 mos
Year 2	\$42,000	12 mos
Year 3	\$40,000	12 mos
Year 4	\$39,000	12 mos
Year 5	\$37,000	12 mos
<b>Total</b>	<b>\$198,333</b>	<b>59 months</b>
$\$198,333 \div 59 \text{ mos.} \times 12 = \$40,339$		

## August 1<sup>st</sup> Salary Average

Year 1	\$4,000	1 month
Year 2	\$44,000	12 mos
Year 3	\$42,000	12 mos
Year 4	\$40,000	12 mos
Year 5	\$39,000	12 mos
<del>Year 6</del>	<del>\$37,000</del>	<del>12 mos</del>
<b>Total</b>	<b>\$169,000</b>	<b>49 months</b>
$\$169,000 \div 49 \text{ mos.} \times 12 = \$41,388$		

**The member's annual benefit increased by \$704.44 a year!**

**On a monthly basis, the benefit increased by \$58.70!**



## Determining a Fiscal Year's Monthly Average

Fiscal Year 1 Earnings	\$40,333
Service earned in Fiscal Year 1	<u>÷11 months</u>
	<b>\$3,666.64/month</b>

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# Timing Your Retirement

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# Strategies for Retirement

- The decision to retire should be based on your individual situation and needs
- Calculate different retirement scenarios including service purchases, sick leave, and compensatory time and compare to several dates to determine when you should retire. Go to: [myretirement.ky.gov](https://myretirement.ky.gov)
- Visit Ready to Retire on the KPPA website at [kyret.ky.gov](https://kyret.ky.gov).
- Attend a Pre-Retirement Education Program or other **KPPA** webinars to prepare for your decision to retire



# Legal Notice

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

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

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

*Before making decisions about your retirement, you should contact Kentucky Public Pensions Authority.*



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***Questions?***