

KENTUCKY RETIREMENT SYSTEMS



Tier 1:

Strategies for Retirement Webinar
will begin momentarily...

KENTUCKY RETIREMENT SYSTEMS



Tier 1:
Strategies for Retirement Webinar

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

During our webinar today, please do not submit questions
specific to your account and do not post sensitive
information, such as your KRS Member ID, Social Security
Number, or PIN, in the chat.

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





Agenda for Today's Webinar

- Zoom Tutorial
- Benefit Calculations for Tier 1 members
- Strategies to Retire

KENTUCKY RETIREMENT SYSTEMS



Tier 1: Strategies for Retirement Webinar





Zoom Tutorial

- The Q&A function is used to ask general retirement questions for a KRS 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

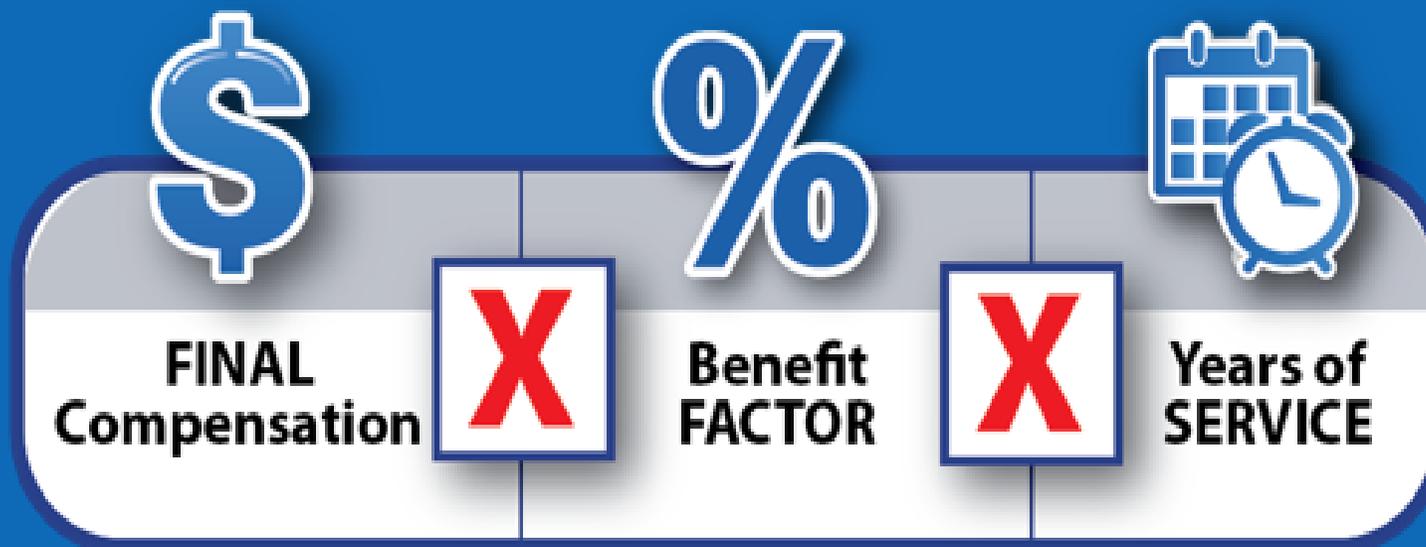


Benefit Calculation

Tier 1 (participation prior to September 1, 2008)

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

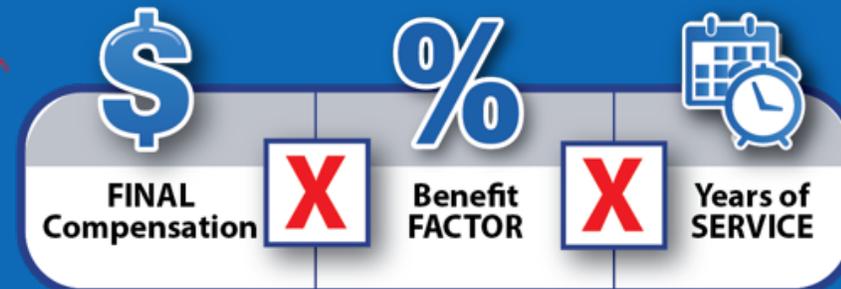
✓ Hazardous= Highest three (3) fiscal years

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

✓ 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

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





Benefit Calculation

Final Compensation

✓ Nonhazardous= Highest five (5) fiscal years

✓ Hazardous= Highest three (3) fiscal years

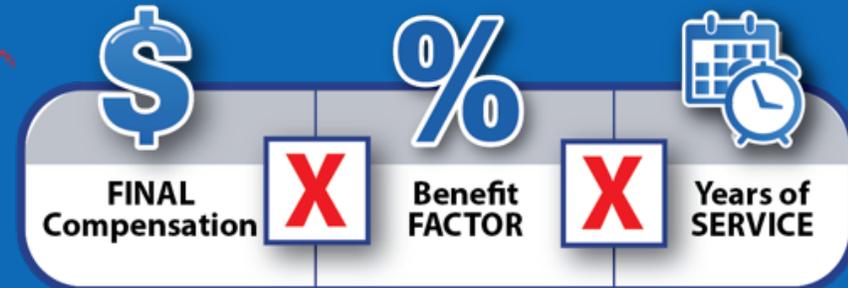
NONHAZARDOUS		
HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
$(\$119,805 \div 49) \times 12 = \$29,340$		

✓ 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

✓ *Compensatory payments can be reported as salary and used in determining the average salary*

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





Benefit Calculation

Final Compensation

✓ Nonhazardous= Highest five (5) fiscal years

✓ Hazardous= Highest three (3) fiscal years

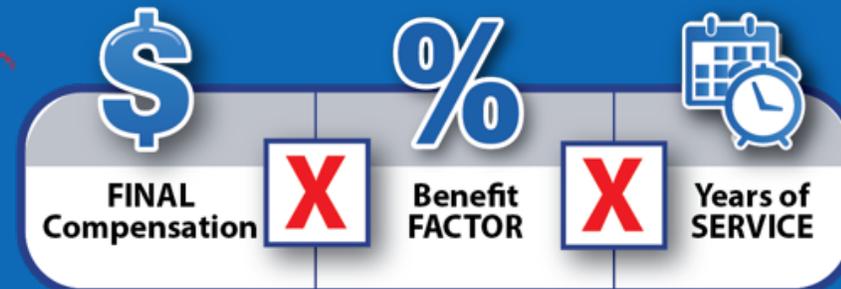
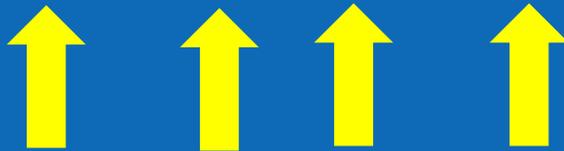
NONHAZARDOUS		
HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
$(\$119,805 \div 49) \times 12 = \$29,340$		

✓ 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

✓ *Compensatory payments can be reported as salary and used in determining the average salary*

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





Benefit Calculation

Final Compensation

✓ Nonhazardous= Highest five (5) fiscal years

✓ Hazardous= Highest three (3) fiscal years

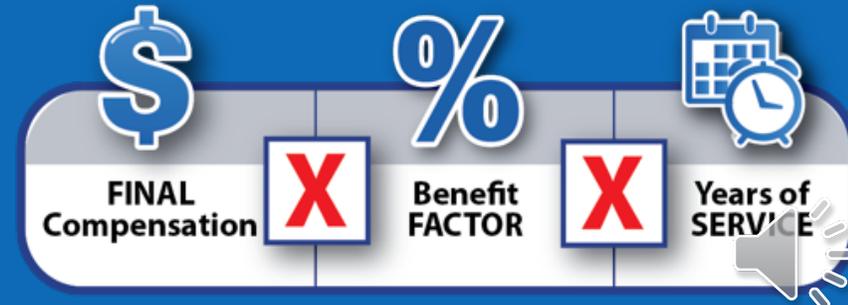
NONHAZARDOUS		
HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
$(\$119,805 \div 49) \times 12 = \$29,340$		

✓ 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

✓ *Compensatory payments can be reported as salary and used in determining the average salary*

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





Benefit Calculation

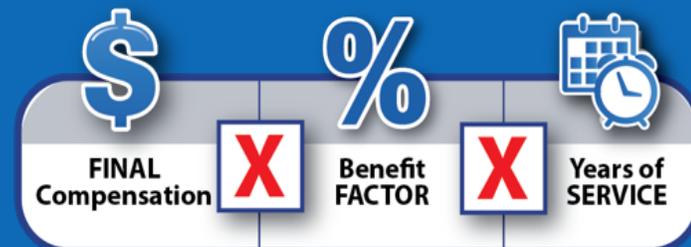
Benefit Factor



KERS	KERS Non-Hazardous (1)	1.97%
	If a member does not have 13 months credit for 1/1/1998-1/1/1999.	
	KERS Non-Hazardous (2)	2.00%
		If a member has 13 months credit for 1/1/1998-1/1/1999.
KERS	KERS Hazardous	2.49%
	Only approved hazardous duty positions are eligible.	
	CERS Non-Hazardous (1)	2.00%
		If a member began participating on, or after, 8/1/2004-8/31/2008.
CERS	CERS Non-Hazardous (2)	2.20%
	If a member began participating prior to 8/1/2004.	
	CERS Hazardous	2.50%
		Only approved hazardous duty positions are eligible.
SPRS	SPRS	2.50%
	Only approved hazardous duty positions are eligible.	

**Set by statute
and vary based on:**

- Participation date
- Type of service
- System





Benefit Calculation

Tier 1 Example

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

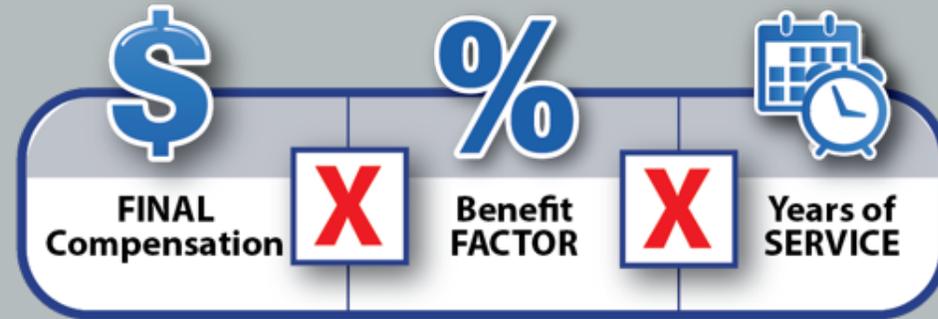
Retirement Date is
8/1/2023

Final Compensation
is **\$29,340**

27 years of
Service Credit



NONHAZARD



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

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



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:

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

\$17,427.96



WITH Purchase

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



Retirement Formula:

$$\begin{aligned} & \$29,340 \times 2.2\% \\ & \quad \times 32 \text{ years} \end{aligned}$$

\$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
\$153,860 / 49 mos. X 12 = \$37,680.00		

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
\$159,024 / 49 mos. X 12 = \$38,945.00		

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**.



Using Compensatory Time

Calculation for July wages with Comp

\$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**.

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

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



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
$\$153,860 / 49 \text{ mos.} \times 12 = \$37,680.00$		

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
$\$159,024 / 49 \text{ mos.} \times 12 = \$38,945.00$		

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**.



Timing Your Retirement

June 1st 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
Total	\$198,333	59 months
$\$198,333 \div 59 \text{ mos.} \times 12 = \$40,339$		

August 1st 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
Year 6	\$37,000	12 mos
Total	\$169,000	49 months
$\$169,000 \div 49 \text{ mos.} \times 12 = \$41,388$		

The member's annual benefit increased by **\$704.44** a year!
 On a monthly basis, the benefit increased by **\$58.70!**



Timing Your Retirement

Determining a Fiscal Year's Monthly Average

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

The member's annual benefit increased by **\$704.44** a year!
On a monthly basis, the benefit increased by **\$58.70!**



Timing Your Retirement

June 1st 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
Total	\$198,333	59 months
$\$198,333 \div 59 \text{ mos.} \times 12 = \$40,339$		

✓ August 1st 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
Year 6	\$37,000	12 mos
Total	\$169,000	49 months
$\$169,000 \div 49 \text{ mos.} \times 12 = \$41,388$		

The member's annual benefit increased by **\$704.44** a year!
 On a monthly basis, the benefit increased by **\$58.70!**



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
- Visit Ready to Retire on the KRS website at kyret.ky.gov.
- Attend a Pre-Retirement Education Program or other KRS webinars to prepare for your decision to retire



Legal Notice

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

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

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

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



Questions?

If we are unable to answer your question during today's webinar, please email it to:

krsbenefitsoutreach@kyret.ky.gov