



KENTUCKY RETIREMENT SYSTEMS

William A. Thielen, Executive Director

Perimeter Park West ▾ 1260 Louisville Road ▾ Frankfort, Kentucky 40601
kyret.ky.gov ▾ Phone: 502-696-8800 ▾ Fax: 502-696-8822



Aug. 8, 2016

The Kentucky Retirement Systems today reported the interest earned and credited to members in its Hybrid Cash Balance Plan, Tier 3. The Hybrid Cash Balance Plan is for members who began participation on or after January 1, 2014 per guidelines established under Kentucky Revised Statutes 61.597.

A Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. A Cash Balance Plan resembles a defined contribution plan because it determines the value of benefits for each participant based on individual accounts. However, the assets of the plan remain in a single investment pool like a traditional defined benefit plan. A Cash Balance Plan resembles a defined benefit plan since it uses a specific formula to determine benefits.

Members and employers contribute a specified amount into the member’s account. The account earns a guaranteed amount of interest, 4%, at the end of each fiscal year. If the member contributed to the plan during the fiscal year, there may be an additional interest credit added to the member’s account depending on KRS’ investment returns. This “upside” interest sharing is based on the 5 year average geometric investment return. If it exceeds 4% then the member’s account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year.

For the fiscal year ending June 30, 2016, the following plans and the earned interest have been calculated.

Table with 2 columns: Retirement System Name and Interest Rate. Rows include Kentucky Employees Retirement Systems non-hazardous (4.825%), Kentucky Employees Retirement Systems hazardous (4.990%), County Employee Retirement Systems non-hazardous (4.870%), County Employee Retirement Systems hazardous (5.005%), and State Police Retirement Systems (4.825%).

Members in Tier 3, may log into their self-service page at myretirement.ky.gov August 15 to view the results for their specific Cash Balance Plan return.

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