EVOLUTION of Benefits
Legislative changes - how they have impacted the plans

Twenty years ago, KRS managed simplistic single-tiered pension and insurance plans for each system. Today, we administer complex multi-tiered pension and insurance plans. During this same period, our membership has nearly doubled.

BENEFIT TIERS
KRS currently administers three different pension benefit tiers within our defined benefit plans. The Hybrid Cash Balance plan was established as a part of Senate Bill 2, enacted by the Kentucky General Assembly during 2013 Regular Session.

A member's tier depends on their initial participation date with KRS. Participation date is when the member began paying contributions and earning service credit with KRS. Please note this date may be different from when the member was hired. Participation date can change the level of pension and health insurance benefits to which the member is entitled, health insurance eligibility, and eligibility to purchase service.

Upside Sharing Interest
Upside Sharing interest is additional interest credit that may be applied to a Tier 3 account. It is NOT guaranteed. The following conditions must be met before Upside Sharing Interest is credited to an account: 1. The system’s Geometric Average Net Investment Return (GANIR) for the last five (5) years must exceed 4% and 2. The member must have been active and participating in the fiscal year.

If the GANIR exceeds 4%, then the members account will be credited with 75% of the amount of the return over 4%. It is applied to the account balance as of June 30 of the previous year.

2019 Upside Sharing- (A-B) X 75% = C then C+B=D

<table>
<thead>
<tr>
<th>System</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>Total Interest Credited To Members’ Accounts (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KERS Nonhazardous</td>
<td>4.77</td>
<td>4%</td>
<td>58%</td>
<td>4.58%</td>
<td>$3,004</td>
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<tr>
<td>KERS Hazardous</td>
<td>5.61%</td>
<td>4%</td>
<td>1.21%</td>
<td>5.21%</td>
<td>$980</td>
</tr>
<tr>
<td>CERS Nonhazardous</td>
<td>5.51%</td>
<td>4%</td>
<td>1.13%</td>
<td>5.13%</td>
<td>$6,360</td>
</tr>
<tr>
<td>CERS Hazardous</td>
<td>5.79%</td>
<td>4%</td>
<td>1.34%</td>
<td>5.34%</td>
<td>$1,838</td>
</tr>
<tr>
<td>SPRS</td>
<td>5.05%</td>
<td>4%</td>
<td>0.79%</td>
<td>4.79%</td>
<td>$115</td>
</tr>
</tbody>
</table>

In 2008, House Bill 1 was passed modifying the benefits for those hired on or after September 1, 2008. It still remained a Defined Benefit Plan but some restrictions were added.

In 2013, Senate Bill 2 was passed and the plans were redesigned to operate as a Cash Balance Plan for members participating on or after January 1, 2014. This plan is a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Requirements for Retirement

Nonhazardous
- Age 65 or older
- Age 55 or older with 1+ month of service credit.
- Any age with 27+ years of service credit.

Hazardous
- Age 65 or older with 1+ month of service credit.
- Age 55 or older with 1+ month of service credit.
- Any age with 20+ years of service credit.

The requirements for a Reduced Benefit are:
- Prior to age 65 with at least 10 years of service credit.
- Age 60+ with at least 5 years of service credit.
- Age 50 with at least 15 years of service credit.
- Age 55 with at least 20 years of service credit.

Tier 1 is a defined benefit plan because it uses a specific formula to determine benefits and the assets of the plan remain in a single investment pool.

Tier 2 members participating on or after September 1, 2008 through December 31, 2013

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Medical Insurance Coverage - Non Medicare and Medicare plans

Participation prior to 7/01/2003

House Bill 290 - Participation 7/01/2003 - 8/31/2008

House Bill 1 - Participation on or after 9/01/2008

Calculating Benefits

Tier 3 -

Benefits for Tier 1 and 2 are calculated using a formula.

Tier 3

Uses an Annuity Option with Upside Sharing

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