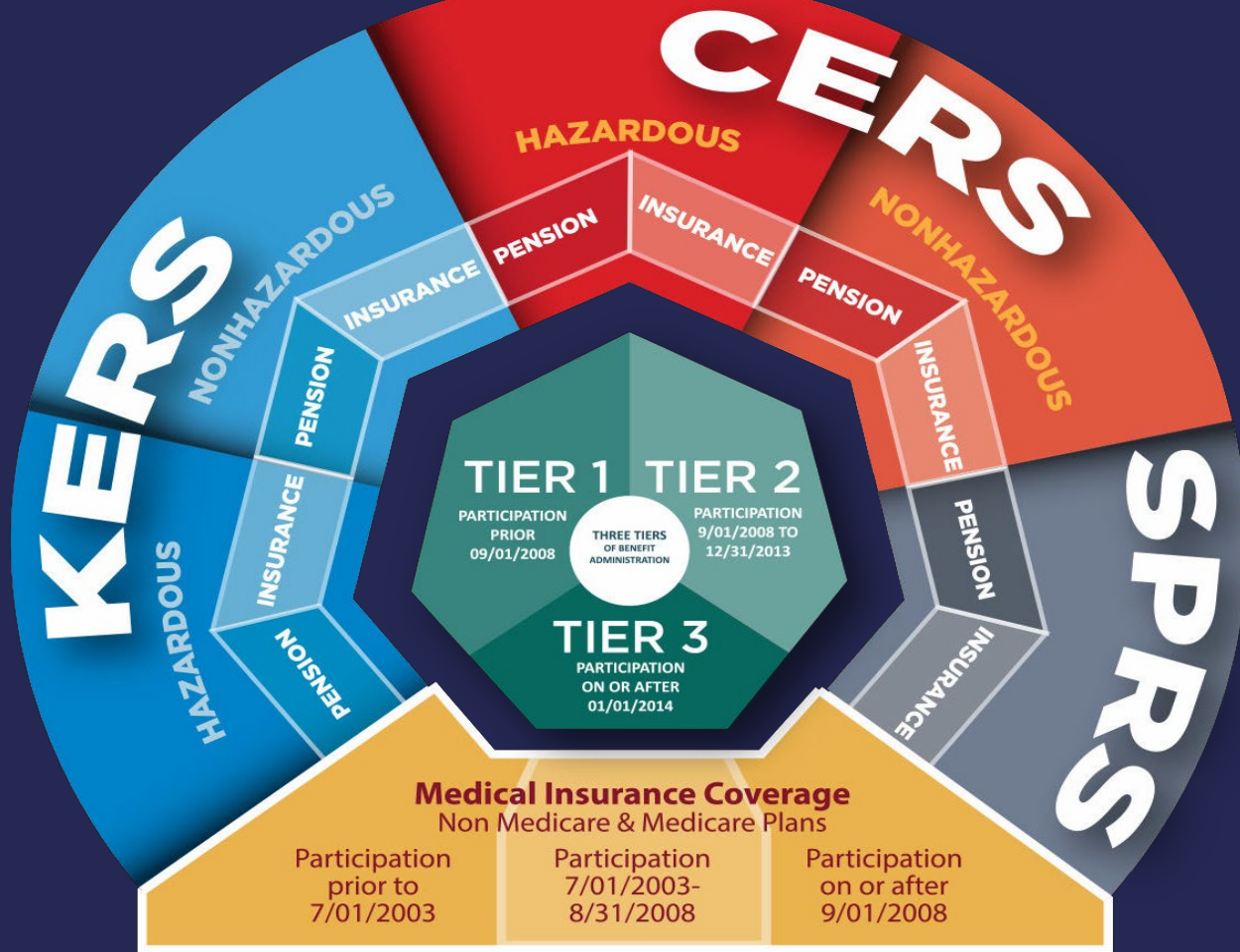




KENTUCKY RETIREMENT SYSTEMS

NEW EMPLOYEE
ORIENTATION 2020

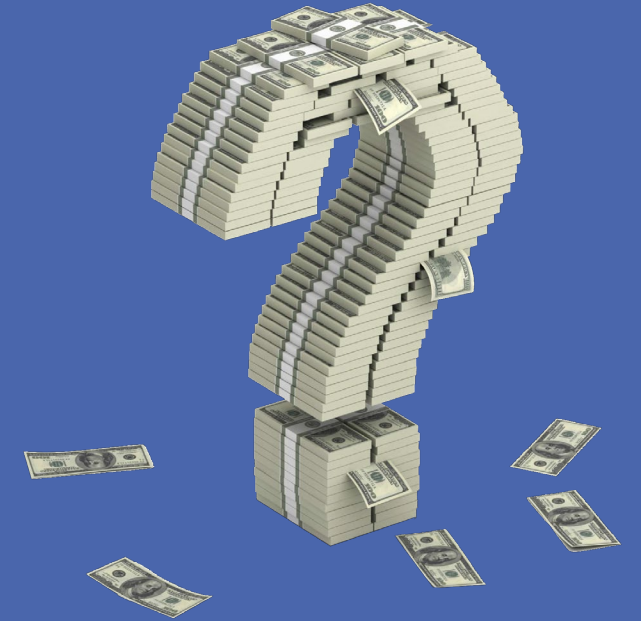


A unique & complex pension system.

WHAT IS KENTUCKY RETIREMENT SYSTEMS

Benefits are funded through three different sources.

1. Employee Contributions
2. Employer Contributions
3. Return on Investments



PLAN FUNDING

2019–2020 Fiscal Year	Employee Contribution Rate*	Employer Contribution Rate
KERS Non-Hazardous	5%	83.43%
KERS Hazardous	8%	36.85%
CERS Non-Hazardous	5%	24.06%
CERS Hazardous	8%	39.58%
SPRS (Hazardous Only)	8%	146.28%

**Employees with a participation date 9/1/2008 and after contribute an additional 1% towards the KRS Insurance Fund*



Employer Pay Credit–

4% of gross salary (Non-Hazardous) + 1% Health Insurance Contribution
 7.5% of gross salary (Hazardous) + 1% Health Insurance Contribution

PLAN FUNDING

Employer and
Employee Contributions



Tier 1:

Defined Benefit Plan

Participation before
9/1/2008



Tier 2:

Defined Benefit Plan

Participation between
9/1/2008 and
12/31/2013



Tier 3:

*Hybrid Cash Balance
Plan*

Participation on or
after 1/1/2014

DETERMINE YOUR TIER

Participation Dates

Tiers 1 & 2 are known as “Defined Benefit Plans.”

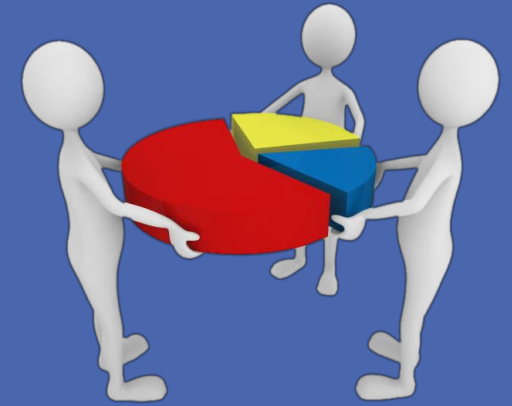
A defined benefit plan pays benefits based upon a formula.

Tier 3 is known as a “Hybrid Cash Balance Plan.”

Has characteristics of both a defined benefit plan and a defined contribution plan.

Like a defined benefit plan since it uses a specific formula to determine benefits.

Like a defined contribution plan because it determines the value of benefits for each participant based on individual accounts.



DEFINED BENEFIT VS HYBRID CASH BALANCE PLAN

Tier 1 - Nonhazardous

27 years of service, regardless of age OR Age 65.

Tier 1 - Hazardous

20 years of service, regardless of age OR Age 55.

Tier 2 & 3 - Nonhazardous

“Rule of 87” OR Age 65 with 60 months of service.

- (Member’s age + years of service = 87 AND member must be 57 or older)

Tier 2 & 3 – Hazardous

25 years of service, regardless of age OR Age 60 with 60 months of service.

RETIREMENT ELIGIBILITY

Normal Retirement

Tier 1 - Nonhazardous

25 years of service OR Age 55 with 60 months of service

Tier 1 - Hazardous

Age 50 with 180 months of service

Tier 2- Nonhazardous

Age 60 with 120 months of service

Tier 2- Hazardous

Age 50 with 180 months of service.

Tier 3 - No Early Retirement allowed

RETIREMENT ELIGIBILITY

Early Retirement– Reduced
Benefit

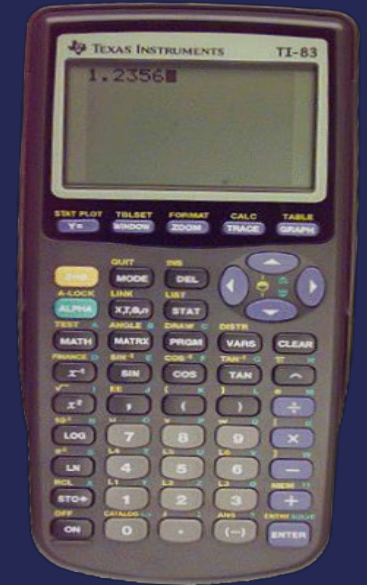
Tiers 1 & 2- Defined Benefit Plan

Final Compensation X Benefit Factor X Years of Service

Tier 3- Hybrid Cash Balance Plan

Accumulated Account Balance / Actuarial Factor

Accumulated Account Balance (AAB) includes employee contributions, employer pay credits, basic interest and potential upside sharing.



BENEFIT CALCULATION

Normal Retirement

Upside Sharing

Additional interest which may be applied is called “Upside Sharing”

Upside sharing is not guaranteed. The following conditions must be met before upside sharing is credited to a Tier 3 Member’s account:

1. The system’s “geometric average net investment” return for the last 5 years must exceed 4%.
2. The member must have been active and participating in the fiscal year.

If a system’s geometric average net investment return for the previous 5 years exceeds 4%, then the member’s account will be credited with 75% of the amount of the return over 4%.

HOW A HYBRID CASH BALANCE PLAN DIFFERS

Upside Sharing

Geometric Average net return (assumed):	7.5%	
Minus Base Interest :	<u>(4.0 %)</u>	
Amount of return in excess of Base Interest =	3.5%	
Multiplied by 75 %	X 75 %	
	2.63%	=Upside Sharing Interest Credit
Add base interest:	<u>4.0 %</u>	
Total Interest Paid:	6.63%	

UPSIDE SHARING EXAMPLE



Example:

KERS NonHazardous \$57,000 Salary, 25 Years of Service and Age 65



Tier 1 - $\$57,000 \times 2.0\% \times 25 \text{ years} = \$28,500 / 12 = \mathbf{\$2,375.00}$ per month

Tier 2 - $\$57,000 \times 1.5\% \times 25 \text{ years} = \$21,375 / 12 = \mathbf{\$1,781.25}$ per month

Tier 3 (no upside sharing) - 4% Interest, Accumulated Account Balance \$213,643.51, Age 65 Age Factor is 159.451715.

$\$213,643.51 / 159.451715 = \mathbf{\$1,339.86}$ per month

Examples are fictitious. Actual numbers may vary. Other factors may include early retirement, service purchases, sick leave balance, comp time balance, pay raises and market performance depending on your benefit tier. Examples do not assume raises. Contact Kentucky Retirement Systems for questions regarding your account and situation.

- Retire, if eligible
 - Leave the contributions in KRS until you reach retirement eligibility
 - Take a refund of the account balance
-  • You will receive a one-time payment representing the money you contributed plus interest. The money your employer(s) contributed will remain with KRS.
 -  • Refunds can be paid in a lump sum or rolled into another qualified retirement plan.
 - If you take a lump sum refund, KRS is required to withhold 20% for federal income taxes.
 - You could be subject to an additional 10% excise tax.

WHAT IF I LEAVE MY JOB

Tiers 1 and 2

- Retire, if eligible
- Leave the contributions in KRS until you reach retirement eligibility
- Take a refund of the account balance



VESTED REFUND (60+ months of service): Members who are best are eligible for a refund of their Accumulated Account Balance (AAB). The AAB is the total of all member contributions, Employer Pay Credits, and all interest credited to both accounts.

IF YOU TAKE A VESTED REFUND, YOU ARE NOT ELIGIBLE TO PARTICIPATE IN A KRS RETIREMENT PLAN IN THE FUTURE.

NON-VESTED REFUND (less than 60 months of service): Members who are not vested are eligible for a refund of the member portion of the account balance. This includes the member's contribution, interest, and Upside Sharing Interest. A non-vested refund does not include the Employer Pay Credits, Upside Sharing Interest, or the interest on the pay credit balance.

WHAT IF I LEAVE MY JOB

Tier 3

**Medical Insurance Benefits
For Members participating prior to 7/1/03:**

<u>Total Years of Service</u>	<u>% paid for Retiree</u>	<u>Total Hazardous Service</u>	<u>% paid toward Dependent Coverage</u>
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%

HEALTH INSURANCE BENEFITS

Participation prior to July 1, 2003

Participation between 7/1/03 – 8/31/08

- Employees must have 10 years of earned service credit

Participation on or after 9/1/08

- Employees must have 15 years of earned service credit

Nonhazardous Members will earn \$10 per month towards insurance for each year of earned service

Hazardous Members will earn \$15 per month towards insurance for each year of earned service

The \$10 contribution will be increased each year by the Cost of Living Adjustment (COLA)

The monthly contribution rates for 2019/20 \$13.58 NonHazardous/\$20.37 Hazardous

The monthly contribution rates for 2020/21 \$13.78 NonHazardous/\$20.68 Hazardous

HEALTH INSURANCE BENEFITS

Participation on, or after,
July 1, 2003

- A retired member receiving a monthly benefit 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.
- It is subject to Federal Income Tax and may be eligible in certain instances for a direct rollover to defer taxes.

DEATH BENEFIT

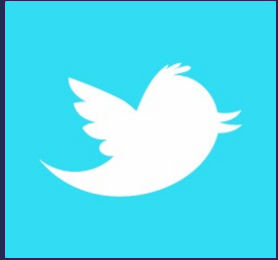
- ❖ Member Self Service (MSS) is an online tool available to all KRS members.
- ❖ To access MSS, visit: <https://MyRetirement.KY.gov>
- ❖ You will need your KRS PIN: We will mail your initial PIN letter to you.
- ❖ Don't lose your PIN! You'll need that to access MSS, to talk to KRS Call Center Counselors about your account and to enroll in health insurance online as a retiree.
- ❖ If you don't know your PIN or have misplaced it, please call KRS at 1-800-928-4646.



MEMBER SELF SERVICE & YOUR PIN



www.facebook.com/KYretirement



@KYretire



www.youtube.com/KentuckyRetire



<https://kyret.ky.gov>



Call Center:
1-800-928-4646

Email:
krs.mail@kyret.ky.gov

(Incoming email is not secure, email should be used for general inquiries only and not account specific, personal or confidential information.)

Visit:
Kentucky Retirement Systems
1260 Louisville Rd.
Frankfort, KY 40601

CONTACT US