

# WHAT IS THE KENTUCKY TEACHERS' RETIREMENT SYSTEM?

Its legal name is "**Teachers' Retirement System of the State of Kentucky.**" In this pamphlet, we will refer to it by its informal, abbreviated name, Kentucky Teachers' Retirement System or **KTRS.**

A retirement system for teachers was first envisioned through legislation enacted in 1938. However, as financing for the new retirement system was not provided that year, KTRS did not officially begin operations until July 1, 1940, when the first contributions were made by members and matched by the State through legislation appropriation.

## TYPE OF SYSTEM

**KTRS** is classified as an "actuarial reserve, joint-contributory" system, meaning that contributions of the members, the State, and the income earned on KTRS investments are placed in reserve to pay for your annuity at retirement. This is an important and valuable difference from a pension or welfare type of program where payments depend upon the decisions of a legislative body or the contributions of future members. "Joint-contributory" means that the employee (member) and the employer (state) both make contributions to provide annuities. As KTRS is a "qualified" plan under Section 401(a) of the Internal Revenue Code, member contributions are made on a tax-deferred basis.

## ADMINISTRATION

**KTRS** administration is the responsibility of a Board of Trustees consisting of nine members. Two of these, the Chief State School Officer and the State Treasurer, are ex-officio, serving by reason of their constitutional office. The remaining seven trustees are elected to four-year staggered terms by KTRS members. The law requires that four trustees be active members, one trustee be a retired member, and two trustees be persons from outside the profession. KTRS is an independent agency and instrumentality of the Commonwealth. Only the General Assembly may amend or change the independent status of KTRS.

The Board of Trustees appoints an Executive Secretary who is responsible for administering KTRS under the policies established by the Board. The Board's regular meeting date is the third Monday of March, June, September, and December.

## MEMBERSHIP

**KTRS** membership is mandatory for all persons in eligible agencies occupying positions which require either certification or graduation from a four (4) year college or university as a condition of employment. Additionally, any person providing part-time or substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers shall be a member of the retirement system, regardless of whether certification or graduation from a four (4) year college or university is required. **University employees, however, must be employed on a full-time basis (seven-tenths or more of normal full-time service measured by the contract days remaining in the position for which they are employed) and must be filling a position requiring either certification or a four-year degree in order to be eligible for membership in KTRS.** Agencies eligible for participation in KTRS include public elementary and secondary schools, regional educational cooperatives, Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Western Kentucky University, the School for the Deaf, the School for the Blind, the Workforce Development Cabinet, the Kentucky Community and Technical College System, the Department of Education, the Education Professional Standards Board and other agencies as specified by law. Eligible members may combine service credit in KTRS and other public retirement systems in Kentucky to qualify for retirement benefits.

## BENEFIT FINANCING

Your benefits are financed by contributions of members and the State, plus income accruing from the investment of these contributions. Investment income is very important since it will finance over one-half of your retirement annuity. Your contribution rate is 9.855% of your annual compensation. University members contribute at a rate of 6.16% since they also contribute to Social Security. When you file a membership

application, an individual account is established. The funds credited to your account can be used only for the purpose of providing your annuity.

## CONTRIBUTIONS TO YOUR ACCOUNT

Your employer deducts the proper contribution from your salary each pay period and forwards it to KTRS. KTRS credits your account according to information reported by your employer. As this is your retirement account, it is your responsibility to review your annual statements for any inaccuracies and to promptly notify your employer and KTRS in writing if you think there are any errors.

Each reporting agency is required to forward all amounts deducted from salaries within 15 days following deduction. When these deductions have been made, they immediately become trust funds, and their use for any other school purpose is a serious violation of State law.

Yearly, each board of education or institution makes a detailed annual report showing your salary, contributions, and service. After this report has been received and verified by KTRS, the contributions and service credit are posted to your account.

## DEFERRED INCOME TAX PAYMENTS

Effective August 1, 1982 you are no longer required to pay Federal and State income tax on your retirement contributions when deducted from your salary. Payment of Federal income tax on retirement contributions made after August 1, 1982 is deferred until you retire or withdraw your account from the system.

## RELATION OF CONTRIBUTION, SALARY AND SERVICE CREDIT

Your service credit and salary (both of which directly affect your right to retire and annuity amount) are determined on the basis of contributions and service credit reported by your employer. Any contribution less than the current contribution rate times your contract salary will result in a reduction in service credit and salary credit. If you are absent without pay or your salary is reduced, retirement regulations may

allow you to purchase credit so that you will receive a full year of service credit. You should contact KTRS for details immediately since there is a time limit for most purchases.

## BENEFICIARY DESIGNATION

Perhaps your most important responsibility as an active member of the system is to maintain your beneficiary designation in a current status. Failure to do so can have very serious consequences and result in possible loss of valuable benefits.

In order for your spouse to be eligible for survivor benefits in the event of your death, he or she must be designated as your primary beneficiary. If you marry after becoming a member, your spouse automatically becomes your beneficiary and your previous beneficiary designation is void. However, to designate your new spouse as beneficiary of your life insurance benefit, you will need to submit a new beneficiary designation form. Divorce voids any previous spousal beneficiary designation, and your estate automatically becomes the beneficiary if no contingent beneficiary is named. In the event of either marriage, divorce, or the beneficiary's death, you should file a new beneficiary designation with KTRS. Neglect of this responsibility can be disastrous. You may name more than one beneficiary and may designate them as co-beneficiaries or in order of succession. Your beneficiary does not have to be a relative. You may name your estate although, generally this is not a good practice. For a beneficiary change to be effective, it must be completed on a KTRS form.

## CHANGE OF NAME AND ADDRESS

Your KTRS member number is the positive identification of your account; however, it is your responsibility to send KTRS a written notification of any status changes, such as name and address.

## ANNUAL STATEMENT OF ACCOUNT

After the close of each fiscal year, you will receive an annual statement of your account. This will report to you the salary earned in the preceding year, the service credit earned in that year, the contribution made, the total monies in

your account, and the total service credit. If you think there is an error in this statement write your employer and KTRS immediately. It is your responsibility to ensure that any necessary corrections are made. (NOTE: If your address is not updated, you will not receive a statement.)

## QUESTIONS ABOUT YOUR ACCOUNT

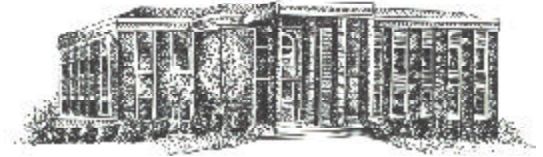
A fundamental, but broad, overview of the retirement system can be acquired by reading the KTRS Summary Plan Description and periodic Newsletters. A basic familiarity with the retirement system can be invaluable to your retirement planning. If questions do arise concerning your account, please do not hesitate to contact KTRS in writing. When corresponding, remember to use your given name, your KTRS member number, and any pertinent facts relating to your specific question. A member or designated beneficiary may appeal the retirement system's decisions that materially affect the amount of service retirement allowance, amount of service credit, eligibility for service retirement or eligibility for survivorship benefits to which that member or designated beneficiary claims to be entitled. All appeals must be in writing and filed with the retirement system within thirty days of the claimant's first notice of the retirement system's final decision pending appeal.

**This pamphlet is intended for general informational purposes only. In the event of conflict between the provisions of this pamphlet and the relevant law, the latter will prevail. As the law is subject to change, you should contact KTRS prior to making important retirement decisions.**

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# KENTUCKY TEACHERS' RETIREMENT SYSTEM



The enclosed information is for  
Actively Employed Members

- ❖ TYPE OF SYSTEM
- ❖ ADMINISTRATION
- ❖ MEMBERSHIP
- ❖ BENEFIT FINANCING
- ❖ KEEPING YOUR ACCOUNT IN ORDER
- ❖ ANNUAL STATEMENT OF ACCOUNT

Based on Statutes & Regulations  
effective July 1, 2006