

## QUALIFYING FOR SERVICE RETIREMENT

### SERVICE RETIREMENT

1. A member with 27 years Kentucky service may retire with unreduced benefits regardless of age.
2. The minimum age required for unreduced benefits for members with less than 27 years of service is 60.
3. Members with at least five years of Kentucky service are eligible to retire at age 55 with an annuity reduced five percent for each year the member's age is less than 60 or by the number of years the Kentucky service is less than 27, whichever is the lesser number.
4. Only service based on Kentucky employment can be used to meet the five-year vesting for retirement.
5. Service earned in a reciprocal retirement system will count in total years of service.

### 27 YEAR RETIREMENT

Members with at least 27 years of Kentucky service are eligible to retire with unreduced benefits. A maximum of six years active military duty and up to ten years of out-of-state credit may be used in meeting the service requirements. Members who purchased out-of-state service before July 1, 2005, may need to qualify this service for (27) retirement by paying an additional charge. The additional charge is computed by multiplying 8% times your final average salary at retirement for each year of out-of-state service that is qualified. Members age sixty (60) or older are not required to pay the additional charge, unless out of state service is used to qualify for the three (3) year final average salary formula. In this case, members are required to make the qualifying payment at retirement.

### RETIREMENT AGE

A member's retirement age is the age attained as of the first day of the month following the month in which the member's birthday occurs.

### HEALTH INSURANCE

Health insurance coverage becomes effective the first day of the month your retirement becomes effective. Members under age 65 are permitted to continue health insurance coverage with the state-sponsored health plan. Members age 65 and over may select coverage with KTRS that provides a Medicare supplement which is currently offered through the Medicare Eligible Health Plan (MEHP). *(Does not apply to secondary accounts).*

### LIFE INSURANCE BENEFIT

All retirees are covered by a \$5,000 life insurance benefit, which can be paid either to the member's estate or to one designated beneficiary. Such a designation must be on a KTRS form. *(Does not apply to secondary accounts).*

### FEDERAL LIMITS ON SERVICE CREDIT PURCHASES

Section 415 of the Internal Revenue Code has established monetary limits on certain service credit purchases which cannot be exceeded either annually or at retirement based upon member contributions plus the annual annuity of the retiring member according to age at retirement.

### APPLICATION FOR SERVICE RETIREMENT

Your Service Retirement Application must be filed on forms furnished by the Kentucky Teachers' Retirement System (KTRS).

You **must submit this application to KTRS ONE MONTH PRIOR to your retirement date!** *For example ...*

Retirement Date		Application Deadline
Jan 1 <sup>st</sup>	....	Dec 1 <sup>st</sup>
May 1 <sup>st</sup>	....	April 1 <sup>st</sup>
July 1 <sup>st</sup>	....	June 1 <sup>st</sup>

**Application deadlines apply to every month of the year.**

If you also have service in a reciprocal retirement system (KERS, State Police Retirement plan, CERS, JRS) you must file a separate application with the KRS office. The retirement date must be the same for KTRS & KRS. Contact the reciprocal agency for applications and filing information. A copy of your official, government certified birth certificate, social security card, marriage certificate and beneficiary's birth certificate (if applicable) are required.

### MINIMUM BENEFIT

Effective July 1, 2003, you are entitled to receive an annual allowance totaling not less than \$440 multiplied by your total years of service. This minimum applies to

the "Straight Life Annuity with Refundable Balance" (Option I). Any discounts due to the selection of any other option or due to early retirement will proportionately reduce your monthly benefit after the minimum value has been applied. *(Does not apply to secondary accounts).*

### ANNUAL INCREASES

A standard, statutory cost of living adjustment ("COLA") in the full amount of one and one-half percent (1.5%) is provided annually to retirees who have been retired for at least one year prior to July 1, the annual effective date of the COLA. For members who have been retired for less than a full year immediately preceding the date that a COLA becomes effective, the COLA is awarded on a pro rata basis depending on how long the member was retired during the prior fiscal year. In the past, the Commonwealth has on occasion provided funding for an additional COLA above the 1.5%, but this funding has not been available in the last several budgets.

### PAYMENT OF ANNUITIES

Retirement annuities are payable monthly. Your first payment will be paid on or before the last day of the month (following the completion of one full payment period). You may expect to receive future payments at the end of each month. If you retired effective July 1, you may expect your check on or before July 31. Your monthly annuity is deposited via electronic funds transfer (EFT) directly into the account of your financial institution.

### TAXES

Your retirement annuity is currently exempt from Kentucky income tax if you retired before January 1, 1998, but you have to report your retirement income to the Internal Revenue Service (IRS). Under federal tax law, members must pay taxes on their tax-sheltered annuities beginning with the first retirement check. If you made contributions prior to August 1982 or made personal payments to the Kentucky Teachers' Retirement System (KTRS), you may exclude a small portion of your retirement annuity from taxation over your expected lifetime or that of your beneficiary. KTRS will withhold federal taxes on the taxable portion of your retirement annuity. When you retire, you **must**

complete Form W-4P instructing KTRS how to withhold taxes from your annuity.

Members who retired after January 1, 1998 will need to determine whether any of their annuity will be subject to Kentucky income tax. Only the portion of your retirement annuity that is based upon service earned after January 1, 1998 will be subject to Kentucky income tax. Kentucky taxpayers are currently eligible for an annual pension exclusion of \$41,110. It will be several years before most retirees who retired after January 1, 1998, will pay Kentucky state income tax on their KTRS pension. All members receiving benefits from KTRS receive a Form 1099R, Statement for Recipients of Annuities, Pensions, Retired Pay, or IRS Payments. This statement shows the member's total benefits received, taxes withheld, and taxable income for the preceding year. The 1099R has a box designated to report the Kentucky taxable portion of the KTRS benefit. As a service to its members, KTRS will calculate the Kentucky Gross Pension Income subject to state tax and report the same in the appropriate 1099R box. Retired members will have to compare the gross income reported on the 1099R to the annual exclusion allowed for that year. KTRS mails these statements to its retirees each January. The IRS is also provided this information.

### RETIREMENT VALUE OF YEAR OF SERVICE

Service rendered prior to July 1, 1983 is valued at 2% per year. Service rendered after July 1, 1983 is valued at 2.5%. For those persons who become members of KTRS on or after July 1, 2002 *(including secondary accounts)* who have earned less than 10 years of service credit, the retirement allowance is 2% for each year. Should the member retire with 10 or more years of service, each year will be 2.5%, including the first 10 years. All service of university members is valued at 2% since they also contribute to Social Security. The preceding percentages are multiplied by the member's years of service and final average salary in calculating the member's retirement allowance. **If you became a member on or after July 1, 2008 your factors are different, please see the KTRS website for further information. (www.ktrs.ky.gov)**

## ESTIMATING YOUR ANNUITY

The Straight Life Annuity with Refundable Balance (Option I) is the basic retirement plan and must be calculated before adjustments can be made for optional retirement plans or for early retirement. The following steps will assist you in estimating an approximate amount for a Straight Life Annuity (Option I). You may also wish to visit the Retirement Benefit Estimator located on the KTRS Web site at [www.ktrs.ky.gov](http://www.ktrs.ky.gov).

### STEP 1:

- a. Total your five (5) highest years of salary and divide by five (5) to determine your final average salary, or;
- b. Total your three (3) highest years of salary and divide by three (3) to determine your final average salary if you are at least fifty-five (55) years of age and have at least twenty-seven (27) years of Kentucky service at the time of your initial retirement.

### STEP 2: Contributing Service -

- a. Total your years of service before June 30, 1983. Multiply the total service by the final average salary from Step 1 and then by 2%. If you are a university member, total your years of service to present, multiply the total service by the final average salary and then by 2%. University members disregard sections (b) and (c) of this step.
- b. Multiply your total service after July 1, 1983, by the final average salary from Step 1 and then by 2.5%. (If you retire on or after July 1, 2004, multiply qualifying service in excess of thirty years by 3.0%. Contact KTRS for details.)
- c. Total the values computed in (a) and (b) to find your yearly Straight Life Annuity.

### STEP 3:

Divide the yearly annuity by twelve (12) to estimate your monthly annuity under the Option I (Straight Life Annuity) Plan.

### STEP 4:

If your age or service does not entitle you to unreduced benefits, include the applicable statutory reduction. (Apply a 5% reduction for each year less than 27 or each year under age 60, whichever is less.)

NOTE: Your retirement annuity cannot exceed your last annual compensation or your final average salary, whichever is greater. If you became a member of KTRS on or after July 1, 2002, or if you are a retired member of KTRS starting a second account under the return to work provisions, and you retire with less than ten (10) years of service credit you are eligible for a retirement factor of 2.0%, not 2.5%, for each year of service.

## INFORMATION ABOUT YOUR ANNUITY

To obtain an official estimate of your retirement benefits contact KTRS and include the following information: Your name, address, KTRS Member ID number, current contract salary, extra earnings, number of unused sick days, beneficiary's birth date and relationship to you, and your projected retirement date. If your projected retirement date is beyond the current fiscal year please provide projected salary increases for each future year. All retirement estimates are subject to final audit and correction. Members should request current estimates prior to making retirement decisions as estimates are subject to change depending on various factors, including changes in the member's status, new or corrected information from the employer, and adjustments of actuarial factors. Estimates serve truly only as their name implies, and should not be considered a guarantee of what the actual retirement allowance may be at the time of retirement.

You may also wish to visit the KTRS homepage at [www.ktrs.ky.gov](http://www.ktrs.ky.gov) and click on the Retirement Benefit Estimator to obtain an unofficial, basic estimate of an Option I straight life annuity.

## MONTHLY BENEFIT FOR AN ADULT CHILD WITH A DISABLING CONDITION

An additional monthly benefit of \$200 is available to an adult child of a member if the child has a mental or physical condition that is sufficient to cause the child to be dependent on the member at retirement. Eligibility for this payment shall continue for the lifetime of such child or until such time as the handicapping condition creating the dependency no longer exists or until the child marries. Benefits under this subsection shall also

apply to adopted children. The Board of Trustees shall be the sole judge of eligibility or dependency. A KTRS application must be completed to apply for this benefit. *(Does not apply to secondary accounts).*

---

*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.*

---

TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF KENTUCKY  
479 VERSAILLES ROAD  
FRANKFORT, KY 40601-3800  
TELEPHONE - (502) 848-8500  
[www.ktrs.ky.gov](http://www.ktrs.ky.gov)

KENTUCKY  
TEACHERS'  
Retirement System



Serving Kentucky Teachers  
— Since 1940 —

---

## SERVICE RETIREMENT

---

- ◆ QUALIFYING FOR SERVICE RETIREMENT
- ◆ APPLICATION DUE DATE
- ◆ MINIMUM BENEFIT
- ◆ PAYMENT OF ANNUITIES
- ◆ ANNUAL INCREASES
- ◆ PAYMENT OF ANNUITIES
- ◆ TAXES
- ◆ YEAR OF SERVICE VALUE
- ◆ CALCULATING YOUR ANNUITY
- ◆ MONTHLY BENEFIT FOR AN ADULT CHILD WITH A DISABLING CONDITION

***Based on Statutes & Regulations  
effective July 1, 2006***

Please see our website at [www.ktrs.ky.gov](http://www.ktrs.ky.gov) for legislative changes to KTRS accounts opened on or after July 1, 2008.