



KPPA

Kentucky Public Pensions Authority

Tier 1 Presentation

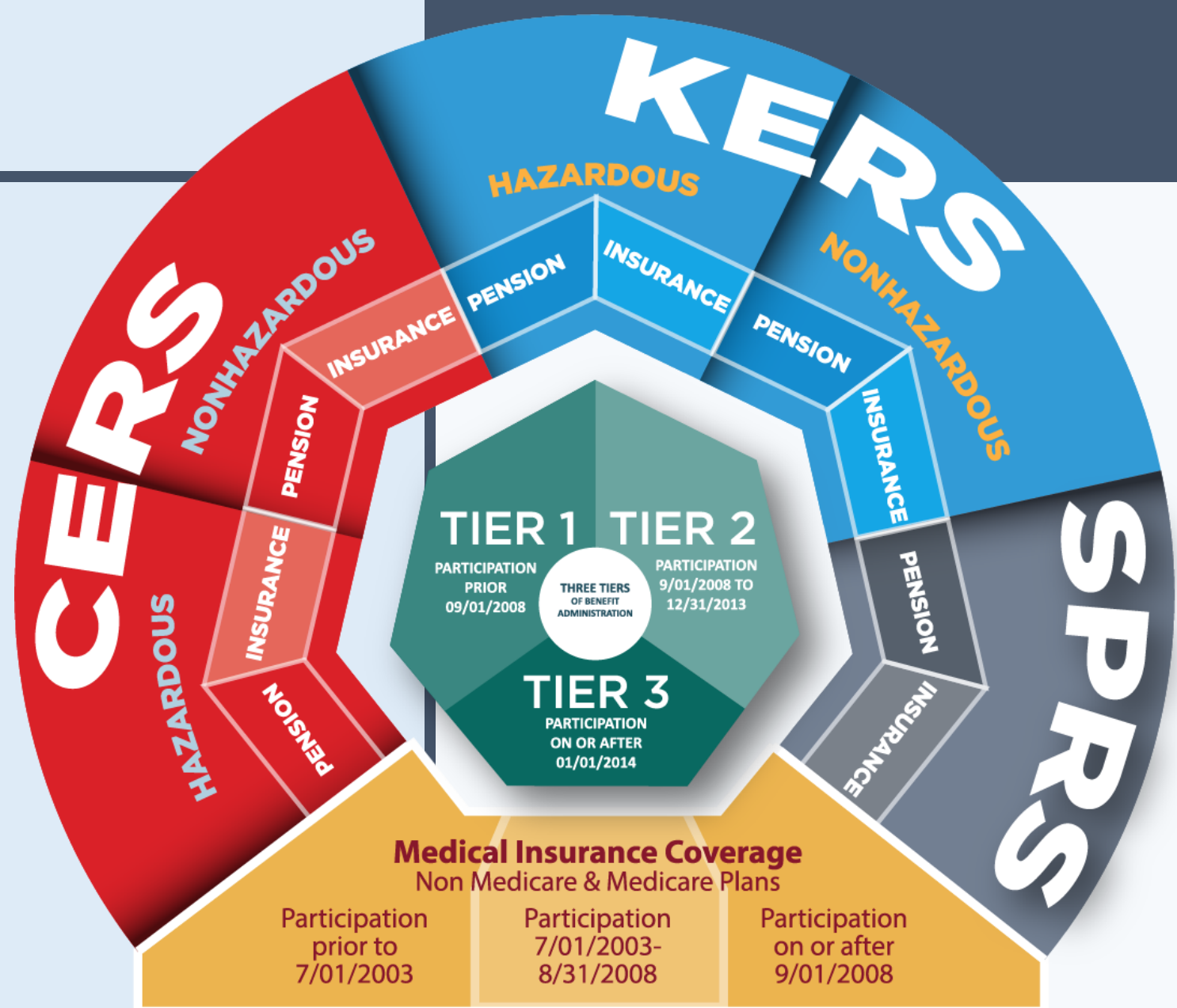


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Kentucky Public Pensions Authority



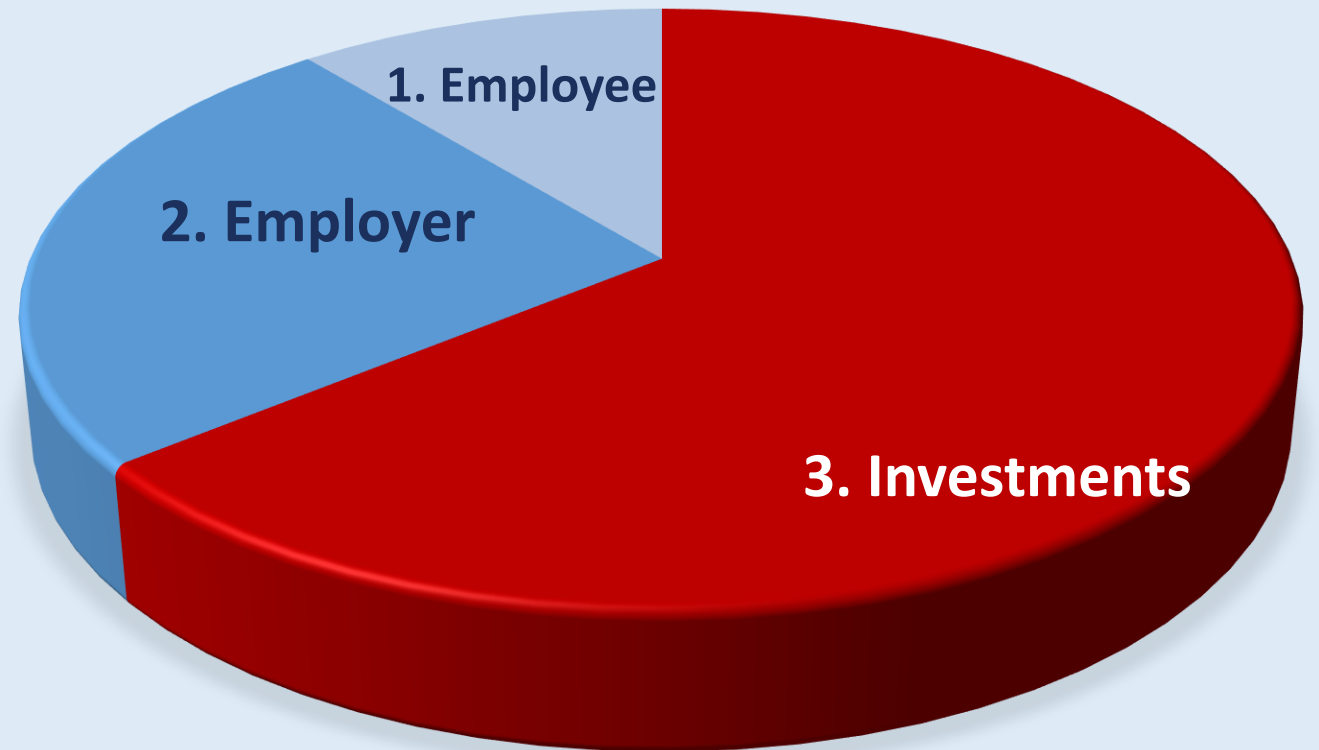
...A unique and complex retirement system



Plan Funding

Benefits are funded through three sources:




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



Plan Funding



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	System	Employee Contribution	Employer Contribution Eff 7/2024
 KERS	Non-Hazardous	5%	8.84% ¹
	Hazardous	8%	23.74%
 CERS	Non-Hazardous	5%	19.71%
	Hazardous	8%	38.61%
 SPRS	Hazardous	8%	68.10%

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

1- Employers pay an additional dollar amount to cover the amortized unfunded liability

Creditable Compensation

Included in Creditable Compensation	Excluded from Creditable Compensation
<ul style="list-style-type: none">• Salary	Living allowances
<ul style="list-style-type: none">• Wages	Expense Reimbursements
<ul style="list-style-type: none">• Tips and fees	Lump sum payments for unused vacation time
<ul style="list-style-type: none">• Lump sum bonuses or severance pay	Lump sum payments for unused sick leave (Standard Sick leave)
<ul style="list-style-type: none">• Payments for Compensatory time*	* For employees hired on, or after September 1, 2008, creditable compensation will not include any payments for compensatory time
<ul style="list-style-type: none">• Employer-provided payments for purchase of service credit	
<ul style="list-style-type: none">• Lump sum payments for sick leave (Alternate sick leave)	

Benefit Tiers

With statutory changes enacted in 2008 and 2013, the retirement eligibility and structure of retirement payments changed dramatically.

KPPA designates members in three distinct tiers, based on initial participation date:
A Defined Benefit Plan pays benefits based upon a formula.



DEFINED BENEFIT PLAN

*Participation date
prior to
September 1, 2008*



DEFINED BENEFIT PLAN

*Participation date
on, or after,
September 1, 2008 through
Dec 31, 2013*



HYBRID CASH BALANCE PLAN

*Participation date
On, or after,
January 1, 2014*

Years of Service

CURRENT SERVICE is earned as a contributing member. For each month in which wages and contributions are reported for regular full-time employment, a member earns one month of service credit.

- A regular full-time position averages 100 or more hours per month over a calendar or fiscal year.
- For local school boards, a regular full-time position is a permanent full-time, permanent part-time or substitute non-certified position where the job duties require the employee to average 80 or more hours of work per month over actual days worked.

Types of Service Credit



Sick Leave Service



KERS & SPRS – Standard Plan

TIER 1 - pre 9/2008 participation: unlimited

Tier 1 - sick leave service credit counts toward retirement eligibility and health insurance benefits.

CERS – Optional for each agency

STANDARD SICK LEAVE PLAN: Credit up to 6 months

CERS employers may choose to split cost of sick leave in excess of 6 months or elect to pay the entire cost.

ALTERNATE SICK LEAVE PLAN: Members are paid for unused sick leave and receive service credit at termination or retirement.

Subject to the employer's personnel policy.

Sick Leave Service



7.5 Hour Day	8 Hour Day	Months of Service
82.5	88	1 Month
240	256	2 Months
397.5	424	3 Months
555	592	4 Months
712.5	760	5 Months
870	928	6 Months
1,027.5	1,096	7 Months
1,185	1,264	8 Months
1,342.5	1,432	9 Months
1,500	1,600	10 Months
1,657.5	1,768	11 Months
1,815	1,936	12 Months

Sick Leave Conversion Chart
for 24-hrs on & 48-hrs off
employees:

Days	Months of Credit
5-10	1
15-20	2
25-30	3
35-40	4
45-50	5
55-60	6

Purchasing Service

Basic Requirements for Purchased Service Credit

There are over 30 types of potential service purchases available for Tier 1 members, based on prior work history. You can review service purchase types and eligibility requirements on our website:

<https://kyret.ky.gov/Members/Tier-1/Pages/Purchasing-Credit.aspx>

Most types of service must meet minimum requirements in order to be purchased:

- The service must be in a full-time position in accordance with Kentucky Revised Statutes 61.510 and 78.510.
- The service cannot be credited to another defined benefit retirement plan.
- The member or the employer must provide verification of employment as required by KRS.

Most purchase types require the member to be participating and vested in KERS, CERS, or SPRS at the time the purchase is made.

Purchasing Service Credit

Types of Service Credit for Tiers 1 and 2



VESTED PURCHASE TYPES

Past Service	Active Duty Military	National Guard/Reserves	State University Service	Out-of-State Service
Temporary	Seasonal	Other Public Service	Educational Leave	Federal Government
Interim	Non-Qualified Service/ Air Time	Maternity Leave	Sick Leave without Pay	Part-Time

In order to be vested, a member under the age of 65 must have at least 60 months of service credit while a member over the age of 65 must have at least 48 months of service.

Benefits of Purchased Service

For members who participated prior to 8/1/04, purchasing service allows them to retire earlier.

Compare estimates with and without eligible service purchases:

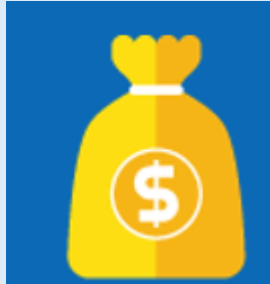
- Carefully compare the cost of the service credit against the benefits of the purchase.
- Weigh the cost against the recovery of the investment.



FOR EXAMPLE:

A non-hazardous member can work 22 years, purchase 5 years of service and retire without penalty based on 27 years of service.

Paying for Service Purchase



Lump Sum Payment

- Federal law limits the use of after-tax money to purchase service by lump sum payment
- IRC 415(c)



Rollover or Transfer from a Qualified Plan:

- Section 401(a), 401(k), 403(b), 457
- “Conduit” or “Rollover” IRA
- Traditional IRA

To initiate a rollover or transfer, Form 4170 must be completed and is available online or by request.



Installment Purchase of Service Agreement (IPS):

- Before-Tax
- After-Tax {Subject to IRC 415(c)}

Service with Other Plans

What are the other State Administered Systems?



OTHER SYSTEMS

TEACHERS
Retirement System
(TRS)

LEGISLATORS
Retirement Plan
(LRP)

JUDICIAL
Retirement Plan
(JRP)



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Retirement Eligibility

When can I retire?



Members
participating
prior to 9/1/08

When can I retire?

NON-HAZARDOUS

Requirements for an UNREDUCED BENEFIT:

AGE 65 OR OLDER *(48 months of service credit)*

Eligible to receive an unreduced monthly benefit based on the retirement formula.

AGE 65 OR OLDER *(with at least 1 month of service credit)*

Eligible to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest

27 YEARS OF SERVICE CREDIT *- regardless of age*

Requirements for an REDUCED BENEFIT:

25 TO 27 YEARS OF SERVICE CREDIT *- regardless of age*

AGE 55 *(with at least 60 month of service credit)*

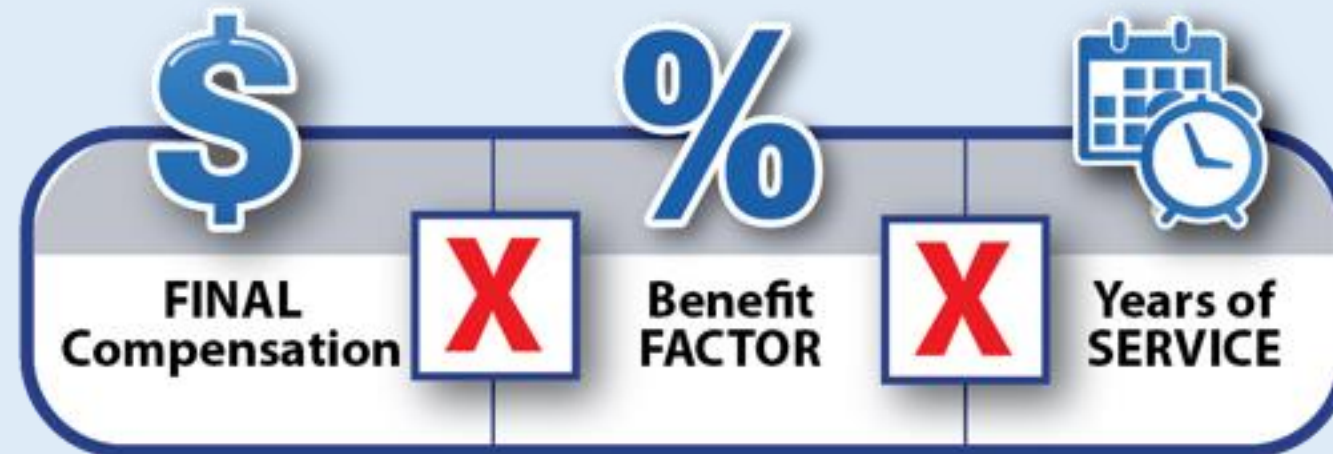
Determining Retirement Benefits

Tier 1

How is my monthly payment calculated?

The three (3) systems administered by KPPA are qualified public defined benefit plans

A defined benefit plan pays benefits based on a formula



X Reduced Benefit Percentage

(if applicable)



Final Compensation

- Final Compensation is defined as the average of the **HIGHEST FIVE (5) FISCAL YEARS** of salary for **NON-HAZARDOUS**
- Partial years may be used to determine Final Compensation
- A minimum of **48 months** may be used in the averaging of salary for **NON-HAZARDOUS**
- **Compensatory payments can be reported as salary and used in determining the average salary*

A circular logo with a blue border and a white center containing the text "TIER 1" in blue. The logo is positioned in the top left corner of the slide.

TIER
1



Final Compensation

- Final Compensation is defined as the average of the **HIGHEST THREE (3) FISCAL YEARS** of salary for **HAZARDOUS**
- Partial years may be used to determine Final Compensation
- A minimum of **24 months** may be used in the averaging of salary for **HAZARDOUS**



Final Compensation

SALARY AVERAGE

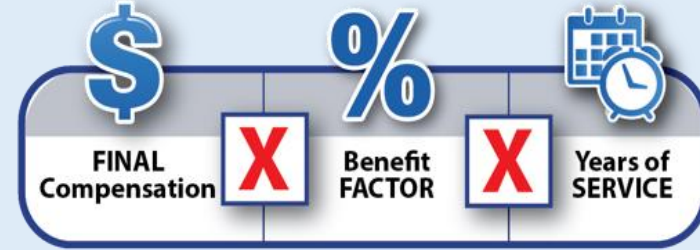
NON-HAZARDOUS		
HIGH 5		
YEAR	PAY	# MONTHS
Year 1	\$3,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
$(\$119,805 \div 49) \times 12 = \$29,340$		

HAZARDOUS		
HIGH 3		
YEAR	PAY	# MONTHS
Year 1	\$4,000	1
Year 2	\$46,000	12
Year 3	\$44,000	12
$(\$94,000 \div 25) \times 12 = \$45,120$		








Benefit Factor Benefit Calculation



Set by statute
and based upon:

- Participation date
- Type of service
- System

 <p>CERS</p>	<p>CERS Non-Hazardous (1) If a member began participating on 8/1/2004-8/31/2008</p>	2.00%
	<p>CERS Non-Hazardous (2) If a member began participating prior to 8/1/2004</p>	2.20%
	<p>CERS Hazardous Only approved hazardous duty positions are eligible</p>	2.50%
 <p>KERS</p>	<p>KERS Non-Hazardous (1) If a member does not have 13 months credit for 1/1/1998-1/1/1999</p>	1.97%
	<p>KERS Non-Hazardous (2) If a member has 13 months credit for 1/1/1998-1/1/1999</p>	2.00%
	<p>KERS Hazardous Only approved hazardous duty positions are eligible</p>	2.49%
 <p>SPRS</p>	<p>SPRS Hazardous Only approved hazardous duty positions are eligible</p>	2.50%



EXAMPLE

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Tier 1 Example

John Doe works in a Non-Hazardous position for an agency participating in CERS

Retirement Date is
8/1/2025

Final Compensation is
\$29,340

27 years of Service
Credit



RETIREMENT FORMULA:

Members participating prior to 9/1/08



$\$29,340 \times 2.2\%$

$\times 27 \text{ yrs} =$

$\$17,427.96$



EXAMPLE

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Tier 1 Example

John Doe works in a Hazardous position for an agency participating in CERS

Retirement Date is 8/1/2025

Final Compensation is \$45,120

20 years of Service Credit



RETIREMENT FORMULA:

Members participating prior to 9/1/08



$\$45,120 \times 2.5\%$

$\times 20 \text{ yrs} =$

$\underline{\hspace{10em}}$
 $\$22,560.00$



Reduced Benefit



REDUCED BENEFIT CHART NONHAZ Years to Attain Age 65 or 27 Years of Service (Whichever is Less) % of Non-Hazardous Benefit Paid			
Year	% of Benefit	Year	% of Benefit
1	93.5%	6	63%
2	87%	7	58.5%
3	80.5%	8	54%
4	74%	9	49.5%
5	67.5%	10	45%

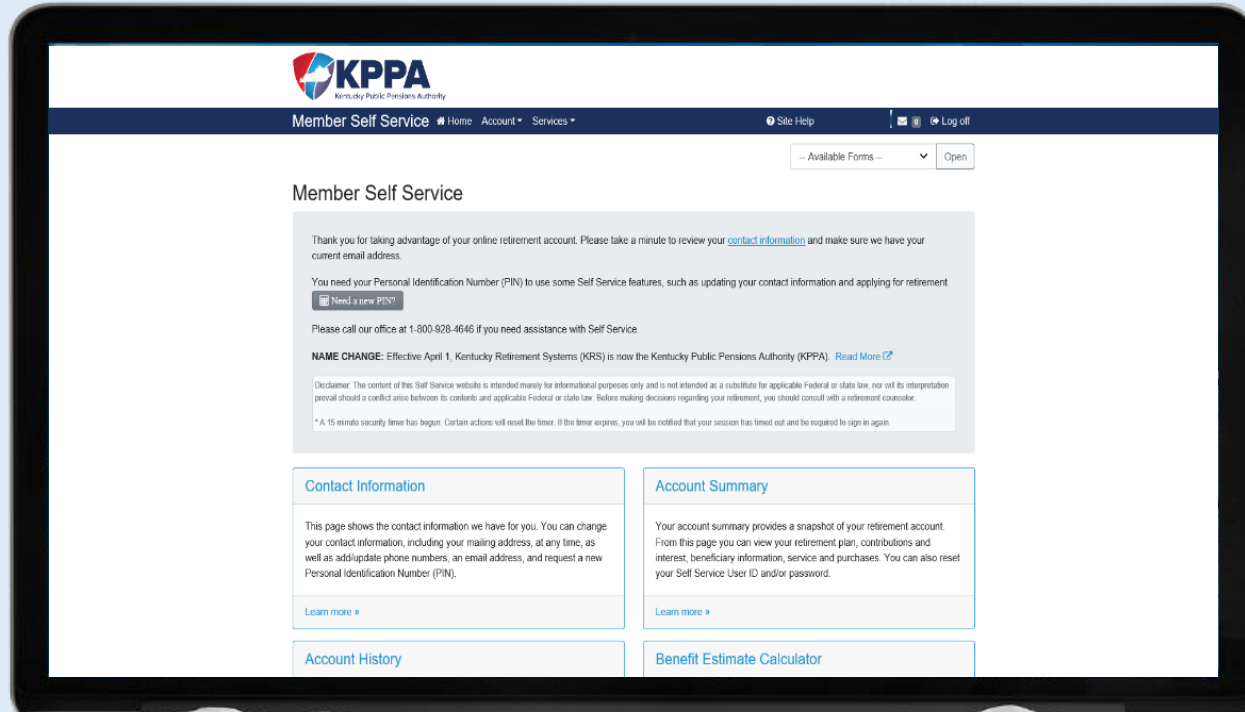
If you will be receiving a reduced benefit under early retirement:

An additional percentage is used in the calculation, lowering the retirement benefit.

Reduced Benefit is also known as SEF (Special Early Factor)

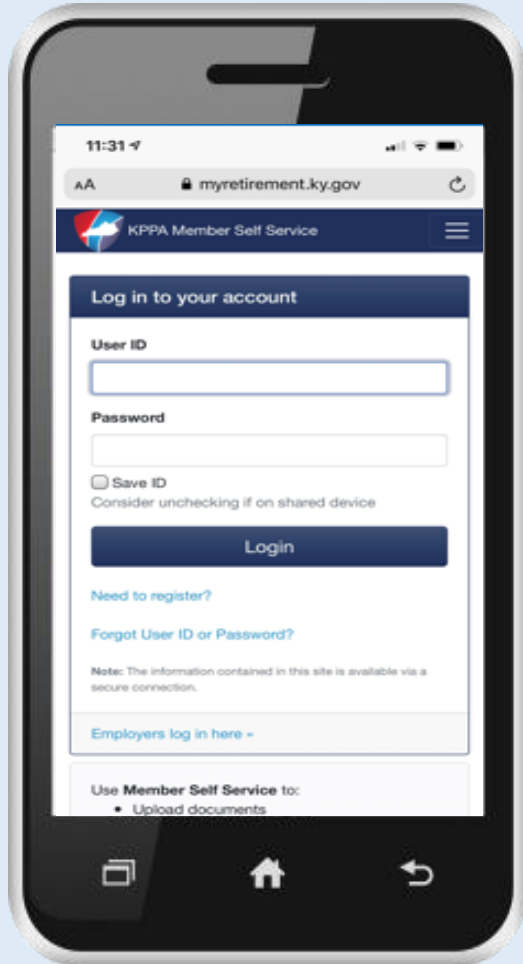
Member Self Service

What can you do with your online account?



- Contact Information
- Account History
- Account Balance Letter
- Account Summary
- Benefit Estimate
- Service Purchase Estimator
- Annual Statement
- Apply online for Retirement
- Document Upload
- Internal Messaging Center

Self Service Registration



- **To register, you will need your:**
- 1. Social Security Number
- 2. Date of birth
- 3. Personal Identification Number (PIN)
- 4. Email address



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Retirement Payment Options

Retirement Payment Options

Upon retirement, KPPA provides various payment options.

- Carefully review the payment options.
- No changes can be made to the payment option or the designated beneficiary after the 1st day of the month the first check is issued.
- Test each option by assuming various contingencies and the likelihood of the contingencies occurring.
- For most payment options, an individual must be receiving a monthly retirement allowance to participate in the medical insurance program.

Retirement Payment Options

Go to
Member Self
Service for
your specific
retirement



<i>The payment amounts below are examples only</i>		
Payment Options	Member Payment	(or) Beneficiary Payment
Basic Option	\$1,452.33	\$0.00
Life with 10 years certain	\$1,432.19	\$1,432.19 (or) \$0.00
Life with 15 years certain	\$1,408.70	\$1,408.70 (or) \$0.00
Life with 20 years certain	\$1,378.87	\$1,378.87 (or) \$0.00
Survivorship 100%	\$1,321.32	\$1,321.32
Survivorship 66 2/3 %	\$1,362.28	\$908.23
Survivorship 50%	\$1,383.73	\$691.87
Pop-Up Option	\$1,310.14* (see Handbook)	\$1,310.14

John Doe can also reject all monthly payment options and request an actuarial refund of approximately \$73,344.41.

Partial Lump Sum Options (PLSO)

Available for members retiring on or after January 1, 2024

A PLSO allows the member to receive a lump sum payment the initial month of their retirement, but the lifetime monthly payments are reduced.

<i>The payment amounts below are examples only</i>		
Payment Options	Lump Sum Payment	Remaining Lifetime Payment
Basic/Annuity	\$0.00	\$1,452.33
PLSO w/o Survivorship, 12 month	\$17,427.96	\$1,371.08
PLSO w/o Survivorship, 24 month	\$34,855.92	\$1,289.83
PLSO w/o Survivorship, 36 month	\$52,283.88	\$1,208.58
PLSO w/o Survivorship, 48 month	\$69,711.84	\$1,127.33
PLSO w/o Survivorship, 60 month	\$87,139.80	\$1,046.08
Survivorship 100%	\$0.00	\$1,317.18
PLSO w/ Survivorship, 12 month	\$15,806.16	\$1,235.34
PLSO w/ Survivorship, 24 month	\$31,612.32	\$1,153.50
PLSO w/ Survivorship, 36 month	\$47,418.48	\$1,071.66
PLSO w/ Survivorship, 48 month	\$63,224.64	\$989.82
PLSO w/ Survivorship, 60 month	\$79,030.80	\$907.98



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Medical Insurance

For Retirees & Beneficiaries

Medical Insurance Benefits

Insurance

Kentucky Public Pensions Authority offers Medicare and non-Medicare plans to eligible retirees.

To be eligible for insurance, you must receive a monthly retirement benefit

KPPA may pay a portion or the full cost of insurance depending upon your years of service*, and the level of coverage chosen

Medical Insurance Benefits

Medical Insurance Benefits For Members participating prior to 7/1/2003:			
Total Years of Service	% paid for Retirees	Total Hazardous Service	% paid interest Dependent Coverage
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%

Medical Insurance Benefits



Participation between 7/1/2003 – 8/31/2008

Employees must have 10 years of earned service credit

Non-Hazardous 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 contribution amount will be increased each year by 1.5% per statute.

The monthly contribution rates for Fiscal Year 2024 \$14.41 Non-Hazardous/\$21.62 Hazardous



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Form 6000
Notification of Retirement

Completing Your Form 6000

Notification of Retirement



****You can now apply for retirement on-line. Simply log in to Member Self Service (MSS) and click Apply for Retirement to begin the process.****

Completing Your Form 6000

Notification of Retirement

What happens after KPPA receives the Form 6000?

Complete Form 6010, *Estimated Retirement Allowance*

- You must select one payment option.
- Sign and date the form.
- Have a witness sign the form (spouse may serve as your witness).

Form 6200 *Insurance Application*

- Complete this form if you are eligible for health insurance coverage through KPPA for you, your spouse and eligible dependents.
 - While the insurance application is not required to process your retirement, failing to submit the application may cause your coverage to be defaulted to a standard plan.
 - If you wish to waive your insurance coverage, an application is still required.

The Retirement Process

The first retirement check is deposited or mailed on the 14th of the first month of retirement

After the first month, the monthly benefit is deposited to the member's account on the 14th of each month or last business day preceding the 14th.

Post Retirement Audit:

Performed once all wages, contributions and sick leave balances have been reported to KPPA and the date of termination has been verified

Benefit payment may be adjusted (up or down) if the audit results in a difference of at least \$2.00 in your monthly payment.

KPPA is statutorily required to correct all errors in records without exception.

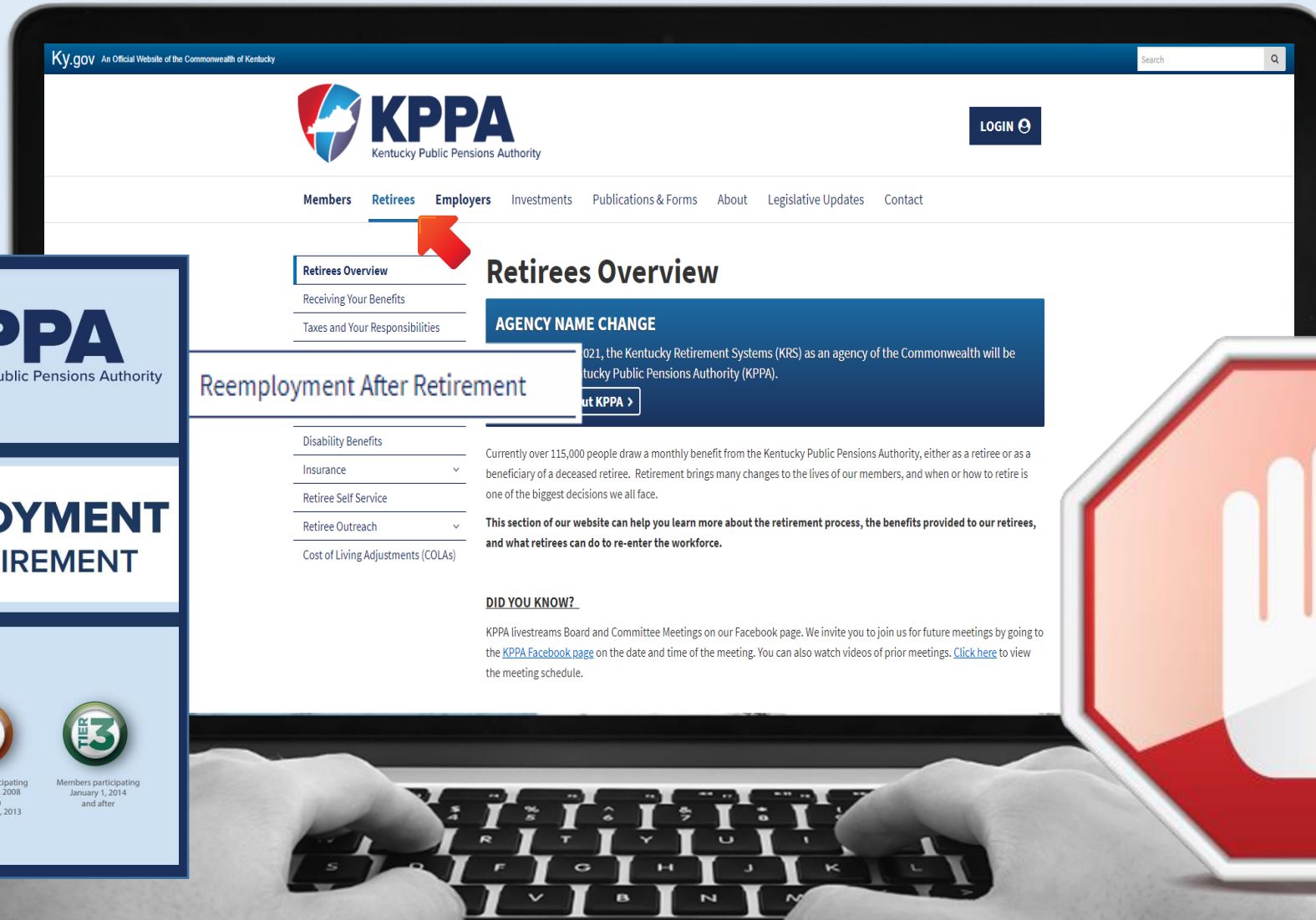
If an error is discovered after the post retirement audit, it will be corrected.



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ReEmployment After Retirement

Reemployment After Retirement



REEMPLOYMENT AFTER RETIREMENT

<p>Members participating before September 1, 2008</p>	<p>Members participating September 1, 2008 through December 31, 2013</p>	<p>Members participating January 1, 2014 and after</p>
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Twelve (12) Month Rule

WITHIN TWELVE (12) MONTHS OF RETIREMENT:

If a retired member seeks employment or begins serving as a volunteer with a participating agency within twelve (12) months of his or her effective retirement date, both the member and the participating agency must notify KPPA by submitting the necessary forms.

AFTER TWELVE (12) MONTH OF RETIREMENT:

Neither a retired member nor the participating agency are required to notify, seek final determination, or submit forms to KPPA related to any employment, independent contractor, leased employee, or volunteering accepted twelve (12) months after the member's effective retirement date.



Reemployment after Retirement

THINGS TO CONSIDER

- Break in service is required:
 - Reemployment requires a **one** calendar month break in service from the effective retirement date of 1/1/2024
- No reporting exemption based on age
- No second retirement account

Reemployment after Retirement



If you do NOT observe a proper break or if you have a prearranged agreement, your retirement will be **VOIDED!**

...and

You will be required to repay all the benefits you have received

LEGAL NOTICE

If you have any questions about the material in this presentation please contact KPPA at 1-800-928-4646.

This presentation is intended merely as a general information reference for members of any system operated by the KPPA.

This presentation is not intended as a substitute for applicable Federal or state law, nor will its interpretation prevail should a conflict arise between its contents and applicable Federal or state law.

Before making decisions about your retirement, you should contact Kentucky Public Pensions Authority.



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Questions?