

2008 PENSION LEGISLATION
HOUSE BILL 1
NEW PENSION PROVISIONS
EFFECTIVE JULY 1, 2008

Who is Affected by House Bill 1?

Those individuals who became members of the Kentucky Teachers' Retirement System on or after July 1, 2008, and have not previously established an active, un-refunded Kentucky Retirement System account prior to July 1, 2008, will be affected. This will include newly hired individuals, retirees who return to work on or after July 1, 2008 who do not waive their retirement and former Kentucky Teachers' Retirement System members with refunded accounts who are hired after July 1, 2008.

New Retirement Factors
Used to Calculate Retirement Benefit
Effective July 1, 2008

Non-university members

- 1.7% of final average salary if retiring with 1-10 years of service.
- 2.0% of final average salary if retiring with 10.01 to 20 years of service.
- 2.3% of final average salary if retiring with 20.01 to 26 years of service.
- 2.5% of final average salary if retiring with 26.01 to 30 years of service.
- 3.0% of final average salary for each year over 30 years of service.

University members

- 1.5% of final average salary if retiring with 1-10 years of service.
- 1.7% of final average salary if retiring with 10.01 to 20 years of service.
- 1.85% of final average salary if retiring with 20.01 to 26.99 years of service.
- 2.0% of final average salary if retiring with 27 or more years of service.

Contribution Rate for New Members

Effective July 1, 2008

Through June 30, 2013, non-university members will contribute ten point eight five five percent (10.855%) of their salary on a pre-tax basis toward their retirement. This rate will increase by an additional two (2.0) percentage points by the 2014-2015 fiscal year as a result of the Shared Responsibility Solution that will pre-fund your retiree health care. In addition, members who have refunded their accounts and retirees who return-to-work without waiving their retirement benefits on or after July 1, 2008, will fall under these new provisions.

Through June 30, 2013, university members will contribute seven point one six percent (7.16%) of their salary on a pre-tax basis toward their retirement. This rate will increase by an additional one point zero two five (1.025) percentage points by the 2014-2015 fiscal year as a result of the Shared Responsibility Solution that will pre-fund your retiree health care. In addition, members who have refunded their accounts or have not purchased service prior to July 1, 2008, under the optional retirement plan, will fall under these new provisions.

Sick Leave / Annual Leave / Compensatory Leave

Effective July 1, 2008

Up to three hundred (300) unused sick leave days may be used in your retirement calculation. In the local school districts, partial payments at the time of retirement by the district for unused sick leave may be included in retirement calculations as additional salary credit. In other KTRS participating agencies, unused sick leave may be included in retirement calculations as additional service credit.

Annual leave payments will not be used in your Kentucky Teachers' Retirement System retirement calculation.

Accumulated compensatory leave payments will not be used in your Kentucky Teachers' Retirement System retirement calculation.

Eligibility for Retirement

Effective July 1, 2008

Under the provisions of 2008's House Bill 1, a member can retire at any age with twenty-seven (27) years of service or at age sixty (60) with five (5) years of service. A member with at least ten (10) years of service may receive a retirement benefit once they reach fifty-five (55) years of age. There will be a six percent (6%) reduction in the benefit

for each year under age sixty (60), or each year under twenty-seven (27) years, whichever is the lesser number. Retirees who return to work and do not waive their retirement account, on or after July 1, 2008, will also fall under these provisions.

Transferring from an Optional Retirement Plan

If you do not have an active account with Kentucky Teachers' Retirement System prior to July 1, 2008, you will fall under the new legislation. However, if you purchase the service credit earned in the university where you participated in an "optional" retirement plan, and that service was rendered prior to July 1, 2008, you will be permitted to participate under the pre-HB1 provisions.

Purchase of prior service by eligible university staff who transfer to the Kentucky Teachers' Retirement System is only possible within the first six (6) years and six (6) months of employment with the university.

Refunded Account

A member with a refunded account must participate for a minimum of one (1) year in the Kentucky Teachers' Retirement System as a newly hired member. At the end of that year you have the option, by statute, to reinstate your refunded account with interest. If you choose to reinstate your account, and your account existed prior to July 1, 2008, your employer will be notified to stop deducting the non-refundable additional one percent (1%) contribution to the Medical Insurance Fund as required by HB 1. If you have a refunded account in the Kentucky Retirement Systems, you will need to contact them at 800-928-4646 for reinstatement procedures.

Non-Qualified Purchases

Effective July 1, 2008

Under the new HB 1, a teacher in a local school district [member] can purchase up to ten (10) months non-qualified service, if the educator has completed the prior school year with at least twenty-six 26 years and two 2 months of service, but less than twenty-seven 27 years of service.

Non-Current Leave of Absence

Effective July 1, 2008

Under House Bill 1, a member may purchase a non-current leave of absence at full actuarial cost, which is calculated the same way as non-

qualified service purchases. The documentation evidencing the granting of the leave is still required.

Health Insurance Coverage

For members entering the System on or after July 1, 2008, the percentage paid toward the insurance premium by the Kentucky Teachers' Retirement System, at retirement, is currently as follows:

10-14.99 years -	Not Eligible
15-19.99 years -	45%
20-24.99 years -	65%
25-25.99 years -	90%
26-26.99 years -	95%
27 or more years -	100%

Levels of coverage and eligibility conditions are subject to change depending upon the funds available to finance the health insurance program.

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