

SHARED RESPONSIBILITY PLAN TRS

Changes for Current Teachers (all else stays as is under current statute)

- Freeze sick leave as of June 30, 2018 as salary credit for retirement calculation purposes
- No future accruals of the 3.0 multiplier will occur after July 1, 2024

New Tier For Teachers

- Applies to employees who first participate in the Teacher Retirement System on or after July 1, 2018
- Will be administered by the Teachers Retirement System of Kentucky
- Mandatory defined benefit and voluntary defined contribution tier
- Limits the state's cost to a fixed contribution
- State has no obligation for any unfunded liability for the new tier but continued full funding is expected
- Employees in this new tier will participate in the 2010 Shared Responsibility (2010 RS HB 540) retiree health plan at 65

1. Defined Benefit Component

- 1.1 Employee contribution 10% of pay
- 1.2 State contribution is 6% of pay with expected continued full funding
- 1.3 Retirement Eligibility
 - Normal retirement threshold will be rule of 85 (service plus age)
 - Annuity and disability benefits vest with 5 years
 - Eligible for retirement with reduced benefits with rule of 70 (service plus age) at age 55 and over; benefit reduced by 2% per increment between rule of 70 and rule of 85
- 1.4 Retirement annuity factors
 - 2.0 until 20 years of service
 - 2.5 for all years of service once 20 years achieved
- 1.5 The high-five salaries are used to determine final average salary
 - Anti-spiking rules apply
 - Sick leave and other lump sum payments are not included (boards of education are still permitted to pay a lump sum for accrued sick leave)
- 1.6 Employee contribution and accrued plan earnings (loss) are portable
- 1.7 Annual retiree COLA of 1.5% prefunded
- 1.8 Disability retirement based on accrued service
- 1.9 Life insurance (\$10,000 active teacher; \$5,000 retired teacher)

2. Voluntary Defined Contribution Component

- 2.1 Employee may elect to participate in 403(b) plan
 - Employee contributions are voluntary
 - School District / Local Employer contributions are voluntary
 - Lump-sum payouts, such as sick leave, may be contributed to the plan pretax within the substantial catch-up guidelines
 - Investment options include use of low-cost, diversified equity and bond index funds managed by TRS for self-directed investing
 - TRS will offer participants financial education

3. Risk Controls for New Tier

- 3.1 An annual actuarial valuation establishes the employee contribution rate and unfunded liabilities (if any) of the annuity component
- 3.2 If funding is below 95%, the following adjustments are available to be utilized by the Board of Trustees to maintain the annuity trust funding generally in the following order:
 - Employee contributions may increase by up to an additional 2% of pay
 - Concurrently, school district (or local employer) contributions will match additional employee contributions up to 2% of pay
 - Reduce or suspend the annual COLA
 - Reduce future service retirement factor
 - Increase retirement rule of 85