

Benefit History in KERS, CERS, and SPRS

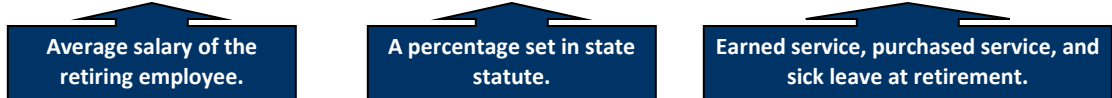
KENTUCKY RETIREMENT SYSTEMS

- Kentucky Employees Retirement System (KERS): Established July 1, 1956. Includes employees of state agencies, regional universities (i.e. ECU), local health departments, and quasi-state agencies.
- County Employees Retirement System (CERS): Established July 1, 1958. Includes employees of cities, counties, non-teaching staff of local boards of education, and other local government agencies.
- State Police Retirement System (SPRS): Established July 1, 1958. Includes uniformed state police officers.

PENSION BENEFITS (FOR MEMBERS PARTICIPATING PRIOR TO 1/1/2014)

Pension benefits for system members provide a percentage of the employee’s salary at retirement for each year of service credit. The formula for calculating the benefit is as follows:

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service Credit} = \text{Annual Benefit}$$



Non-Hazardous Pension Benefit History															
Year	Final Compensation	KERS Benefit Factor	CERS Benefit Factor												
1956/1958	Last 5 years	0.25%-1.25% (varied based upon salary)	0.25%-1.25% (varied based upon salary)												
1960	5 highest out of last 10 years before retirement	0.50%-1.25% (varied based upon salary)	0.25%-1.25% (varied based upon salary)												
1962		1.00%-1.25% (varied based upon salary)	1.00%-1.25% (varied based upon salary)												
1964	5 highest out of last 15 years before retirement														
1966	5 highest fiscal years avg.	1.47%	1.43%												
1968		1.50%	1.50%												
1972		1.60%	1.60%												
1984		1.65%	1.65%												
1986		1.85%	1.85%												
1988		1.91%	2.00%												
1990		1.97%	2.20%												
1999		<ul style="list-style-type: none"> • 2.00% if you had 13 months service from 1/1/98 to 1/1/99; or • 2.20% if you had 13 months service from 1/1/98 to 1/1/99, you had 20+ years of service, and you retired by 1/1/09 	 Retirement window												
2001	3 highest years average if you had 27 years of service, your age and service total was at least 75 years, and you retired by 1/1/09.	 Retirement window													
2004			2.00% (for new members who began participating on or after 8/1/04 but before 9/1/08)												
2008	New members who began participating on or after 9/1/08: 5 complete fiscal years prior to retirement (must contain at least 60 months)	<u>Both KERS & CERS (new members who begin participating 09/1/08 or after)</u> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Yrs. Service At Retirement</th> <th style="text-align: center;">Benefit Factor</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10 or less</td> <td style="text-align: center;">1.10%</td> </tr> <tr> <td style="text-align: center;">Greater than 10, but no more than 20</td> <td style="text-align: center;">1.30%</td> </tr> <tr> <td style="text-align: center;">Greater than 20, but no more than 26</td> <td style="text-align: center;">1.50%</td> </tr> <tr> <td style="text-align: center;">Greater than 26, but no more than 30</td> <td style="text-align: center;">1.75%</td> </tr> <tr> <td style="text-align: center;">Additional years above 30</td> <td style="text-align: center;">2.00%</td> </tr> </tbody> </table> <p><i>As a member reaches the specific service level, the benefit factor increases for all service credit except that the 2.00% multiplier only applies to service earned in excess of 30 years.</i></p>		Yrs. Service At Retirement	Benefit Factor	10 or less	1.10%	Greater than 10, but no more than 20	1.30%	Greater than 20, but no more than 26	1.50%	Greater than 26, but no more than 30	1.75%	Additional years above 30	2.00%
Yrs. Service At Retirement	Benefit Factor														
10 or less	1.10%														
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Greater than 26, but no more than 30	1.75%														
Additional years above 30	2.00%														

Hazardous Pension Benefit History*			
Year	Final Comp.	Benefit Factor	
1972	5 highest years avg.	2.15%	
1976/ 1978		2.25%	
1984		2.35%	
1986		KERS/SPRS:2.40; CERS:2.45%	
1988/ 1990		SPRS: 2.41% (1988) KERS:2.49; CERS/SPRS (1990): 2.50%	
1998	3 highest**		
2008	New members who began participating on or after 9/1/08: 3 highest complete fiscal years (must contain at least 36 months)	<u>KERS/CERS/SPRS (new members who begin participating 09/1/08 or after)</u>	
		<u>Yrs. Service At Retirement</u>	<u>Benefit Factor</u>
		10 or less	1.30%
		Greater than 10, but no more than 20	1.50%
		Greater than 20, but less than 25	2.25%
		25 or more	2.50%

*KERS and CERS hazardous duty was created in 1972. SPRS was established in 1958. Prior to 1972, the benefit factor for SPRS ranged from 1.50% to 2.00%. **KERS H changed to high-3 in 2000.

PENSION BENEFITS (FOR MEMBERS PARTICIPATING ON OR AFTER 1/1/2014)

Members who begin participating in the systems on or after January 1, 2014, are provided retirement benefits through a cash balance plan that provides benefits based on an account balance, rather than on a formula.

In the cash balance plan, the employee pension contribution rate of 5 percent of pay (8 percent hazardous-duty) goes into employee accounts, along with an employer pay credit of 4 percent of their salary (7.5 percent hazardous-duty). Employees receive a guaranteed return of 4 percent annually and 75 percent of the excess returns above 4 percent (the excess returns are calculated on a 5-year smoothed return). Upon reaching retirement eligibility, employees can take their account balance in a lump sum or have it annuitized into one of the monthly benefit payment options currently available through the retirement systems for other members.

RETIREMENT AGE/SERVICE REQUIREMENTS

Non-Hazardous Retirement Eligibility History (since 1976)		
Non-Hazardous		
Year	Unreduced Benefit	Reduced Benefit
1976*	<ul style="list-style-type: none"> Age 65 w/4 years of service or Any age w/30 years of service* 	<ul style="list-style-type: none"> Age 55 w/5 years of service or
1984	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Age 55 w/5 years of service or Any age w/25 years of service
1990	<ul style="list-style-type: none"> Age 65 w/4 years of service or Any age w/27 years of service 	<ul style="list-style-type: none"> No change
2008	<u>New members who begin participating 09/1/08 or after</u> <ul style="list-style-type: none"> Age 65 w/5 years of service or Rule of 87 (age+ service must be equal or greater than 87 and must be at least age 57) 	<u>New members who begin participating 09/1/08 or after</u> <ul style="list-style-type: none"> Age 60 w/10 years of service
2013**	<u>New members who begin participating 01/01/2014 or after</u> <ul style="list-style-type: none"> Age 65 w/5 years of service or Rule of 87 (age+ service must be equal or greater than 87 and must be at least age 57) 	<u>New members who begin participating 01/01/2014 or after</u> No Reduced benefit provisions

*Minimum retirement age of age 55 removed in 1976. **New members entering the systems on or after 1/1/2014 are in the cash balance plan and the retirement provisions are when they are eligible to annuitize their account balance into a monthly benefit for life.

Hazardous		
Year	Unreduced Benefit	Reduced Benefit
1976	<ul style="list-style-type: none"> • Age 55 w/5 years of service or • Any age w/30 years of service 	<ul style="list-style-type: none"> • Age 50 w/20 years of service
1978/ 1980	<ul style="list-style-type: none"> • Age 55 w/5 years of service or • Any age w/25 years of service 	<ul style="list-style-type: none"> • Age 50 w/20 years of service
1984	<ul style="list-style-type: none"> • Age 55 w/5 years of service or • Any age w/20 years of service 	<ul style="list-style-type: none"> • Age 50 w/15 years of service
2008	<u>New members who begin participating 09/1/08 or after</u> <ul style="list-style-type: none"> • Age 60 w/5 years of service or • Any age w/25 years of service 	<u>New members who begin participating 09/1/08 or after</u> <ul style="list-style-type: none"> • Age 60 w/10 years of service
2013*	<u>New members who begin participating 01/01/2014 or after</u> <ul style="list-style-type: none"> • Age 60 w/5 years of service or • Any age w/25 years of service 	No Reduced benefit provisions

*New members entering the systems on or after 1/1/2014 are in the cash balance plan and the retirement provisions are when they are eligible to annuitize their account balance into a monthly benefit for life.

COST OF LIVING ADJUSTMENT (SINCE 1996)

After an employee retires, a cost of living adjustment (COLA) may be provided to their pension benefit.

- Before 1996: COLAs before 1996 were provided on an ad hoc basis which typically required positive legislative action each biennium.
- August 1, 1996 to July 1, 2008: Annual automatic adjustment based upon annual average change in the Consumer Price Index for All Urban Consumers (CPI-U). Statute did not allow for pre-funding as the case with other pension benefits. COLA each year from 1996 to 2008 was 2.80%, 3.00%, 2.30%, 1.60%, 2.20%, 3.40%, 2.85%, 1.60%, 2.30%, 2.70%, 3.40%, 3.20%, and 2.80% annually for these years.
- July 1, 2009 and after: Flat 1.5% annually in July, prorated 1/12 for each month retired less than 12 months. Statute did not allow for pre-funding as the case with other pension benefits.
- 2012-2014 budget suspends automatic COLA for KERS, CERS, and SPRS that would have been provided on July 1, 2012 and July 1, 2013.
- SB 2, passed in 2013, eliminated the automatic COLA adjustment. Positive legislative action is required to provide a COLA and statute prescribes the conditions by which a COLA may be granted (100% plus funded with surplus assets or COLA is full prefunded in the year provided).

\$5,000 DEATH BENEFIT

Upon the death of a retiree, a \$5,000 lump-sum benefit is provided to their beneficiary provided the retiree was receiving a monthly benefit based upon a minimum of 4 years of service. This benefit is in addition to any monthly benefits left to the beneficiary by the retiree and applies equally to all members of the systems.

Death Benefit History	
Year	Change
1980	<ul style="list-style-type: none"> • Established benefit, \$2,000
1982	<ul style="list-style-type: none"> • Increased amount to \$2,500
1988	<ul style="list-style-type: none"> • Became part of the "inviolable contract"
1998	<ul style="list-style-type: none"> • Increase amount from \$2,500 to \$5,000

EMPLOYEE CONTRIBUTION RATE (SINCE 1972)

Employees contribute a set amount established by state statute. Below is the employee contribution rate since 1972.

Year	KERS/CERS NH	KERS H	CERS H	SPRS
1972	4% (pension only)	7% (pension only)	7% (pension only)	7% (pension only)
1986	CERS: 4.25% KERS: 5% (pension only)			
1990	CERS: 5% (pension only)			
1998			8% (pension only)	8% (pension only)
2000		8% (pension only)		
2008	New Hires: 6% (5% pension/1% retiree health)	New Hires: 9% (8% pension/1% retiree health)	New Hires: 9% (8% pension/1% retiree health)	New Hires: 9% (8% pension/1% retiree health)

HEALTH BENEFITS FOR RETIREES

At retirement, a retiree is provided access to group health insurance coverage and a contribution is paid on their behalf towards that premium based upon their years of service and date of entry into the retirement plan.

Retiree Health Benefit History	
Year	Notable Changes
1978	<ul style="list-style-type: none"> Established benefit for all current and future retirees. Provided for full payment of the premium for the retiree if 20 or more years of service (same benefit for non-hazardous and hazardous). Smaller percentage of premium payment for service less than 20 years.
1982	<ul style="list-style-type: none"> Provided full payment of the premium for the spouse and dependents if 20 or more years of hazardous service. Smaller percentage of premium payment for service less than 20 years.
1988	<ul style="list-style-type: none"> Became part of the "inviolable contract".
2003	<ul style="list-style-type: none"> Increased the minimum service required to earn insurance benefits from 5 to 10 years for employees participating in the systems on or after July 1, 2003. Removed inviolable contract for these employees.
2004	<ul style="list-style-type: none"> Established new retiree health benefits for employees participating on or after July 1, 2003. Non-hazardous employees receive \$10 per month for each year of service and hazardous earn \$15 per month for each year of hazardous service. Employee is required to earn at least 10 years of service. Monthly benefit is adjusted by CPI-U. Spouse of deceased hazardous duty recipient receives \$10/month for each year of hazardous service.
2008	<p>Same as new hire provisions established in 2004 except increased vesting requirement to 15 years for those hired on or after 9/1/08. Reduced future annual adjustment to 1.5% for all new participants since 7/03.</p>

SERVICE PURCHASES/SICK LEAVE SERVICE FOR STATE EMPLOYEES

Sick Leave Service Credit for KERS and SPRS	
Year	Change
1980	<ul style="list-style-type: none"> KERS/SPRS: Established program where state employees could convert up to six (6) months of accumulated sick leave at retirement which was added to their total service credit. Service could not be used for determining retirement eligibility. Total cost billed back to last participating employer.
1982	<ul style="list-style-type: none"> KERS/SPRS: Amended to allow employee to use service in determining retirement eligibility and remove provisions requiring last participating employer to pay cost (cost covered by trust fund).
1984	<ul style="list-style-type: none"> CERS: Optional standard plan established with up to 6 months of sick leave converted to service credit at retirement (individual employers must elect to participate and pay costs of service).
1988	<ul style="list-style-type: none"> KERS/SPRS: Amended to allow state employees to convert all accumulated sick leave at retirement to additional service. For KERS, sick leave in excess of 6 months billed back to last employer. SPRS billed to trust. CERS: Standard plan amended to allow employee to purchase sick leave in excess of 6 months.

	Alternate sick leave plan established (individual employers must elect to participate and pay costs).
1998	<ul style="list-style-type: none"> • CERS: Allowed employer to pay for 50% or 100% of sick leave in excess of 6 months under standard plan.
2008	<ul style="list-style-type: none"> • CERS/KERS/SPRS: For new members on or after 9/1/08: Limit to 12 months for new hires and service cannot be used to determine retirement eligibility. • Require last participating employer in KERS/SPRS to pay costs that were previously paid through the trust for this benefit.
2013	<ul style="list-style-type: none"> • For new members on or after 1/1/2014—no service credit for accumulated sick leave.

Notable Service Purchase Provision Changes (since 1998)	
Year	Change
1998	<ul style="list-style-type: none"> • Allow a state employee to purchase 1 month for every 6 months served in National Guard (time served while working). • Created non-qualified or "air-time" service purchase which allows an employee to purchase up to 5 years of non-employment related service provided they had 20 years of service (removed for new hires in 2002). • Allow an employee who has prior TIAA-CREF service with UK or UL, to use that service towards determining eligibility for 25 or 27 year requirement but not amount of benefits.
2000	<ul style="list-style-type: none"> • Allow employees to purchase active military service in excess of 4 years. Provide for purchase of service with a non-participating Community Action Agency. Allow certain purchases to be made by employees in other state systems.
2001	<ul style="list-style-type: none"> • Increased cost to member from 50% to 100% of actuarial cost for federal, military, out-of-state, university, service with an agency prior to participation in the retirement systems. Modify other service purchase types to the 100% formula.
2002	<ul style="list-style-type: none"> • Removed ability for employees participating in another state-administered system to purchase past service with a KERS or CERS employer, business development corporation, university service, out of state service, Kentucky Peace Corps, non-participating MHMR time, etc. Created vesting requirement to purchase seasonal, emergency, temporary, part-time, maternity leave, sick leave without pay, FMLA leave, and service as officer or assistant to General Assembly. Required at least 5 years of KRS time for air-time. Created ability to purchase service as a Domestic Relations Commissioner if vested and purchased by December 31, 2002. Created ability for member at least age 65 with 180 months of service to purchase a maximum of 48 months of military service at 50% of the actuarial cost if purchased by December 31, 2002. • Removed ability of new hires on or after July 15, 2002 to purchase air-time.
2004	<ul style="list-style-type: none"> • Service purchased on or after August 1, 2004, cannot use towards health insurance. New hires on or after August 1, 2004 cannot use most service purchases towards retirement eligibility until eligible to retire.
2008	<ul style="list-style-type: none"> • Further restricted ability for new hires on or after 9/1/08 to use service purchases towards retirement eligibility.
2013	<ul style="list-style-type: none"> • Service purchases removed for new hires on or after 1/1/2014, except for recontributions of refunds (paying back refunded monies into the fund that were previously withdrawn) and omitted time (where the employer failed to report an employee). • Recontributions of refunds made on or after 1/1/2014 shall not be used to determine eligibility for benefits.

1988 RETIREMENT WINDOW

HB 989, passed in 1988, offered state workers in KERS and SPRS an Early Retirement Incentive Plan (ERIP) that provided an additional 10% service to their service credit total provided they retired between August 1, 1988 and November 1, 1988. The service credit did not add to the retiree health benefits or to reduce applicable penalties for retiring early. The cost of the 10% service credit increase was paid by the former agency.