



Teachers' Retirement System

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TRRS Receives Funding in Two-Year State Budget

The Teachers' Retirement System of the State of Kentucky (TRS) is receiving full funding in the 2022-24 biennial budget approved recently by the General Assembly. This includes more than \$1.36 billion over the two years to meet the actuarially required contribution for the Retirement Annuity Trust, which excludes education appropriations of about \$900 million that come to TRS through employer salary contributions.

The two years of the budget will be the seventh and eighth straight years of full or nearly full annuity funding.

The budget also includes \$149 million for the state's statutory contribution for both years for under-65 group health insurance under the 2010 Shared Responsibility law.

Additionally, the legislature appropriated \$479.2 million to pay off liabilities for certain previously awarded benefits that had been amortized over several years.

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From the Executive Secretary

Personalized Medicine for Us

By Gary L. Harbin, CPA

When the advertisements for DrugXYZ come on television, I love watching people dancing, the pictures of fluttering butterflies and an announcer who says you can be young again — before that announcer speed reads a list of side effects and, in a lower octave, tells you not to take DrugXYZ if you're allergic to it. How do you know until you've taken it?

TRRS's Personalized Medicine program provides Kentucky's retired teachers with a DNA test to help answer that conundrum in advance. And now a new peer-reviewed study quantifies the benefits of, and better health outcomes from, knowing for more than 8,000 people already in the program.

A March article in the Journal of Precision Medicine shows 66% of participants had genetic risks detected in a currently prescribed medication. Using DNA also resulted in a 6.8% reduction in emergency room visits and a 14.9% reduction in

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School Temporary Return-to-Work Changes

Retirees can return to work at the discretion of an employer under certain conditions either through TRS's permanent return-to-work programs that apply to all TRS employers or temporary changes currently in effect that apply only for school districts. All return-to-work programs are limited by law and are an option for employers. House Bill 1 (22 RS), the budget law, extends and expands for school districts only certain temporary changes made previously to the retired return-to-work (RTW) rules of TRS. This outlines HB 1 changes, which took effect April 13, 2022, and continue through June 30, 2024, and is provided because of the potential interest of retirees and actives near retirement.

The temporary changes apply only to retirees returning to work for a school district.

This article also provides reminders of permanent RTW rules that remain unchanged and still must be followed. If you have any questions, contact TRS at 800-618-1687 before returning to work. Retirees may want to confer with a tax adviser concerning these matters.

Federal and state laws continue to prohibit any active member from having an agreement before retirement to return to work for any TRS employer in any position. For local school districts, this applies regardless of whether the position is certified or classified.

Retirees initially returning in certified positions in 2022 will have their RTW accounts in TRS 4.

Reciprocity retirees still must observe the breaks in service required of each Kentucky retirement system in which they have had service regardless of the position to which they are returning. Failing to meet the required breaks can result in both retirements being voided.

Regardless of the age at retirement, it is the burden of any taxpayer to prove that a bona fide retirement occurred. Any retiree returning to work in a certified or classified position under the temporary changes before age 59½ increases the risk that the IRS may conclude that a bona fide retirement did not occur. On advice of counsel to protect the tax qualified status of TRS, annuity earnings will be reported on Form 1099-R to the IRS as a potential in-service distribution until the retiree is 59½. In-service distributions may be subject to a 10% taxpayer penalty on annuity earnings. Also, if the IRS determines that a bona fide retirement did not occur, any such retirement may have to be voided and any benefits received would have to be repaid with interest.

TRS retirees who return to work in a school district in a certified or classified position after April 12, 2022, and before July 1, 2024, are temporarily required to have a break in service of no less than one month. Previous temporary changes limited eligibility to those who retired before Aug. 1, 2021.

Until the temporary changes expire, school districts may hire more retirees in the critical shortage program than would be allowed under the permanent rules. Critical shortage allows retirees to return to work without limitations on salary or a daily wage threshold (DWT). The decision to hire retirees in critical shortage positions is at the discretion of the district, regardless of whether it is under the permanent or temporary RTW provisions. Districts pay higher employer contributions for critical shortage positions, because of the actuarial cost, than are required for other positions.

A district, at its discretion, may elect to convert a teacher from the critical shortage program to the permanent RTW program with wage (and potentially day) limitations. A retiree working in a critical shortage position under the temporary changes could have to switch on July 1, 2024, to the permanent RTW program that has wage (and potentially day) limitations.

Retirees who follow the permanent return-to-work program are less likely to face a determination by the IRS that a bona fide retirement did not occur and the potential tax consequences that would follow.

Retirees who are active in the workforce must drop health insurance coverage through TRS if they are eligible for health insurance through their job. If insurance is available through the employer, TRS insurance, regardless of whether it's the KEHP or the MEHP, must be waived. Additionally, once a retiree loses eligibility for the active-employment insurance, the retiree should contact TRS immediately to enroll in its coverage within the qualifying event period (usually 30 days).

For TRS retirees who aren't in critical shortage teaching positions, the normal day and pay limitations, such as DWT, apply. The only temporary exception for RTW retirees who aren't in critical shortage is the break in service duration.

More information about RTW programs is at: <https://trs.ky.gov/retired-members/returning-to-work/>.

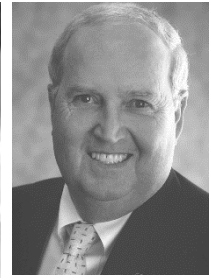
Professor, Retired Banker Elected to Board

Murray State University Associate Professor Ben Littlepage has been elected to the TRS Board of Trustees along with retired banker Hollis Gritton as a result of this year's members' elections.

Dr. Littlepage, of Murray, will be an active member trustee. He is an associate professor and program coordinator for the master's in postsecondary education administration program at Murray State. He joined the College of Education and Human Services in 2013. The graduate-level program has placed graduates in colleges and universities throughout Kentucky and the United States. Prior to Murray State, Dr. Littlepage was a higher education administrator for nine years. Dr. Littlepage holds a doctorate in educational leadership from the University of Memphis and a master's in student affairs from Western Kentucky University.



Littlepage



Gritton

Dr. Littlepage, the son of a retired Kentucky educator, succeeds Dr. Lynn Patterson, who is retiring.

Mr. Gritton, of Union, was elected to the board in 2012 to fill an unexpired term as a lay trustee and was elected in 2014 and 2018. Most recently he has been vice chair of the board and chair of the Investment Committee.

Mr. Gritton is a graduate of Georgetown College; the Kentucky School of Banking; and the Graduate School of Banking of the South at Louisiana State University. From 1993 until his retirement, Mr. Gritton served as president and chief executive officer (CEO) of Heritage Bank in Burlington. Previously, he served as senior vice president of Liberty National of Northern Kentucky and as president and CEO of Huntington National Bank of Boone County. He also served on the boards of Community Bankers of Kentucky and the Kentucky Bankers Association. Mr. Gritton is a former math teacher at Boone County High School.

The four-year terms began July 1.

The board consists of 11 members: seven people elected by the membership (four active teachers, one retiree, two lay trustees); two appointed by the governor with investment experience; the state treasurer; and the state education commissioner.

In-Person Counseling by Appointment Offered

While video and telephonic counseling remain efficient and are continuing, TRS has resumed offering in-person counseling to members by appointment.

Employees will be wearing a mask during appointments. This is being done to minimize the risk of an outbreak among TRS counselors, who process benefit payments to retirees, that would endanger the timely payment of those benefits as required by law. Masks are not required for members.

In-person counseling appointments can be made by calling 800-618-1687. Video and phone counseling appointments can be made by calling the number, emailing info@trs.ky.gov or through Pathway (<https://mss.trs.ky.gov>), the secure member account access website.

Members can access Pathway at any time, including creating benefit estimates for any retirement date.

For retirement counseling, TRS prioritizes appointments during June and July for members considering a retirement date in the next five years. This is because of the large volume of summer retirements and counseling requests.

Budget, from page 1

The budget as well provides \$78 million up front for sick leave-related annuity liabilities projected to occur from retirements in the next two years.

“The continued full funding for teachers’ retirement benefits represented in these appropriations is immensely important and appreciated,” Executive Secretary Gary Harbin said. “We’re thankful that every version of the budget presented during this session provided full funding for retiree annuities and health insurance. This tremendous support keeps TRS on the path toward achieving actuarial funded ratios of 100%.”

From the Executive Secretary, from page 1

inpatient visits compared to those not in the program. Personalized Medicine also saved \$37 million in direct medical costs over 32 months.

This adds verifiable scientific proof to the mounds of anecdotal evidence that has been accumulated since TRS’s Personalized Medicine debuted now almost five years ago. And hopefully, the science and the stories combine to encourage even more retirees to participate.

In short, the program uses a DNA test sent to members. Coriell Life Sciences collects and analyzes the sample, and the results then are provided to the pharmacists of the Know Your Rx Coalition. The pharmacists discuss possible changes in medications with retirees and potentially the retirees’ doctors.

Having this DNA information helps avoid the trial-and-error method commonly used to determine which medication works best for you. Because of DNA, some medications never will work for you — and if you’re experiencing the “error” part of the trial, it can be fatal or just frustrating.

For me, it was frustrating. Before enrolling in the program, I’d been prescribed a painkiller and another medication that made me feel bad for days because — I now know thanks to my DNA test — I was allergic.

If you haven’t signed up for TRS’s Personalized Medicine program, it’s easy. It’s a covered benefit — no charge to you — for people on the Medicare Eligible Health Plan (MEHP). Retirees under 65 on one of the consumer driven plans of the Kentucky Employees’ Health Plan (KEHP) can use money in their spending account. More information is on the TRS website at <https://trs.ky.gov/retired-members/retired-membershealth-care/personalized-medicine/>.

As the Personalized Medicine program adds participants, the expectation is that we’ll see more results like the recent peer-reviewed study. And we’ll continue to communicate with and educate our members about these results.

But the most important takeaway from the study — please, when retirement comes, take advantage of this benefit from TRS retiree health care.

Reminder: New TRS Account Type Names

TRS has four account types based on date of entry.

TRS 1	TRS 2	TRS 3	TRS 4
Entry before July 1, 2002	Entry on or between July 1, 2002, and June 30, 2008	Entry on or between July 1, 2008, and Dec. 31, 2021	Entry on or after Jan. 1, 2022

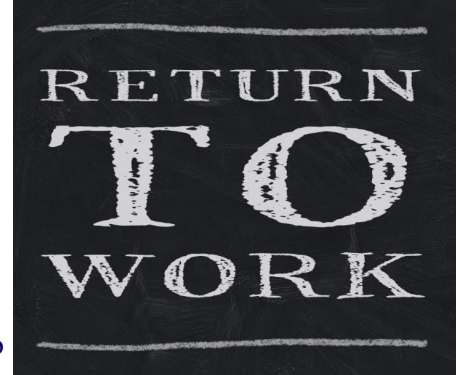
With the addition of the new benefits tier on Jan. 1, TRS is using names for easier reference for account types based on date of entry.

Reemployment Certification Required Before Returning to Work Within a Year

A Reemployment Certification must be on file before returning to work with a TRS employer for anyone retired for less than a year. This form certifies that no agreement for you to return to work was made before you retired. The form is signed by you and your new employer and must be on file with TRS prior to your return to work. The certification form can be found on the TRS website under Forms for Retired Members at <https://trs.ky.gov/wp-content/uploads/2019/12/Reemployment-Certification-for-Bona-Fide-Retirement.pdf>.

Also, the required break in service is mandatory even if the new job with the TRS employer is not a TRS position. The breaks in service and the reemployment certification form are required for all TRS retirees returning to work with a TRS employer, including university members.

Following these rules is required so that contributions to TRS can continue to be tax-deferred and to protect your retirement benefits. Detailed information is on the TRS website at: <https://trs.ky.gov/retired-members/returning-to-work/>.



National Recognition for a Funding Approach Used in TRS 4

The TRS 4 benefit plan's central feature is a stabilization reserve fund that helps provide retirement security for members and maintain a fully funded plan. The concept of this fund, which can be used should there be any future funding needs, is receiving national recognition as an innovative approach.

The National Institute on Retirement Security (NIRS), which was co-founded by defined benefit provider groups, recently presented an award for a model public pension funding policy authored by the Pew Charitable Trust. The model plan combines features of policies in Tennessee, California and Oregon, including Tennessee's reserve fund. The TRS 4 plan for new members that was created by House Bill 258 (21 RS), with input from many education groups and others, uses concepts from the Tennessee plan – primarily the reserve fund and risk controls – some of which are cited in the award.

Other innovations of TRS 4 include fixed statutory contribution rates for members and employers and monthly incentives to reward longer careers. This plan is designed as another way to ensure Kentucky teachers' retirement plans provide a secure, lifetime benefit that replaces Social Security.

Deadlines for Purchasing Credit and General Information on Purchases

Contact TRS about eligibility to obtain full service and or salary credit or review TRS's service credit information page on the website at <https://trs.ky.gov/active-members/retirement-planning/acquiring-service-credit/> and click the link on that page for the details brochure. This is of interest for members who did not receive a full year of service or salary credit, including for taking days without pay.

Unpaid Days

Deadline for purchase of unpaid days from fiscal year 2022 is Dec. 31, 2022.

The form for this must be submitted to TRS by your employer and can be completed through Pathway.

Leaves of absence

Deadline for purchase of fiscal year 2022 service credit is June 30, 2023. Under certain circumstances, you may be able to buy this at a higher cost later.

Contact your employer for a copy of the board minutes approving the leave of absence. The form must be submitted to TRS by your employer and can be completed in Pathway.

Be Aware of Required Minimum Distributions

Federal tax law requires some inactive TRS members to start withdrawing from their account, whether by retirement or refund. This is called required minimum distributions. It applies no matter the years of service and even for a return-to-work account.

Any TRS member age 70½ as of Dec. 31, 2019, with an accumulated balance who no longer is working for a TRS employer is required by federal law to begin taking minimum distributions from their retirement account.

Any TRS member who no longer is working for a TRS employer and who was 70½ on or after Jan. 1, 2020, must take minimum distributions starting at age 72.

Required minimum distributions can be accomplished in one of two ways.

If vested with at least five years of service, someone required to take minimum

distributions must file a retirement application and begin receiving an annuity.

Someone required to take distributions who doesn't have five years of service must file an application for a refund of his or her account.

Failure to make a timely withdrawal of retirement account contributions may result in federal tax penalties.

If you have met your required minimum distributions age and are no longer contributing to your account, contact TRS immediately for the forms to apply for one of the options to avoid substantial federal tax penalties.

Federal tax law also requires the beneficiary of an active or retired member to begin receiving benefits or a refund soon after a member's death. Beneficiaries should contact TRS soon after the member's death to begin receiving benefits or take a refund, if either is applicable, in order to avoid any penalties.

Watch Your Email Inbox for TRS Information

For years, TRS has sent communications to members and retirees in their mailboxes. Now, TRS also is using email inboxes as well. TRS is using donotreply@trs.ky.gov as the sender.

Of course, you can contact TRS anytime – the email for that is info@trs.ky.gov and the phone number is 800-618-1687.

If your emails are not updated, this might be another reason to do so. TRS offers multiple ways to update personal information, including by changing it online using Pathway (<https://mss.trs.ky.gov>).

Also, members and retirees may mail or fax a signed letter to TRS with your name and TRS ID and the new information. Finally, a downloadable form also is available from the website. The mailing address is 479 Versailles Rd., Frankfort, KY 40601.



TRS Educational Videos Available

Educational videos for members and retirees are posted on the videos page of the TRS website (<https://trs.ky.gov/home/seminars-workshops/videos/>).

Topics include Pathway registration, how the return-to-work salary limitations work and how to enroll in Medicare when turning 65. The full list is available at the link above.



Teachers' Retirement System
of the State of Kentucky
479 Versailles Road
Frankfort, KY 40601-3800



Keep Contact Information, Including Emails, Current

Keeping your contact information current ensures that you receive important communications from TRS, such as annual statements, newsletters, trustee election ballots, payment stubs, tax forms and retiree health insurance updates.

Besides your physical address, keep email addresses and telephone numbers up to date. TRS is starting to use email more often to keep in touch with members. Make sure your primary email address is the one that can be used by TRS.

Even if you change your address with the school district where you work (or worked), the school district doesn't report that change to TRS. So, TRS

needs to be notified of the change independently by members and retirees.

TRS offers multiple ways to update personal information, including online using Pathway at <https://mss.trs.ky.gov>. Also, members and retirees may mail or fax a signed letter to TRS with your name and TRS ID and the new information. Finally, a downloadable form also is available from the website.

The fax is 502-848-8599.

Contacting TRS



Address

479 Versailles Road, Frankfort, KY 40601



Hours

8 a.m. – 5 p.m. ET Monday – Friday



Facebook

<https://www.facebook.com/KyTeachersRS>



Website

<https://trs.ky.gov>



Email

info@trs.ky.gov



Pathway

<https://mss.trs.ky.gov/>



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