



January 2010

# Notes

The Newsletter of Kentucky's Affordable Prepaid Tuition

## Federal Financial Aid Reporting Information

KAPT is treated as an investment on the Free Application for Federal Student Aid (FAFSA).

Accounts owned by parents or dependent students are reported as *parental* investments. Note that parents should report the total refund value of **all** KAPT accounts owned by them, regardless of beneficiary, on the FAFSA. KAPT account owners who are considered independent students on the FAFSA should report the total refund value of all KAPT accounts owned by them, and their spouses, as student investments.

For purposes of FAFSA reporting, the refund value for KAPT accounts of beneficiaries entering or already attending college is the full payout value of the account. For KAPT accounts of beneficiaries who have not yet reached their college enrollment year, the refund value is equal to contributions only.



To help you complete the FAFSA, the FAFSA reporting value is included on your annual statement. We have also provided the refund values on the KAPT website. To access the information:

- Select the Account Access link at [www.getKAPT.com](http://www.getKAPT.com) to sign into your KAPT account.
- Click on "Benefits Information."
- Select the option to view information on completing the FAFSA.

You may also request the refund value of your account(s) for FAFSA reporting by calling customer service at 888.919.KAPT, option 2.

Your contract benefits are excluded in determining the amount of Kentucky state student aid your beneficiary will receive. You should contact the school financial aid office to determine the impact your KAPT benefits may have on eligibility for other types of financial aid.

## Fiscal Year 2009 Actuarial Study Completed

KAPT's annual actuarial valuation was completed in September by Actuarial Resources Corporation. The valuation showed KAPT was 66% funded as of June 30, 2009, with a \$59.3 million actuarial deficit. An actuarial deficit means that expected revenues of the KAPT Program Fund are less than the expected expenses and tuition liabilities.

As noted in the report, KAPT contracts are backed by the state's Unclaimed Property Fund, which is more than sufficient to meet the program's unfunded liability. This backing was affirmed by a 2006 Circuit Court ruling that stated the Commonwealth must fulfill the tuition payment obligation of all current KAPT contract holders.

KAPT's actuarial deficit is a result of two factors – a difficult investment environment and high tuition increases. Recent improvements in the market have had a positive impact on the program's actuarial status, and as of 9/30/09 the deficit had improved by over \$8 million to \$51.1 million.

Tuition inflation has played a significant role in KAPT's actuarial standing. Since the program began in October 2001, tuition increases related to KAPT's Standard Plan have averaged 10.6% annually. Tuition increases related to KAPT's Value Plan have averaged 15.5% annually, and tuition increases related to KAPT's Premium Plan have averaged 11.5% annually.

The program experienced lower than anticipated tuition increases in 2009 with tuition caps being set by the Council on Postsecondary Education at 5% for the University of Kentucky and University of Louisville and at 3% for the Kentucky Community and Technical College System.

The full actuarial report is available under the Reports section at [www.getKAPT.com](http://www.getKAPT.com).

## 1099-Q Forms

If any distributions were made from your KAPT account during 2009, an IRS Form 1099-Q will be issued for your account. If the distribution was made directly to the beneficiary or to a school, the 1099-Q will be sent to the beneficiary; all other 1099-Qs will be sent to the account owner. Forms and additional information will be mailed by January 31, 2010.

## Using KAPT Benefits in 2010

If your KAPT beneficiary will be entering college in the fall of 2010, please take note of the following:

- Your KAPT account must be paid in full, including all outstanding fees, before your benefits can be used.
- The Projected Enrollment Year on your account must be 2010 or earlier.
- In March, you will receive a benefit usage packet that will provide detailed information and instructions on applying for and using your KAPT benefits. Information is also available under "Using Benefits" at [www.getKAPT.com](http://www.getKAPT.com).

If your beneficiary is already using KAPT benefits, you can print a Billing Authorization Form and other benefit use forms and view updated payout value information on [www.getKAPT.com](http://www.getKAPT.com). Remember that you should submit a Billing Authorization Form to the school each semester you want the school to invoice KAPT for tuition and fees.

If you have any questions about using KAPT benefits, please call 888.919.KAPT, option 2, or see the Using Benefits section at [www.getKAPT.com](http://www.getKAPT.com).

## 2010 Board Meeting Schedule

Per Kentucky statute, the Kentucky Higher Education Assistance Authority (KHEAA) Board of Directors also serves as the KAPT Board of Directors. This group also serves as the board of KHEAA's sister agency, the Kentucky Higher Education Student Loan Corporation (KHESLC).

The 2010 meeting schedule is available on the News page at [www.getKAPT.com](http://www.getKAPT.com). All meetings are open to the public.

## KAPT Receives Clean Audit Opinion

KAPT received an unqualified "clean" audit opinion by Strothman & Company PSC as a result of the program's annual audit for Fiscal Year 2009.

The audited financial statements are available under the Reports section at [www.getKAPT.com](http://www.getKAPT.com).

## E-mail Addresses Needed

E-mail is an important tool to keep you updated on your KAPT account. If you have not provided your e-mail address, or if your e-mail has changed, please update your account at [www.getKAPT.com](http://www.getKAPT.com).



## KAPT Annual Statements

Your KAPT newsletter is included in this mailing of your KAPT annual statement. The annual statement is provided after December 31 each year to all KAPT account owners with active accounts. It is important that you verify all information provided on the statement and notify KAPT of any changes. Account specific updates may be made online at [www.getKAPT.com](http://www.getKAPT.com) by selecting the Account Access link from the home page. If you have any questions regarding your annual statement, please call 1-888-919-KAPT, option 2.

## KAPT Online Account Access Available

You can view your KAPT accounts online with secure, 24-hour access.

You can check your current account status and recent financial transactions, update your and your beneficiary's mailing and e-mail addresses, calculate an early payoff on your KAPT account, and track benefit payment details and remaining benefits. Since account owners can now access benefit information online anytime, annual Usage Statements will no longer be mailed.

Check out your accounts at [www.getKAPT.com](http://www.getKAPT.com) by selecting the Account Access link from the KAPT home page. You will need your KAPT account number and Social Security number to get started. If you have multiple KAPT accounts, you may use any of your KAPT account numbers to login.

If you have any questions, please call us toll free at 888.919.KAPT, option 2.

## KAPT Enrollment Suspension Continues

In conjunction with the actuarial review at its October 16, 2009, meeting, the KAPT Board of Directors did not open KAPT for enrollment. The Board formed a committee to continue examining KAPT enrollment issues, which is scheduled for its first meeting on January 15, 2010.



## How to Contact Us

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