

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

RETIRED MEMBER
EDITION



MAY
2016

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Budget "Major Step Forward" for Teachers' Pensions

by Gary L. Harbin, CPA

Executive Secretary

Your phone calls, emails and personal communications with Kentucky lawmakers have paid off for teachers' pensions. The General Assembly and Gov. Matt Bevin approved a two-year state spending plan that includes nearly \$1 billion in additional funding – about 94 percent of the amount called for by the actuary for the Kentucky Teachers' Retirement System.

The \$973 million appropriation is a major step forward in addressing the unfunded liability and shows teachers past and present that the promise made to them by the state for their service to the commonwealth will be honored. Additional money also could be available from the new permanent pension fund after an expected performance review, the details of which are still being worked out as of this writing.

At a minimum, the additional \$973 million helps lessen the negative cash flow problem that forced KTRS to sell assets, to meet retiree payroll, at times when those sales haven't been advantageous. That negative cash flow required \$2.365 billion of assets to be sold in the last five years, according to a recent analysis by KTRS Chief Investment Officer Tom Siderewicz. The analysis showed that, had those assets been left in the investment portfolio,

KTRS's returns would have led to a profit of \$319 million – meaning the investment account is without \$2.684 billion that it would have had to invest. KTRS now, with nearly \$1 billion in additional funding, can avoid many of those sales and their compounded negative impact.

I extend my thanks to everyone involved – from Gov. Bevin and his tone-setting initial proposal to the 138 legislators who arrived at the final product. At every step, this was a serious effort to fund pensions in Kentucky, something that hadn't been accomplished in almost a decade. Our many constituent groups also provided invaluable assistance delivering the message of funding need to elected officials. Without a doubt, thanks also are due to you, the members, who have kept this issue at the forefront of legislators' minds for years. This achievement wouldn't have been reached without each of you.

Addressing the underfunding that built up over time, as legislators have noted, will take time and continued diligence. So be sure to thank your legislators for the funding they provided for the upcoming budget in the hope that this momentum continues forward into future budgets.

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PATHWAY <https://mss.ktrs.ky.gov>



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BOARD of Trustees

The Kentucky Teachers' Retirement System is governed by a nine-member Board of Trustees, comprised of the state's education commissioner and treasurer and seven trustees elected by the retired and active membership.

The next such election is May, and you are encouraged to vote. The candidates for the active teacher trustee are Keri Meador of Louisville and Josh Underwood of Tollesboro.

Terms are four years.

In early May, ballots, with short biographies of the candidates, are mailed to each KTRS member. Retired members receive a yellow ballot and active members receive a blue ballot. Please select a candidate, tear along the perforation and mail the ballot. Postage is prepaid, so no stamp is needed. Ballots must be postmarked by May 31. The education commissioner is responsible for counting ballots.

All members are encouraged to review the qualifications of each candidate and vote for the candidate the voter believes is best suited to serve in the fiduciary role as a trustee.

The election results will be announced in the next KTRS newsletter, on the website and through KTRS social media channels.



Security Dos and Don'ts

As KTRS encourages members to do more with their accounts online, some pointers are in order to ensure the security of your account. First, know that KTRS knows your login information. KTRS will never ask you for your password over the telephone or by email. Don't give this information to anyone, even if they claim to be a representative of KTRS. The following tips are gleaned from a variety of websites.

DO

- Create different passwords so that a criminal who hacks your account doesn't then have access to other accounts of yours.
- Make passwords hard to guess using uppercase and lowercase letters, numbers and special characters.
- Keep your computer and device software up to date as security fixes frequently are included in the updates.
- Consider getting anti-malware software.
- Use a password or personal ID number on your mobile phone.

DON'T

- Share passwords with others.
- Post information like credit card numbers or passwords on public sites.
- Click links, open mail or open attachments from an untrusted source. Links can be made to look like they're related to a reputable source (like the IRS) when they're not. The best practice for suspicious emails, and especially suspicious attachments, is to delete them without opening them.
- Respond to phone calls, letters or emails requesting confidential data.

Have You Tried Pathway's Self-Service Portal?

Please try the Pathway member self-service portal if you haven't already, and, if you haven't received an email asking you to sign up, make sure that your current email address is on file with KTRS.

The site contains benefit information, allows members to get benefit estimates and register for seminars, among other features.

The objective of Pathway is to make it easier for members to access information about their retirement and insurance accounts while streamlining retirement processes and improving staff efficiency.

The member portal is the final phase of a multiyear effort to modernize KTRS's information technology infrastructure.

The project is expected to be complete by May. Also, planning for a mobile application (app) is ongoing.

Moving?

Keeping your contact information current ensures that you receive important communications from the Kentucky Teachers' Retirement System, such as annual statements, newsletters, trustee election ballots, payment stubs and tax forms.

Even if you change your address with the school district where you work (or worked), the school district doesn't report that change to KTRS. So, KTRS needs to be notified of the change independently by members.

Besides your physical address, please keep email addresses and telephone numbers up to date.



To update your information, mail or fax a signed letter to KTRS with your name and identification number and the new information. A form also is available for download at ktrs.ky.gov.

The mailing address is: 479 Versailles Rd., Frankfort, KY 40601. The fax is 502-848-8599.

Did You Know: KTRS Reports to Federal Securities Regulators

Among the many ways that the Kentucky Teachers' Retirement System's operations are an open book, a portion of investment transactions are reported each quarter to the U.S. Securities and Exchange Commission.

This report, which is linked from the Financials, Reports & Quarterly Investments page of the KTRS website, is required for most institutional investment managers, including pension funds, investment advisers, banks, insurance companies, broker-dealers and corporations.

The report covers investments in publicly listed companies.



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PATHWAY SELF-SERVICE PORTAL

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**KENTUCKY TEACHERS'
RETIREMENT SYSTEM**
479 Versailles Road
Frankfort, KY 40601
Monday through Friday
from 8 a.m. to 5 p.m. ET
Phone: 800-618-1687



Reemployed Retirees

Retirees who return to the workforce often have to drop health insurance coverage through the Kentucky Teachers' Retirement System. So, if you become reemployed, please contact KTRS to determine your eligibility for health insurance.

If you return to work in an agency that participates in the Kentucky Employees' Health Plan (KEHP) where you are eligible for health insurance, you must terminate your coverage through KTRS, regardless of whether you're in the KEHP or the Medicare Eligible Health Plan (MEHP).

If you return to work somewhere that does not participate in the KEHP but does offer you health insurance, you must terminate KTRS coverage unless that new coverage is not as good as KTRS coverage. You may be asked to certify this information.

Additionally, once you leave a post-retirement job or lose eligibility for the active insurance that came with that job, you must contact KTRS to enroll in its coverage within the qualifying event period (usually 30 days) and provide the required documentation.

~MEHP~

Vaccines, Immunizations and Part B Prescriptions

This is just a reminder for Medicare Eligible Health Plan participants who are getting flu or pneumonia vaccines at a retail pharmacy to give the pharmacist your UnitedHealthcare (UHC) ID card, not your Express Scripts ID card. The pharmacist then should submit claims to your medical plan, UHC, using the information shown in the box labeled Part B drugs. Medicare considers these vaccines to be Medicare Part B claims. Other categories for which you should present your UHC ID card include diabetes testing supplies and inhaled nebulization solutions that are administered using a nebulizer.

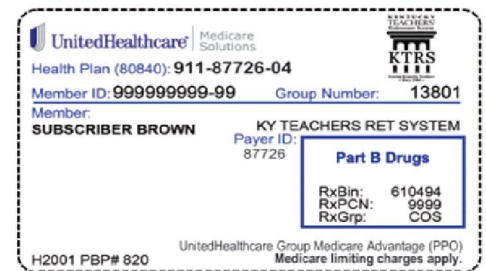


At your doctor's office, the only vaccines that are covered using your UHC plan are flu vaccine

and pneumonia vaccine. Hepatitis B vaccine may be covered when given in your doctor's office but will require prior authorization to determine eligibility.

Other vaccines, such as shingles, tetanus and whooping cough, are considered Part D drugs and must be filed with Express Scripts.

Contact a pharmacist at the Know Your Rx Coalition at 855-218-5979 for more information.



~MEHP~

Don't Pay More Than You Should: Reminders About Bills From Providers

Medical bills can be downright confusing, including how much a retiree should pay for Medicare-covered medical services. Here are some answers and tips.

When and how much to pay:

After receiving an invoice directly from a medical provider, resist the temptation to pay immediately. That's because you may only owe a small portion of the bill, like 4 percent after your \$150 annual medical deductible. Medical providers should send claims, instead, to UnitedHealthcare (UHC). UHC then sends you an Explanation of Benefits (EOB) once a month. Match the EOB with the bill the provider already sent you and, then, only pay what UHC indicates as your liability.

What can the doctor charge and how much should be paid:

Generally, you should only pay the appropriate coinsurance after your deductible has been met. There are generally two scenarios for billing, which begins with the fee schedule published by Medicare of what it will pay for each covered service. In the first scenario, the vast majority of doctors accept the Medicare Fee Schedule as payment in full.

see "Bills" continued on page 5

In this case, you would only be responsible to pay your coinsurance after your deductible has been met. In the second scenario, some Medicare-participating doctors charge more than the Medicare Fee Schedule. In these situations, Medicare allows the doctor to bill up to what is called the Medicare Limiting Charge, which is more than the Medicare Fee Schedule but is capped at a certain amount. The doctor can bill for the difference (also known as "excess charges") between the Medicare Limiting Charge and the Medicare Fee Schedule. But, under the UnitedHealthcare Group Medicare Advantage plan, you do not pay the excess charges and should not receive a bill for those charges. Your doctor should bill UHC, which pays the excess charges. Again, all you pay is the appropriate coinsurance, after your deductible has been met.

What do you do if you think you are being charged more:

If you think you have paid too much, UHC customer service is the place to start. Call toll-free at 844-518-KTRS (5877), TTY 711, 8 a.m.-8 p.m., Monday through Friday. The customer service team can help you understand your bill and see if there have been any changes since the bill was sent. If you overpaid, ask the doctor's billing office for a refund. If you are not able to get the situation resolved that way, call UHC again and UHC will pursue it on your behalf.

Final reminder: The plan will only pay for covered and necessary medical services. If the service is not a part of the plan's coverage, then you pay the entire amount for the service. Call UHC customer service with any questions about plan benefits or what is covered. They will be happy to assist you.

~MEHP~

MEHP Spouse-Qualifying Events

If you are the spouse age 65 or over of a KTRS retiree and you waive coverage through the Medicare Eligible Health Plan (MEHP), you will not be permitted to enroll in the future unless you experience a valid KTRS-qualifying event. Spouses are not permitted to enroll during open enrollment unless the retiree previously has waived and is enrolling.

Qualifying events are:

- **Marriage:** New spouses have 30 days from the date of marriage to enroll.
- **Spouse Losing Other Employer- or Retirement System-Sponsored Coverage:** Spouse must provide proof from employer/retirement system showing insurance termination date and reason for termination. Coverage cannot have been terminated by the spouse.
- **Spouse's COBRA Expires:** Spouse must provide a COBRA termination letter showing the date COBRA expires. Coverage cannot have been terminated by the spouse.
- **Tag-along with Retiree:** Spouse can be enrolled when retiree enrolls because spouse previously was unable to be covered because the retiree did not have KTRS coverage.
- **Death of Retiree:** Spouses have 30 days from the retiree's death to elect or decline coverage. The election is permanent. If coverage is declined or waived, no qualifying event will allow the surviving spouse to re-enroll.
- **Spouse Turning 65:** Spouses must enroll in Medicare Parts A and B and enroll in the KTRS MEHP within 30 days of turning 65.

REMINDER – Upon the Death of an Active or Retired Teacher

Eligible spouses have 30 days from the member's date of death to elect or decline health insurance coverage through KTRS. Be careful making that decision because it is permanent. Once coverage is declined or waived, no qualifying event will allow the surviving spouse to re-enroll.

Newly Eligible for Medicare?

Members and dependents newly eligible for Medicare must switch to the KTRS Medicare Eligible Health Plan (MEHP).

With the exception of retirees or covered dependents who are under 65 and were Medicare-eligible before Jan. 1, 2013, Medicare-eligible members are not permitted to be in the Kentucky Employees' Health Plan (KEHP).

Please contact KTRS immediately (at 800-618-1687) should you or any of your covered dependents become eligible for Medicare.

Under-65 members who retired prior to Jan. 1, 2013, are grandfathered under a previous rule where KTRS allowed a choice of KEHP or MEHP coverage for retirees under age 65 and/or dependents who were eligible for Medicare. The cost to KTRS to cover a Medicare-eligible member on the KEHP with only secondary coverage is more than double the cost of the MEHP.

The policy helps ensure the continuation of affordable medical insurance for all KTRS participants.

Turning 65 Seminars Added

Based on the popularity of the annual Turning 65 seminar each year in Frankfort for members within a year of that milestone, the Kentucky Teachers' Retirement System is adding four more seminars – including three in new locations.

Members who are eligible to attend will receive a postcard in the mail with details about registration, which is required. Four seminars will be held between May and July in Frankfort, Prestonsburg, Madisonville and Corbin.

The Turning 65 Seminars are for members about to turn 65.

Many members find turning 65 an overwhelming experience as enrollment in Medicare, the KTRS Medicare Eligible Health Plan (MEHP) and Medicare Part D become available.

To lessen these concerns, KTRS offers a full-blown walk-through presentation – discussing the KTRS retiree's participation in these programs. Because of limited seating, registration is required and limited.