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Teachers' Retirement System

RETIRED
MEMBER EDITION

MARCH
2019

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Available through April 21 Electronic Voting Option Added for Trustee Elections

TRS is adding the option of electronic voting beginning with this year's elections for the Board of Trustees. Electronic voting is available through April 21 on Pathway (<https://mss.trs.ky.gov>).

The goal of this new aspect for trustee elections is to provide a secure method for people who prefer to vote by personal device and to increase participation in the races.

The April electronic voting will be followed by voting by paper ballot in May, which is unchanged. Once the period for electronic voting is closed, paper ballots will be printed and mailed to anyone who hasn't already voted.

On-screen ballots are very similar, including candidate biographies, to the paper ballots TRS has used for years.

The election will be overseen, as required by law, by the Kentucky Department of Education (KDE), and votes will be tallied at KDE, which forwards the results to TRS. The votes on electronic ballots will not be seen by anyone at TRS; the paper ballots will continue to be mailed to KDE.

Results will be announced in June, and the new trustees' four-year terms begin July 1.

The 11-member TRS board includes seven trustees elected by active members and retirees. The other four consist of two, the education commissioner and the state treasurer, who serve by reason of their office and two who are appointed by the governor with investment experience.

Two seats are up for election this year.

From the Executive Secretary

by Gary L. Harbin, CPA

This edition of the TRS newsletter is headlined by an article on the addition of electronic voting as an option in this year's Board of Trustees elections.

I'd encourage you to try this new option, which is available through TRS's Pathway member self-service website. If you've never signed up for Pathway, let this be the reason. Answers to any questions about how to sign up for Pathway or how to vote electronically are as easy as contacting our Information Center (800-618-1687).

If you don't want to vote electronically, a paper ballot will be sent to you.

Either way, this is a reminder that the ability to vote for the leaders of your retirement system shouldn't be taken lightly.

TRS testified last year before the Public Pension Oversight Board (PPOB) about the

process of – and participation – in trustee elections. Also, I testified before the PPOB in March, and I was asked about the expertise of the board, on which seven of the 11 trustees are elected by the members.

My answer to the PPOB was almost exactly the same statement I've made on the paper trustee ballots every year during my time as executive secretary. Trustees elected over the last almost 80 years by members have established successful policies for TRS and provided stability, which helps in the administration of TRS and investing by the retirement system on your behalf.

As a TRS member, you are entitled to vote in this year's two races. I invite your continued support and greatly appreciate your participation – whether it's a click or shading a box – in this vital role of TRS active and retired teachers.

Funded Ratio Improves for Pension, Medical Funds

With the most recent work of independent actuaries and auditors done, the Teachers' Retirement System's funded ratio improved for the third time in the last four years.

The funded ratio of the teachers' pension plan was 57.7 percent as of June 30, 2018, up from 56.4 percent a year earlier, according to the report released in November. The unfunded accrued liability improved slightly to \$14.3 billion, while

the assets were \$19.5 billion.

The medical insurance fund improved to 36.3 percent as of June 30, 2018, up from 26.7 percent funded the prior year. Before Shared Responsibility was enacted in 2010, the funding ratio was at 3.5 percent at the end of fiscal year 2009.

The pension investing return for the fiscal year was 10.8 percent gross and 10.5 percent net.

2-Page Section for You and Your Tax Preparer
2018 Tax Year Information

Tax Time Tips

On the next pages of the newsletter are illustrations aimed at helping you complete the pension-related parts of tax returns. A separate article in this newsletter deals with the impact of federal tax law changes on withholding that began in 2018.

These tips should not, however, be considered the only advice needed. Rules and forms likely will differ for retirees who now live outside Kentucky. Retirees may want to confer with a tax preparer or use a computer program for tax form preparation. TRS assumes no liability in providing this general guidance. Most importantly, remember that up to \$31,110 in pension income is exempt from Kentucky taxes (which is a change from \$41,110 prior to 2018) – and even more if you retired or earned service credit before Jan. 1, 1998.

Form 1099-R

TRS mailed 1099-R tax forms at the end of January.

The tax statement contains confidential information and can only be mailed to the member’s address that is currently on record with TRS. For TRS to send the form to a different address, the member, beneficiary or power of attorney must submit a written request to TRS. The written request may be mailed to TRS or faxed to 502-573-0254 and should specify if the address change is permanent. The form is available on the Retired Member forms page at <https://trs.ky.gov>. Duplicates are available using the Pathway member self-service portal (<https://mss.trs.ky.gov>) or by calling 800-618-1687.

Form 1099-R 2018		OMB No. 1545-0119 Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. This information is being furnished to the Internal Revenue Service.		Payer's Federal Identification Number 61-xxxxxxx		STATE COPY 1- File with Recipient's STATE Tax Return	
Recipient Information		1. Gross Distribution 1	2a. Taxable Amount 2a	2b. <input type="checkbox"/> Taxable Amount Not Determined <input type="checkbox"/> Total Distribution			
		3. Amount in Box 2a Eligible for Capital Gain Election		4. Federal Income Tax Withheld	5. Employee Contributions 5		
Recipient Identification Number		6. Net unrealized appreciation in employer's securities	7. Distribution Code	IRA/SEP/ Simple <input type="checkbox"/>	8. Other		
Payer's Full Name & Address TEACHERS' RETIREMENT SYSTEM 479 VERSAILLES ROAD FRANKFORT, KY 40601-3800		9a. Your Percent of Total Distribution	9b. Total Employee Contribution 9b	10. Amount allocable to IRR within 5 years		11. First Year of Design. Roth Contribution	
		12. State Tax Withheld	13. State/Payer's State Number	14. State Distribution	State Taxable Percentage %		

BOX 1
Shows total pension benefit before withholding.

BOX 2a
Shows taxable portion of benefit. If blank, "Taxable Amount Not Determined" in Box 2b should be marked.

BOX 5
Shows the amount member personally contributed to what was received. The Box 5 amount is nontaxable and is NOT used on personal returns (i.e. IRS Form 1040, Ky. Form 740).

BOX 9b
Only used in first year of retirement to show amount of previously taxed contributions.

Kentucky State Taxes

Most members do not owe Kentucky state taxes on TRS benefits. You may want to take a copy of these pages to your tax preparer.

Kentucky law excludes up to \$31,110 in pension income from state tax (no pension income from service before Jan. 1, 1998 is taxable), so don't forget to apply the Kentucky pension income exclusion against the amount taxable by the state. Here's how:



The Kentucky return begins with the federal adjusted gross income, which is on line 5 of Form 740. But that figure can be lowered using the deduction of up to \$31,110. On Schedule M, which is where deductions are itemized, line 9 allows up to \$31,110 to be deducted. If the amount in box 2a of the 1099-R (or the sum of box 2a amounts, if you have more than one 1099-R) exceeds \$31,110, a Schedule P, which reports pension income in detail, will need to be filed. Follow the instructions on the form to determine the amount that goes on Schedule M line 11.

Federal Taxes

Upon retirement, federal taxable income must be reported to the IRS. Under federal tax law, members must pay taxes on tax-sheltered annuities immediately. If you made contributions prior to August 1982 or made personal payments to the retirement system, TRS will calculate the amount of contributions upon which federal income taxes already have been paid and will report on the 1099-R the amount of your annuity that is still subject to income tax.

Need Help?

Tax forms may be obtained through the Kentucky Department of Revenue at <http://revenue.ky.gov/Get-Help/Pages/Forms.aspx>.

TRS: 502-848-8500, toll free at 800-618-1687

KRS: 502-696-8800, toll free at 800-928-4646

Deferred Compensation: 502-573-7925, toll free at 800-542-2667

Kentucky Revenue Cabinet: 502-564-4581

IRS: 800-829-1040

Withholding for State Taxes Now Offered to TRS Retirees

Retirees who wish to have money withheld from their monthly TRS annuity payments for Kentucky state taxes may do so by filling out a form. The form is on the TRS website at: <https://trs.ky.gov/wp-content/uploads/2019/03/KY-State-Tax-withholding-Certificate-201902.pdf>

Withholding for state taxes is optional.

In a number of cases, retirees now have more taxable income because the amount

of pension income exempt from state tax is \$31,110 instead of the previous \$41,110.

Withholding for federal taxes is separate and requires a different form.

Retirees also may want to confer with a tax preparer.

CORRECTED (if checked)		CPY 9. Report this income on your federal tax return. If this form shows federal income tax withheld in Box 4, check this box to your return.	
Form 1099-R 2018	OMB No. 1545-0047 Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Investment Contracts, etc. This information is being furnished to the Internal Revenue Service.	Payor's Federal Identification Number 01-0000000	CPY 9. Fill with recipient's SSN or Tax ID Number
1. Gross Distribution	2a. Taxable Amount	2b. Taxable Amount Not Determined	3. Total Distribution
2. Amount in the Box 4 (Right) for Federal Tax Withholding	4. Federal Income Tax Withheld	5. Employee Contributions	6. Total Distribution
7. Recipient Identification Number	8. Net investment appreciation in employer's annuities	9. Distribution Code	10. Other
11. Paper's Full Name & Address TEACHERS' RETIREMENT SYSTEM 475 VERSALLER ROAD FRANKFORT, KY 40601-2800	12. Year Percent of Last Distribution	13. Total Employee Contributions	14. Amount withdrawn in the last 12 months
15. State Tax Withheld	16. State/Federal's State Number	17. State Distribution	18. State Tax Percentage

Law Changes May Mean Retirees Will Want to Change Federal Tax Withholding of Pension Benefits

Recent changes in federal tax laws have prompted some retirees to call TRS because they resulted in smaller refunds or, in some cases, no refund.

The 2018 U.S. tax code changes resulted in lower standard withholding for federal taxes. TRS uses the tax tables issued by the Internal Revenue Service, unless directed by individual retirees to withhold more.

In a number of cases, retirees now have more taxable income because of the changes – primarily because of the removal of the personal exemptions – while the federal tax

withholding tables called for lower amounts to be taken out of checks as a result of lower tax rates.

Retirees who wish to have additional amounts withheld from future TRS pension payments may complete and submit a new W-4P, which is available on the TRS website (https://trs.ky.gov/wp-content/uploads/2019/02/2019-W-4P_TRS.pdf). The entire form must be completed, but line 3 is where additional withholding is noted.

Retirees also may want to confer with a tax preparer.

Re-Employed Retirees

Retirees who return to the workforce must drop health insurance coverage through the Teachers' Retirement System if they are eligible for health insurance through a new job.

If insurance is available through the new employer, TRS retiree insurance must be waived regardless of whether the retired person is in the KEHP or the Medicare

Eligible Health Plan (MEHP).

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

Turning 65 Webinars, Seminars Offered

TRS is hosting a series of seminars and webinars in the coming months geared toward the many retirees who find turning 65 to be daunting as they approach Medicare eligibility. Let TRS help with a full presentation and walkthrough on the features and benefits of the TRS Medicare Eligible Health Plan (MEHP).

Dates and times can be found at <https://trs.ky.gov/active-members/seminars-workshops/>. Registration is required and can be done by calling 800-618-1687, extension 8853, or by visiting <https://trs.ky.gov/active-members/seminars-workshops#65> and clicking the appropriate link for seminars or webinars.



REMINDER: Upon the Death of an Active or Retired Teacher

Eligible spouses have 30 days from the member's death to elect or decline health insurance coverage through the Teachers' Retirement System. 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.

**KEHP
Under 65**

Tips If You're About to Be Medicare Eligible

If you will be transitioning from the Kentucky Employees' Health Plan (KEHP) to TRS's Medicare coverage through the Medicare Eligible Health Plan (MEHP), remember these important facts.

- ◆ You will need to spend all your remaining bucks in the Go365 Mall before your KEHP coverage terminates.
- ◆ Also, if you have a Consumer Driven Health Plan (CDHP) you will want to use any remaining Health Reimbursement Account (HRA) funds before moving to the MEHP.

**KEHP
Under 65**

Reminder to Complete LivingWell Promise by July 1

All Kentucky Employees' Health Plan (KEHP) plan holders are required to complete either the Go365 Health Assessment or a biometric screening by July 1.

Visit <https://livingwell.ky.gov/Pages/default.aspx> for details. Members who do not complete the LivingWell Promise will not receive a monthly premium discount in 2020.

Anyone who has completed the LivingWell Promise can disregard this message.



MEHP

What to Expect at Your Annual Medicare Physical and Wellness Visit

An annual physical and wellness visit isn't the same thing as an annual checkup. Although the two have some things in common, their purposes are different for Medicare Advantage plans like TRS's Medicare Eligible Health Plan (MEHP).

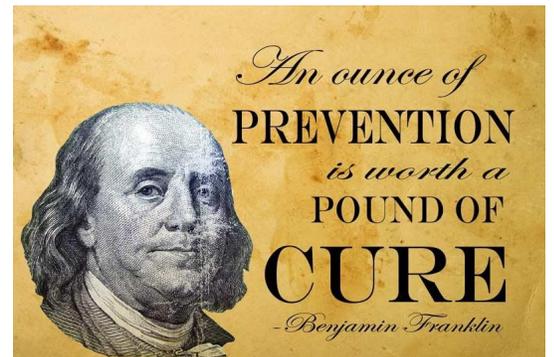
During a classic annual physical, a health care professional evaluates your health history, performs a thorough physical examination and determines if you have any new or existing medical issues that need to be addressed. Beyond that, an annual wellness visit is focused primarily on preventive care, health screenings and wellness planning. It gives you an opportunity to have a conversation with your doctor about your health status and goals and then to create a long-term plan to help you meet those goals and maximize your well-being.

Even though your annual physical and wellness visit are covered by your Medicare Advantage plan and do not require a copay, a few items are important to remember. When you schedule your appointment, make sure to tell your provider you only want an annual

physical and/or wellness visit. The way the claim is submitted to UnitedHealthcare (UHC) can trigger a copay. For example, a copay or coinsurance may apply if you receive additional services that are not part of the annual physical or wellness visit, such as a request to

have the doctor culture your throat for an infection. Also, the physician's office or its

third-party biller must submit the claim with the correct billing code for the annual physical and/or wellness visit. It's very important that your physician's office understands why you are there, and that the claim is submitted correctly. Also, review your Explanation of Benefits closely to ensure your claims are being submitted correctly. If your claims are submitted to UHC incorrectly, you will have to contact your provider to get it resolved.



Teachers' Retirement System
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479 Versailles Road
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MEHP

Vaccines, Immunizations and Part B Prescriptions

Participants in the Medicare Eligible Health Plan (MEHP) who are getting flu or pneumonia vaccines at a retail pharmacy are reminded to give the pharmacist their UnitedHealthcare (UHC) ID card, not their Express Scripts ID card. The pharmacist then should submit claims to your UHC medical plan using the information shown in the box labeled Part B drugs.

Currently, Medicare considers these vaccines to be Medicare Part B claims, but Medicare could change that in the future. Also present the UHC ID card when obtaining other needs such as diabetes testing supplies and inhaled nebulization solutions that are administered using a nebulizer.

At a doctor's office, the only vaccines currently covered through the UHC plan are flu and pneumonia vaccines. Hepatitis B vaccine

may be covered when given in your doctor's office, but requires prior authorization to determine eligibility.

Other vaccines — such as shingles, tetanus, Hepatitis A and whooping cough — currently are considered Medicare Part D drugs so they must be filed with Express Scripts. If these vaccines are given at a doctor's office, you will have to file a manual claim with Express Scripts. But, if you get these vaccines at a retail pharmacy, the pharmacist will send the claim directly to Express Scripts for you. Contact a pharmacist at the Know Your Rx Coalition at 855-218-5979 for more information.

