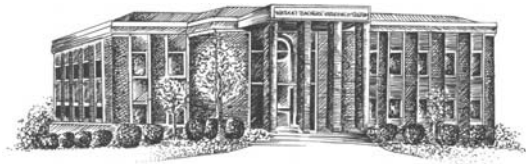


# KENTUCKY

## TEACHERS' RETIREMENT SYSTEM

RETIRED  
MEMBER EDITION



SEPTEMBER  
2014

### Headlines

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### Members Elect Trustees to KTRS Board

The election for the two positions on the KTRS Board of Trustees, due to the expiring terms for a lay trustee and an active trustee position, was conducted during May 2014. Dr. Terry Holliday, Chief State School Officer, certified the results of the election to the KTRS Board of Trustees. Terms will end June 30, 2018.



**HOLLIS GRITTON** of Union, was elected to a four-year term as a lay trustee. Mr. Gritton has served as a trustee on the Kentucky Teachers' Retirement System Board of Trustees since September 2012.

Mr. Gritton is a graduate of Georgetown College, Georgetown, KY; the Kentucky School of Banking; and the Graduate School of Banking of the South, Louisiana State University, Baton Rouge, LA. From 1993 until his recent retirement, Mr. Gritton served as President and CEO of Heritage Bank in Burlington, KY. Prior to that, he served as Senior Vice President of Liberty National of Northern KY; President and CEO of Huntington National Bank of Boone County. Mr. Gritton is a former math teacher at Boone County High School. His civic involvement includes deacon and Sunday School teacher, board member Tri-City YMCA, charter member Boone County Businessmen Association, Northern KY Chamber of Commerce, Boone County treasurer, Boone County Police Merit Board, United Way, Fine Arts Fund, American Heart Association, and American Cancer Society.



**LAURA ZIMMERMAN** of Lexington, was elected to a four-year term as an active teacher trustee. Ms. Zimmerman has served as a trustee on the Kentucky Teachers' Retirement

System Board of Trustees since September 2003.

Ms. Zimmerman teaches in Fayette County Public Schools' Family Care Center. She is a graduate of Eastern Kentucky University with a B.S. in Community Health Education, a B.S. Area of Concentration in Science, a Masters Degree in Biology Education and a Rank I in school counseling. She is active in the Kentucky Education Association and Fayette County Education Association, where she has served on the Board of Directors. She served as chair of the Fayette County Education Association-sponsored Hugh O'Brien Leadership Program. Ms. Zimmerman served on the Fayette County Public Schools' Benefits Committee, Teacher Evaluation Appeals Committee, Supplemental Pay Committee and School-Based Decision Making Council. In addition, she is active in the community, serving on the board at One Parent Scholar House and volunteering at Radio Eye. She is a recipient of the University of Kentucky's Teachers Who Made A Difference Award and the FCPS FAME award.

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# The Baby Boom Generation Contemplates Retirement

from the Executive Secretary Gary L. Harbin, CPA

TEN THOUSAND members of the baby boom generation celebrate their 65th birthday each and every day in the United States. By 2030, about 80 million baby boomers—one quarter of the total population of the country—will have crossed the age 65 threshold.<sup>1</sup> This enormous shift to what is commonly considered retirement age will have wide ranging implications for the country and KTRS over the coming years.

During June and July this year, 1,269 teachers retired from service. This was an average year compared to the last five years. However, KTRS is certainly experiencing a surge of activity related to baby boomers. The number of visitors to KTRS's offices has trended up for the last five years and reached a peak this summer. Baby boomers make up one-third of KTRS's active member population. Fifteen thousand members of this group are currently eligible for an annuity and will likely retire over the next 4 to 6 years. After this initial deluge, another 10,000 baby boomers will continue to transition into retirement through 2030. These retirements will double the workload of the retirement system.

The Board of Trustees of KTRS has been preparing for the wave of baby boomers for many years. KTRS has steadily hired and trained additional staff. Additionally, KTRS is in the final phases of a multi-year project to replace its legacy information technology and telephone systems.

KTRS's investment program is also helping the retirement system be ready for the retirement of the baby boomers. For the fiscal year ended June 30, 2014, KTRS added about \$1.9 billion in investment performance to the retirement portfolio and a return of 18.1%. KTRS has a long and consistent record of strong investment performance. The retirement system's 30 year return is 9.49%, which exceeds the long term assumed rate of return of 7.5%. KTRS is sustainable for the long term and remains one of the Commonwealth's best investments.

Unfortunately, unlike members of KTRS, many

baby boomers are facing uncertainty as they approach retirement. According to the National Institute for Retirement Security, many baby boomers have only a defined contribution savings account for retirement. For those baby boomers within 10 years of age 65, on average they have saved only \$12,000 for retirement. All of this adds up to a large retirement savings gap for baby

boomers to maintain their current standard of living in retirement. Not surprisingly, 40% of those approaching retirement believe they will never be able to fully retire.<sup>2</sup>

Many baby boomers have not saved enough for retirement, which could lead to more tax dollars being spent on publicly funded assistance and social services. Having a defined benefit annuity plan like KTRS ensures

teachers who work hard and contribute to the retirement system will have the certainty, security, and stability to meet their financial obligations today and into the future.

KTRS is a not for profit economic engine consistently delivering value to Kentucky and its largest professional workforce. KTRS is a vital and stable contributor to Kentucky's economy, distributing almost \$2 billion to retirees who live in every community in Kentucky.

For 75 years, the independent Board of Trustees has successfully upheld its obligations to members, the education community, and the Commonwealth of Kentucky. KTRS benefits are reasonable and cost effective compared to other types of retirement plans. The KTRS investment program has performed well year after year, and the costs of administration of the retirement plan are some of the lowest in the country. KTRS's positive qualities are the result of many years of consistent control and oversight by the Board of Trustees.

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<sup>1</sup> Social Security Administration, "Annual Performance Plan for FY 2012", at Page 36.

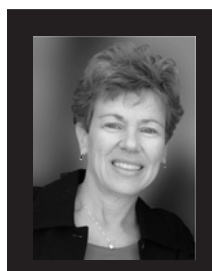
<sup>2</sup> Interview of NIRS Executive Director, Diane Oakley on C-SPAN, "Do you think you will retire on time" on January 2, 2014; NIRS, "The Retirement Savings Crisis: Is It Worse Than We Think?" by Nari Rhee, PhD, June 2013.



## KTRS Board of Trustees Chair & Vice-Chair Elected



**DR. TOM SHELTON**, of Lexington, was re-elected chair of the Board of Trustees for the 2014-2015 fiscal year at the Board of Trustees meeting held June 16, 2014. Dr. Shelton has represented active members on the Board since 2008.



**LAURA A. ZIMMERMAN** of Lexington, was re-elected vice-chair of the Board of Trustees for the 2014-2015 fiscal year at the Board of Trustees meeting held June 16, 2014. She served as the Board's vice-chair in 2013-2014. Ms. Zimmerman has represented the membership as an active teacher trustee since 2003.

### 2015 MEHP Prescription Update

If you are currently on the KTRS Medicare Eligible Health Plan (MEHP), effective January 1, 2015, your medical plan will be administered by UnitedHealthcare and your Medicare Part D prescription drug plan will remain with Express Scripts. Although neither plan designs are changing, there **will be** changes in the prescription drug formulary (the list of drugs covered by the plan). As you know, formularies have some changes each year, which means drugs that were previously preferred change to non-preferred and

vice versa. Listed below are ten commonly used prescription medications that are changing from preferred to non-preferred and will move to the 50% coinsurance tier effective January 1, 2015. This is not a complete list and you will be mailed a formulary list in October. Please contact a KYRx Coalition pharmacist at 1.855.218.5979 (Monday through Friday, 8:00 a.m. to 6:00 p.m., Eastern Time). They can assist you and your physician in selecting a lower cost alternative to your current prescription medication before 2015.

<b>NON-PREFERRED MEDICATION</b>	<b>2015 Copay Local Pharmacy*</b>	<b>2015 Copay Express Scripts Mail Order</b>	<b>Alternative (\$10-\$20 per 90 days at Express Scripts Mail Order)</b>
ACCU-CHEK (once daily testing)	\$59	\$58	One Touch, Freestyle
ADVAIR DISKUS (500/50)	\$533	\$529	Symbicort/Dulera
COMBIGAN	\$197	\$195	Brimonidine+Timolol
CRESTOR	\$267	\$265	Atorvastatin
NEXIUM (40 MG)	\$338	\$336	May be generic before Jan 2015 or lansoprazole, omeprazole
NOVOLIN (70/30)	\$142	\$141	Humulin
PRADAXA (150mg)	\$417	\$413	Xarelto
PREMARIN CREAM	\$105	\$104	Estrace Cream
PREMPRO/PREMPHASE	\$162	\$161	estradiol/norethindrone
VAGIFEM	\$135	\$134	Estrace Cream

*\* AFTER \$150 RETAIL DEDUCTIBLE, based on manufacturer price as of August 2014.*



**TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF KENTUCKY**

479 Versailles Road  
Frankfort, Kentucky 40601-3800

SEPT  
2014

**Kentucky Employees'  
Health Plan**

**KEHP OPEN  
ENROLLMENT**

for 2015 is

**MANDATORY**

for those Under Age 65 who are  
NOT Medicare Eligible

**Begins October 1 and  
ENDS October 31, 2014**

Open Enrollment  
information is  
available at [ktrs.ky.gov](http://ktrs.ky.gov)

**Medicare Eligible  
Health Plan**

**2015 MEHP OPEN  
ENROLLMENT**

Medicare Eligible **ONLY**

**Begins October 15 and  
ENDS December 7, 2014**

If you are CURRENTLY enrolled in the  
KTRS MEHP, you do NOT need to do  
anything to continue coverage for 2015.

If you are a Medicare Eligible retiree  
who is not covered and would like to  
enroll effective 1/1/2015, please  
contact KTRS for an enrollment form.  
PH: 800.618.1687