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, was conducted during May. Dr. Terry Holliday, Chief State School Officer, certified the results of the election to the KTRS Board of Trustees. Terms end June 30, 2019.

RONALD L. SANDERS of Hodgenville, was elected to a four-year term as a lay trustee. Mr. Sanders was elected to the Board of Trustees in December 2004 to fill the unexpired term of Sen. Julian M. Carroll. He is a graduate of the School of Banking of the South at Louisiana State University; a graduate of the Kentucky School of Banking at the University of Kentucky; and attended Western Kentucky University. Mr. Sanders is President, Chief Executive Officer and Director of Magnolia Bank and President and Director of Magnolia Bancshares Inc., Hodgenville. His civic involvement includes Community Bankers of Kentucky, 2000 Banker of the Year Award, LaRue County Outstanding Business Person Award, Director and President of the LaRue County Industrial Foundation and Trustee of the Lincoln Museum, Hodgenville. Mr. Sanders is currently chair of the KTRS Board of Trustees’ Investment Committee, vice chair of the Administrative Appeals Committee, vice chair of the Governance & Audit Committee and member of the Personnel Committee.

ALI WRIGHT of Georgetown, was elected to a four-year term as an active teacher trustee. Ms. Wright is a National Board Certified math teacher currently teaching Algebra 2 and AP Calculus 2 at Lafayette High School in Fayette County. Since 2013 she has divided her time between teaching and leading as a teacherpreneur for the Center for Teaching Quality, which is a nonprofit organization focused on teacher leadership. With 14 years of teaching experience, Ms. Wright is a leader at the school, district, state and national levels. She served as co-department chair and SBDM teacher member at her school. She is a member of the Kentucky Education Association TALK (Teaching Advocates Leading KY) team, Fayette County's Cultural Responsive Teaching and Learning Committee, the Prichard Committee Team for Teacher Effectiveness and CTQ's Implementing Common Core Standards Team. Ms. Wright received her master's degree from Eastern Kentucky University in 2007 with an emphasis in teaching mathematics. Ms. Wright is currently chair of the KTRS Board of Trustees’ Nominating Committee and a member of the Personnel and Investments committees.
Encouraging News For Teachers:
Gov. Beshear Establishes KTRS Funding Work Group

from Executive Secretary Gary L. Harbin, CPA

On June 16, 2015, Gov. Steve Beshear established the "Kentucky Teachers' Retirement System Funding Work Group." The governor created the Funding Work Group after the 2015 General Assembly did not enact a long-term solution for funding teachers' pensions.

The governor's emphasis on funding teachers' pensions is encouraging news for the more than 140,000 active and retired teachers — and their beneficiaries — who receive nearly $2 billion in pension and health insurance payments every year.

The governor charged the group with reviewing best practices in other states regarding pension benefits, conducting a comprehensive review of funding options and making recommendations for improving the fiscal solvency of KTRS.

Beshear, who asked for recommendations from the work group by December 1st, said at the work group's creation:

"We must assure that the Kentucky Teachers' Retirement System is able to fully honor our commitments to our teachers and those who retired from teaching."

The Funding Issue: Since 2008, given finite revenue and challenging budgets, the state has been unable to pay the full annual required contribution for teachers' pensions. That means current retirees are being paid by liquidating investments that ideally would be saved, invested and help pay future retirees. In fact, more than $1 of every $3 paid in pension benefits to retired teachers comes from selling the fund's assets — something that wasn't necessary less than a decade ago.

KTRS's actuary projects that, without required contributions, the retirement fund will exhaust all assets by 2036. Although KTRS has enough assets to pay retirees for many years, maintaining a financially secure plan means it is absolutely essential that the state take action and develop a plan to contribute the funds necessary for long-term sustainability of the retirement plan. Most teachers do not participate in Social Security and, therefore, rely exclusively on KTRS for retirement security.

As of June 30, 2014, on an actuarial funding basis, KTRS reported assets of $16.2 billion to pay total liabilities of $30.2 billion. With only 53.6 percent of the assets needed to pay liabilities, KTRS is well below the commonly cited standard of 80 percent funded where pension funds are viewed as having some measure of security and stability for inevitable market declines.

The Funding Work Group: The KTRS Funding Work Group is composed of 25 education, political and business leaders from across the state. I serve on the Funding Work Group on behalf of KTRS. Additionally, educational community representatives include: JCTA, KASA, KASS, KEA, KEA-R, KRTA, KSBA and 3KT.

This is encouraging for teachers because a similarly structured group helped solve a major health care funding problem with the 2010 passage of the highly successful "Shared Responsibility Solution." The Shared Responsibility law eliminated $5.2 billion in liability for retired teachers' health insurance and positioned our retiree health insurance to be prefunded. It also helped the retirement plan by ending the state's borrowing from retirement contributions to pay for health insurance and repaid previous loans. The health insurance fund now is financially stable and on schedule to achieve full funding. Fortunately, the work that led to the 2010 law also gives the current work group members a deep understanding of KTRS.

Initial meetings: At the first meeting on July 17, Lt. Gov. Crit Luallen told members that no easy options exist, but the fund must be stabilized. The issue impacts every Kentuckian — not just members of the teachers' plan — because the state's bond rating will be hurt if a long-term solution isn't found.

Also at the first meeting, KTRS staff reported on the retirement system's investments, low-cost operations, continued on page 3 “Funding”...
retiree health insurance and the long-term funding solution considered by the 2015 General Assembly. As originally filed, House Bill 4 allowed for $3.3 billion in bonds at historically low rates and provided time for elected leaders to increase pension funding.

KTRS's investment program performs exceptionally well, staff said. For example, the teachers' fund earned a return of 8.6 percent during the year that ended March 31, 2015, placing it in the top 10 percent of large public pension plans nationwide. The performance in the last three years was in the top 8 percent of large public pension plans and the performance in the last five years was in the top 13 percent. Investments in the last 30 years returned 9.5 percent, exceeding the assumed KTRS rate of return of 7.5 percent.

Where we go from here: The long-term investment performance of the KTRS Board of Trustees and professional investment staff is great news for teachers and the taxpayers of Kentucky. The teachers' plan is the most cost effective and efficient means to provide retirement security for Kentucky's teachers.

The concern Lt. Gov. Luallen mentioned about the state's bond rating is due, in part, to a change in governmental accounting standards for reporting retirement liabilities. Those changes, because of ongoing funding levels, will require reporting higher future liabilities in the state's financial statements. That, in turn, may increase the state's costs when it issues bonds. Alternatively, the negative impact on the bond rating is less likely if the state adopts a long-term funding plan.

Adopting and implementing a funding plan during the 2016 legislative session will help the state and ensure the long-term sustainability of the retirement plan. The time is right to adopt a long-term retirement funding plan and the KTRS Board of Trustees is ready to work with the governor, legislators and the education community to find a workable solution.

The Commonwealth of Kentucky has made a solemn commitment to ensure the retirement security of teachers. By building consensus on issues affecting the retirement system and by working with political leaders and Kentucky's education community, we can find a solution to the funding problem, just like was done in 2010 for retiree health insurance.

Waiting another budget cycle to establish adequate funding for the retirement plan will only make the problem harder to solve. Therefore, KTRS's Board of Trustees continues to call upon Kentucky's political leaders to take thoughtful action, based upon the efforts of the current Funding Work Group, during the next legislative session to adopt a long-term funding solution for the retirement plan.

**Participate in the Work Group Process**

**~ FUTURE MEETINGS ~**

All meetings begin at 10 a.m. Eastern and can be watched live online through KET (http://www.ket.org/legislature/) or later (http://www.ket.org/legislature/archives/).

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For meeting materials or to comment to the working group, visit the Work Group's homepage on the governor's website: http://governor.ky.gov/KTRS-Funding

**Highlights of first Work Group meetings**

- “If we do not have a stable secure retirement system for our teachers, Kentucky will never be able to compete in education at the highest levels. We’ve made too many recent strides in job creation, health care access and education rankings to risk losing those gains now if we aren’t able to fulfill our commitment to teachers and continue attracting the best and brightest educators.” — Lt. Gov. Crit Luallen, July 17 meeting.

- P.J. Kelly, a partner with AON Hewitt, said KTRS’s investment program receives an “A+” or “A” in every statistical category. While Kelly noted that KTRS’s investment program produces exceptional performance at very low costs, even KTRS’s excellent investment program cannot overcome underfunding. — July 17 meeting.

- William B. “Flick” Fornia of Pension Trustee Advisors, the working group’s consultant, said KTRS investment returns and administrative costs aren’t the problem. Many issues, including retiree health care, have been solved. The state needs to pay the actuarially required contribution to strengthen the solvency of KTRS. — July 31 meeting.
KTRS Board of Trustees Chair & Vice Chair Elected

ARTHUR GREEN of Elkton, was elected chair of the Board of Trustees for the 2015-2016 fiscal year at the Board of Trustees meeting held June 15. Mr. Green’s previous tenure was as the active teacher trustee from September 1996 to June 2006. During that time, he was chair 2005-2006 and vice-chair 2002-2005.

DR. JAY MORGAN of Murray, was elected vice chair of the Board of Trustees for the 2015-2016 fiscal year at the Board of Trustees meeting held June 15. Dr. Morgan’s previous tenure was from July 2006 to December 2010.

Active Teacher Sought for KTRS Board of Trustees

The Teachers’ Retirement System is governed by a nine-member Board of Trustees. Two members of the Board, the Chief School Officer and the State Treasurer, are ex-officio members. The remaining seven trustees are elected by the combined retired and active membership. Two of the seven elected trustees are identified as “lay members,” and are persons who are not KTRS members. One trustee is a retired teacher; the other four trustees are active members, one of whom is customarily an administrator. A vacancy has occurred for an active teacher trustee. This term is scheduled to expire June 30, 2018.

Members who wish to submit the name of an active KTRS teacher for the Board’s consideration to complete the remaining three years of the term should forward submissions to the address below:

Chairman of the Nominating Committee
Kentucky Teachers’ Retirement System
479 Versailles Road
Frankfort, KY 40601

Suggested candidates for the interim appointment must be received at KTRS no later than September 8, 2015.

Do You Have Service With Another Kentucky Retirement System?

KTRS is subject to “reciprocity” statutes and regulations that require the recognition of service credit in the other state-funded retirement systems in Kentucky in determining eligibility for your retirement benefits. The other state-funded retirement systems include the Kentucky Employees’ Retirement System, County Employees’ Retirement System, State Police Retirement System, Judicial Retirement Plan and Legislators’ Retirement Plan. Reciprocity laws are applicable to members who have established membership and maintained active accounts in more than one Kentucky state-funded retirement system. These laws allow members to consolidate service to determine eligibility in all systems. KTRS works with all other state systems to assure no overlap in service has occurred. Members cannot receive more than one year of service credit in one fiscal year when service credits from all retirement systems are added together. The following are things to remember in determining your eligibility to retire when you have service with more than one retirement system:

Eligibility: You must follow the rules and regulations of each system to determine your eligibility to retire your reciprocity account. You may be eligible to retire in one, but not the other. If you are not eligible to retire in one system, it is possible that you are not eligible to retire in the other.

Same Retirement Date: Coordinate and complete all necessary paperwork and return required documents within each retirement system’s deadline to ensure the same retirement date in each system.

Return to Work: Make sure that you comply with the post-retirement, return-to-work laws in all systems from which you are retiring before returning to employment with an employer that participates in any of the retirement systems. Failing to do so can void your retirement benefits in all systems.

Health Insurance: Insurance can be taken in any system in which you qualify for insurance. A form must be completed for each system to take or waive the insurance. Please remember you will still be required to pay your portion of “Shared Responsibility” to KTRS when taking your insurance with any of the other Kentucky retirement systems.
Recent Supreme Court Ruling on Same-Sex Marriages

As a result of the recent U.S. Supreme Court ruling that same-sex marriages shall be recognized in all 50 states, KTRS members who have entered into a legal marriage ceremony with a spouse of the same sex have new opportunities in regard to pension, survivor and medical insurance benefits. These opportunities are summarized as follows:

Marriage as a Qualifying Event / Changing Retirement Options

Marriage is a qualifying event that allows retired members to switch to a new optional retirement plan that would allow them to provide a joint and survivor annuity for their new spouse should they pre-decease their new spouse. This election must normally be made within 60 days of the marriage. However, since marriages of same-sex couples could not be acknowledged under Kentucky law until the recent Supreme Court ruling, the qualifying event of marriage is just now legally possible. As a result, KTRS will accept applications from retired members in same-sex marriages, regardless of when that marriage occurred, if the application is received by KTRS (or in mail postmarked by the US Postal Service) no later than September 30, 2015. After September 30, 2015, KTRS will only accept applications for those who marry and are still within the 60-day window.

Survivor Benefits if Your Spouse is Designated as Primary Beneficiary

Spouses of active members who are designated as the primary beneficiary of the member's account are eligible for certain survivor benefits in the event the member predeceases his or her spouse. KTRS can accept changes in beneficiary designations by active members at any time, even after September 30th. If you are unsure who is designated as your beneficiary, please contact KTRS at 1-800-618-1687.

Spousal Health Insurance for Those not Eligible for Medicare

Retired members under age 65 are provided health insurance through KTRS under the Kentucky Employees' Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance (DEI). As a result of the recent Supreme Court ruling, DEI has posted the information as follows:

Based on the recent ruling by the U.S. Supreme Court, the Kentucky Employees' Health Plan (KEHP) is extending eligibility for spousal coverage. Effective July 1, 2015, Kentucky Employees' Health Plan (KEHP) will provide a special enrollment for persons who are of the same-sex and in a marriage that is lawfully licensed.

Enrolling During Special Enrollment Period:

- 60-day Special Enrollment Period (July 1-August 31, 2015);
- Enrollment is allowed for employees currently covered under the KEHP who have a same-sex spouse in a marriage not previously recognized by Kentucky and that is lawfully licensed;
- Dependents of the same-sex spouse may be added to the employee's KEHP plan;
- All standard KEHP plan rules will apply to newly eligible spouses and dependents;
- Coverage will be effective the first day of the month following the signature date on the application (e.g., application signature date July 11, 2015 means coverage effective August 1, 2015);
- Verifying documentation must include the following:
  - Spouse – legible photocopy of the marriage certificate
  - Dependent – legible photocopy of a birth certificate showing the name of the employee's spouse as a parent; legible photocopy of any court order, guardianship documents or affidavits of dependency, with the presiding judge's signature and filed status; a legible adoption or legal placement decree/order with the presiding judge's signature.

Ongoing Rules After Special Enrollment Period:

- After the initial special enrollment period, KEHP's general qualifying event schedule will apply and employees will be required to add their spouse to the plan within 35 calendar days from the date of the marriage.
- These same rules apply to all newly hired/eligible employees.

see “Same-Sex Marriages” continued on page 10 ...
Effective May 4, 2015 the Know Your Rx Coalition is now available for KTRS retirees enrolled in the KEHP. Our MEHP has been taking advantage of this free service since January 2012. There are several clinical pharmacists available at your service. This free counseling service via live pharmacists can help with the following issues:

- Identification of lower cost prescription alternatives
- Contact your physician to facilitate seeking authorization for lower cost alternative therapies
- Liaison for retirees/physicians for issues with Rx benefit including prior authorization, step therapy and other programs
- Educational resources for retirees – adverse effects, drug interactions and general medication information

Here is an example of how one of the Know Your Rx Coalition pharmacists was able to help a pre-Medicare eligible retiree on the KEHP with drug coverage through CVS Caremark:

Retired patient was on the LivingWell Consumer Driven Health Plan with the KEHP, and she was taking a medication with a total ingredient cost of $630.00 per prescription. She spent all of her $500 HRA spend down card on the initial fill. Then, after she met her deductible, her cost share was still $95 per fill and the KEHP cost was $535 per fill. After talking with one of the Know Your Rx Coalition pharmacists who recommended an alternative medication that was clinically appropriate, the retired patient’s cost share is now about $6 per fill and the KEHP cost per fill is now under $10.

If you are interested in speaking with one of the Know Your Rx Coalition pharmacists (see names listed beside) please call 1-855-218-5979, Monday – Friday, 8:00am – 6:00pm Eastern Time.

Know Your Rx Coalition

855-218-5979

Clinical Director

Lucy Wells

Dedicated Clinical Pharmacists

Marissa Boelhauf
Kimberly Bottom
Lea Goggin
Amy Greisser
Matt McMahan
April Prather
Allison Russell

~ KEHP ~

DID YOU KNOW???

Activate Your LiveHealth Online Benefit Right Now!

Providing members with the tools and information they need to stay healthy is important to the Kentucky Employees’ Health Plan (KEHP). That’s why they’re excited to introduce you to LiveHealth Online – a way for you and your family to see a doctor using your mobile device or computer.* With LiveHealth Online, there are no appointments, no waiting and no sitting in traffic. It’s quick, easy and connects you to a doctor of your choice in minutes. Employees who waive KEHP coverage are also eligible to use this program for $49.00 per visit.

Sign up now at LiveHealthOnline.com to get:

- No cost to KEHP members in 2015
- Help with colds, the flu, allergies, fevers and more
- Secure and private video chats with board certified doctors
- Prescriptions sent to your pharmacy, if needed**

Please have your Anthem ID card when you register as this will ensure you are not charged for your visit in 2015.

* LiveHealth Online is offered in most states and is expected to expand to more in the near future. Visit the home page at LiveHealthOnline.com to see the latest map showing where service is available.

** As legally permitted in certain states. To sign up, download the app on your mobile device and complete the About You page. Or sign up on your computer at LiveHealthOnline.com.
At KTRS, we have gotten a few questions lately about billing for Medicare-covered medical services and how much a retiree should pay.

When you receive an invoice directly from a medical provider, please resist the temptation to pay immediately. You may only owe a small portion of the bill, like 4 percent after your $150 annual medical deductible. Your medical provider should send that claim to UnitedHealthcare. Then, UnitedHealthcare will send you an Explanation of Benefits (EOB) once per month. Match the EOB with the bill the provider has sent you and only pay what UnitedHealthcare indicates as your liability.

We know that medical bills can be confusing to understand.

So we thought we would provide a brief review. Let’s start with what Medicare pays. Medicare publishes a fee schedule of what it will pay for all the services that it covers. The vast majority of doctors accept the Medicare Fee Schedule as payment in full. In this case, you would only be responsible to pay your co-insurance after your deductible has been met.

In some cases, doctors who participate in Medicare do not accept 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. The extra amount that can be charged is limited. The doctor cannot charge more than the Medicare Limiting Charge. The difference between the Medicare Limiting Charge and the Medicare Fee Schedule is called excess charges, and this is what a doctor can balance bill.

Under the UnitedHealthcare Group Medicare Advantage plan, you do not pay the excess charges. You should not be balance billed. Your doctor should balance bill UnitedHealthcare and they will pay the excess charges. All you pay is the appropriate coinsurance, after your deductible has been met.

see “Balance Billing” continued on page 8...
What do you do if you think you are being charged more?

If you think you have paid too much, your UnitedHealthcare customer service team is the first place to start. You can call them toll-free at 1-844-518-KTRS (5877), TTY 711, 8 a.m. – 8 p.m. ET, Monday – Friday. They can help you understand your bill and see if there have been any changes since the bill was sent. If it does appear that you have overpaid – you can then go back to your doctor’s billing office to ask for a refund.

If you are not able to get your situation resolved with your doctor’s office, you can call UnitedHealthcare again and UnitedHealthcare will advocate on your behalf.

As a final reminder, your plan will only pay for covered and necessary medical services. If the service is not a part of the plan’s coverage, then you will pay the entire amount of the service. If you have questions about your plan’s benefits and what is covered, please call UnitedHealthcare customer service. They will be happy to assist you.

KTRS is very excited to announce that UnitedHealthcare will be hosting two very special health and wellness events just for KTRS MEHP members this fall.

The events will feature nationally-recognized author and speaker, Dr. Reed Tuckson, author of *The Doctor in the Mirror*. *The Doctor in the Mirror* is a guide to helping you become knowledgeable on your own health. The book educates readers on how the little things you do every day may affect your health in a big way. Most importantly, the book provides readers with tips on how to live a healthier life and how to age with joy and vitality. At the event you’ll have the opportunity to learn even more tips and to ask Dr. Tuckson questions during this very lively and energetic presentation.

Watch for more information from UnitedHealthcare on how you can receive a copy of *The Doctor in the Mirror*. Additional event details will also be coming soon.

In the meantime, mark your calendars so that you can be sure to join us for one of these fun and inspiring events and get the chance to meet Dr. Tuckson in person.

This is a very special opportunity for KTRS members and we encourage as many of our members as possible to attend. Let’s give Dr. Tuckson a warm, Kentucky welcome!

For KTRS MEHP Members Only

Effective January 1, 2016 you will now get your diabetic meter and test strips at no copay through UnitedHealthcare. Further details will be supplied later this year in your Annual Notice of Changes and Evidence of Coverage.
~ALL RETIREES~

Re-employed Retirees

KTRS retirees who return to work and become eligible for insurance coverage are ineligible for KTRS coverage. Therefore, if your active employment makes you eligible for insurance coverage, you must waive coverage through KTRS. If you become re-employed, please contact KTRS to determine your eligibility for health insurance.

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. If coverage is declined or waived, it is a permanent election, and no qualifying event will allow the surviving spouse to re-enroll.

Disability Earnings Limitation

By law, retirees who receive a disability retirement allowance may earn in permitted employment additional income in an amount that when added to their disability retirement allowance does not exceed a set earnings limitation. If the earnings limitation is exceeded with employment income, a retiree’s disability retirement allowance is reduced on a dollar-for-dollar basis. The current earnings limitation is $41,982. If you have questions regarding the earnings limitation or what constitutes permitted employment, please contact KTRS.

Minimum Distribution Requirements

Regardless of whether you are vested with at least five (5) years of service or not, if you are no longer working for a participating KTRS employer, federal tax law requires you to take action soon after you reach age 70½ to withdraw the contributions that have been deposited in your retirement account. If you are vested with at least five (5) years of service, you are required to withdraw your contributions by filing a retirement application to start receiving your retirement allowance. If you are not vested with at least five (5) years of service, you are required to file an application for a refund of your account. Failure to take action to timely withdraw the contributions that have been deposited in your retirement account may result in federal tax penalties.

If you are age 70½ or over and no longer contributing to the retirement system, please contact KTRS immediately for the appropriate forms to apply for retirement or a refund to avoid substantial and recurring federal tax penalties. Federal tax law also requires the beneficiary of an active or retired member to begin receiving benefits or take a refund soon after the member's death.

Beneficiaries should contact the retirement office soon after the member's death to begin receiving benefits or take a refund in order to avoid any applicable penalties.

Please remember to send KTRS WRITTEN notification of any status changes, such as name and address. If your name has changed, you should also contact the Social Security Administration to make sure that agency’s records are updated. If your name as registered in KTRS and Social Security records does not match up, it may delay your income tax refund or cause issues in determining your future eligibility and benefit amounts for Social Security and Medicare.

MAIL your change(s) to:
KTRS • 479 Versailles Road • Frankfort, KY  40601
continued from page 5 “Same-Sex Marriages” ...

- Spouses may also be added during open enrollment.

For questions you can contact the Enrollment Information Branch at 502-564-1205 or 888-581-8834.

**Spousal Health Insurance for Those Eligible for Medicare**

KTRS will follow this same protocol with its retired members who are age 65 and older, or who are Medicare-eligible, and who participate in the KTRS Medicare Eligible Health Plan (MEHP), by offering the 60-day Special Enrollment Period (July 1-August 31, 2015) to Medicare-eligible persons who are of the same-sex and in a marriage that is lawfully licensed and who are enrolled in Medicare Parts A & B.

**Ongoing MEHP Rules after Special Enrollment Period:**

- After the initial special enrollment period, MEHP’s qualifying event schedule will apply and retirees will be required to add their spouse to the plan within 30 calendar days from the date of the marriage.
- Spouses are NOT eligible to be added during future MEHP open enrollments.

If you have any questions, please contact KTRS at 1-800-618-1687.