

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

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As Impacts of Underfunding are Seen, So is Hope for Solution

By Gary L. Harbin, CPA
Executive Secretary

While the education community has worked together over time trying to convince elected officials to fully fund teachers' pensions, many of us have warned that the cost of doing nothing could increase the cost of the ultimate solution. Sadly, but predictably, Standard and Poor's brought that forecast to reality on Sept. 3.

The company, one of three that rates Kentucky's bonds, lowered its grade for the Commonwealth's debt, specifically citing the "chronic underfunding" of pensions as the primary reason. As a result, borrowing money for many Kentucky construction projects now costs the state's taxpayers even more. The

increased tab for taxpayers doesn't stop there because the teacher pension debt grows about \$1 billion a year, or \$3 million each day, that a solution isn't enacted. And because of the pension liabilities, other bond agencies may follow S&P's lead.

Fortunately, however, Kentucky leaders are working to develop a solution that could be implemented by the General Assembly session that begins in January. The Kentucky Teachers' Retirement System Funding Work Group is now choosing from alternatives for how pension underfunding can be addressed and how benefits

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Rockcastle Teacher Mary Adams Newest KTRS Trustee



Rockcastle County teacher Mary Adams of Brodhead, Ky., is the newest Kentucky Teachers' Retirement System trustee.

The Board of Trustees in September named Adams to fill the active teacher trustee vacancy created by the retirement of former board chair Laura Zimmerman of Lexington. Adams will serve through June 30, 2018.

Adams is a sixth-year teacher with a bachelor's degree in education and a master's in school counseling, both from Eastern

Kentucky University. She has been an English teacher at Rockcastle County High School in Mt. Vernon since 2013.

Among her roles at the school, Adams is a representative on the school's site based decision making council and is a sponsor for the National Honor Society and the National BETA Club. She also is a member of the Kentucky Counselors Association.

In a letter to the nominating committee, Adams said she hopes to use her variety of experience "to better serve our teachers as a voice on the state level."

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for future teachers might be altered. A report to Gov. Steve Beshear is due in December, and that report will be sitting on the desk of Gov.-elect Matt Bevin for possible action by legislators next year.

This process is vital in getting legislative leaders to buy into a solution that can secure the retirement of Kentucky educators for decades to come.

A year ago, KTRS put forward a plan for the state to issue bonds to help extricate itself from the unfunded liability. The plan would improve KTRS’s cash flow – nearly \$800 million in assets are being sold in this year to cover the current checks to retirees – and give the state time to step into paying the full annual required contribution (known as the ARC). The bonding would save the state \$200 million a year and \$4 billion over 20 years. It would do so at no additional cost to the state because the bonds would be paid off using money currently budgeted to cover bonds that are maturing. Additionally, the interest rate would be about 4 percent compared to the interest on our liabilities growing at the 7.5 percent assumed by actuaries.

While it remains to be seen what role bonding will have in any recommendations, two facts are clear from the Funding Work Group’s analysis. The first is that, foremost, if a way can be found to pay the ARC without bonding and keeping teachers’ retirement benefits strong then virtually everyone would be for it. The reality is that simple fix might not be possible for Kentucky’s strapped budget. As a result, the second fact is that bonding remains a viable option. Rates continue to be low, as the Federal Reserve has yet to raise interest rates, and, even if it did, the original projections for bonding assumed a rate increase. Also, addressing the pension obligation likely would save the state money on its construction projects if the solution triggered bond upgrades.

People who question the bonding idea say the state was prudent not to approve bonds earlier this year because the added debt would hurt the state’s credit rating. The reality is just the opposite. Because the state did nothing about its pension debt, the credit rating was downgraded.

The cost of doing nothing is greater than paying the debt to teachers now. We hope the work group finds something that protects our teachers’ retirements.

Doing nothing is something that everyone can agree Kentucky can’t afford.

Participate in the Work Group Process

~ Future Meetings ~

All meetings begin at 10 a.m. ET and can be watched live online through KET:

(<http://www.ket.org/legislature/>) or later (<http://www.ket.org/legislature/archives/>).

Nov. 16 & Dec. 1

~ More Information ~

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>

Deadlines for Purchasing Service Credit

Contact KTRS about eligibility to obtain full service and/or salary credit.

FY 2014-2015 UNPAID DAYS

Have your employer complete Form LS-1*.

**DEADLINE for purchase is
Dec. 31, 2015**

FY 2014-2015 LEAVES OF ABSENCE

Contact your employer for required documentation confirming the leave of absence. Use form LOA-1*.

**DEADLINE for purchase is
June 30, 2016**

* Employers can either complete the information on the KTRS Employer's Portal or download the forms at www.ktrs.ky.gov. **These forms must be completed and submitted by your employer.**

“Trustee” continued from page 1 ...

Previously, Adams taught at Jessamine Career and Technology Center in Nicholasville and at Estill County High School in Irvine.

The Board of Trustees has nine members, including four active teachers, one retired teacher, two citizen members, the state treasurer and the commissioner of education. Also joining the board is Commissioner Stephen Pruitt. Pruitt replaced Terry Holliday, who retired.

New KTRS Chief Investment Officer Named

A Kentucky Teachers' Retirement System transition that was years in the making took place recently as Tom Siderewicz became chief investment officer with the retirement of his longtime predecessor Paul Yancey.

Yancey completed a nearly 29-year career with KTRS on Oct. 1.

The KTRS Board of Trustees approved a resolution honoring Yancey on Sept. 21 for his career with the teachers' pension system, which is Kentucky's largest financial institution.

"Current and retired teachers across Kentucky will benefit for decades because of the sound investing by Paul Yancey and his team through the years," said KTRS Executive Secretary Gary Harbin, CPA. "As well, teachers' long-term futures will continue to be well served as Tom Siderewicz begins as CIO."

Yancey began with KTRS in November 1986 as an analyst and, more recently, had been CIO since December 2004. The agency had about \$2.4 billion in assets when he arrived and that total grew during his KTRS career to \$18.5 billion as of June 30.



Siderewicz started with KTRS in September 2011 and became deputy chief investment officer Jan. 1. He is a Chartered Financial Analyst with a bachelor's degree in economics from California State University Long Beach. Harbin told trustees that Siderewicz was hired knowing that Yancey would retire at some point and with the goal of an orderly transition.

The teachers' retirement investment team's work resulted in a 5.1 percent return in the fiscal year that ended June 30, better than the 3.1 percent average of other large U.S. pension plans. The investment fees paid by KTRS in the prior fiscal year represented two-tenths of 1 percent of assets.

"I have every confidence that KTRS's investment program will continue to produce exceptional performance at very low cost under Tom's leadership," Harbin said.

Coming to a Website Near You: Benefit Information

Everything you ever wanted to know about your Kentucky Teachers' Retirement System pension is coming to a website portal through your computer, tablet, cellular phone or other electronic device.

Member Login



After four years in development, KTRS is unveiling its Pathway member self-service portal over the next several months. Current teachers, other members and retirees will be able to get up-to-date information about their account any day of the year at any time of the day. For example, members can obtain retirement benefit estimates and see how much they've contributed toward their retirement.

Since 2011, KTRS has been developing the Pathway system. Employers across the state already use their portal to report information to KTRS in Frankfort. The system also already issues benefit payments for retirees. The last major piece of the project is the self-service portal that will debut to all 140,000 members late this fall. Signups will be staggered through spring.

The first group may sign up beginning in late November. In order to access the portal, a member must have an email address on file at KTRS. For many members, their employer has provided KTRS with an email address. Those members without an email address on file are being notified by mail to supply an email address. Members will be notified by email with information about how and when to sign up for Pathway.

At the same time, KTRS plans to unveil a new website (with the same web address at ktrs.ky.gov) that will provide you with information about the agency, retirement decisions and health care coverage.

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 this decision because it is permanent. Once coverage is declined or waived, no qualifying event will allow the surviving spouse to re-enroll.



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

479 Versailles Road
Frankfort, Kentucky 40601-3800

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.

Retirement 101 Workshops

These workshops will increase your knowledge of the KTRS defined benefit "group retirement" plan, ways to plan and increase your retirement, plus valuable information that will aid you with your future retirement decisions!

Dec. 1, 2015

Registration: 4:30 p.m.

Workshop: 5-7 p.m. CT

Cave City Convention Center

502 Mammoth Cave Street

Cave City, KY

Pre-Retirement Seminars

For those planning to retire within the next five years, this seminar will provide you with information on health insurance, resources you will need to help you map out your retirement plan, plus much more!

Dec. 12, 2015

Registration: 8:30 a.m.

Seminar: 9 a.m.- noon ET

Early College & Career Center

200 University Drive

Elizabethtown, KY

Please visit www.ktrs.ky.gov for **ADDITIONAL DATES**
and for **ALL workshop & seminar PRE-REGISTRATION.**

You MUST Register to Attend!