

## KTRS BOARD OF TRUSTEES' ACHIEVMENTS SINCE 1998

1998 In response to legislation providing for non-standard, or "air time," service credit purchases, the Board established and maintained a cost formula that required members to pay the full actuarial cost of the purchase. The KTRS cost was substantially more expensive than the cost with KRS.

2001 Reduced actuarial costs of adverse selection, a/k/a "cherry-picking", of medical insurance plans by making permanent any election to terminate coverage by a surviving spouse of a member.

### 2002 Board-Proposed Legislation Enacted as Law - HB 637

Completely overhauled post-retirement return-to-work provisions.

- Limited compensation earnable by retirees in KTRS-covered positions
- Limited the number of retirees that can return to work full-time and allowed only if there are no other qualified applicants
- Established mandatory breaks in service before a retiree can return to work in a KTRS-covered position

Reduced retirement factors for new members who retire with less than ten years of service.

### Board's Internal Plan Modifications

Increased years of service from 20 to 27 that are required for eligibility for maximum supplement payable by KTRS toward single premium for retiree medical insurance.

Reduced percentages of premium payable by KTRS for all retirees with less than 27 years of service.

Required retirees returning to work to obtain medical insurance with their active employer if that coverage is as good as or better than KTRS coverage, regardless of whether re-employment is in the public or private sector.

### 2004 Board Proposed Legislation Enacted as Law - HB 434

All service credit purchases, except leaves of absence, become purchasable only under the standard full actuarial cost formula.

2005 Board's Internal Plan Modifications

In first “live” case where contract negotiations with an investment manager revealed a payment to a placement agent, KTRS ceased negotiations and chose another candidate. This position was adopted years before placement agents became a public issue and remains an important part of KTRS policy.

2006 Board's Internal Plan Modifications

Positioned Medicare drug plan to take advantage of Medicare Part D subsidies.

2007 Board's Internal Plan Modifications

Positioned Medicare medical plan to capture federal subsidies of the Medicare Advantage program.

2009 Board's Internal Plan Modifications

Expanded the Investment Committee to include five Board members and two outside, investment experts of nationally high repute.

2010 Board Proposed Legislation Enacted as Law – HB 540

Brought together constituent groups, including representatives of active and retired teachers, school boards, school administrators, and universities, to develop a “Shared Responsibility” approach to funding retiree health care.

- Active teachers began phasing into paying by July 2015 an additional 3% of their paycheck to help fund their retiree health care
- Employers (school districts, universities and state agencies) match the new active teacher contributions
- Retirees under the age of 65 pay an amount equal to the standard Medicare Part B premium toward the cost of their medical insurance (approximately \$105 per month in CY 2014) --- This is in addition to the cost of the plan which the retired teacher pays for, unlike the retired state employee for whom KRS pays the cost
- Commonwealth picked up cost of new retirees under age 65 (the Commonwealth had been paying for all of it prior to Shared Responsibility)
- Moved retiree medical insurance from a pay-as-you-go plan to a prefunded plan that is now being funded on an actuarially sound basis
- Along with internal plan modifications to medical insurance, reduced unfunded liability of medical insurance fund by \$5 billion

Board's Internal Plan Modifications

Moved Medicare plan from Medicare Part D Subsidy primary to Employer Group Waiver Prescription Drug Plan for deeper federal subsidies.

2012 Approved amendment of administrative regulations to tighten disability benefit eligibility for individuals providing substitute teaching and part-time service.

KTRS became an early member of the KY Rx Coalition which combines the purchasing power of its members for greater savings on prescription drugs.

KTRS added a “commercial wrap” to its prescription drug program to take advantage of private drug manufacturers’ 50% subsidy in Medicare Part D’s coverage gap, a/k/a “donut hole”.

2013 Board’s Internal Plan Modifications

Implemented “Spousal Shared Risk Waiver” which made spouses’ decisions to terminate coverage a permanent election unless they subsequently experience a qualifying event. This reduces the actuarial cost of adverse selection, a/k/a “cherry picking”, of health care plans by spouse who would otherwise choose cheaper, lower quality non-KTRS health insurance when healthy and switch to KTRS insurance when health declines.

2014 Implemented a “Medicare High Performance Formulary” that has a 50% coinsurance level for a brand-name, non-preferred drug tier.