



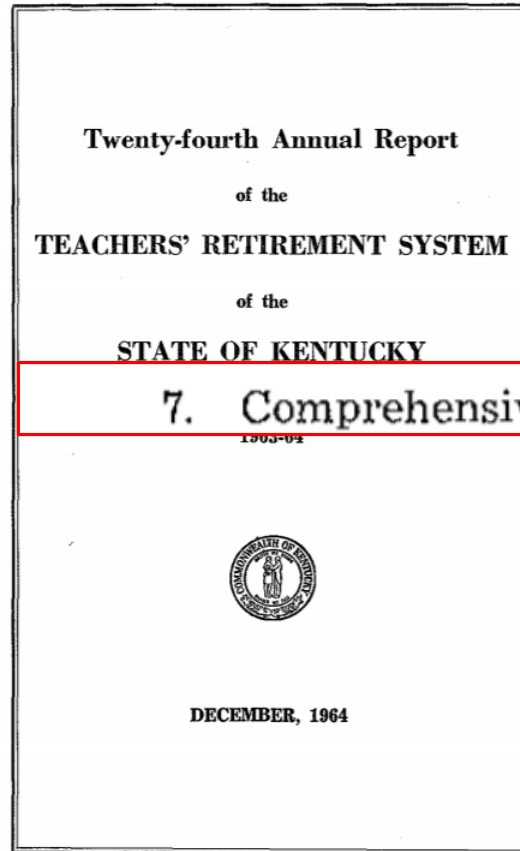
Teachers' Retirement System of the State of Kentucky

TRS Retired Teacher Health Care

Budget Review Subcommittee on General Government, Finance, Personnel and Public Retirement
Nov. 19, 2019

Gary L. Harbin, CPA
Executive Secretary

Retired Teacher Health Insurance



PART I. LEGISLATION

The 1964 session of the General Assembly constitutes an important milestone in the growth and development of the Teachers' Retirement System. The improved benefit program enacted into law perhaps represents the greatest improvement in the retirement program since its inception.

As a result of legislation developed and proposed by the Board of Trustees, the following were made a part of the law:

1. All service after 1941 is calculated on the basis of the average salary for the five highest consecutive years.
2. The maximum, or ceiling, on annuities was increased to seventy-five percent of average salary.
- 3.
- 4.
5. The amount of Kentucky service necessary to retire at age 60 was reduced to ten years.
6. The contribution rate for members, matched by the State, was increased to seven percent of salary (becomes effective July 1, 1965).
7. Comprehensive medical insurance coverage for all retired teachers age 60 and over, and the spouses of such teachers.
8. Reduction in the period of contributing service necessary to qualify for survivor's benefits, to three years of such service.
9. Spouses or legal dependents of teachers who die in contributing service after having qualified for retirement are eligible for monthly annuities in lieu of account refund.

It is perhaps a tribute to this program that it was adopted without dissenting vote in either house of the General Assembly. It will be noted that the benefit improvements were adopted one year in advance of the increase in contribution rate. This creates a temporary problem which has no long term significance if future legislative appropriations reflect full matching and an additional amount to underwrite the prior service liability.

2



Retired Teachers' Economic Impact Across Kentucky



- TRS pays retired teachers:
 - \$180 million in retirement annuity benefits (*July 2019*)
 - \$18.6 million in medical benefits (*monthly average*)
- 91% of TRS pension benefits stay in Kentucky
- \$1.9 billion a year paid into Kentucky's economy because of pension benefits

Two Plans for TRS Health Benefits

MEHP **Medicare** **Eligible Health** **Plan**

- Medicare-eligible or 65 & over
- Exclusively TRS members
- One Plan

KEHP **Kentucky** **Employees'** **Health Plan**

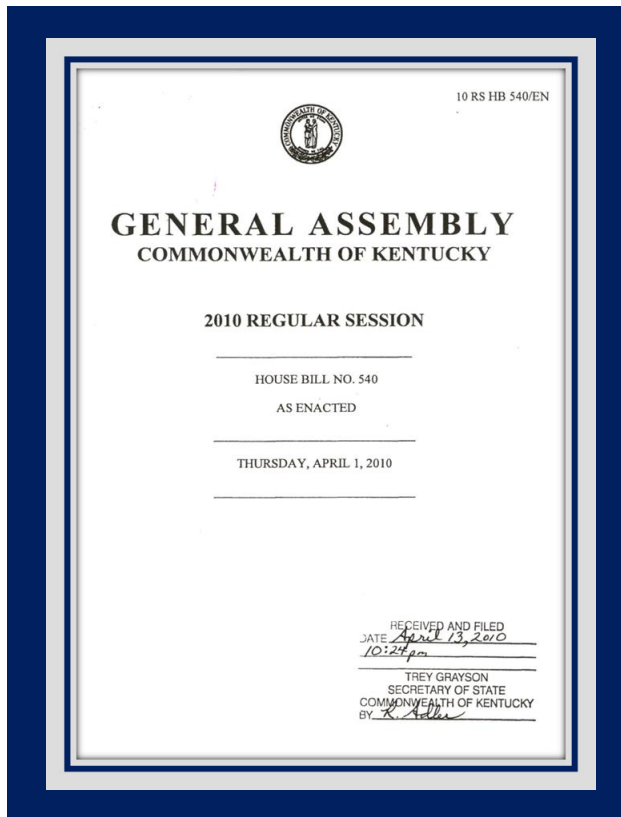
- Under 65 and not Medicare-eligible
- Same fund as active teachers and state employees
- Coverage options

Health Insurance Details Subject to Change

Kentucky law guarantees retired teachers access to group coverage, but the details of that coverage – including costs, subsidy and level of coverage – can change.

Shared Responsibility

A shared solution that provides permanent funding for retiree health care.



Shared Responsibility Results

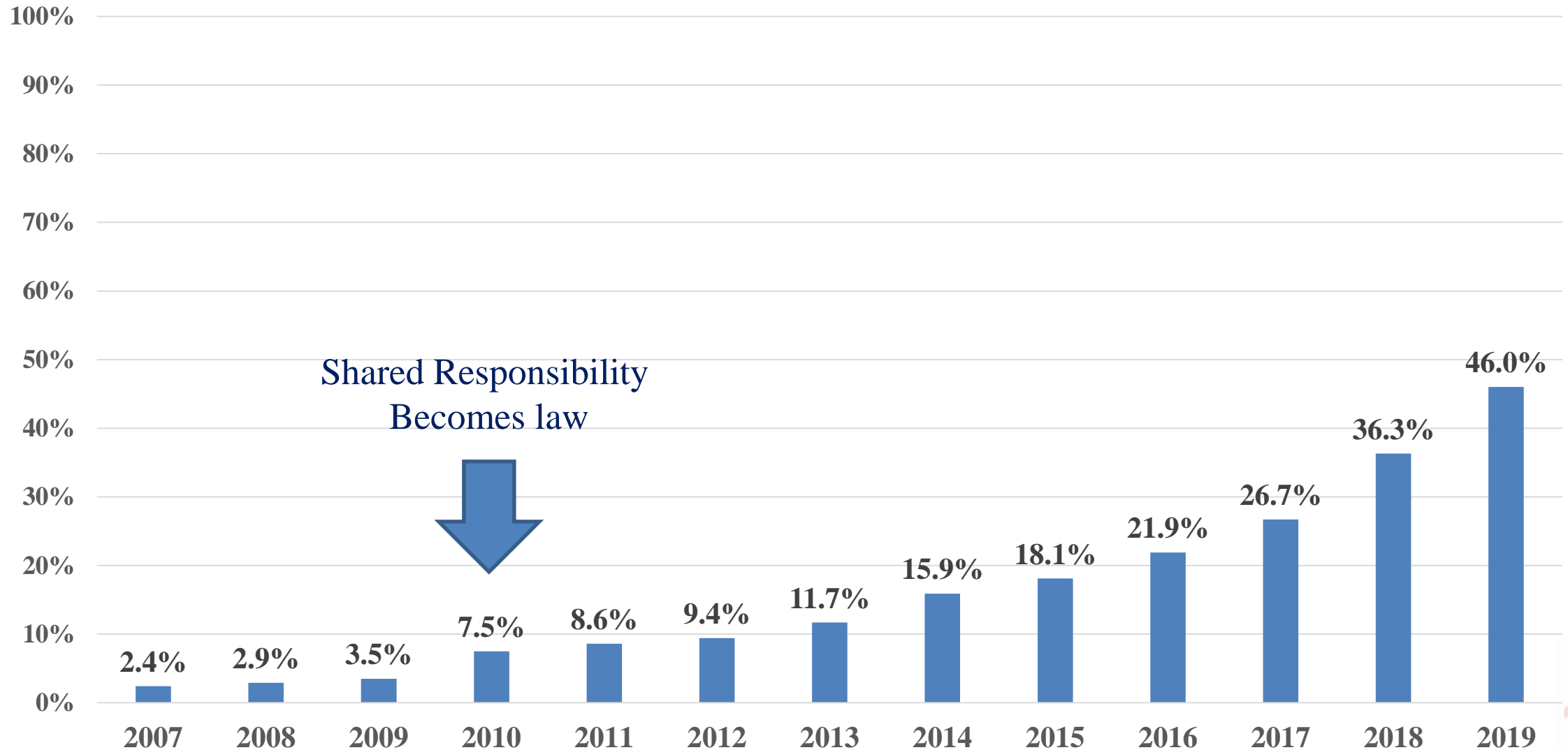
Prefunds Benefits

In 2010, board spearheaded Shared Responsibility passage to fund retiree health insurance, lowering state's cost from \$170 million in 2010 to \$70 million in 2020.

With implementation of Shared Responsibility and federal subsidy solutions, the state's \$6.2 billion share of unfunded liability fell to \$1.2 billion.

TRS Medical Insurance

Funded Status



Funding Sources

Active members

Retirees

Employers

State

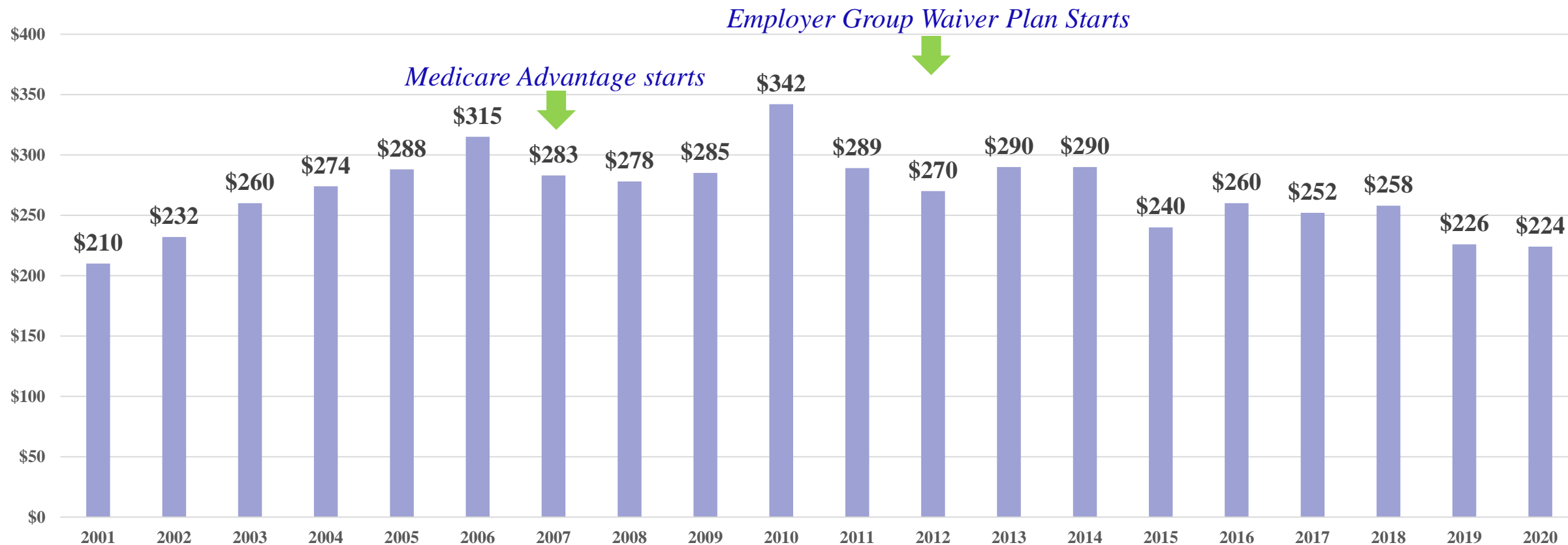
2018-20 Budget

- With appropriation from the fiscal year 2019 surplus, retiree medical fully funded for single coverage in the biennium.
- Surplus appropriation was not for non-single subsidy

2020-22 Budget

Requested

Seeks actuarially recommended amounts



Premiums Held Almost Constant For 20 Years

Genetic testing wellness program receives national attention



TRS Retiree Health Care Director Jane Gilbert speaks about Personalized Medicine during November conference at Harvard Medical School.

Nationally



Percentage of medications taken by patients that are ineffective

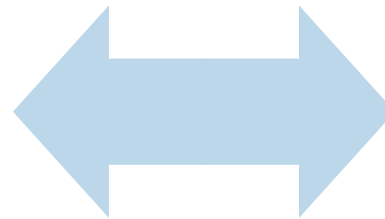


Where adverse drug reactions ranks as a leading cause of death

TRS Solution: Personalized Medicine Partnership



You
Your Doctor
Your Pharmacist



Early Results — Data

28% resulted in medication change recommendation due to DNA test

In first year ...

11% *reduction* in spending for those involved

3.5% *increase* in spending for control group not involved

Early Results — Real Story

- TRS member treated at emergency room for heart attack
- At release, member was prescribed a blood thinner
- The member contacted a Know Your Rx pharmacist to review DNA test results
- The Know Your Rx pharmacist identified the drug wouldn't work
- That led to a change in the drug prescribed



***Our Members
Come First!***

800-618-1687

**8 a.m. – 5 p.m. ET
Monday – Friday**

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<https://trs.ky.gov>

Protecting & Preserving Teachers' Retirement Benefits