



Winter 2008 ❄️ Member News



Member News

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KRS welcomes new Executive Director, Mike Burnside

Mike Burnside joins Kentucky Retirement Systems as Executive Director, succeeding Bill Hanes who retired after serving KRS for over 22 years.

Welcome to KRS

Mike Burnside

Executive Director

I want to begin my first letter to the membership by saying that I am both honored and excited about the opportunity to serve each of you as the new Executive Director of Kentucky Retirement Systems. I look forward to working with the Board and staff of KRS to ensure we are providing for your needs. It is an understatement to say that Bill Hanes leaves some very big shoes to fill, and I want to thank him on behalf of the staff and the members for the excellent leadership he has provided over the years. I am also impressed by the



professionalism and dedication that I have seen in the staff of KRS and I am confident that we will pull together as a team to serve and support our members.

Professional Background

My background is quite varied, starting with a degree from the US Air Force Academy in 1974 and a 20-year career as an Air Force officer and pilot. In addition to flying for the majority of my military career, I also served four years at the Pentagon as a budget officer, working

to develop the Air Force's annual budget submission to Congress. My last two years on active duty were in Tampa, Florida, where I was the Air Force budget officer for US Central Command, a joint service headquarters that provided oversight of all US military operations in 17 different countries in Southwest Asia.

After retiring from active duty in 1994, I spent two years teaching Air Force Junior ROTC at Scott County High School and then came to state government in June 1996

as the Chief Financial Officer of the Kentucky Revenue Cabinet. In April 1999, I transferred to the Finance and Administration Cabinet where I initially worked on the implementation team for the Management Administration and Reporting (MARS) system and then as Executive Director of Procurement Services for over five years. In May 2005, I became the Undersecretary for Fiscal and Administrative Affairs for the Cabinet for Health and Family Services, with oversight of all budget, personnel, IT and procurement support for the cabinet and its 8,000 employees. I returned to the Finance and Administration Cabinet as Deputy Secretary in December 2006 and became Secretary of Finance in August 2007. One of my duties as Secretary of Finance was to be the Vice-Chair of former Governor Fletcher's Blue Ribbon Commission on Public Employees Retirement Systems. This experience has provided invaluable insight into the issues facing the Commonwealth and the Kentucky Retirement Systems in the coming years regarding our unfunded liabilities and our commitment to protect the benefits of our KRS members.

Assisting the General Assembly

With declining revenues and a slowdown in the economy, the General Assembly and the Executive Branch face a difficult task of setting priorities for the biennial budget. Articles are published daily regarding current year shortfalls, rising healthcare and Medicaid costs and potential reductions in funding for post-secondary education. It is essential that KRS work with the Executive Branch and the members of the General Assembly and provide them with the information and analysis necessary to allow them to make informed decisions that will provide for the needs of public employees and retirees.

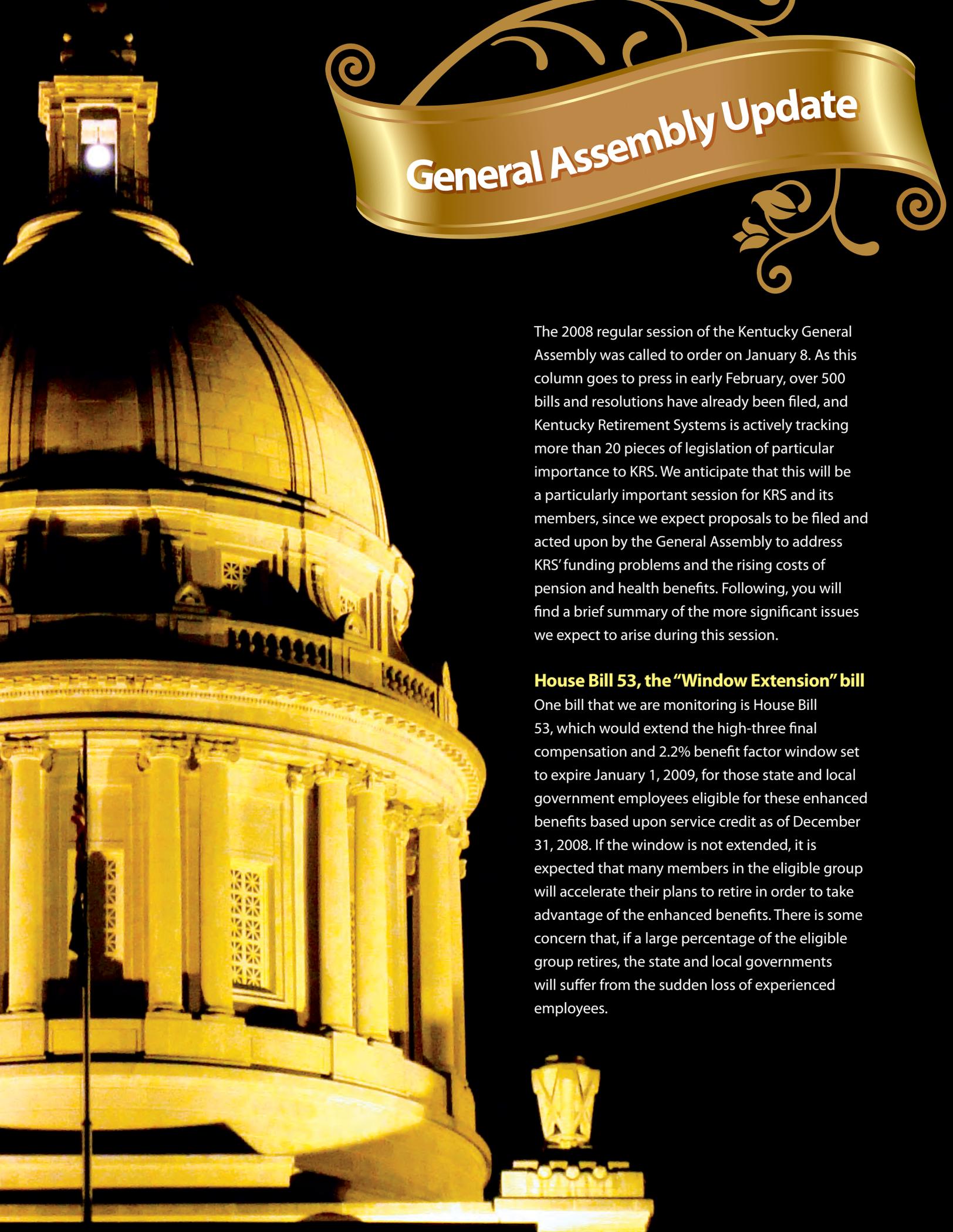
New Opportunities for KRS

There are many challenges in the coming months and I'm excited about the opportunity to work with and for the members and staff of KRS. We will pull together as a team to address the needs of our membership and provide them with the services and support they have earned.



Mike Burnside
Executive Director

KRS welcomes Mike Burnside as our new Executive Director. Mike has worked in State Government since 1996 after serving in the U.S. Air Force for 20 years.



General Assembly Update

The 2008 regular session of the Kentucky General Assembly was called to order on January 8. As this column goes to press in early February, over 500 bills and resolutions have already been filed, and Kentucky Retirement Systems is actively tracking more than 20 pieces of legislation of particular importance to KRS. We anticipate that this will be a particularly important session for KRS and its members, since we expect proposals to be filed and acted upon by the General Assembly to address KRS' funding problems and the rising costs of pension and health benefits. Following, you will find a brief summary of the more significant issues we expect to arise during this session.

House Bill 53, the "Window Extension" bill

One bill that we are monitoring is House Bill 53, which would extend the high-three final compensation and 2.2% benefit factor window set to expire January 1, 2009, for those state and local government employees eligible for these enhanced benefits based upon service credit as of December 31, 2008. If the window is not extended, it is expected that many members in the eligible group will accelerate their plans to retire in order to take advantage of the enhanced benefits. There is some concern that, if a large percentage of the eligible group retires, the state and local governments will suffer from the sudden loss of experienced employees.

There is also concern that if the window is not extended, it may result in some short term higher costs for state and local governments since they will have to make lump sum payments of accumulated but unused vacation and compensatory leave. House Bill 53 proposes to address these potential problems by continuing to apply the enhanced benefit structure to those members who qualify for them by January 1, 2009, even if they retire after that date. This would ease the retirement pressure and may result in lower short-term costs to state and local government. The KRS actuary has determined that the financial impact on KRS is negligible, regardless of the outcome.

Employer Contribution Rates, KRS Housekeeping Bill, and Legislation

The General Assembly will begin considering some other issues of vital importance to Kentucky Retirement Systems over the next few weeks. Perhaps the most important legislation for this session will be the state budget, as lawmakers attempt to balance the ever-increasing needs of the Commonwealth against bleak revenue projections. The employer contribution rate to be paid by the Commonwealth for the next two years, beginning July 1, 2008, will be set in the budget bill. From our standpoint, one of the most pressing needs that should be considered is full funding of KRS at the levels recommended by our independent actuary (projected to be \$559 million for state workers, \$469 million for county employees, and \$29 million for the state police).

KRS also plans on having a “housekeeping” bill again this year that will make clarifying changes to various sections of the existing statutes and will conform existing statutes to recently changed federal and state law requirements. Rep. Royce Adams (D. - Dry Ridge) has agreed to be the primary sponsor of the Systems’ housekeeping bill.

Finally, we anticipate that a very significant legislative proposal will be developed by Governor Steve Beshear’s office and will be filed with the General Assembly to address KRS’ funding problems and to make certain cost-saving changes in the benefit structure for new

employees hired after the effective date of the legislation. Please be aware that, except for the annual cost-of-living adjustment, the benefits promised to existing retirees and employees are protected by a constitutional and statutory inviolable contract and cannot be eliminated or reduced.

As members will no doubt recall, the Kentucky Senate passed a bill during the 2007 short legislative session that would have authorized the issuance of bonds to fund past contribution shortfalls and would have made significant changes in the benefit structure for new employees. That bill did not pass. During the interim, the Blue Ribbon Commission on Public Employee Retirement Systems appointed by former Governor Ernie Fletcher studied the issues and made its final report and recommendations this past December (see related article on Page 12 in this newsletter). In our next newsletter, we will make sure you are fully informed about any steps taken by the General Assembly during this session that affect you as members of KRS.

General Assembly Contact Information

You should use the following information if you wish to contact your legislators during the session about retirement issues or any other matters of interest.

By Phone

Call (800) 372-7181 to leave a message

By Mail

Send a letter to your legislator c/o:
Legislative Research Commission
700 Capital Avenue
Frankfort, KY 40601

Online

Visit www.lrc.ky.gov/Legislators.htm

Kentucky Employees Retirement System (KERS) was established July 1, 1956 by the state legislature. Regular full-time employees must be enrolled at the beginning of their employment. A regular full-time position is defined as a position that averages 100 hours of work per month over a fiscal or calendar year (excluding the classifications of temporary, seasonal, and interim).



Member Volume

Active Members	47,913 (+1,206)
Inactive Members	30,904 (+1,761)
Retirees and Beneficiaries	33,849 (+1,709)

Active Member Stats

Average Age	43.3 (+0.3)
Average Years of Service	9.3 (+0.3)
Average Annual Salary	\$37,155 (+\$710)

Retired Member Stats

Average Age	66.1 (-0.1)
Average Annual Benefit	\$20,120 (+\$864)
Newly Retired Members	2,440 (-41)
Retired Members Removed	731 (-380)

Insurance Benefits

The cost of insurance for the retired member may be partially or fully paid by KRS depending upon the member's years of service, the insurance carrier selected, and the level of coverage chosen.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year, not to exceed 5%. The State Legislature may reduce, suspend, or eliminate COLAs in the future.

"Normal Retirement" Calculator

The Normal Retirement formula for KERS Members:

$$\begin{array}{c} \$ \\ \text{FINAL} \\ \text{COMPENSATION} \end{array} \quad [\times] \quad \begin{array}{c} \text{BENEFIT} \\ \text{FACTOR} \end{array} \quad [\times] \quad \begin{array}{c} \text{YEARS} \\ \text{OF SERVICE} \end{array}$$

Retirement Eligibility

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for 5 years before age 65 or 27 years of service; 4.5% per year for next 5 years
Any	25	6.5% per year for 5 years before age 65 or 27 years of service

Net Plan Assets

Pension Fund	\$5,773,157,000 (+6%)
Insurance Fund	\$663,558,000 (+8%)
Total	\$6,436,715,000 (+6%)

Contributions

*Employers:	Pension	16.54% (+1%)
	Insurance	20.38% (-12.44%)
	Total	36.92% (-11.45%)
Employees	5% (No Change)	

All statistics and figures are current as of June 30, 2007. *The above are the employer contribution rates recommended by the Board of Trustees. KERS employer rates are subject to State budget approval. Final KERS rates will be known after the passage of the budget.



Kentucky Employees Retirement System (KERS) was established July 1, 1956 by the state legislature. Regular full-time employees must be enrolled at the beginning of their employment. A regular full-time position is defined as a position that averages 100 hours of work per month over a fiscal or calendar year (excluding the classifications of temporary, seasonal, and interim).

Member Volume

Active Members	4,349 (+29)
Inactive Members	2,738 (+237)
Retirees and Beneficiaries	2,202 (+222)

Active Member Stats

Average Age	41.7 (+0.1)
Average Years of Service	7 (No Change)
Average Annual Salary	\$33,304 (+\$1,187)

Retired Member Stats

Average Age	61.3 (+0.2)
Average Annual Benefit	\$13,487 (+\$758)
Newly Retired Members	241 (-15)
Retired Members Removed	19 (-9)

Insurance Benefits

The cost of insurance for the retired member may be partially or fully paid by KRS depending upon the member's years of service, the insurance carrier selected, and the level of coverage chosen.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year, not to exceed 5%. The State Legislature may reduce, suspend, or eliminate COLAs in the future.

"Normal Retirement" Calculator

The Normal Retirement formula for KERS Members:

$$\begin{matrix}
 \$ & & \text{[X]} & & \text{[X]} & & \text{[X]} \\
 \text{FINAL} & & & & \text{BENEFIT} & & \text{YEARS} \\
 \text{COMPENSATION} & & & & \text{FACTOR} & & \text{OF SERVICE}
 \end{matrix}$$

Retirement Eligibility

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	6.5% per year for 5 years before age 55 or 20 years of service

Net Plan Assets

Pension Fund	\$510,775,000 (+17%)
Insurance Fund	\$280,886,000 (+26%)
Total	\$791,661,000 (+20%)

Contributions

*Employers:	Pension	10.84% (+0.64%)
	Insurance	23.94% (-12.97%)
	Total	34.78% (-12.33%)
Employees		8% (No Change)

All statistics and figures are current as of June 30, 2007. *The above are the employer contribution rates recommended by the Board of Trustees. KERS employer rates are subject to State budget approval. Final KERS rates will be known after the passage of the budget.

County Employees Retirement System (CERS) was established July 1, 1958 by the state legislature. Regular full-time employees must be enrolled at the beginning of their employment. A regular full-time position is defined as a position that averages 100 hours of work per month over a fiscal or calendar year (excluding the classifications of temporary, seasonal, and interim). For school board employees participating in the CERS non-hazardous plan, a regular full-time position is defined as a position that averages 80 hours of work per month over the actual days worked during the school year.

Member Volume

Active Members	84,920 (+1,226)
Inactive Members	53,901 (+3,855)
Retirees and Beneficiaries	35,564 (+2,462)

Active Member Stats

Average Age	45.9 (+0.8)
Average Years of Service	8.1 (No Change)
Average Annual Salary	\$24,457 (+\$769)

Retired Member Stats

Average Age	68 (-0.1)
Average Annual Benefit	\$10,212 (+\$501)
Newly Retired Members	3,244 (+462)
Retired Members Removed	782 (-245)

Insurance Benefits

The cost of insurance for the retired member may be partially or fully paid by KRS depending upon the member's years of service, the insurance carrier selected, and the level of coverage chosen.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year, not to exceed 5%. The State Legislature may reduce, suspend, or eliminate COLAs in the future.

"Normal Retirement" Calculator

The Normal Retirement formula for CERS Members:

 FINAL COMPENSATION
 BENEFIT FACTOR
 YEARS OF SERVICE

Retirement Eligibility

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for 5 years before age 65 or 27 years of service; 4.5% per year for next 5 years
Any	25	6.5% per year for 5 years before age 65 or 27 years of service

Net Plan Assets

Pension Fund	\$5,812,936,000 (+12%)
Insurance Fund	\$1,084,043,000 (+33%)
Total	\$6,896,979,000 (+15%)

Contributions

Employers:	Pension	7.76% (+0.78%)
	Insurance	12.75% (-7.76%)
	Total	20.51% (-6.98%)
Employees	5% (No Change)	



County Employees Retirement System (CERS) was established July 1, 1958 by the state legislature. Regular full-time employees must be enrolled at the beginning of their employment. A regular full-time position is defined as a position that averages 100 hours of work per month over a fiscal or calendar year (excluding the classifications of temporary, seasonal, and interim).

Member Volume

Active Members	10,063 (+428)
Inactive Members	2,224 (+269)
Retirees and Beneficiaries	5,159 (+447)

Active Member Stats

Average Age	38.6 (+0.8)
Average Years of Service	8.1 (-0.2)
Average Annual Salary	\$45,613 (+\$1,303)

Retired Member Stats

Average Age	58.6 (+0.2)
Average Annual Benefit	\$24,259 (+\$729)
Newly Retired Members	500 (+73)
Retired Members Removed	53 (-23)

Insurance Benefits

The cost of insurance for the retired member may be partially or fully paid by KRS depending upon the member's years of service, the insurance carrier selected, and the level of coverage chosen.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year, not to exceed 5%. The State Legislature may reduce, suspend, or eliminate COLAs in the future.

"Normal Retirement" Calculator

The Normal Retirement formula for CERS Members:

$$\begin{matrix}
 \$ & & \text{[X]} & & \text{[X]} & & \text{[X]} \\
 \text{FINAL} & & & & \text{BENEFIT} & & \text{YEARS} \\
 \text{COMPENSATION} & & & & \text{FACTOR} & & \text{OF SERVICE}
 \end{matrix}$$

Retirement Eligibility

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	6.5% per year for 5 years before age 55 or 20 years of service

Net Plan Assets

Pension Fund	\$1,754,935,000 (+15%)
Insurance Fund	\$570,156,000 (+39%)
Total	\$2,325,091,000 (+20%)

Contributions

Employers:	Pension	15.04% (+0.03%)
	Insurance	27.62% (-11.9%)
	Total	42.66% (-11.87%)
Employees		8% (No Change)

State Police Retirement System (SPRS) was established July 1, 1960 by the state legislature. Regular full-time employees must be enrolled at the beginning of their employment. A regular full-time position is defined as a position that averages 100 hours of work per month over a fiscal or calendar year (excluding the classifications of temporary, seasonal, and interim).



Member Volume

Active Members	957 (-71)
Inactive Members	286 (+20)
Retirees and Beneficiaries	1,105 (+38)

Active Member Stats

Average Age	37.3 (+0.8)
Average Years of Service	11.1 (+0.6)
Average Annual Salary	\$51,460 (+\$7,017)

Retired Member Stats

Average Age	60.1 (+0.3)
Average Annual Benefit	\$35,736 (+\$1,239)
Newly Retired Members	49 (+6)
Retired Members Removed	11 (+1)

Insurance Benefits

The cost of insurance for the retired member may be partially or fully paid by KRS depending upon the member's years of service, the insurance carrier selected, and the level of coverage chosen.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year, not to exceed 5%. The State Legislature may reduce, suspend, or eliminate COLAs in the future.

"Normal Retirement" Calculator

The Normal Retirement formula for SPRS Members:

$$\begin{matrix}
 \$ & & \text{[X]} & & \text{[X]} & & \\
 \text{FINAL} & & & & \text{BENEFIT} & & \\
 \text{COMPENSATION} & & & & \text{FACTOR} & & \text{YEARS} \\
 & & & & & & \text{OF SERVICE}
 \end{matrix}$$

Retirement Eligibility

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
Any	15	6.5% per year for 5 years before age 55 or 20 years of service

Net Plan Assets

Pension Fund	\$376,381,000 (+7%)
Insurance Fund	\$132,574,000 (+20%)
Total	\$508,955,000 (+10%)

Contributions

*Employers:	Pension	32.39% (+3.44%)
	Insurance	59.54% (-31.51%)
	Total	91.93% (-28.07%)
Employees		8% (No Change)

All statistics and figures are current as of June 30, 2007. *The above are the employer contribution rates recommended by the Board of Trustees. KERS employer rates are subject to State budget approval. Final KERS rates will be known after the passage of the budget.



Governor's Blue Ribbon Commission on Public Employees Retirement Systems issues final report

The Governor's Blue Ribbon Commission on Public Employees Retirement Systems concluded its business with a meeting of the full Commission on December 18, 2007.

During this meeting, the Commission voted on a series of recommendations and the final report was sent to Governor Beshear's office on January 8, 2008. Chairman Brian Crall presented a summary of the recommendations to the House State Government Committee on January 18. The Commission was established by former Governor Ernie Fletcher to study methods to address the current unfunded liabilities accrued by the Kentucky Retirement Systems and the Kentucky Teachers' Retirement System. Comprised of 24 members from both the public and private sectors, the Commission endeavored to develop a plan to enable the Commonwealth and the retirement

systems to fulfill the Commonwealth's obligation to current retirees and employees while examining possible changes for future employees. The Commission's methodology was to divide the topic into three main areas—financial strategy for funding the plan, pension benefits, and health insurance. The chairman organized the Commission into three workgroups, each of which researched one of the three areas. Workgroup I, chaired by the State Budget Director Brad Cowgill, focused on financial strategy. Workgroup II, under the direction of Secretary of Personnel Brian Crall, worked on pension benefits, and Workgroup III concentrated on health

“Groups on one side of the argument will say that the Commission did not go far enough in making difficult decisions about reducing benefits, and others may say they went too far.”

care benefits under the leadership of Mark Birdwhistell, Secretary of Health and Family Services. Workgroups I and III each voted on recommendations that were forwarded to the full Commission for consideration. While Workgroup II did not take action to pass specific recommendations regarding pension benefits, Chairman Crall exercised the privileges of the chair and forwarded the recommendations from the consultant, Gabriel Roeder Smith, to the Commission for vote by the full membership. In the final report, Chairman Crall summarized the Commission’s actions by stating the following. “Few of the recommendations are new ideas. In many cases they represent previously and often discussed issues; including but not exclusive to full funding of annual contributions, pre-funding COLAs when granted, longer working careers before accessing unreduced retirement benefits, and constant vigilance in managing the myriad forces driving increases in health insurance costs.”

The function and findings of the Blue Ribbon Commission have not gone without controversies. Groups on one side of the argument will say that the Commission did not go far enough in making difficult decisions about reducing benefits, and others may say they went too far. The key point is that the Commission was limited to making recommendations—it had no authority to implement any changes. None of the findings can be implemented without legislative or executive branch action, and no assumptions can be made on which, if any, of the recommendations will be enacted. In discussions with legislators and executive branch personnel, there has been no indication on how much weight the report will have during the current session. However, one of the main benefits that the Commission did accomplish was to raise

awareness of the issue and highlight the various factors that have contributed to the current unfunded liabilities of the retirement systems. Not only are the causes very complex, the possible solutions all have repercussions that must be carefully weighed when developing possible solutions.

Some of the more tangible recommendations from the Commission include the following:



Phase in to full funding of the Actuarially Required Contribution (ARC) within 10 years.

This recommendation would eventually eliminate the unfunded liability, but implementation depends on the revenue available. Given the current budget situation, this would likely be modified to a longer time period to reduce the amount required each year if adopted.



Pre-fund part of the unfunded liability using bonds.

The decision on using public bonds to fund retirement pensions or health insurance is a policy issue that would need General Assembly approval. While the infusion of cash would certainly help reduce the unfunded liability, it would also pose certain risks to the Commonwealth, especially in light of the current bond market.



Provide for COLA’s based on the ability to pre-fund for same, or eliminate COLA’s altogether.

In the case of Kentucky Retirement Systems, the annual COLA’s are not pre-funded either by employee or

employer contributions. Accordingly, each time a COLA is granted, it significantly increases KRS' unfunded liability. A 3.0% COLA will add over \$300 million to the unfunded liability over the next 30 years, or over \$10 million each year.



Create a lower-cost defined benefit tier for future new participants in KERS, CERS and SPRS.

Creating a new tier of benefits for future employees does not affect the current unfunded actuarial accrued liability (UAAL). By way of explanation, the UAAL is the excess of the actuarial accrued liability (i.e., the liability for benefits already earned by current employees and retirees, but not yet paid out) over the actuarial value of assets. The liability for the existing employees and retirees is already incurred and cannot be reduced by the creation of a new lower cost benefit tier for new hires.



Extend the number of years that an employee must work to qualify for full retirement benefits and raise the minimum age for retirement.

This is embedded in the Commission's recommendation for a new tier of benefits and would only apply to future employees. Retiring at a later age or with more years of service will have the effect of reducing health care costs because those employees would spend fewer years in the pre-65 health benefits plan. Pension benefits would also be less costly because they would be paid out over fewer years.



Leverage the current PPO health care platform into a High, Medium, Low option plan and provide a greater differential between the Enhanced and Premier options.

Currently, there is little difference between the Enhanced and Premier health plan options, which will cause retirees to select the higher coverage and therefore increase cost to the state. This recommendation could cut back on employer health care costs by steering more participants to the Enhanced plan.



Require participation of employees with "high cost" conditions in "care/disease management" programs.

Participants with chronic diseases or health problems could both increase their quality of care and reduce expenses by participating in case management and disease management programs, driving the overall cost of health care down for both the active and retired members.

There are a number of recommendations not mentioned above, however these were ones that seemed to garner the most discussion. One thing is for certain—there is no single "silver bullet" that will resolve the funding shortfall. While it is simple to say that the state should provide full funding for the annual required contribution and therefore eliminate the unfunded liability, there are inadequate resources in the state revenues to accomplish this objective. Additionally, the nature of the inviolable contract for public employee benefits dictates that any changes apply to future employees only. Given that benefit changes for future employees will not significantly impact the unfunded liability until those employees near retirement age, there are very limited options that will bring about immediate and permanent budgetary relief. The critical issue is to develop a strategy that will hopefully control the growth in the unfunded liability while gradually increasing the contributions to KRS in order to get to a fully funded status over a period of years.

There will be much discussion in the days and weeks ahead by members of the General Assembly and the Governor's office as they seek to resolve KRS' funding shortfall while also addressing the budget problems facing the Commonwealth. Both the legislative and executive branches appear committed to addressing KRS' funding issue while remaining sensitive to protecting the best interests of the public employees and the Commonwealth they serve.

Phishing: How to avoid becoming the Catch of the Day

With the increasing growth of the Internet, scam artists are devising new and creative ways to use technology to steal your personal information for monetary gain.

One scam that is on the rise is called “phishing”, duly named for the scammer’s intent to hook you into responding to bogus emails or visiting phony web sites in order to pilfer your personal data (credit card numbers or bank account information). These swindlers usually send out forged emails that appear to be from legitimate companies but in actuality have been ‘spoofed’ to conceal the scammer’s email address, web links, and their real intent — which is to defraud you. Phishing emails generally instruct recipients to call a phone number or click on a link contained within the email to provide online banking passwords, financial account information or other personal data to claim prizes, rectify banking issues, or perform some other seemingly legitimate action.

Stay ahead of scammers.

Avoid becoming a victim by following these rules:

1. Avoid sending personal data via email, particularly involving communications not initiated by you. Legitimate companies usually do not request information in this manner. You can verify a company’s authenticity by calling the company directly using the telephone number listed in the phone book, never the number provided in the email. And if you do decide to email personal information, always use strong encryption.



2. Never click on a web link in an email; instead, type the address directly into your web browser’s address bar.

3. Monitor your online banking accounts regularly and always review bank account and credit card statements for unauthorized activity.

4. Keep your computer secure by regularly downloading the latest patches and virus protection updates. If you use Microsoft Windows, run Microsoft Update every day to update your Microsoft software with the latest security fixes. You can automate this process by turning on Automatic Updates using the settings in the Windows Control Panel. Windows will automatically install critical updates for the Microsoft software installed on your computer.

If you’ve been scammed — react quickly.

Contact the Federal Trade Commission or the Internet Fraud Complaint Center if you believe you’ve been scammed. You should also immediately contact your bank or credit card issuer to close the compromised account. It is also a good idea to notify the following credit reporting agencies if your social security number has been disclosed: Experian, Equifax and TransUnion. These companies will monitor and notify you of any new account activity.



Health & Wellness

What happens if I need specialty medication?

Patients with chronic health conditions require specialized care. That's why your Kentucky Retirement Systems prescription medication plan offers you the expertise and services of Walgreens Specialty Pharmacy. Walgreens Specialty Pharmacy, a leading national provider of specialty medications and therapy management services, provides personalized support for a variety of complex health conditions. Some examples of conditions that may require specialty medication include Crohn's disease, osteoporosis, growth hormone disorder, hemophilia, multiples sclerosis, psoriasis, rheumatoid arthritis, and viral hepatitis. The specialty medications for such conditions — usually injectable — have complex treatment regimens, and need extensive support services for optimal results.

Walgreens Specialty Pharmacy offers personalized care from an experienced Care Team of pharmacists and

nurses trained in complex health conditions and the latest medication therapies. You also receive a wide range of support services, including a proactive approach to medication adherence, confidential counseling and side-effect management, help in avoiding potential dangerous medication interactions, useful health information, and insurance benefit coordination.

Your KRS plan provides this enhanced level of care at no extra cost beyond your normal copay. Plan members using specialty medications may soon receive a call from Walgreens Health Initiatives, our pharmacy benefit manager, to enroll you in the specialty program and help make sure you get the best results from your medication.

Your prescriber can call in your prescription to the Walgreens Specialty Pharmacy Customer Care Center at (866) 823-2712 or fax it to (877) 231-8302. You can have it delivered to your home, work, doctor's office, or almost anywhere you choose. All of these services are available to



you at no charge through Walgreens Specialty Pharmacy, as part of your KRS pharmacy benefit.

How Do the New Medicare Vaccine Guidelines Affect Me?

Medicare coverage regulations for vaccines have changed. The new guidelines from the Centers for Medicare and Medicaid Services (CMS) determine which vaccines remain covered under the medical programs, Medicare Parts A and B, and which are eligible for coverage under prescription medication programs. Many vaccines, such as flu shots, pneumococcal, and hepatitis B will continue to be covered only under medical benefits from Medicare.

However, the new guidelines state that, beginning in 2008, both the vaccine and administration costs are eligible for coverage under traditional prescription medication programs (both Medicare Part D and the KRS plan). What this means to you is simply that some

vaccines, such as Zostavax® for the prevention of shingles, previously covered under your medical coverage through Medicare Part B, will now be covered under your prescription medication coverage. You can pick up your vaccines at any network pharmacy or submit a direct member reimbursement (DMR). If you have any coverage questions regarding vaccines or other medications, please contact the Walgreens Customer Care Center at (800) 207-2568. More information is available at the Walgreens Health Initiatives web site, MyWHI.com.



DISCLAIMER: The information provided is not a substitute for medical advice. Consult your doctor for diagnosis and treatment of your medical condition. Advances in medicine may cause this information to become outdated, invalid or subject to debate. Professional opinions and interpretations of the scientific literature may vary. Walgreens Health Initiatives terms of use and general warranty disclaimer apply to all services provided. If you are in need of immediate medical attention, contact your physician, poison control center or emergency medical professional. If you need to speak with a pharmacist for nonemergency matters, contact your local pharmacist. ©2008 Walgreens Health Initiatives, Inc., a wholly owned subsidiary of Walgreen Co. All rights reserved. PBM7988-080104

One *on* One Retirement Conferences

KRS will be providing conferences throughout the state to allow members to learn more about their many retirement options. Please make an appointment by calling (888) 696-8820. Spouses are encouraged to attend. Bring a photo I.D.

Event Date	City	Location	Registration Begins
February 18 - 22	Radcliff	Colvin Community Center 230 Freedoms Way, Radcliffe, KY	January 15
March 17 - 20	Dawson Springs	Pennyrile Forest State Resort Park 20781 Pennyrile Lodge Road, Dawson Springs, KY	February 12
April 21 - 25	Mt. Olivet	Blue Licks Battlefield State Resort Park Mt. Olivet, KY	March 11
May 19 - 23	Gilbertsville	Kentucky Dam Village Convention Center, Gilbertsville, KY	April 22
June 16 - 20	Owensboro	Daviess County Government Operations Center Highway 81, Owensboro, KY	May 21
July 14 - 18	Murray	MSU, Regional Special Events Center 1401 State Route 121 North, Murray, KY	June 17

Join KRS for this free retirement conference.
Please call ahead to make an appointment.

(888) 696-8820

Member Announcements

Kentucky Local, State and Federal Employees and Retirees receive special room rates

Take advantage of the Kentucky State Parks' Commonwealth Connection program which offers reduced rates on lodge rooms and cottages. Good through March 31, 2008. Lodge Rooms are \$44.95, 1-Bedroom cottages are \$74.95, 2-Bedroom Cottages \$84.95, and 3-Bedroom cottages are \$94.95. Visit parks.ky.gov and use the promo code "CC7" or you may call (800) 255-7275. To receive the special rate, mention "Commonwealth Connection".

New Income Tax Withholding Tables for 2008

The Internal Revenue Service (IRS) implemented new federal tax withholding tables for tax year 2008. This may result in changes to the amount of tax being withheld (if any) from your monthly payments. The new tax withholding will be reflected on your February 2008 payment. For recipients whose benefits are directly deposited into an account with a financial institution, KRS will mail a check stub to you in February. Your original choice on withholding will remain in effect until you file a new election form with the retirement office. If you wish to change your election, you may call KRS to request a Form 6017, Federal Income Tax Withholding Preference for Periodic Payments, or you may download this form from www.kyret.com. Your decision on withholding is important. You may wish to discuss this with a qualified tax advisor.

2008 Cost-of-Living Raise to Retirees

Retired members and beneficiaries who are receiving a benefit as of June 2008 will receive a 2.8% increase on their July retirement allowance. The increase will be given automatically and is based on the percentage increase in the annual average of the Consumer Price Index for all urban consumers. The State Legislature may reduce, suspend or eliminate Cost of Living Adjustments.

Retiring This Summer? Meet with a KRS Counselor.

If you are planning to retire June through September 2008 and would like to make an appointment to complete the necessary paperwork, please remember to schedule your appointment up to three months in advance. Please bring a photo I.D., your two most recent pay stubs, a copy of your birth certificate and your beneficiary's birth certificate if you intend to select a monthly payment option with survivor benefits. If you are less than age 62 and wish to see the Social Security Adjustment Options, you must provide written verification of your age 62 estimated benefit from Social Security. To make an appointment please contact our office by calling (502)696-8800 or toll-free at (800)928-4646.





Kentucky Retirement Systems

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Frankfort, Kentucky 40601

**If you have any questions about the material printed in this publication
please contact KRS at (800) 928-4646.**

This publication is intended merely as a general information reference for members of the KRS. If you have any specific questions about the subjects covered by this publication, you should contact the retirement office. This publication is not intended as a substitute for applicable Federal or state law, nor will its interpretation prevail should a conflict arise between its contents and applicable Federal or state law. Before making decisions about your retirement, you should contact KRS.