



Member News
Spring 2009

Member News

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(800) 928-4646 ▼ www.kyret.com

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START

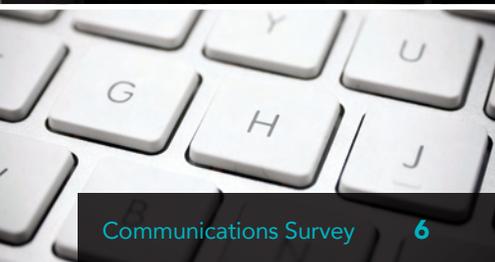
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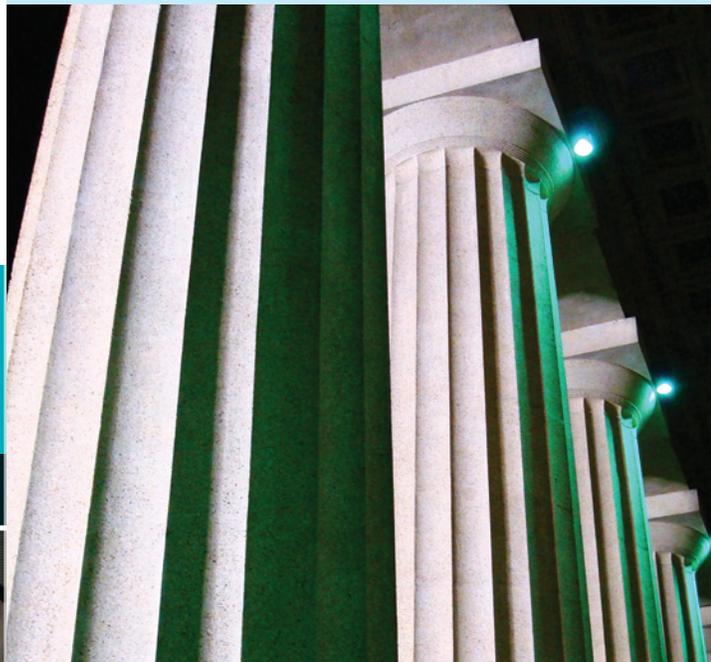
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KRS discusses the impact of the legislation, investments

Executive Director, Mike Burnside, discusses legislative changes affecting KRS as well as the state of our investments.

Executive Director

Robert M. Burnside

KRS Homepage

www.kyret.com

Contact KRS

(502) 696-8800

(800) 928-4646

Fax: (502) 696-8822

krs.mail@kyret.com

Office Address

1260 Louisville Road

Frankfort, KY 40601

Office Hours

Monday - Friday

8:00am - 4:30pm

Legislative & Investment Updates

By Mike Burnside, Executive Director



As I write this article, the Board of Trustees of KRS has just held its annual meeting and another legislative session has come to a close. The past twelve months have been very busy ones for all the staff here at Kentucky Retirement Systems.

We have supported the closing of the early retirement incentive windows by processing a record number of retirements for the calendar year. We have completed a very significant computer programming effort to implement the new tier of benefits and other changes mandated by the passage of HB 1 (the Pension Reform Bill) enacted during the 2008 special legislative session. And, we have successfully completed a major phase of our technology upgrade project and are preparing to run retiree payroll in July with the new system. Many thanks to all of our

dedicated staff who have worked tirelessly to make all of this happen in a manner that is transparent to our members.

The 2009 Regular Session of the General Assembly seemed to be focused mainly on budget and education reform. As a result, there were relatively few bills filed concerning retirement issues. The General Assembly did not give serious consideration to any bill that either enhanced benefits for any group of retirees or increased costs to KRS. This outcome was to be expected, given the current economic recession and budget shortfalls that are facing every level of government.

House Bill 416

The General Assembly did pass two bills that directly affect operations at KRS. The first is HB 416, which was a housekeeping bill for KRS. It has been three years since KRS was last able to obtain approval of a housekeeping measure, and we would like to thank Rep. Derrick Graham for sponsoring this initiative. Committee chairs Rep. Mike Cherry (House State Government) and Sen. Damon Thayer (Senate State and Local Government) were also instrumental in getting this bill through the system. The housekeeping bill does not change benefits or have any material impact on retirees, but it does simplify several issues and add clarity that will assist KRS staff in administering the systems we support.

House Bill 117

The second enacted bill is HB 117, which allows CERS employers to reduce their contributions to the health insurance trust fund in the short term. As many of you know, this issue has been the topic of much discussion in the legislature and the press.

(Continued on next page.)

Basically, it gives CERS employers lower retiree health insurance contribution rates until 2016, at which time their rates start to increase to make up for the short term reduction. Overall, the bill will cost CERS employers \$119.8 million more through the year 2029 than they would pay if they stayed with the schedule originally adopted by the Board. Senator Tom Buford was quoted in the Lexington Herald Leader on April 5, 2009, as saying that the bill places the burden of funding on future generations, and that is an accurate observation. The impact to KRS is that the insurance trust will receive less money up front from employers, which creates a negative cash flow where healthcare expenditures exceed income. It therefore reduces the funds we will have available to take advantage of an eventual market recovery.

Investments Performance

Discussion of HB 117 is also a good segue to talk about KRS investments. With the current recession and volatility in the investment world, pension funding and affordability have been front-page news across the country. We constantly receive questions from members, legislators and the press on our investment performance. Getting right to the point, just like every other major institutional investor our investment performance has suffered from this recession. The KRS total portfolio experienced a 23.9% loss in market value in calendar year 2008. As of December 31, 2008, the total value of the KRS portfolio

(pension and insurance combined) had declined by approximately \$3.7 billion from the value listed on June 30, 2008. To be certain, funding ratios (actuarial value of assets vs. liabilities) for all the trusts managed by KRS will decline significantly when our valuations are completed for the current fiscal year. The silver lining to this economic cloud is that KRS performed in the top 25% of all pension funds nationwide over the last year, meaning that we fared much better than 75% of our peers. We have also been notified by Institutional Investor Magazine that Adam Tosh, our Chief Investment Officer, has been named as one of the magazine's 15 rising stars in institutional investing for 2008.

The challenges we are facing in pension systems nationwide are extremely complicated and there is no single short-term solution. The KRS staff and Board of Trustees remain committed to managing the systems in a manner that maximizes the use of every dollar we receive through diversifying our investments and following best practices in portfolio management. Our main priority is to protect the benefits promised to our members and guarantee the viability of the system for generations to come. We will need the support of our members and our legislators to make this happen.

“The silver lining to this economic cloud is that KRS performed in the top 25% of all pension funds nationwide over the last year”

Get ready, START is only months away

In the spring of 2007, Kentucky Retirement Systems (KRS) introduced a significant technical improvement effort entitled START (**S**trategic **T**echnology **A**dvancements for the **R**etirement of **T**omorrow). The START Project's core focus is to provide the essential tools that KRS needs to provide better and faster services to YOU - our active members, recipients, and employers.

When will START impact you?

For benefit recipients, KRS will begin to use the new START payroll system in July 2009. Shortly thereafter, KRS will also offer self-service access to benefit recipients over the Internet. This self-service capability will enable recipients to securely view address information, benefit payments including benefit amounts, tax withholding,

insurance premiums and other important information. Please watch your mailbox for a special June newsletter devoted entirely to the new START system. This forthcoming newsletter will provide you with details on the new system and how it impacts you. In January of 2009, KRS began designing new features for active members and participating employers. START will implement these additional system features in 2010. Stay tuned for information about the upcoming services and features of the new payroll system and retiree self-service. In the meantime, you may obtain additional information and updates regarding START at www.kyret.com.

Changes to the KRS Board of Trustees

CERS members recently elected Robert Wilcher and Vince Lang to serve as their representatives on the Board of Trustees. Mr. Wilcher and Mr. Lang will serve a four-year term beginning April 1, 2009. Mr. Wilcher is Executive Director of the Kentucky Head Start Association and has an extensive background in finance, accounting and investments. Mr. Wilcher has been appointed to the Human Resources and Audit Committees. Currently Executive Director of the Kentucky County Judge Executive Association, Mr. Lang has served in various state and county positions since 1978. This will be Mr. Lang's second term on the KRS Board. Mr. Lang will retain his membership on the Disability Appeals, Administrative Appeals, Investment and Retiree Health Plan Committees. In March, Governor Steve Beshear appointed Jennifer Landrum Elliott of Louisville to the KRS

Board. Ms. Elliott represents members at-large and will serve for the remainder of an unexpired Board term which ends on March 31, 2012. Ms. Elliott is an attorney specializing in healthcare law with Louisville firm Stites & Harbison, PLLC. Ms. Elliott has been appointed to serve on the Retiree Health Plan Committee. Mr. Lang, Mr. Wilcher and Ms. Elliott were officially sworn in on April 2, 2009 at the annual Board of Trustees meeting.

Susan Horne resigned from the KRS Board effective April 2009. We would like to extend our sincere thanks to Susan for over 11 years of dedicated service to KRS. Under current statutes, the remaining members of the KRS Board, by majority vote, have the authority to fill the vacancy for the remainder of the unexpired term, which is due to expire on March 31, 2010.

Member communications survey

In the past years KRS has undertaken the task of reviewing the way in which we communicate with our members. We would like to address some common themes found in our survey.

Cost of Printed Publications

Communication costs are driven by two factors: production and delivery. Our newsletters are now designed to be printed on a web press, which allows us to print in full color without increasing costs. The coated paper, combined with the glue now utilized to bind the book, create a sturdier piece which can be mailed without folding and tabbing, a process that saves KRS nearly \$3,200. Of the two cost drivers, delivery is definitely the greater. To mail a typical newsletter costs almost \$60,000. We have taken several steps to combat these costs including combining mailings when possible and eliminating duplicate mailings to the same household from our mass mailings. Beginning this summer we will begin publishing and mailing only two formal newsletters each year, in the Spring and Fall.

Timeliness

KRS' announcements are often driven by the actions of external parties. Health Insurance is a good example. Health insurance for our retirees who are not eligible for Medicare is provided through the Department of Employee Insurance (DEI). We must wait for DEI to finalize plan offerings and rates before we can communicate this information to you. Once we receive all the necessary information, we work as quickly as possible to get materials printed and mailed, but in some cases this does not allow a great deal of time to act. Health insurance materials and other information will always be posted to the website as soon as it is available. We are also exploring ways to notify members via email when material is added to the website.

Online Account Access

Another area everyone is interested in pursuing is accessing account information online. KRS is currently in year two of the Strategic Technology Advancements for the Retirement of Tomorrow (START) Project. The START Project will equip KRS with the technology to offer a secure, self-service website where members may view and update basic account information. The self-service website will be available in July. You can read more about START at the top of page 5 .

Our goal is to provide you with accurate, complete information, with as much notice as possible so that you can make the best decision about your retirement benefits. KRS will continue to assess our processes to identify areas for improvement and reduce costs. If you have any suggestions, please give us a call at 502-696-8800 or email krs.mail@kyret.com.



New Website

KRS' new website will launch this summer! Find us at kyret.ky.gov. The new site will be a great communications asset as well as more user friendly and informative. You will find answers to many of your common questions, RSS feeds, forms available to download and current news. Many of you got a preview of the new website through our legislative webpage which provided daily updates during the 2009 legislative session.

We encourage members to use the website as an additional resource for important updates. As our self service and updated web design come online, we will allow members to choose to receive more correspondence via email and account login.

How KRS protects your information

It's difficult to read the newspaper or watch the nightly news on television and not see another incident where banking, credit card or other personal information has been exposed or stolen. We want you to know that KRS is committed to protecting the confidentiality and security of your member data. Over the past three years, KRS has intensified our efforts to safeguard your information, including:

- 🔒 Developing policies (16 so far) and processes that protect employees, facilities, networks and the technology infrastructure.
- 🔒 Restricting the use of Social Security numbers in internal forms and other documentation. We only use the last four digits of your SSN in most cases.
- 🔒 Investing in mainstream, highly regarded technology solutions that better protect all aspects of your member information.
- 🔒 Developing a new business system, START (see page 5), that is heavily influenced in its design by security and data protection principles.
- 🔒 Implementing secure solutions when transmitting data anywhere, such as encrypted email and secure file transfer.
- 🔒 Securely disposing of information, whether in paper or electronic form, so that your information is protected throughout its useful lifecycle.
- 🔒 Limiting unnecessary access to your data. Our management team has worked to limit the access to your information to only those KRS employees that regularly require access

in order to provide high quality services for you.

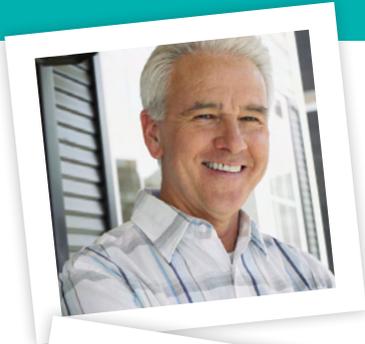
- 🔒 Implement, monitor and audit systems and security processes to ensure that your data is protected.
- 🔒 Providing our employees with constant security awareness tips and training to make sure they understand the importance of protecting your information.

Lastly, KRS continues to lead the way in keeping our members aware of potential threats. In addition to presentations for members and newsletter articles, KRS has taken a very proactive stand on data disclosures by adopting a specific policy to address such issues.

In 2006, our Board of Trustees adopted a disclosure policy that guides us in protecting and revealing potential exposures of your information. While we are not aware of any losses of data that have harmed our members, we are one of the few government agencies in Kentucky with a written, explicit policy that dictates that we notify members in a timely manner when your information may have been exposed. This includes making sure our business partners and vendors adhere to the same, strong policies for disclosing potential exposures of your information.

We believe in protecting your information and informing you promptly when there has been a breach in that protection.

New dental and vision plans available to Commonwealth retirees



Dental Option 1 (PPO EP605):

The Elite Preferred 605 PPO plan allows you to choose network or non-network providers. Participating providers will accept negotiated fees as payment in full for the services they provide to you as a member. You only will be responsible for applicable deductibles and fees, as shown in the summary of benefits. If you visit non-participating dentists, you'll receive slightly reduced benefits. However, non-network provider fees aren't negotiated by Humana and may cost more than in-network fees.

Dental Option 2 (DHMO C250):

The C-250 focuses on maintaining oral health, prevention, and cost control. After enrollment, you'll be assigned a primary care dentist who you can visit as often as necessary. Predetermined copayment amounts will apply to covered services, as shown in the summary of benefits. This easy-to-use plan features no waiting periods, deductibles, annual maximums, or claims to file. It doesn't have provisions for non-participating providers; you must visit a participating provider to receive benefits.

Vision Option:

The Vision Care Plan is a fully insured plan that offers a comprehensive eye exam (\$15 copayment) and materials (\$20 copayment) at participating providers. The plan also provides reduced benefits for non-participating providers.

	Option 1 EP605 PPO	Option 2 C250 DHMO	Vision Care Plan
Employee Only Coverage	\$22.98	\$14.00	\$8.25
Employee + 1 Dependent	\$42.84	\$28.00	\$19.80
Employee + Family	\$60.10	\$42.00	\$23.10

The monthly rates of these plans effective Jan. 1, 2009, through Dec. 31, 2009.

For more information please visit our Website at
www.compbenefits.com/custom/krs

For questions or to have an enrollment kit sent to you please call
1-866-824-7534, 8 a.m. - 5 p.m. EST, Monday - Friday.

HUMANA
CompBenefits

Dental products insured by CompBenefits Insurance Company and CompBenefits Dental Inc.
 Vision product insured by CompBenefits Insurance Company.



Enroll in VSP vision benefits today.

Get your **WellVision Exam[®]** and save money on eyewear.

Why enroll in a VSP[®] Vision Care plan? Because we'll help keep you and your eyes healthy with personalized care from a doctor you can trust. Covering one out of every six people in the U.S., VSP has been the nation's eye health leader for more than 50 years.

You'll like what you see with VSP:

- **Personalized Care.** Our doctors take the time to get to know you and your eyes. They'll look for vision problems and signs of other health conditions too.
- **Doctor Network.** You'll find the VSP doctor who's right for you at vsp.com/choice or by calling us at **800.877.7195**. Our doctors offer flexible hours, a variety of office settings, and eyewear choices you'll love.
- **Satisfaction Guaranteed.** You'll be 100% happy or we'll make it right.
- **Savings.** See how much you can save with VSP.

	Without VSP Coverage*	With VSP Coverage
Eye Exam	\$114.00	\$10.00 copay
Frame	\$150.00	\$20.00 copay
Lined Bifocal Lenses	\$106.00	
Progressive Lenses	\$146.00	\$116.00
Polycarbonate Lenses	\$60.00	\$0
Retiree-only Annual Contribution	N/A	\$111.48
TOTAL	\$576.00	\$257.48

* This comparison is based on national averages for eye exams and most commonly purchased brands.

Average Annual Savings
\$318.52
 with a VSP Doctor

Enroll today.
 You'll be glad you did.
 800.877.7195

Your Coverage from a VSP Doctor

- WellVision Exam** focuses on your eye health and overall wellness
- \$10.00 copay **every 12 months**
- Prescription Glasses**
- \$20.00 copay
- Lenses **every 12 months**
- Single vision, lined bifocal, and lined trifocal lenses
 - Polycarbonate lenses
- Frame **every 24 months**
- \$150.00 allowance for frame of your choice
 - 20% off the amount over your allowance
- ~OR~
- Contact Lens Care**
- **No copay** **every 12 months**
- \$120.00 allowance for contacts and the contact lens exam (fitting and evaluation). If you choose contact lenses you will be eligible for a frame 12 months from the date the contact lenses were obtained.

Extra Discounts and Savings

- Glasses and Sunglasses**
- 20% off lens options like progressives and scratch-resistant and anti-reflective coatings
 - 20% off additional glasses and sunglasses, including lens options*
- Contacts***
- 15% off cost of contact lens exam (fitting and evaluation)
- Laser Vision Correction**
- Average 15% off the regular price or 5% off the promotional price from contracted facilities
- * Available from any VSP doctor within 12 months of your last eye exam

Your Contribution

	Quarterly	Annually
Retiree Only	\$27.87	\$111.48
Retiree + One	\$51.24	\$204.96
Retiree + Family	\$59.43	\$237.72

Enrollment and Contact Information

- VSP Enrollment Dates:**
 June 1st - June 30th for a July 1, 2009 effective date
- Qualifying event enrollment after July 1st requires annual payment in full.
- For information about VSP benefits:**
- Visit vsp.com/choice or call VSP Member Services at 800.877.7195 & indicate you are a KRS Retiree wanting to enroll.

VSP guarantees service from VSP doctors only. In the event of a conflict between this information and your organization's contract with VSP, the terms of the contract will prevail.

Combine the VSP vision plan with a Delta Dental plan and save.

Enjoy great value at a great price when you choose both a VSP vision plan and a Delta Dental plan.

To enroll in the vision/dental combo plan, contact Delta Dental at 866.480.4872. For VSP benefit information, visit vsp.com/choice or call us at 800.877.7195.



KRS Retirees now eligible for Delta Dental coverage!



The oldest and largest dental insurance carrier in Kentucky with the largest dentist networks now offers you a choice of two dental programs.

Choose a plan that best meets your needs. You have several different ways to pay the premium. We offer monthly bank draft, annual check and annual credit card payments.

Important features of our two plans:

Option 1 Delta Dental PPO

- Participating (par) dentists agree to fee discounts and cannot balance bill if their fees are higher. There are 900+ par dentists in Kentucky.
- 100% coverage for Diagnostic and Preventive services at par dentist offices with no deductible (x-rays, exam, teeth cleaning).
- 50% coverage for minor and major restorative services (12 month wait on major services).
- Participating dentists file all claims.
- Benefits are available through any licensed dentist, but benefits are reduced at out-of-network dentist offices.
- Lower rates for you.

Option 2 Delta Dental Premier

- Participating (par) dentists agree to not balance bill you if their fees are higher than our allowable fees. There are 1,500+ par dentists in Kentucky, or 86% of all practicing dentists.
- 100% coverage for Diagnostic and Preventive services at par dentist offices with no deductible (x-rays, exam, teeth cleaning).
- 50% coverage for minor and major restorative services (12 month wait on major services).
- Participating dentists file all claims.
- Benefits are available through any licensed dentist, but non-network dentists can balance bill you above our allowable fee.

All rates effective through December 31, 2010!

Dental Coverage Only:

	Option 1 Delta Dental PPO Monthly Rate	Option 2 Delta Dental Premier Monthly Rate
Retiree Only	\$19.90	\$25.60
Retiree Plus One Dependent	\$38.20	\$49.16
Retiree Plus Two or More Dependents	\$65.68	\$84.48

Special offer!

Choose BOTH a Delta Dental plan and the VSP vision plan...

If you purchase a Delta Dental plan with the VSP vision plan, your combined rate will be lower than if purchased separately. Delta Dental and VSP are working together to give you the best value you can find!

Dental Coverage plus VSP Vision Plan:

	Option 1V PPO plus Vision Monthly Rate	Option 2V Premier plus Vision Monthly Rate
Retiree Only	\$26.65	\$32.29
Retiree Plus One Dependent	\$51.72	\$62.57
Retiree Plus Two or More Dependents	\$81.27	\$99.89

To receive an informational packet with more plan details, please call 1-866-480-4872 or log on to our website at www.deltadentalky.com and click on the KRS Retirees Information link.

Enroll effective July 1st and the rates are good for 18 months!



UNITED CONCORDIA
Insuring America's Dental Health

Dental Benefits for Kentucky Retirement Services from United Concordia

CONGRATULATIONS ON YOUR RETIREMENT! You now have the opportunity to sign up for United Concordia dental benefits through Kentucky Retirement Services. **Coverage is now available to all retirees regardless of age.**

Once enrolled in the Concordia Flex dental plan you'll enjoy:

- **Preventive care covered at 100%** (e.g., routine exams, cleanings and x-rays)
- **Basic care covered at 60%** (e.g., fillings and simple extractions)
- **Major care covered at 40%** (e.g., crowns, bridges, dentures and periodontics)
- **FREE Vantage Affinity Discount Program from Davis Vision** (provides significant discounts on eye exams, lenses, frames and additional eyewear options)
- **Only a 6-month waiting period for Class III–Major Services**

(All care is subject to applicable deductibles, exclusions and limitations.)



The Kentucky Retirement Services dental plan from United Concordia allows you to visit any dentist, but visiting a **Concordia Advantage** network dentist:

- **Saves you money**—Because our network dentists accept our negotiated fees, or maximum allowable charges (MACs), as payment-in-full for covered services, you cannot be charged for the difference between our MAC and the dentist's full fee.
- **Saves you time**—Our network dentists agree to file claims for you, so it's one less thing to worry about.
- **Stretches your benefit dollars**—Paying less for care from a network dentist means you can receive more covered services before reaching your annual maximum.
- **Provides peace of mind**—All of our network dentists undergo rigorous review through our quality assurance process and routine verification of their credentials.
- **Keeps you in-the-know**—Upon your request, our network dentists will submit predeterminations* before performing a procedure. You'll know up front if the treatment is covered and how much to expect to pay out of pocket.



Our network dentists are good for your smile and your wallet!

**For more information or to enroll, contact Michelle Dunaway at
The Benefit Source LLC at 502-479-8426.**



Kentucky Retirement Systems

1260 Louisville Road, Frankfort, Kentucky 40601

1-800-928-4646 • <http://www.kyret.com>



Member Announcements

New Executive Staff at KRS

In December 2008, Charlene Haydon was named Chief Benefits Officer replacing Gerri Miller who has retired. During her nineteen-year tenure with the agency, Ms. Haydon has developed an in depth understanding of KRS' benefits structure and acquired a wealth of benefits administration knowledge. Ms. Haydon is a graduate of Eastern Kentucky University.

After an extensive interview process, KRS selected Schuyler Olt to replace former General Counsel Eric Wampler. Prior to joining KRS in March 2009, Mr. Olt was employed as Chief of Administration for Jefferson County Government in addition to working with several law firms including Pedley, Zielke, Gordinier & Pence and Greenebaum, Trietz & Marshall in Louisville. Mr. Olt received his Juris Doctor from the University of Louisville. Mr. Olt also holds Series 7 and 66 licenses from the Financial Industry Regulatory Authority (FINRA) and a Variable Life and Health license from the Commonwealth of Kentucky.

Be on the lookout for your new Member ID

As part of our ongoing effort to provide additional security, KRS has created an account number for all members known as a Member ID. Your Member ID will function in the same manner as your social security number has in the past. This unique, seven digit Member ID will provide added security when you interact with KRS. You may use your Member ID in combination with your KRS PIN to obtain account information over the phone, in writing, and online once our self service website is launched. In the coming months, look for your Member ID on information you receive from KRS.

KRS is not conducting PREP in 2009

In an effort to address the immediate business needs of our agency, KRS is not conducting PreRetirement Education Programs (PREP) or One-on-One Conferences in 2009. All counselors are actively involved in the design of our new information system, which will allow active members, recipients and employers immediate access to account information and enhance the quality and efficiency of all KRS services. Members may request specific account information by contacting KRS. Thank you for your understanding.