

Teachers' Retirement System



Gary L. Harbin, CPA
Executive Secretary

October 6, 2016

Information for

2017 Medicare Spike



Presented by

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Director of Retiree Healthcare

TRS Membership



	Not Eligible to Retire	Eligible to Retire	Total
Contributing Accounts			
Full-time	47,637	10,726	58,363
Part-time	13,570	2,789	16,359
Total Contributing Accounts	61,407	13,515	74,722
Non-Contributing Accounts			
Inactive	27,217	2,218	29,435
Total Contributing & Non-contributing accounts	88,424	15,733	104,157
Retirees and other annuitants			52,012
Total Accounts			156,169
Less: return-to-work & current- year retirees			9,581
Net Members and Annuitants			146,588

Non-Social Security States Hit Harder by “Hold-Harmless” Agreement



**Teachers in these states are
not in Social Security.
The “hold-harmless” provision
punishes them by making
30 percent of Medicare recipients pay
100 percent of the Part B increase.**

California

Colorado

Kentucky

Michigan

Missouri

Nevada

North Carolina

Ohio

Texas

West Virginia

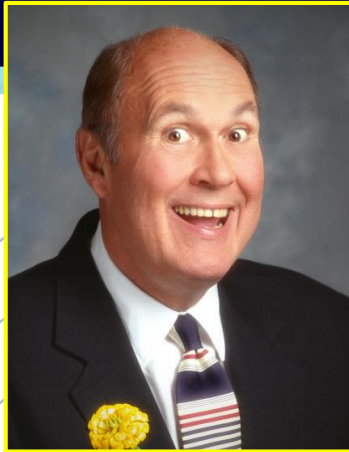
TRS Health Plan DEMOGRAPHICS



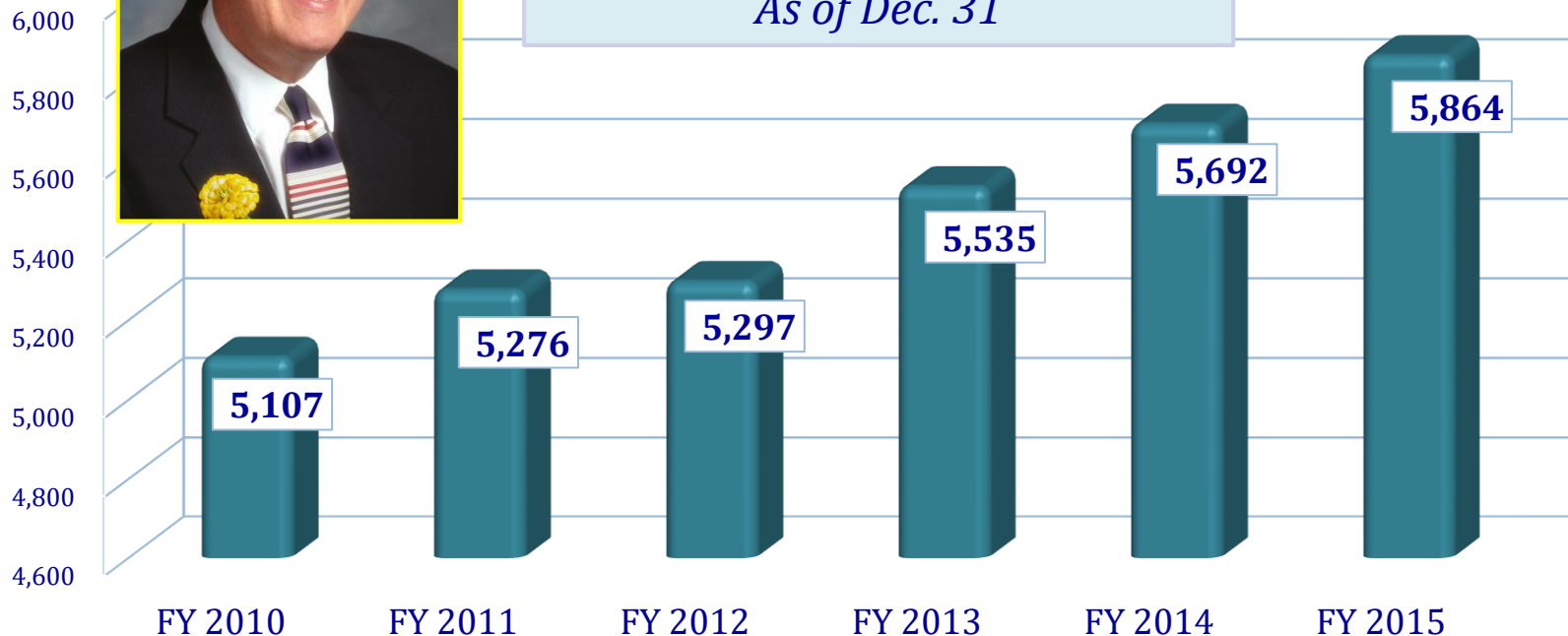
- ◆ 15,000 KEHP Planholders
- ◆ 31,000 MEHP Medicare Beneficiaries
 - ◆ Average MEHP age is 74



Let's Have a Big "Shout-Out" to TRS Retirees LIVING LONGER!



Retirees Over 80 *As of Dec. 31*



Age 100 years old or more

45

Age 90-94 years old

759

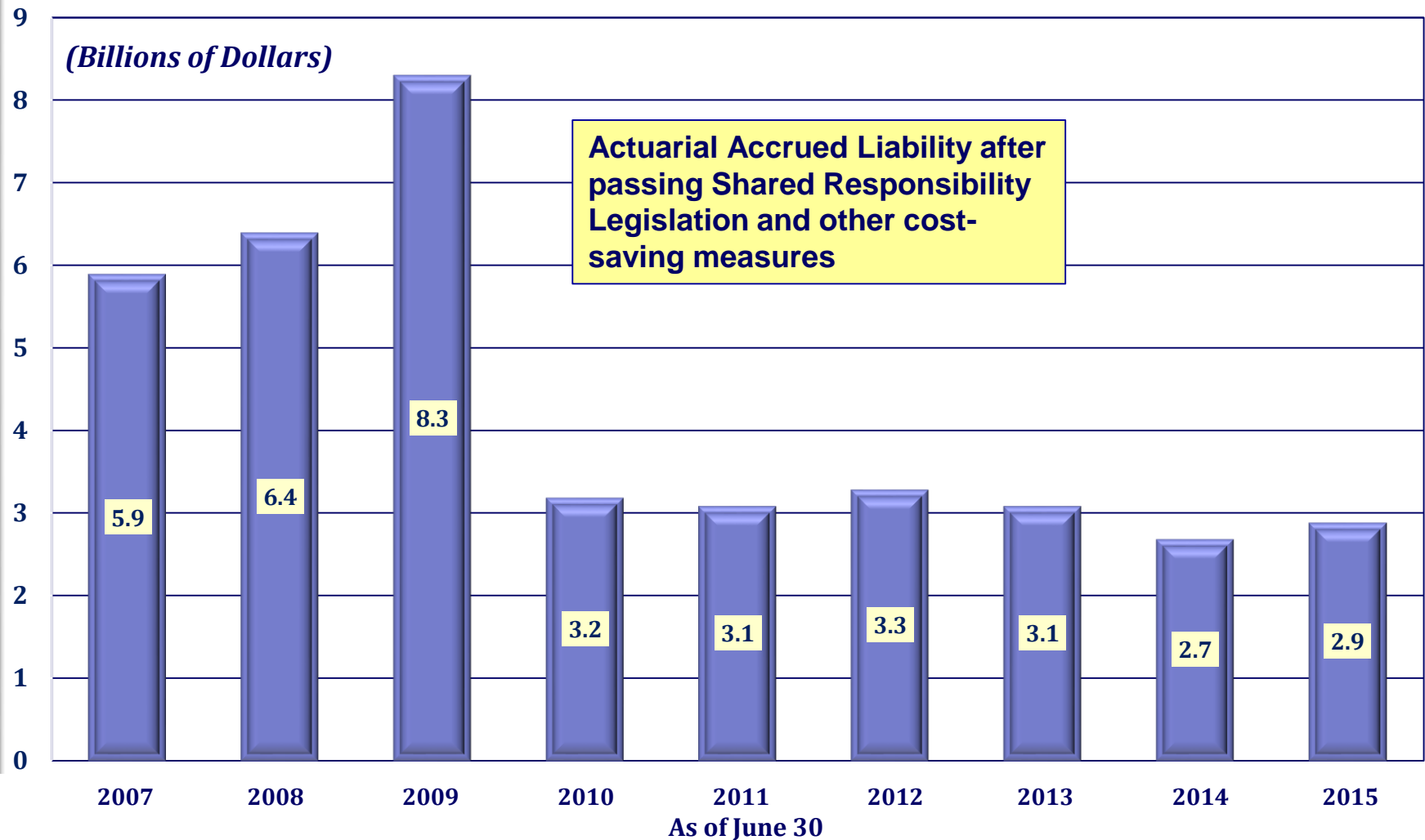
Age 95-99 years old

208

Age 80-89 years old

4,852

Shared Responsibility Results



History of TRS MEHP Premiumsa

YEAR	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Premium Cost	\$210	\$232	\$260	\$274	\$288	\$315	\$283	\$278	\$285	\$342	\$289	\$270	\$290	\$290	\$240

2016 Premium \$260



Significant Changes to Plan

2001

2006

2008

2012

2002

2007

2010

2013

Changes to Plan



2001

- Reduced adverse selection (“cherry picking”) by making permanent any election by surviving spouses to terminate TRS coverage

2002

- Increased from 20 to 27 the number of years required to receive maximum TRS supplement
- Reduced percentage of supplement payable by TRS for less than 27 years of service
- Took initial step in requiring return-to-work retirees to obtain insurance with active employer if that coverage is as good as TRS coverage

Changes to Plan

2006

- Positioned MEHP drug plan to take advantage of Medicare Part D subsidies

2007

- Positioned MEHP to secure federal Medicare Advantage subsidies

2008

- New members required to have minimum 15 years for insurance

Changes to Plan

2010

- Shared Responsibility enacted to prefund the benefit
- That and federal subsidy solutions eliminated \$5 billion in liability

Changes to Plan



2010

- Moved MEHP drug plan from Medicare Part D Subsidy to Employer Group Waiver Prescription Drug Plan obtaining even greater federal subsidies

2012

- One of the first members of the Know Your Rx Coalition
- Further positioned the MEHP drug plan to take advantage of private drug manufacturers' 50 percent subsidy in Medicare Part D's coverage gap (the "donut hole")

Changes to Plan

2013

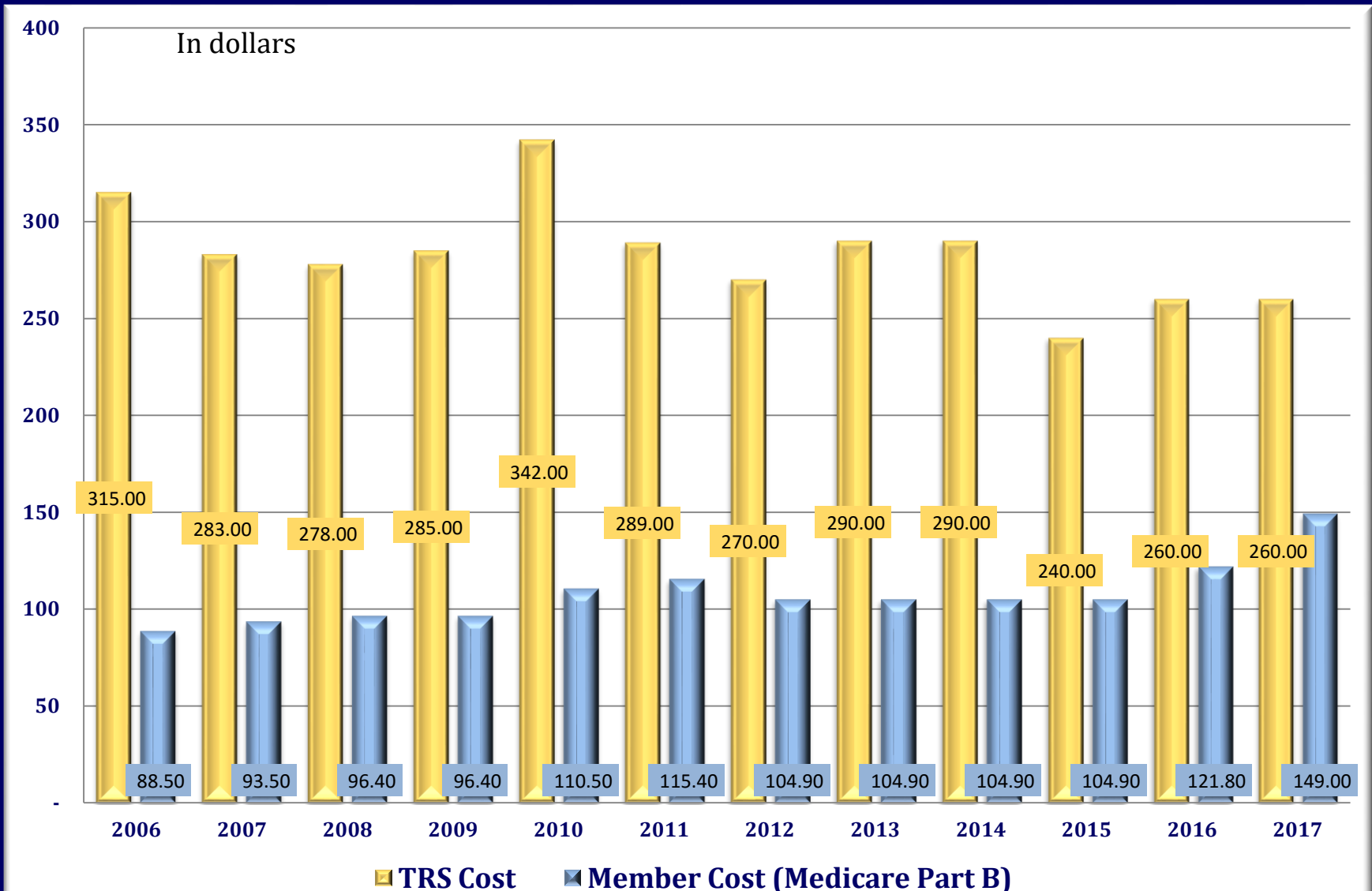
- Further reduced adverse selection (“cherry picking”) with “Spousal Shared Risk Waiver,” which made permanent any election by living members’ spouses to terminate TRS Medicare coverage (absent a qualifying event)

Changes to Plan

2014

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

MEHP - Premium Breakdown 2006 - 2017



Retiree Communication: The 2017 Medicare Part B Premium and Premium Equivalent Will Reverse These Trends



- ◆ Preliminary reports and projections show that the 2017 Medicare Part B premium could go as high as \$149.00.
 - ◆ Currently the standard 2016 Medicare Part B premium and premium equivalent is \$121.80.
 - ◆ This increase will affect both the under and over 65 retirees.
 - ◆ Medicare retirees pay this premium directly to the Social Security Administration.
 - ◆ As part of HB 540, the Shared Responsibility solution, pre-Medicare eligible retirees pay this directly to the TRS medical trust fund.
- ◆ The federal government will make a final decision in late October or early November.

Stay tuned in on this and watch the future TRS newsletters.



Retirement Insecurity: The Unintended Consequences of Mandatory Social Security Coverage



Coalition to
Preserve
Retirement
Security

State-by-State Cost Analysis of Mandatory Social Security For Years 2010-2014

**PSHCRT
Members**

State	Employees NOT Covered by Social Security	Five-Year Cumulative Employee & Employer SS Tax
California	1,405,500	\$ 15,066,500,284
Colorado	297,700	\$ 2,395,781,831
Kentucky	97,300	\$ 600,558,206
Michigan	91,800	\$ 778,372,961
Missouri	129,100	\$ 800,773,746
Nevada	130,600	\$ 1,200,729,984
North Carolina	58,300	\$ 395,053,821
Ohio	827,900	\$ 6,323,620,141
Texas	939,000	\$ 6,331,503,655
West Virginia	13,100	\$ 76,192,424



**THE LUSSIER
GROUP, INC.**

For more information contact: Coalition to Preserve Retirement Security • c/o The Lussier Group, Inc.
112 South Pitt Street • Alexandria, VA 22314 • (T) 703.684.5236 • Or visit CPRS at: www.retirementsecurity.org



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As it did in 2015, Congress should make it a priority to shield people with Medicare from the unintended consequences resulting from the application of the hold harmless provision. No beneficiary should be forced to pay more than they otherwise would simply because some beneficiaries are afforded critical protections against reductions in their Social Security checks. Our nation's retirees are counting on you. Thank you.

Gary L. Harbin, CPA
Executive Secretary
TRS Kentucky

TEACHERS'
Retirement System



Teachers' Retirement System
of the State of Kentucky

*Our Members
Come First!*

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Protecting & Preserving Teachers' Retirement Benefits