

THE KERNEL

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President's Perspective

by Larry Totten

"What Hath HB 1 Wrought?"

The last time I wrote about all the "what ifs" involving a final resolution of the dilemma facing the quasi governmental agencies – five universities and 113 health departments, rape crisis center, mental health/mental retardation centers, etc. Well, it looks as though there is a resolution following the close of the Special Session.

With HB 1, the agencies received another year of relief from an increase in the employer rate – it stays at 49.47 percent until June 30, 2020. As we all know, however, nothing is free. The first year of the freeze was estimated to cost KRS about \$132 million. Extending it a second year will be another increase in the unfunded liability of about \$121 million. Depending on the mix of who goes and who stays in KRS (and how they choose to leave,) there could be an additional hit of about \$700 million – almost a billion dollars in total. These are dollars that have to be made up by the other KERS NH employers over the next 24 years or so. As noted by the actuaries, this is "significant."

In 2015, a bill was passed allowing certain agencies to cease participation in KRS (KRS 61.522). HB1 expanded the agencies that could participate in the cessation process to include the quasi-agencies. Now, these agencies will face a decision next spring – leave KRS taking their employees out of the systems or stay and pay higher employer rates that are coming for every employer as of July 1, 2020. Should they decide to leave, they have to decide whether to pay by lump sum or with a 30-year "mortgage."

At this point, it's unknown as to who will leave and who will stay. The regional universities are in a better financial situation to pay off their unfunded liability in a lump sum one way or another. The others, not so much. KRS may be looking at a hundred long-term "IOUs." And, as the actuaries noted in their analysis of BR 19, as many as "64 of the 118 eligible employers would not have completely financed their actuarial cost within 30 years under this option." One other decision that will have to be made is what to do with their 8,996 employees. One-third of these are Tier 3 employees in the cash-hybrid plan, but the others are Tier 1 & 2 employees with the defined benefit plan (DB). Employers who leave KRS will have to set up defined contribution plans (DC) and the Tier 3 employees will be moved immediately. The fate of the others lies in the hands of their employers. They can keep the employees covered in the DB plan, but they will be paying the higher employer rate, a rate higher than that which they say they can't afford today. Or, they are moved into the new DC plans and the agencies become responsible only for paying off their unfunded liabilities.

There have been questions raised as to whether or not forcing these employees into DC plans violates the inviolable contract. Proponents of the bill say "no", citing the existing cessation statute and the precedent set by the three quasi entities who have already left KRS. Opponents believe this impairs the future benefits these employees would have earned under their DB plan. Whether this gets challenged in court remains to be seen. With the nonseverability clause in HB 1, the consequences of a negative decision could be significant.

At a more personal level for these employees, and depending on where they are along the timeline of their careers, there may not be enough time for them to make up in a 401(k) that which they lost by being pushed out of their DB plan. It is important to note that this bill does not require employers to make matching contributions into its employees' new DC plans, thereby shifting this burden totally to these employees. Who knows if the employers will do this on their own? This is the possibility that really deserves some reflection. The 6,000 or so employees in the DB plan would have their time with KRS frozen as of June 30, 2020, and their accounts would become "inactive" should they decide to keep the money with KRS. (Of course, they could withdraw their contributions, retire now, or keep their funds in KRS until they do retire.)

(Cont'd Page 2)

President's Perspective (Cont'd)

But think about these numbers. As of June 30, 2018, there were 34,845 active employees in KERS NH – 18,800 Tier 1; 6,821 Tier 2; and 9,224 Tier 3. With just at 9,000 employees in play at these agencies, there is the potential for KRS to lose over 25% of its active members depending on what these quasi agencies choose to do. New employee contributions – gone! Employer contributions – gone, although there will be some offset with payments made against their unfunded liabilities.

I have concerns about the overall effect this will have on KRS in losing so many employees at once. Since 2015, there have been three employers that have ceased their participation in KRS, but these only involved 611 employees. This bill could increase that number tenfold. The actuaries have said little about this except to say that this legislation "may create a precedent for other participating employers to lobby for the enactment of similar legislation ..." a precedent that "could result in continual increased cost and risk for the remaining participating employers in these Systems." I suspect we won't feel the full impact of this bill until the end of 2022. Maybe this loss won't amount to anything more than a ripple. Maybe, too, this will help KRS as it continues to pay pension benefits to some 43,000 KERS NH retirees. But what if it doesn't? And at what cost to the 6,000?

To me, all of this illustrates just how fragile KRS, and in particular KERS NH, is right now. We need to appreciate our public pensions but also remember that they are not a handout – WE EARNED IT!

Annual Conference Recap

by Larry Totten

KPR had its Annual Meeting on June 13-14, 2019, at the Clarion Hotel & Conference Center in Lexington. Prior to the start of the event, the KPR Board held its quarterly meeting the previous day. Attendance for the event was a little fewer than I had hoped with 93 paid registrations.

Our program began with an update on KRS from KRS Executive Director David Eager. Following him was noted journalist Al Cross presenting his views on our governor's race and the importance of journalism and newspapers throughout the Commonwealth. Our AMBA partners gave a presentation on our member benefits. Jason Bailey, executive director of the Kentucky Center for Economic Policy, gave us another perspective regarding pension issues. Our meeting day wrapped with a light-hearted talk on "What is a Kentuckian?" by James Larry Hood from the Kentucky Humanities Council.

Following our social hour, we all gathered again for our banquet. Rose Gayle Waterfield Hardy joined us once again to present the two Waterfield Awards, in honor of her father, twice Lieutenant Governor Harry Lee Waterfield. The Achievement Award went to Lexie Southworth of the Bluegrass West Chapter and the Humanitarian Award went to Cathy Kunkel-Mains of the Northern Kentucky Chapter. Comedian Shawn Reynolds provided the after-dinner entertainment, and Milton and Cathy Mains held our first live auction.

Financially, the event was essentially break even but did end in the black. The silent and live auctions were again quite successful bringing in \$2,170.

No venue has yet been chosen for our 2020 event; we'll be discussing this at the September Board meeting. We collected questionnaires from just over half of our attendees from this year, but I would like to hear from those of you who did not attend. My question – What could we offer or change or add that would entice you to be first-time attendees at one of these events? Please email me your thoughts at lpotten53@gmail.com.



Lexie Southworth, Rose Gayle Hardy,
and Cathy Kunkel-Mains

Retirement System Update

by Larry Totten

In May, KRS committees and the KRS Board met. During the Audit Committee meeting, a host of standard reports were reviewed, including third-quarter FY19 financials. Also, the audit of the pension liabilities computations for all KRS participants was reviewed and accepted. During the Retiree Health Committee meeting, preliminary factors that will determine the cost and benefits of our 2020 Medicare Advantage Plan were discussed. The Investment Committee met and discussed updating the benchmarks KRS used to gauge investment performance and approved a private equity investment. The Board meeting reviewed all the activities of the committees and discussed fiduciary liability insurance. They also discussed legislation passed and pending from the completed 2019 Session.

The Investment Committee held a specially-called meeting in June, but there was not a quorum present since several of the appointees from the 2016 reorganization did not show up. The committee did hear from three potential private equity managers, but action had to be deferred to another meeting.



Membership Article

by Betty Hawkins

We are pleased to announce the winners of the 2019 Annual Membership Contest which began June 1, 2018, and ended May 31, 2019. A total of 207 new members were recruited during

the contest period. This is a significant decrease from the 371 new members recruited during the 2018 contest.



BR President Carol Douglas accepting for Keith Mueller

Keith Mueller, Barren River Chapter member, won the first place prize of \$60. Keith recruited 22 new members.

Justine Brinkley, Lake Cumberland Chapter member; and State Vice President Shirley Clark of the Bluegrass Chapter shared the second place prize of \$40. Both individuals recruited eight new members.

David Cornett, President of the Cumberland Valley Chapter, won the third place prize of \$20. David recruited six new members.



Shirley Clark and LC President Bruce Brown accepting for Justine Brinkley

The two \$15 random drawing winners were: Judith Lesher president of the Lincoln Trail Chapter; and Claude Tiller, member of the Lake Cumberland Chapter.

Congratulations to all those who recruited members. KPR appreciates your participation. You are encouraged to immediately start recruiting members for the 2020 contest (June 1, 2019, through May 31, 2020.)



LT President Judith Lesher wins a random drawing

KPR statewide membership for this time period has decreased 2.61 percent from last year. During this same time period last year, the total membership percentage had increased. Your help and support are needed. Everyone networking together, even at a minimal pace, will cause our numbers to increase.

Please do your part to increase our numbers. Ask someone to join today. Sign up those spouses who are not members. Remember they are the beneficiaries of your retirement benefits. They have as much at stake as you do to protect those benefits.

Anyone needing help with the paperwork to sign up a new member, please do not hesitate to contact me at: betty.hawkins49@gmail.com or give me a call at 502-321-0649.

VISIT OUR WEBSITE

www.kentuckypublicretirees.org



Legislative Chair Update

by Larry Totten

The Public Pension Oversight Board (PPOB) met in May and June; there was no meeting in July. In May, KRS Executive Director David Eager conducted a presentation dealing with alternative methods that could be considered to deal with the unfunded liability, particularly level dollar versus percent of payroll. In June, all three pension plans presented their investment returns and cash flows for the year to date through March, 2019. The committee also heard an explanation about the Governor's reform plan for the state's quasi agencies, especially changes made from the original proposal.

Of course, the big news was the extraordinary session, which began on Friday, July 19. It was truly extraordinary beginning with a proclamation by the Governor that listed detailed, specific items to be included in any bill to be considered by the Legislature. There was a three-hour hearing in the House State Government Committee, at which time two alternative proposals by the minority party were presented. Following another lengthy debate on the House floor, the bill was approved 52-46. Things were similar in both the Senate State and Local Government Committees and on the Senate floor but, in the end, the bill passed 27-11. Opponents of the bill cited several issues that may result in litigation. We'll see what happens next.

Chapter News

Barren River - The May meeting of the Barren River Chapter was held at the Barren River Area Development District Office. Our guest speaker was Brandi Duvall, Warren County circuit clerk. Duvall explained all her duties as circuit court clerk. She also explained the specifics of the new Kentucky drivers licenses/ID. She explained that while the new drivers licenses were processed in her office, the issuing agency was the Transportation Cabinet, Department of Vehicle Regulation. Two types of documents will be offered: the standard license/ID which will cost \$20 and the travel drivers license/ID which will cost \$24 for four years or \$48 for eight years. The startup for the new licenses has been set for August. Ms. Duval emphasized you can still travel on domestic flights with a standard license until October 1, 2020, or after that with a valid passport. New officers for the next year were elected with Carol Douglas being elected president and Les Settle as vice president. The remaining officers are the same.



Carol Douglas and Rep. Patti Minter

In July, our new president, Carol Douglas, welcomed everyone to the meeting. Our guest speaker was Representative Patti Minter, who represents House District 20. Rep. Minter gave a very informative presentation to our group. She discussed House Bill 358 (a bill to provide

pension relief for Kentucky's quasi governmental agencies) which was passed by the General Assembly and ultimately vetoed by Governor Bevin. She gave a breakdown of BR 19 (Gov. Bevin's proposed pension bill) and BR 11 (the House democrats' alternative pension bill).

Rep. Minter reported that Kentucky legislators are committed to finding a solution to the ongoing pension problem. She answered numerous questions from KPR members.

Following the presentation, Chapter President Douglas continued the business meeting. She said she and Romanza Johnson will set up a table at the pre-retirement seminar to be held on July 16, 2019, at the Carroll Knically Conference Center in Bowling Green.

President Douglas gave a report on the KPR Board Meeting and state conference in June. She reported that Keith Mueller, Barren River Chapter member, won the membership recruitment award at the state conference. Jennifer Strange reported that the state chapter made \$2200 from the silent auction baskets at the conference. Barren River Chapter sent two baskets that sold for a total of \$75.

The next scheduled meeting of the Barren River Chapter will be on Monday, August 19, 2019, at 10:00 a.m. at the Barren River Area Development District Office. The speaker will be from the Society of Lifelong Learning.

Bluegrass East - The May speaker for Bluegrass East was Representative Robert Goforth. In explaining his background, Rep. Goforth said he dropped out of school at the age of 16. He served in the United States Army, and upon his discharge, entered the workforce in a factory. It was while he was employed at this factory that he became injured and could not work there. Through a family member who was ill, he saw how much pharmacists helped people, and by using his military benefits, began his college career and went on to become a pharmacist.

He opened his own store, and it grew to three additional stores for a total of four stores. It was during his years as a pharmacist that he recognized the need for a drug prevention education program. Rep. Goforth believed that by becoming a representative he could expand and grow the drug prevention program. He was elected to fill a vacant seat and has been reelected.

Bluegrass East (Cont'd) - In July, we met at the Lexington Public Library Tates Creek Branch. Our guest speaker was Doug Price, who provided a very interesting overview of unclaimed property. Banks, hospitals, doctors, governments, individuals, and other organizations have unclaimed properties. Doug demonstrated the various ways to search for this property and the different people and organizations that had unclaimed property. Doug reported that Kentucky has approximately \$580 million dollars in unclaimed property. He referenced two websites to check for unclaimed property - www.missingmoney.com and www.naupa.org. He has created a Facebook page - Kentucky unclaimed property.

Our next meeting will be August 14 at the Northside Branch of the Lexington Public Library on Russell Cave Road.

Bluegrass West - The speakers for May were Jessica Stolberg and Charity Kabaiku from Humana Insurance. They explained the GO365 program for retirees. Information on this program can be accessed at the www.myhumana.com website.



Heather Clary

Our guest speaker for June was Heather Clary from the Better Business Bureau in Lexington. Clary said the BBB is a nonprofit organization which was first established in 1912. They help people investigate businesses. They can also provide information regarding various charity organizations. She warned our members to watch out for ongoing scams aimed at seniors such as: Social Security/Medicare impersonation scams, grandparent scams, home repair scams, phone number spoofing, sweepstakes and lottery scams, bogus tech support, and "free" government grants. She provided copies of the 2019 Accredited Business Directory and stressed that we make this book our starting point for all our purchases. Businesses listed in the directory have a proven track record of ethical business practices and are committed to uphold their standards of excellence. At the conclusion of her remarks, she entertained questions from the members. It was a very interesting meeting, and we suggest other chapters invite her to your meetings if you have not done so.

In July, we enjoyed a program of music from the 50's and 60's presented by Bonnie and Ronnie from Frankfort.

Cumberland Valley - There was no Cumberland Valley Chapter meeting held in June. Chapter President David Cornett and Vice-President John Harris attended some sessions of the KPR state meeting in Lexington.

The July meeting was held at David's Steak House in Corbin. Our guest speaker was KPR President Larry Totten from Frankfort.



David Cornett, Dinah Presnell, Carl Lawson, Jr., and Larry Totten

Carl Lawson Jr., treasurer. There was a discussion about trying to get Andy Beshear, democratic candidate for governor, to attend a meeting of multiple KPR chapters before the election. Other items discussed at the meeting were AMBA and Vitals Smartshopper.

The August meeting for our chapter will be held on August 13, 2019, at Golden Corral Restaurant in London. The guest speaker will be Representative Derek Lewis, state representative for District 90, which includes Leslie, Clay, and part of Laurel County.



Phyllis Whitaker, Agnes Barron, and D. J. Johnson

Green River - Our guest speaker for June was D.J. Johnson, former representative and currently the executive advisor to Governor Matt Bevin. His current assignment is to find a solution for the quasi agencies facing a pension rate increase. He also spoke about

investments and told us KRS has been doing well on investments until the past month when the market flatlined. There was discussion about Kentucky taxes being charged for online purchases and the need for a mechanism to ensure that all companies collect them.

In July, County Judge Executive Al Mattingly spoke about the CERS pensions. CERS is being funded sixty cents for every dollar whereas KERS is only funded thirteen cents for every dollar. Some of the problems are previous low assumptions made by the state, money not being put into the pension by the state, and COLAs made without funding. He is in favor of separating CERS from KERS. He said our pension is an obligation that needs to be paid and what we're doing currently is not sustainable.

Judge Mattingly talked about nonconsensual annexation and the recent attempt by city government to annex Daviess County schools into the city and the problems which arose. He is working with the Kentucky Association of Counties to secure more information on annexation. He addressed the hospital/ambulance situation. The medical transportation company AMR has taken over the ambulance service, but a backup ambulance service is needed in case AMR could not provide the service. The local hospital would not sign an agreement with the county to subsidize the ambulance service so the county has filed a lawsuit against them.

Jefferson Regional - The Jefferson Regional Chapter met on May 1. Our speakers, who were from Senior Home Transitions, were Patti Naiser, specialist in senior care planning and Janice VanZandt, community outreach director. They explained that Senior Home Transitions is a free senior care referral service. They try to eliminate the confusion and help in finding a new home which is best suited for you or your loved ones. They answered questions about how to navigate the costs of care associated with aging and how VA benefits, Medicaid, and long-term care insurance works in assisted living, personal care, and skilled nursing facilities. Their website is www.seniorht.com.



Rebecca Heckler

We did not have a speaker for our June meeting. In July, we acknowledged Rebecca Heckler's passing on June 11 and discussion centered on what she had meant to not only this chapter but to the state organization. Rebecca founded the Jefferson Regional Chapter. She held various offices, including president of the chapter, and she served on the state board. She will be greatly missed by everyone.

President Zehnder reported on the annual meeting and the fact that no one had agreed to be the Jefferson Regional president for next year. A motion was made that unless there was a candidate to serve by the August 7 meeting, the only alternative would be to merge with the North Central Chapter.

Lincoln Trail - In May, our speaker was Stephanie Givens, solid waste director/coordinator, who spoke on how we can do more recycling instead of having trash sent to the landfill. She showed several examples of what can be made from recycled material.

We elected new officers for the upcoming year. Judith Leshner will again be our president, Margaret Short, vice president, Sharon Bush, secretary, and Theresa Wickersham, treasurer.

At our June 10 meeting, we presented a \$500 scholarship to Tyler London, who is a great nephew of chapter member Margret Short. Tyler will be attending Western Kentucky University in the fall, studying Ag Economics.

Judith thanked all the members who brought items for the silent auction for the annual meeting.



Judith Leshner and Tyler London

North Central - Our speaker for May was Ted Shlechter, who holds a PhD in psychology and teaches at the Jefferson Community College. He researches extensively on addictions of all kinds. His topic for the meeting was "The Vulnerability of the Senior Citizen's Brain to Addiction." He followed the talk with a question and answer session.

The speaker for June was Senator Morgan McGarvey. He discussed the Kentucky Retirement Systems pension crisis. He said the most recent problem causing the crisis is that the KRS Board has made unrealistic assumptions about the return on investments at 5.25% (the most conservative in the nation) and a zero percent increase in the state payroll over the next 30 years. In answering a question about the possibility of tax reform, Sen. McGarvey stated that the closer the state gets to major cuts in services, the closer we will get to tax reform. There were lots of questions from chapter members and the senator met with us for nearly one hour.

In July, our speaker was KRS Board Trustee Betty Pendergrass. She spoke on the status of our KRS pensions and other issues affecting our retirees. Her remarks were followed by a Q & A session.

Northern Kentucky - The guest speaker for our June meeting was Senator Wil Schroder from the 24th District. He addressed the many concerns of retirees, state employees, and taxpayers. He spoke about the possibility of the Governor calling a special session to discuss the pension crisis. Ralph Wolff reported the current membership is 244, and Melissa Artopoulos spoke of all the notices she had placed in the local newspapers about the monthly meetings.

Pennyrile - In May, our speakers were Hopkins County Circuit Clerk Tanya Bowman and Lindsey Gipson, from her office, who spoke about the new Kentucky drivers license. It was very informative. At the meeting, KPR President Larry Totten gave us information about the June state meeting. Larry reported that Humana will be our insurance carrier for two more years.

At our June meeting, we elected officers for 2019 and 2020. Those elected were: president, L. Peyton Adams; vice president, Judy Pauley; secretary, Shirley Fallin; and treasurer, Phyllis Kennedy. A complete report was given on the annual meeting held in Lexington June 13-14.

Purchase - The May and July meetings were attended by representatives of Humana Insurance. The focus was on plan coverage and the Go365 program. Members were given an opportunity to ask questions or express concerns.

In June, our speaker was Bud Qualk, from KKHB, a Paducah legal firm. He gave an extensive presentation regarding the need to establish a trust and the importance of estate planning. A question and answer period followed his presentation. Chapter President Tom Moore gave legislative updates and a membership report. The chapter will have officer nominations and elections in the coming months.

Pictures from our June meeting





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Barren River 10 a.m. (CT), 3rd Monday BRADD Center 177 N. Graham Avenue (off Plum Springs Rd) Bowling Green, KY Contact Carol Douglas (270) 782-1791	Covered Bridge 11:00 AM (ET), 2nd Thursday Double 'S' Bowling 150 Foster St. Flemingsburg, KY Contact June Pugh (606) 849-2651	Jefferson Regional 11:30 AM (ET), 1st Wednesday Rooster's 5338 Bardstown Road Louisville, KY Contact Bev Zehnder (502) 553-1579	North Central 11:30 AM (ET), 2nd Wednesday Jumbo Buffet - back room (Stoneybrook Shopping Center) 2731 S. Hurstbourne Parkway Louisville, KY Contact Steve Meschler (502) 741-0260
Big Sandy 11:30 AM, 2nd Thursday Giovanni's 1236 N. Lake Drive Prestonsburg, KY Contact Scott Hopkins (606) 433-1517	Cumberland Valley 11:30 a.m. (ET), 2nd Tuesday Meeting locations vary Contact David Cornett (606) 330-0924	Kentucky River 3rd Friday of each month Meeting locations vary Contact Paul Bailey (606) 884-6280	Northern Kentucky 11:45 AM (ET), 2nd Monday Golden Corral Orphanage Rd. at KY Rt. 17 Fort Wright, KY (I - 275, Exit 80) Contact Milton Mains (859) 512- 9881
Bluegrass East 12:00 PM (ET), 2nd Wednesday Lexington Public Library - Northside Br 1733 Russell Cave Rd Lexington, KY Contact Jerry Powell jwpowell211@gmail.com	Fivco 11:30 AM (ET), 3rd Monday Giovanni's on Greenup Avenue Ashland, KY Contact Morris Wells (606) 465-5784	Lake Cumberland 11:30 AM (ET), 3rd Monday The Mellow Mushroom 2520 Monticello St Somerset, KY Contact Bruce Brown (606) 305-9960	Pennyrile 11:30 AM (CT), 4th Thursday Country Cupboard Restaurant 518 McCoy Avenue Madisonville, KY Contact L. Peyton Adams (270) 871-9295
Bluegrass West 11:30 AM (ET), 3rd Tuesday VFW Franklin County Post 4075 104 E. Second St. Frankfort, KY Contact Larry Totten (502) 226-0273	Green River 12:00 p.m. (CT), 2nd Wednesday Briarpatch Restaurant 2760 Veach Road Owensboro, KY Contact Agnes Barron ((270) 298-7151	Lincoln Trail 11:30 AM (ET), 2nd Monday Golden Corral 1835 N. Dixie Highway Elizabethtown, KY Contact Judith Leshar (270) 872-3497	Purchase 10:30 AM (CT), 1st Thursday Pizza Inn Joe Clifton Drive Paducah, KY Contact Tom Moore (270) 898-7289