

THE KERNEL

A publication of the Kentucky Public Retirees, Inc.

Issue 119

December 2016



President's Perspective

by Larry Totten

In reading some article about pension systems a short time ago, I came across an interesting definition of the word fiduciary: "An individual in whom another has

placed the utmost trust and confidence to manage and protect property or money. The relationship wherein one person has an obligation to act for another's benefit." We all know how this applies to the KRS Board of Trustees/Directors – KRS 61.650 (1) (c) even codifies the requirement that they discharge their duties "Solely in the interest of the members and beneficiaries." What was intriguing to me about this definition was the second sentence.

I have come to believe that all of us are also fiduciaries. We obviously are not responsible for the pension and insurance trust funds themselves, but I do think each of us has an obligation to act for another's benefit, in this case that of our fellow retirees. Our defined benefit plan is at its core one based on our fiduciary responsibility to each other. Defined benefit plans such as ours protect the retirement income of our entire KRS membership, both those retired and those still working, not leaving individuals on their own to plan for a life of uncertain length, uncertain income, or uncertain ability to navigate through a labyrinth of investment vehicles. The contributions we paid into the Systems while working went toward the benefits being paid to retirees at that time and provided funds that were invested for future benefit payments.

Now that we are retired, this responsibility has shifted from the monetary to the participatory. KPR exists to advocate for the pension security for all public retirees. We do this by speaking up in defense of the pensions we all earned – as well as in defense of benefits yet to be received by others - because we all are truly in this together. Talk to your legislators when you see them in your community and continue to have them at your monthly chapter meetings. Make them commit to the security of pension benefits for all of us. It is only by joining together with one voice that we can even hope to overcome those forces that might deny us our benefits.

As we go into the upcoming legislative session, there are a couple of things we need to keep an eye on. There are, of course, a few bills that have already been pre-filed.

What is a Fiduciary?

There are transparency bills in various flavors as well as a "peekaboo" proposal that would give anyone the right to find out what your pension benefits are. As the Session draws nearer, we can expect to see more filings, especially if there is some decision out of the court system regarding the Governor's reorganization of the KRS Board in 2017. By the end of the year, we should see the report from The PFM Group regarding pension plan "best practices" now ongoing. This one could also spawn some legislation.

Finally, one thing that should come up is the issue of state revenue in the form of tax reform. It isn't really a secret that the increased ARC funding that was provided in the current budget was funded by cuts to state agency budgets and a huge \$375 million sweep from the Public Employees Health Insurance Trust Fund. Just to keep the same employer contribution in the budget that will come out of the 2018 General Assembly will require this same level of funding. Where does it come from then? Is there another fund with that kind of balance that can be swept? Not likely. Whether one agrees with it or not, government funding comes mostly from taxation. There has been study after study on "reform" and each of these has been shelved. We know that the KERS NH and SPRS funds can't be salvaged by investment income, so additional revenue has to be provided. There is talk about dealing with this in a special session, but groundwork has to be done before convening one of these; so we'll have to watch to see what path this may take.

As you will be reading this in mid-December, I want to wish each of you a happy holiday season. 2017 will be upon us and there will be work to be done. And remember, our pensions are not handouts –

WE EARNED THEM!

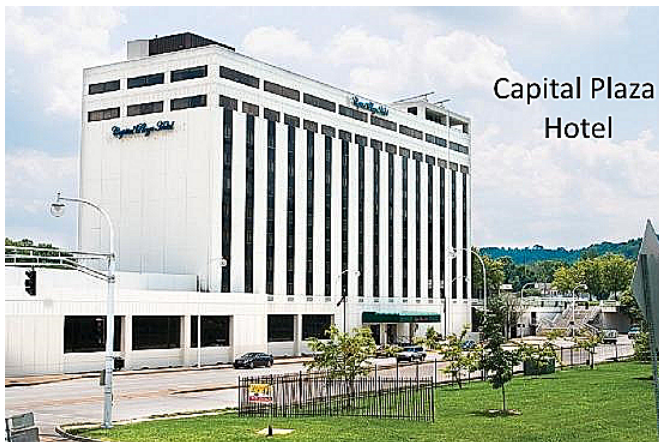
Legislative Chair Update

by Larry Totten

There have been three meetings of the Public Pension Oversight Board (PPOB) since our last Kernel. In August, the topic was a presentation of investment returns by each of the three pension systems. In September, staff of the LRC presented an investment review comparing and contrasting the three pension systems' programs with each other with a particular emphasis on hedge funds. In October, stakeholder groups were invited to address the Board as they begin to coalesce their recommendations for consideration by the 2017 General Assembly; KPR was one of eight groups presenting. Following these, the three pension systems presented their own priorities for consideration. Recommended legislation will be finalized at the PPOB meeting in December.

As of mid-November, there are eight pre-filed bills pertaining to KRS. Several deal with the topic of transparency in one form or another to include more disclosure of information on the pension plans' websites and the procurement and disclosure of contracts under the Model Procurement Code. There are two which would move legislators and judges from their existing plan into KRS. There are also two that would require, on request, the disclosure of "projected or actual retirement benefit payments" of participants in all three state pension plans.

There are likely to be more bills presented for consideration as we move toward January and the start of the General Assembly based on either the final report presented by The PFM Group and their study of the state's pension plans at the end of December or the outcome of the Elliott v Bevin lawsuit slowly winding its way through the court system.



Capital Plaza
Hotel

Retirement System Update

by Larry Totten

There has been only one KRS Board meeting since the last publication of the Kernel. On August 24, a called Board Meeting convened with the primary purpose of naming an Interim Executive Director. Board member and Investment Committee Chair David Eager was named for this position. The group also received an update on the then-ongoing process of bringing KRS staff back under the 18A umbrella. The last Board meeting of the year will be December 1 and will be a busy one. Both the FY16 audit and actuarial valuations will be presented and the Comprehensive Annual Financial Report (CAFR) that is provided to the state should be available for approval. Financial performance through at least September should also be made public. Several committee recommendations requiring final approval by the Board should also make the agenda.

Since summer, the Investment Committee has been busy with two regular meetings and two called ones. The first meeting in August was relatively routine with discussion on proposed investments. The first of the called meetings in October made headlines with the decision that KRS would divest itself of its hedge fund portfolio. There was also discussion regarding cash flow and the KRS' securities lending program. The first meeting in November continued the securities lending discussion but also brought the first cut of which hedge fund investments would be divested. The second November meeting resulted in a change to the intermediary bank handling the securities lending program and also had a good discussion on a re-alignment of asset allocations and actuarial assumptions. Look for this committee to meet at least one time before the next regular meeting as they set KRS investing on a new path.

The Retiree Health Plan Committee met in September to approve the rates and a few other details regarding the rates KRS would be covering for both the under-65 and Medicare-eligible retirees. The Audit Committee had its regularly scheduled meeting in November which included discussions on the release of the FY16 audit, FY16 actuarial report, FY16 CAFR, and the upcoming CERS elections. The financials discussed will not be publicly available until after the December Board meeting. The Committee was also made aware of an ethics complaint made by Personnel Secretary and Board member Thomas Stephens against KERS elected director Vince Lang.

The next few months will likely bring about more changes to KRS as the courts and the legislature make decisions on how the agency operates. Stay tuned.

SAVE THE DATE!

The Kentucky Public Retirees' 2017 annual meeting will be held on June 15-16 next year at the Capital Plaza Hotel in Frankfort. Room rates will be \$89, which will include a hot buffet breakfast. Betty Hawkins and Shirley Clark are Co-Chairs for the meeting and are working already on making this meeting as interesting as it has been the past two years. Chapters are asked to help put this meeting on, as again this year, it will be a Board-sponsored meeting. If you have a particular job you would like to be in charge of, just let one of us know. We also will need donations for another successful Silent Auction, which seems to be one of the highlights of our meeting.



Membership Article

by Betty Hawkins

As we soon close out another year, all members still need to be concerned about our membership numbers. Since the beginning of our new contest period (June 1, 2016), we have recruited 123 new members. Please review the

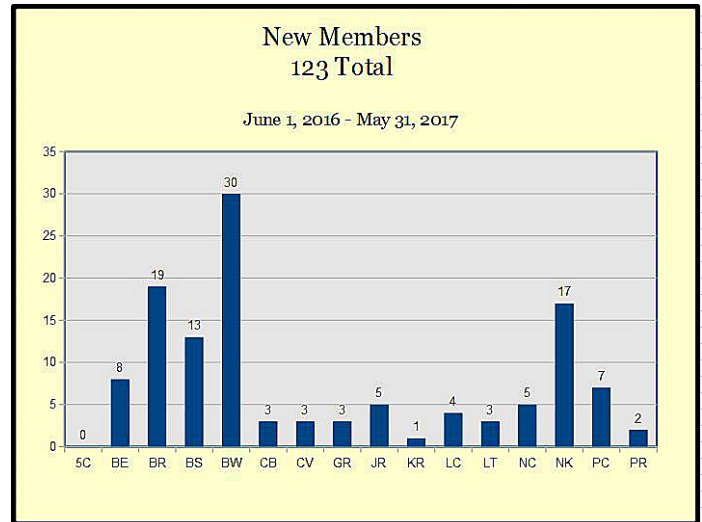
graph reflecting the specific numbers for your local chapter. Let us all work as hard as we can to make January 2017 our largest month for membership growth. New members will have the opportunity to take advantage of the entire year of free membership.

Since the June 2016 Annual Meeting, KPR attended two venues which provided us the opportunity to inform retirees about our organization and recruit new members – Deferred Compensation Expos and Humana Insurance Meetings.

One of our major successes this year was the establishment of our sixteenth KPR chapter, Big Sandy, which serves Floyd, Johnson, Knott, Letcher, Martin, and Pike Counties. Creation of this chapter completed statewide coverage for KPR. Members from this area are working diligently to reach out to prospective members, and their membership numbers reflect this effort.

What can you do as an individual KPR member to increase membership? Pick up that home phone and start making phone calls to those retirees whom you know or grab that cell phone and send an email or text to those people whom you know that are retirees. Ask them to join.

Each local chapter is provided a quarterly listing of those individuals who have recently retired from state government. Contact your local chapter president and membership chair; offer to help contact some people and tell them about KPR. There are many retirees with whom you have daily contact in your local communities as well as relatives, former co-workers, and also your spouses. We need to encourage our spouses to join and support us.



As a KPR member, please do your part to reach out to these individuals and convince them to be members. Each person reading this article knows someone they can ask to join. Every member is important to us even if personal circumstances prevent attendance at monthly meetings. Membership growth should be a primary objective. Numbers speak more than words when lobbying our legislators for continued and increased funding. Please do your part! Get busy!

Dues renewal notices for 2017 will be mailed the last week of December 2016. For your convenience, you may pay online at the KPR website by credit card or through PayPal, and you also have the option to make multiple-year payments. Dues statements will only be mailed to those individuals who owe 2017 dues. If convenient, you may also pay your dues early. This saves our organization the cost of mailing the dues statements. For those of you who want to pay early, via regular mail, please make your check for \$15 payable to KPR and mail to KPR, P. O. Box 4082, Frankfort, KY 40604.

If I can provide anyone assistance in recruiting a member, please email me at betty.hawkins49@gmail.com or give me a call at 502-829-5541 (H) or 502-321-0649 (C). I am willing to help you; just contact me.



Visit the KPR website and Facebook page for timely information about KPR and issues affecting our retirement.

Chapter News

Barren River - The August 15 meeting was held at the Barren River Area Development District Office in Bowling Green. Our guest speaker was Martha Jane King, Democratic Representative of House District 16 for Logan, Todd, and part of Warren County. Twelve members were in attendance.



Joyce Guffy and Martha Parrish

Chamber's purpose, membership, newsletter, and website. Charlotte Whittaker, with AARP, presented information regarding the organization and presented a nice door prize.

Our October 17 meeting had twelve members in attendance. Senator Mike Wilson, Senate District 32, Warren County, was our guest speaker. He shared his work with the committees he serves on and answered questions. Earl Kilbourne and Les Settle attended the Humana over-65 insurance meeting on October 24 at the Knically Center in Bowling Green and handed out KPR applications to attendees. Ideas for meetings next year were discussed. Romanza Johnson volunteered to try to be a guest on the local WBKO TV Channel 13 Midday Program to share with the public our KPR organization and goals in order to recruit more members.

In November, our speakers were Brittney Teives with Humana Insurance and Cynthia Burchell with Anthem BC/BS Insurance. We had our annual canned good items collected by our chapter members to share with Morgantown's food pantry.

On December 1, we will have Frank LaManna or a designated staff member from Bowling Green Parks and Recreation Fitness Program as guest speaker to discuss the benefits and low cost for using the Wellness Facility in Bowling Green.

Bluegrass East - Representative James Kay, who represents District 56, was our September speaker. Representative Kay has pre-filed a bill that would require legislative pensions to be placed into KRS. Another bill would require there be a majority of elected members on the KRS Board and would take the Personnel Cabinet Secretary off the Board, along with other items that would be a benefit to our retirement system.

In October, Senator Steve West, who serves on the A & R Committee, spoke to us about what he believes will be the hot-button issues for the 2017 Session. These are pensions, workforce development, and the Affordable Care Act. The Senate will again push for Retirement System transparency.

In November, Heather French Henry, Deputy Commissioner of the Kentucky Department of Veterans Affairs, gave an impassioned speech about the work that she and many others do to support our Kentucky veterans. KPR President Totten attended the meeting and gave an update on changes in the legislative makeup.

At our December meeting entertainment will be provided by Benny Rainwater. Members are asked to bring a gift for veterans who reside at the Thomson-Hood Veterans Center in Wilmore.



Heather French Henry and BE members

Bluegrass West - The speaker at the Bluegrass West meeting in September was a representative from the Walgreens Pharmacy in Frankfort who provided very helpful information concerning prescription medications. He also discussed immunizations (which all seniors should seriously consider getting) and the proper method of disposal of outdated medications.

Connie Pettyjohn, from the Kentucky Retirement Systems, spoke in October about the new insurance proposals for the Medicare-eligible retirees which will begin January 1, 2017. Kimberly Dennis, from the Personnel Cabinet, spoke about all the changes for 2017 for the retirees that are under 65. It was a very informative meeting.

Former Governor and now-Senator Julian Carroll was the speaker for November. Senator Carroll spoke about the KRS problems. Representative Derrick Graham also stopped by to visit and said a few words about the changes in the session beginning in January.



Senator Julian Carroll

Covered Bridge - The Covered Bridge Chapter met November 10 with 16 members present. Our guest speaker was newly-elected senator of the 27 District, Steve West. Senator West shared some of the expectations he thinks the Governor will attempt to do to help our state with budget problems, starting with a restructured tax code. He said the Governor wants to improve the education of young people by offering more varied programs for high school and college students, thus producing students who will be "work ready." Senator West stated that Kentucky is in the right location to work with manufacturers from both the north and south. He was very positive about working out the problems with our pension system and getting it back on the right track with more transparency.

We were glad to have KPR State President Larry Totten with us. He talked briefly with regard to the election and said that some of those who lost their positions in the Kentucky Legislature will be missed as their many years of service gave them an advantage. We appreciated his visit to our chapter and welcome him back. We were enlightened by the comments from these two gentlemen who believe, with commitment and effort, our pension problems and other issues facing our legislators and governor can be resolved to make our state more productive and help us meet our budget goals. Some members thought it was one of the most informative meetings we've had in a long time.



John Harris and Senator Stivers

Cumberland Valley - Senate President Robert Stivers III was the speaker at the October 11 meeting which was held at David's Steakhouse in Corbin.

Jefferson Regional - Kasey Maier, of the Waterfront Botanical Gardens, presented a slide show at the September meeting about the proposed gardens and educational pavilion which will be the heart of the Waterfront in Louisville. She informed us they needed volunteers in different capacities, and how the public can play a role in the Garden's future.

Connie Pettyjohn reviewed the insurance benefits, including prescription benefits for the Humana Medicare Advantage Plan for 2017. There were very few changes to our insurance. Chapter President Kenneth Graham also filled everyone in on the Annual Meeting to be held in Frankfort in June 2017.

We had five of the six CERS candidates at our meeting on November 2. They were very well received by our members. We also are having John Chilton at our next meeting on December 7. We think he will be very up-to-date on the budget and what might be happening in the future with our pensions.

Lincoln Trail - Larry Totten, President of KPR, was the Lincoln Trail speaker at the September 12 meeting. Larry discussed some of the things he would like to see done during his term and the pending lawsuit going on with the Governor and KRS. The guest speaker in October was Debbie Smith, the court-appointed special advocate in Elizabethtown for children that have to be removed from an unstable environment. She spoke on what their organization does and informed us how we could become an advocate on a voluntary basis.

North Central - On September 14, our speaker was State Senator Morgan McGarvey from Senate District 19 (Louisville). He spoke on public employee pension legislation and other issues affecting retirees likely to be considered in the 2017 Legislative Session. On October 12, our speaker was Connie G. Pettyjohn, Kentucky Retirement Systems Director of Retiree Health Care, who spoke on our KRS health insurance benefits for 2017 for both Medicare-eligible retirees and non-Medicare retirees.

On November 9, our program was a forum of the six announced candidates for the two open CERS seats on the KRS Board of Directors. The candidates each made remarks, followed by a Q & A session.

On December 14, our speaker will be David L. Eager, Interim Executive Director of KRS. He oversees all day-to-day operations of KRS and reports to the KRS Board of Directors. He also serves as the KRS liaison to the Executive Branch agencies, the General Assembly, and the general public. We will also have our annual Christmas Toys for Tots Drive.

Northern Kentucky - Our September meeting was our annual picnic held at Mainstream Farm with Milton and Cathy Kunkel-Mains as our hosts. We enjoyed wonderful weather playing bingo and corn hole, and we had a wonderful homemade meal.

The October speaker was Tom Fromme, who is the City Manager for Newport. Tom gave a very informative and humorous presentation on the development underway in Newport, Kentucky.

The November speakers were Tom Geimeier and Jerry Auton, co-authors of *"The Second Fifty: Your Roadmap to Fitness and Healthy Aging."* Larry Totten, KPR's President, also visited and addressed our concerns on the spousal membership bylaw. He agreed to place it on the agenda for the December Board meeting. He also reported on the last KRS Board of Trustees meeting.

Pennyryle - The September speaker was KY Representative Jim Gooch. He discussed coal being the best reliable source for our electrical power source. Two of our members were a little upset that he had changed parties.



Representative Gooch

Pennyrile (cont'd) - During the business meeting, we addressed the changes to our bylaws relating to the spousal membership bylaws. President Peyton Adams told us about the Humana meetings in our area and asked for volunteers from our chapter to work at the Hopkinsville location. Two of our new members volunteered to help recruit new members.

Our October speaker was Representative Brent Yonts. He informed us about his top priorities to continue work resolving pension issues and try to stabilize problems there. Representative Yonts is Co-chair of the Pension Oversight



Representative Yonts

Board which was created during the General Assembly in 2013. He also cited the prison systems in Kentucky as being too crowded causing health issue problems. Representative Melinda Prunty will be replacing Representative Yonts in the 2017 General Assembly.

KPR State President Larry Totten was a guest for this meeting and discussed many of the problems that KRS is still facing. One of his concerns was that 375 million dollars that we received this year was taken from the Public Employee Insurance Fund. He said the Governor and legislature will have to come up with a similar amount in the 2018 budget just to keep pension funding where it is now and that they likely could not raid the Insurance Fund again.

We do not meet in November since our meeting date falls on Thanksgiving Day, but we will meet the first Thursday in December at Country Cupboard which will be a fun meeting. The meeting was to have been planned by our Vice President, Donna Slaton; however, Donna has been

very ill and needed to be hospitalized while on vacation in the Smoky Mountains. She has just recently returned to her home to further recuperate.

Purchase - The Purchase Chapter meets the first Thursday of each month at the Paducah Pizza Inn at 10:30 am. We currently have 194 members and are looking for many more! We had two large-scale recruiting efforts in October, when Tommy Troutman our Membership Chair and Russell Hobbs our Secretary gave applications and spoke one-on-one with potential members at the Humana Insurance meetings. At the Medicare-eligible meeting, Sandra Hill, David Madison, and Vice President Al Yates joined the team in sharing membership information. Al spoke to the entire group to encourage membership in our organization!

In August, our speaker was Representative Gerald Watkins; in September, our speaker was Senator Danny Carroll; in October, our speaker was Representative Richard Heath; and in November, our speaker was Representative Steven Rudy, who shared his positive thoughts concerning KRS and the funding needed for its survival. Senator Stan Humphries has been invited to our December meeting.



Gloria Fields, Norma Dick, and Dolores Thompson



Candidates for the two vacant CERS seats on the KRS Board of Directors

Left to right and top to bottom:

Betty Anne Pendergrass, Duane J. Murner, Jennifer Marie Barnett, Jerry Wayne Powell, James Ray Jefferies and Richard Joseph Hobbs



Keep Informed!

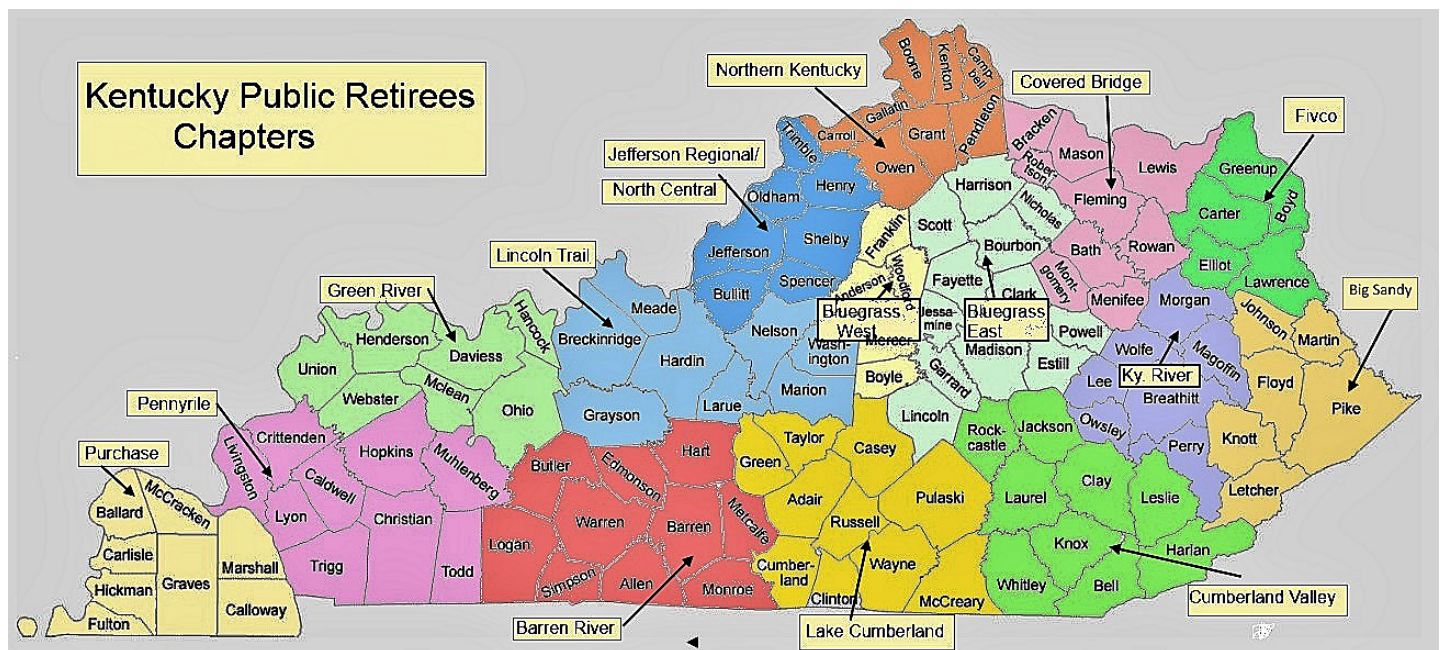
Sign up for the KPR Bulletins - We'll be regularly shooting you informative emails about issues which directly affect your retirement benefits.

KPR has changed our system for sending email alerts to our members. All members must subscribe to the new system to receive emails with important information from the KPR State Board. To receive *The Kernel* by email or to receive dues notices by email you must subscribe to the new system.

The new system is a cost-effective means of communicating with our members because we can send an unlimited number of emails each month. In the old system, we were charged by the number of emails sent.

Currently, only 712 members have subscribed to the new system. We hope that everyone who regularly uses email will subscribe. To subscribe, simply go to our webpage (www.kentuckypublicretirees.org) and select the tab at the top labeled "Email Subscription." Click the link to the subscription form and complete the form, then click on the "Subscribe to list" button at the bottom of the form. You will automatically be sent a confirmation email with a link that completes the subscription process.

If you have any problems subscribing, just send your name, email address, chapter, and whether you want to receive the newsletter and/or dues notices by email to kprmanager@gmail.com or leave a message on our hotline at (502) 437-9408. We will ensure that you are subscribed.



Kentucky Public Retirees now has 4079 members in 16 chapters which cover every county of the Commonwealth, but we need many more members. The more members we can recruit, the stronger will be our influence with the policymakers in Frankfort.

Please make an effort to recruit new members.

Kentucky Public Retirees
P. O. Box 4082
Frankfort, KY 40604
kprmanager@gmail.com



Chapter Meeting Locations

Barren River Chapter 10 AM (CT), 3rd Monday EVERY MONTH BRADD Center 177 N. Graham Avenue (off Plum Springs Rd—N side of B. Green) Bowling Green, KY Contact Martha Parrish (270) 535-4985 for information	Covered Bridge 11:00 AM (ET), 2nd Thursday Double 'S' Bowling 150 Foster St. Flemingsburg, KY Contact June Pugh (606) 849-2651 for information	Jefferson Regional 11:30 AM (ET), 1st Wednesday Kosair Shriners 4120 Bardstown Road Louisville, KY Contact Kenny Graham (502) 905-4425 for information	North Central Chapter 11:30 AM (ET), 2nd Wednesday Jumbo Buffet—back room (Stoneybrook Shopping Center) 2731 S. Hurstbourne Parkway Louisville, KY Contact Charles Klunder (502) 454-3493 for information
Big Sandy 11:30 AM, 3rd Thursday Every other month Quality Inn, Prestonsburg Contact Scott Hopkins (606)433-1517	Cumberland Valley 11:30 AM (ET), 2nd Wednesday Please Note: Meeting Locations Vary Contact John Harris (606) 877-0079 for information	Kentucky River Chapter 3rd Friday of each month *Meeting locations vary, please Contact Paul Bailey (606) 884-6280 for information	Northern Kentucky Chapter 11:45 AM (ET), 2nd Monday Golden Corral Orphanage Rd. at KY Rt. 17 Fort Wright, KY (I - 275, Exit 80) Contact Linn Schmidt (859) 746-8289 for information
Bluegrass East Chapter 12:00 PM (ET), 2nd Wednesday Golden Corral 185 E. New Circle Road Lexington, KY Contact Doug Price (859) 797-7600 for information	Fivco Chapter 11:30 AM (ET), 3rd Monday Giovanni's on Greenup Avenue Ashland, KY Contact Morris Wells (606) 465-5784 for information	Lake Cumberland Chapter 11:30 AM (ET), 3rd Monday King Buffet Somerset, KY Contact Bruce Brown (606) 305-9960 for information	Pennyrile Chapter 11:30 AM (CT), 4th Thursday Country Cupboard Restaurant 518 McCoy Avenue Madisonville, KY Contact L. Peyton Adams (270) 871-9295 for information
Bluegrass West Chapter 11:30 AM (ET), 3rd Tuesday VFW Franklin County Post 4075 104 E. Second St. Frankfort, KY Contact Kay Hines (502) 227-9998 for information	Green River Chapter 12:00 PM (CT), 2nd Wednesday Ryan's Steakhouse 4500 Frederica Owensboro, KY Contact Bill Horton (270) 684-8059 for information	Lincoln Trail Chapter 11:30 AM (ET), 2nd Monday Golden Corral 1835 N. Dixie Highway Elizabethtown, KY Contact Judith Leshner (270) 872-3497 for information	Purchase Chapter 10:30 AM (CT), 1st Thursday Pizza Inn Joe Clifton Drive Paducah, KY Contact Tom Moore (270) 898-7289 for information