



**KPPA**  
Kentucky Public Pensions Authority

# PUBLIC PENSION OVERSIGHT BOARD

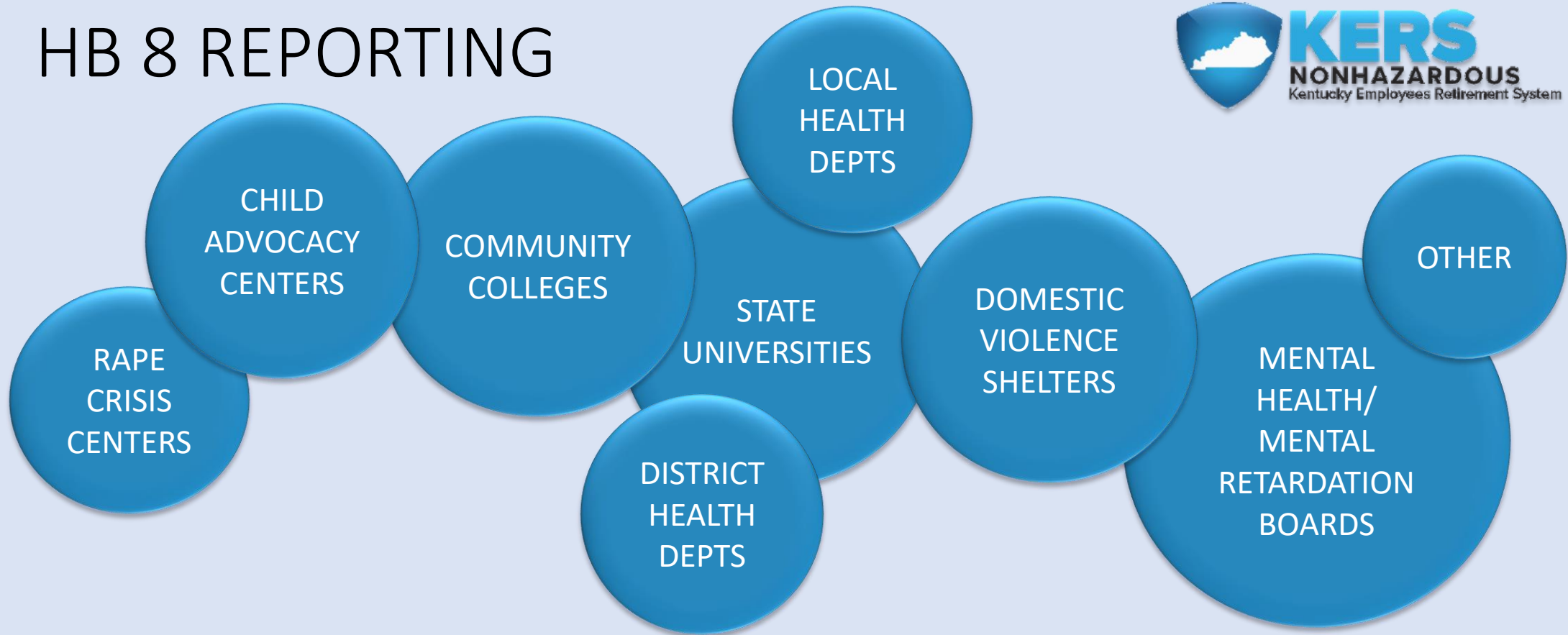
SEPTEMBER 27, 2022

**KRS 61.5991 REPORTING (RS 2021 HB 8)  
RETIREE HEALTH UPDATE**

REBECCA ADKINS, DEPUTY EXECUTIVE DIRECTOR

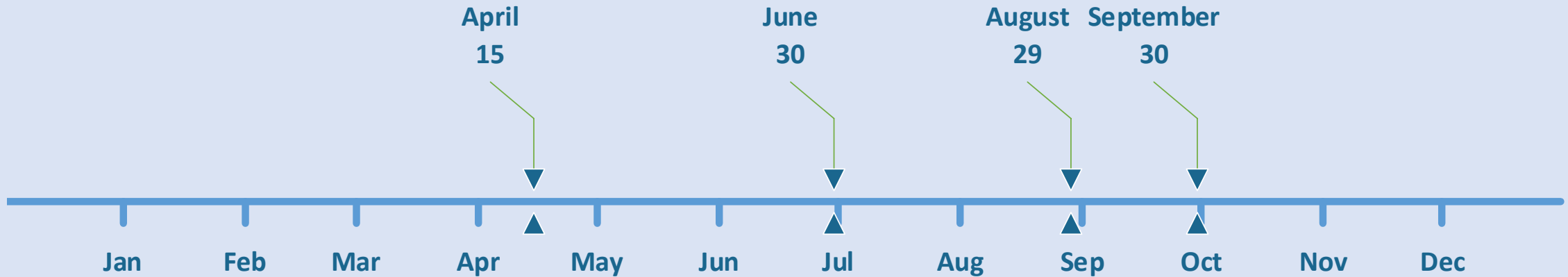
ERIN SURRATT, EXECUTIVE DIRECTOR, OFFICE OF BENEFITS

# HB 8 REPORTING



KRS 61.5991 REQUIRES LOCAL AND DISTRICT HEALTH DEPARTMENTS GOVERNED BY KRS CHAPTER 212, STATE-SUPPORTED UNIVERSITIES AND COMMUNITY COLLEGES, MENTAL HEALTH/MENTAL RETARDATION BOARDS, DOMESTIC VIOLENCE SHELTERS, RAPE CRISIS CENTERS, CHILD ADVOCACY CENTERS OR ANY OTHER AGENCY THAT IS ELIGIBLE TO VOLUNTARILY CEASE PARTICIPATION IN KERS TO REPORT SPECIFIC DATA TO KPPA AT THE END OF EACH FISCAL YEAR.

# HB 8 (RS 2022) TIMELINE



April 15	Deadline for Form 6756 and any required documentation (e.g. contracts) to be submitted to KPPA for Non-Contributing employees
June 30	Deadline for Form 6756 and any required documentation for employees hired after the form deadline (April 16-June 30)
August 29	KPPA sends list (60 days from FYE) of Non-Contributing employees which meet the criteria for an employee under the Common Law Factors applied by the IRS.
September 30	Last date for KPPA to notify employers of the determination regarding the contract employees that were submitted for review

# HB 8 REPORTING REQUIREMENTS



PERSON(S) EMPLOYED AS AN INDEPENDENT CONTRACTOR, A LEASED EMPLOYEE, OR VIA ANY OTHER THIRD PARTY, EMPLOYED DIRECTLY BY THE EMPLOYER, QUALIFYING AS A REGULAR FULL-TIME EMPLOYEE PURSUANT TO KRS 61.510(21).

REQUIREMENTS:	EXCLUSIONS:
<ol style="list-style-type: none"><li>1. PERSONS EMPLOYED DIRECTLY BY THE EMPLOYER WHO WOULD MEET THE DEFINITION OF REGULAR FULL-TIME PURSUANT TO KRS 61.510(21) IF DIRECTLY EMPLOYED BY THE EMPLOYER;</li><li>2. EMPLOYERS MUST SUBMIT THE FORM ALONG WITH A COPY OF EACH CONTRACT, AND ANY OTHER DOCUMENTATION THAT EXPLAINS THE SERVICES PROVIDED BY EACH PERSON SERVING AS AN INDEPENDENT CONTRACTOR, LEASED EMPLOYEE (THROUGH A STAFFING COMPANY) OR VIA ANY OTHER SIMILAR ARRANGEMENT.</li></ol>	<ol style="list-style-type: none"><li>1. ANY CONTRACTS ENTERED INTO PRIOR TO JANUARY 1, 2021;</li><li>2. CONTRACTS FOR PROFESSIONAL SERVICES THAT HAVE NOT HISTORICALLY BEEN PROVIDED BY EMPLOYEES OF THE EMPLOYER;</li><li>3. NON-CORE SERVICES INDEPENDENT CONTRACTORS.</li></ol>



# INCENTIVES TO REPORT

KRS 61.5991(6) EXPRESSES THE INTENT OF THE GENERAL ASSEMBLY TO PROVIDE SUBSIDIES TOWARDS RETIREMENT COSTS ONLY TO THOSE EMPLOYERS WHO HAVE A PERCENTAGE OF EMPLOYEES REPORTED TO THE SYSTEM, EQUAL TO OR GREATER THAN:

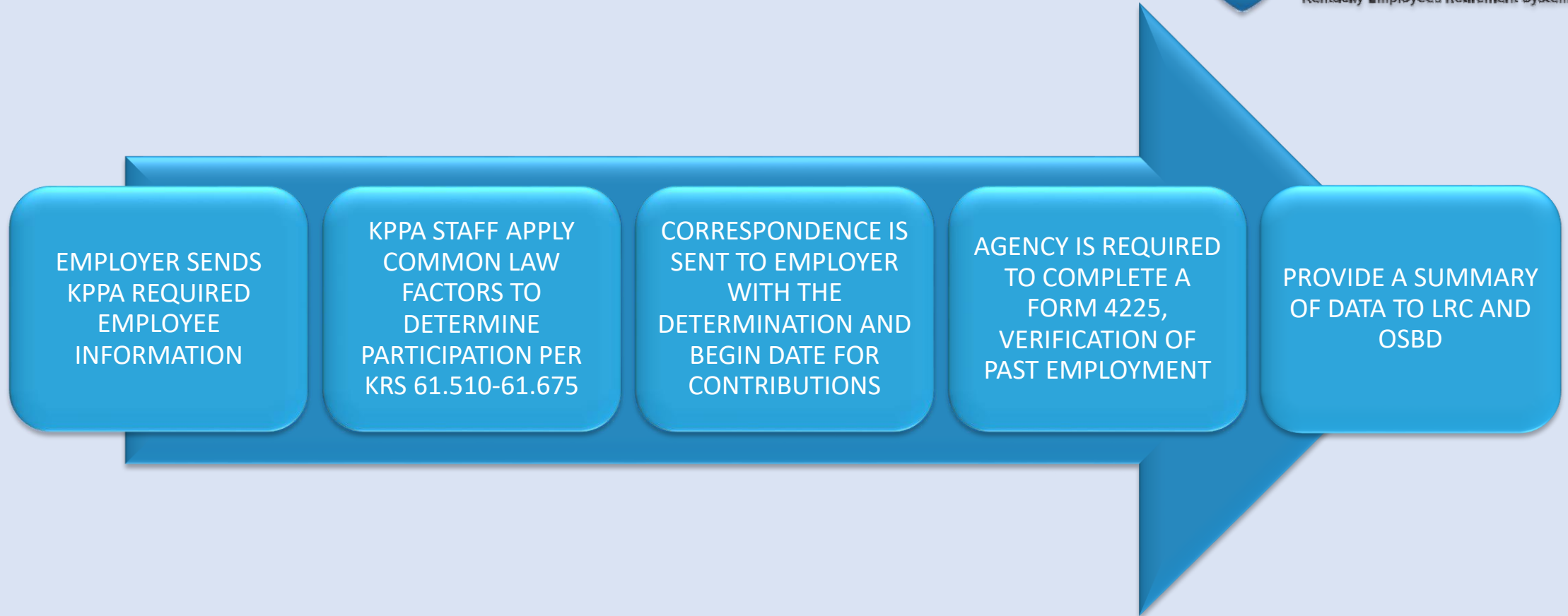
1. SIXTY PERCENT (60%) FOR ANY SUBSIDIES IN FISCAL YEARS OCCURRING ON, OR AFTER JULY 1, 2022, TO JUNE 30, 2024; AND
2. EIGHTY PERCENT (80%) FOR ANY SUBSIDIES PROVIDED IN FISCAL YEARS OCCURRING ON, OR AFTER JULY 1, 2024.

HEALTH DEPTS, UNIVERSITIES, AND OTHER EMPLOYERS WHO HAVE TAXING OR FEE AUTHORITY:	
2022-2023*	90%
2023-2024*	80%
2024-2025	70%
2025-2026	60%
FISCAL YEARS OCCURRING ON, OR AFTER JULY 1, 2026	50%

ANY OTHER EMPLOYER WHO DOES NOT HAVE TAXING OR FEE AUTHORITY:	
2022-2023*	90%
2023-2024*	90%
FISCAL YEARS OCCURRING ON, OR AFTER JULY 1, 2024	75%

\*HOUSE BILL 1 (RS 2022) SET SUBSIDIES NOTWITHSTANDING KRS 61.5991(6)(b)

# KPPA ACTION ON REPORTED DATA



**ON SEPTEMBER 14<sup>TH</sup>, THE KRS BOARD APPROVED KPPA STAFF TO COMPLETE AN AUDIT OF ONE LARGE AND ONE SMALL AGENCY BY FEBRUARY 1, 2023. IN DOING SO, KPPA STAFF WILL USE THE AUDITED AGENCIES AS A METRIC TO SET A PERCENTAGE OF AUDITS TO BE COMPLETED BY AUGUST 15, 2023.**

# LRC AND OSBD REPORT



## DATA REPORTED TO LRC AND OSBD:

AGENCY CODE

AGENCY NAME

CLASSIFICATION

NUMBER OF REGULAR FULL TIME EMPLOYEES REPORTED WITH CONTRIBUTIONS

NUMBER OF FULL TIME EMPLOYEES NOT REPORTED UNDER KRS 61.675

NUMBER OF INDEPENDENT CONTRACTORS, LEASED EMPLOYEES, ANY EMPLOYMENT ARRANGEMENTS NOT REPORTED WITH CONTRIBUTIONS

TOTAL REGULAR FULL TIME CONTRIBUTING SERVICE PROVIDERS TO ALL FULL TIME

COMPLIANT?

COMPLIANCE SUMMARY

FALSIFIED DATA?

FALSIFICATION SUMMARY

# RESULTS



\*BASED ON THE 89 EMPLOYERS THAT SUBMITTED DOCUMENTATION OF THE 102 REQUIRED TO REPORT  
\*\*TWO OF THE EMPLOYERS ARE INACTIVE AND ARE INVOLVED IN ACTIVE LITIGATION





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Kentucky Public Pensions Authority

# RETIREE HEALTH UPDATE

ERIN SURRATT, EXECUTIVE DIRECTOR, OFFICE OF BENEFITS



# RETIREE HEALTH UPDATE

## **NON-MEDICARE ELIGIBLE HEALTH INSURANCE COVERAGE:**

- COVERAGE IS PROVIDED THROUGH THE KENTUCKY EMPLOYEES HEALTH PLAN (KEHP)
- THE CERS AND KRS BOARDS SELECT A CONTRIBUTION PLAN AND SET A MONTHLY CONTRIBUTION RATE
- THE KEHP LIVING WELL PPO PLAN HAS BEEN SELECTED AS THE CONTRIBUTION PLAN SINCE 2014

## **MEDICARE SECONDARY PAYER ACT (MSPA) COVERAGE:**

- COVERAGE IS PROVIDED THROUGH KEHP
- PLAN IS EFFECTIVE 10/1/2022
- THE CONTRIBUTION RATE IS SET BY THE CERS & KRS BOARDS
- THIS GROUP OF INDIVIDUALS CAN BE RATED SEPARATELY BY DEI FROM THE REST OF THE PLAN PARTICIPANTS
- CURRENTLY THERE ARE APPROXIMATELY 400 ELIGIBLE RETIREES



# RETIREE HEALTH UPDATE

## **MEDICARE ELIGIBLE HEALTH INSURANCE COVERAGE:**

- COVERAGE IS PROVIDED THROUGH HUMANA
- MEDICARE ADVANTAGE (MA) PLANS ARE OFFERED
- MEDICAL ONLY PLAN IS SELF-INSURED PLAN
- THE CERS & KRS BOARDS SELECT A CONTRIBUTION PLAN AND SET A MONTHLY CONTRIBUTION RATE
- MEDICARE ADVANTAGE PREMIUM PLAN HAS BEEN SELECTED AS THE CONTRIBUTION PLAN SINCE 2012



# MONTHLY CONTRIBUTION RATES

<b>KEHP LIVINGWELL PPO (SINGLE RATE)</b>				
2019	2020	2021	2022	2023
\$729.34	\$731.82	\$ 753.76	\$ 772.16	\$ 833.64

<b>HUMANA MEDICARE ADVANTAGE PREMIUM</b>				
2019	2020	2021	2022	2023
\$252.51	\$252.51	\$252.51	\$252.51	\$252.51

# COST IMPACT

## HISTORICAL

- GAIN SHARE PAYMENTS RECEIVED IN 2017 & 2019 IN THE AMOUNT OF \$7.5M AND \$12.6M, RESPECTIVELY;
- COVID-19 PREMIUM CREDIT= \$30.2M
- THE ESTABLISHMENT OF THE 1% HEALTH INSURANCE MEMBER CONTRIBUTION (HIC) INCREASES FUNDING LEVELS

## FISCAL YEARS 2022 AND 2023

- MEANINGFUL LIABILITY GAIN ON THE MEDICARE ELIGIBLE PLANS DUE TO FAVORABLE PREMIUMS AND CLAIMS EXPERIENCE;
- NON-MEDICARE ELIGIBLE PLANS WILL SEE A LOSS DUE TO THE 7% INCREASE WHICH IS HIGHER THAN THE 6.3% TREND FOR 2023

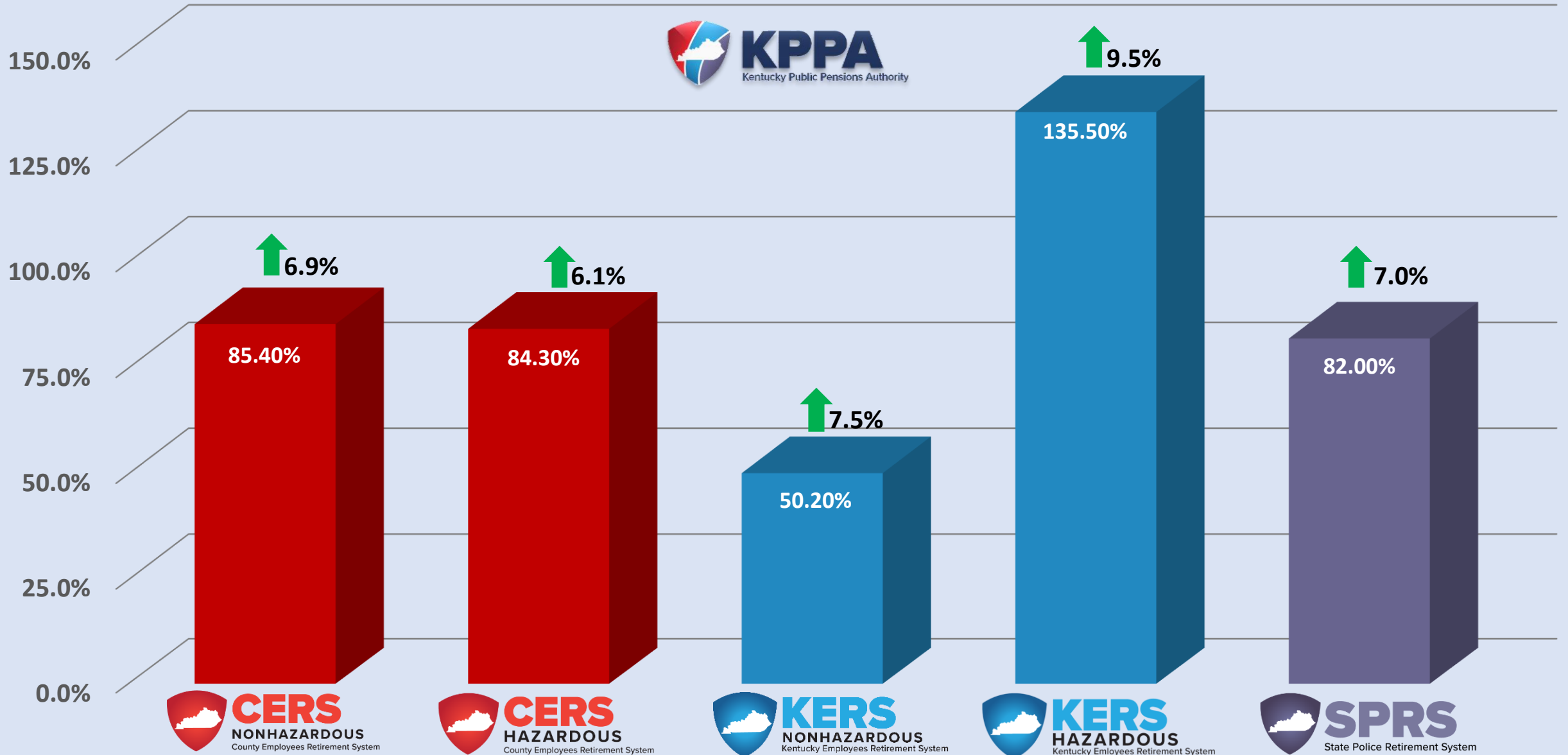
## POSSIBLE FUTURE IMPACTS

- INFLATION REDUCTION ACT- COST IMPACTS UNKNOWN AT THIS TIME;
- SB 209 OF THE 2022 REGULAR SESSION:
  - > ADDITIONAL \$5 ADDED FOR CERTAIN DOLLAR CONTRIBUTION RETIREES
  - >DOLLAR CONTRIBUTION REIMBURSEMENT PLAN



*The partnership with Humana has been vital in assisting retirees in achieving an overall improved well-being and in working with KPPA to keep premiums stabilized since 2017*

# 2021 INSURANCE- FUNDED RATIOS





# KPPA

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