

1 AN ACT relating to retiree health benefits from the Kentucky Teachers' Retirement
2 System and declaring an emergency.

3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

4 ➔Section 1. Notwithstanding KRS 161.675(4)(a) and (b), from the effective date
5 of this Act, through December 31, 2017, for all retirees not eligible for Medicare who
6 participate in the Kentucky Employees Health Plan through the Kentucky Teachers'
7 Retirement System and who have selected couple, family, or parent plus coverage, the
8 Kentucky Teachers' Retirement System Board of Trustees shall pay the same dependent
9 subsidy that executive branch agencies pay for their active employees who have similar
10 coverage. The dependent subsidy provided by this section shall not be subject to KRS
11 161.714.

12 ➔Section 2. Notwithstanding KRS 161.675(4)(a) and (b), from January 1, 2018,
13 through December 31, 2018, for all retirees not eligible for Medicare who participate in
14 the Kentucky Employees Health Plan through the Kentucky Teachers' Retirement System
15 and who have selected couple, family, or parent plus coverage, the Kentucky Teachers'
16 Retirement System Board of Trustees shall have the authority to pay the same dependent
17 subsidy that executive branch agencies pay for their active employees who have similar
18 coverage. The dependent subsidy provided by this section shall not be subject to KRS
19 161.714.

20 ➔Section 3. KRS 161.675 is amended to read as follows:

21 (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis
22 to provide a broad program of group hospital and medical insurance for present and
23 future eligible recipients of a retirement allowance from the Teachers' Retirement
24 System. The board of trustees may also arrange to provide health insurance
25 coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304
26 and offering a managed care plan as defined in KRS 304.17A-500 as an alternative
27 to group hospital and medical insurance for persons eligible for hospital and

1 medical benefits under this section. The board of trustees may authorize eligible
2 recipients of a retirement allowance from the Teachers' Retirement System who are
3 less than age sixty-five (65) to be included in the state-sponsored health insurance
4 that is provided to active teachers and state employees under KRS 18A.225.
5 Members who are sixty-five (65) or older and retired for service shall not be eligible
6 to participate in the state employee health insurance program as described in KRS
7 18A.225.

8 (2) (a) The coverage provided shall be as set forth in the contracts and the
9 administrative regulations of the board of trustees. The board of trustees may
10 change the levels of coverage and eligibility conditions to meet the changing
11 needs of the annuitants and, when necessary, to contain the expenses of the
12 insurance program within the funds available to finance the insurance
13 program, except as provided by paragraph (b) of this subsection. The contracts
14 and administrative regulations shall provide for but not be limited to hospital
15 room and board, surgical procedures, doctors' care in the hospital, and
16 miscellaneous hospital costs. An annuitant whose effective date of retirement
17 is July 1, 1974, and thereafter, must have a minimum of five (5) years'
18 creditable Kentucky service in the Teachers' Retirement System or five (5)
19 years of combined creditable service in the state-administered retirement
20 systems if the member is retiring under the reciprocity provisions of KRS
21 61.680 and 61.702. An annuitant shall not elect coverage through more than
22 one (1) of the state-administered retirement systems. The board of trustees
23 shall offer coverage to the disabled child of an annuitant regardless of the
24 disabled child's age if the annuitant pays the entire premium for the disabled
25 child's coverage. A child shall be considered disabled if he has been
26 determined to be eligible for federal Social Security disability benefits.

27 (b) Individuals who become members of the Kentucky Teachers' Retirement

1 System on or after July 1, 2008, shall not be eligible for benefits under this
2 section unless the member has at least fifteen (15) or more years of service
3 credited under KRS 161.500 or another state-administered retirement system.

4 (3) All expenses for benefits under this section shall be paid from the funding
5 provisions contained in KRS 161.420(5), from a trust fund established by the board
6 under 26 U.S.C. sec. 115, premium charges received from the annuitants and the
7 spouses, and from funds that may be appropriated or allocated by statute.

8 (4) (a) The board of trustees shall determine the amount of health insurance
9 supplement payments that the Teachers' Retirement System will provide to
10 assist eligible annuitants in paying the cost of their health insurance, based on
11 the funds available in the medical insurance fund and any trust fund
12 established by the board for this purpose under 26 U.S.C. sec. 115. The board
13 of trustees shall establish the maximum monthly amounts of health insurance
14 supplement payments that will be made by the Kentucky Teachers' Retirement
15 System for eligible annuitants. The board of trustees shall annually establish
16 the percentage of the maximum monthly health insurance supplement
17 payment that will be made, based on age and years of service credit of eligible
18 recipients of a retirement allowance. Monthly health insurance supplement
19 payments made by the retirement system may not exceed the amount of the
20 single coverage insurance premium chosen by the eligible annuitants. In order
21 to qualify for health insurance supplements, the annuitant must agree to pay
22 the difference between the insurance premium and the applicable supplement
23 payment, by payroll deduction from his retirement allowance, or by a payment
24 method approved by the retirement system.

25 (b) The board shall, effective July 1, 2010, have the authority to charge retired
26 members who are not paying the Standard Medicare Part B premium an
27 amount equal to the Standard Medicare Part B premium in addition to any

1 other payments determined by the board to be necessary to contain costs
 2 within the available funding. If the board determines that retired members
 3 who are not paying the Standard Medicare Part B premium should pay the
 4 equivalent of the Standard Medicare Part B premium, the board shall phase in
 5 the premium according to the following schedule:

- 6 July 1, 2010.....Thirty-three percent (33%)
- 7 July 1, 2011.....Sixty-seven percent (67%)
- 8 July 1, 2012, and thereafter.....One hundred percent (100%)

9 Nothing in this paragraph shall limit the board's authority to change the levels
 10 of coverage, eligibility conditions, or levels of health insurance supplement
 11 for retirees in order to contain costs within available funding.

12 (c) **1.** The board of trustees may offer, on a full-cost basis, health care
 13 insurance coverage provided by the retirement system to spouses and
 14 dependents of eligible annuitants not otherwise eligible for regular
 15 coverage. Recipients of a retirement allowance from the retirement
 16 system must agree to pay the cost of this coverage by payroll deduction
 17 from their retirement allowance or by a payment method approved by
 18 the retirement system.

19 **2. Notwithstanding paragraphs (a) and (b) of this subsection, the board**
 20 **shall have the authority to pay the same dependent subsidy that**
 21 **executive branch agencies pay for their active employees who have**
 22 **similar coverage:**

23 **a. For all retirees not eligible for Medicare who participate in the**
 24 **Kentucky Employees Health Plan through the Kentucky**
 25 **Teachers' Retirement System, who retired prior to July 1, 2010,**
 26 **and who have selected couple, family, or parent plus coverage;**
 27 **and**

1 **b. Provided the system receives funding designated in the biennial**
2 **executive branch budget to fund the benefit authorized by this**
3 **subparagraph.**

4 **The provisions of this subparagraph shall apply to plan years**
5 **occurring on or after January 1, 2019.**

6 (d) The board of trustees shall offer, on a full-cost basis, health insurance
7 coverage provided by the retirement system to the disabled child of an
8 annuitant, regardless of the age of the disabled child. A child shall be
9 considered disabled for purposes of this section if the child has been
10 determined to be eligible for federal Social Security disability benefits.

11 (5) The board of trustees is empowered to require the annuitant and the annuitant's
12 spouse to pay a premium charge to assist in the financing of the hospital and
13 medical insurance program. The board of trustees is empowered to pay the expenses
14 for insurance coverage from the medical insurance fund, from any trust fund
15 established by the board for this purpose under 26 U.S.C. sec. 115, from the
16 premium charges received from the annuitants and the spouses, and from funds that
17 may be appropriated or allocated by statute. The board may provide insurance
18 coverage by making payment to insurance carriers including health insurance plans
19 that are available to active and retired state employees and active teachers,
20 institutions, and individuals for services performed, or the board of trustees may
21 elect to provide insurance on a "self-insurance" basis or a combination of these
22 provisions.

23 (6) The board of trustees may approve health insurance supplement payments to
24 eligible annuitants who are less than sixty-five (65) years of age, as reimbursement
25 for hospital and medical insurance premiums made by annuitants for their
26 individual coverage. Eligible annuitants or recipients are those annuitants who are
27 not eligible for Medicare and who do not reside in Kentucky or in an area outside of

1 Kentucky where comparable coverage is available. The reimbursement payments
2 shall not exceed the minimum supplement payment that would have been made had
3 the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof
4 of payment to the retirement system for hospital and medical insurance that they
5 have obtained. Reimbursement payments shall be made on a quarterly basis.

6 (7) Contracts negotiated may include the provision that a stated amount of hospital cost
7 or period of hospitalization shall incur no obligation on the part of the insurance
8 carrier or the retirement system or any trust fund established for this purpose by the
9 board.

10 (8) The board of trustees is empowered to promulgate administrative regulations to
11 assure efficient operation of the hospital and medical insurance program.

12 (9) Premiums paid for hospital and medical insurance coverage procured under
13 authority of this section shall be exempt from any premium tax which might
14 otherwise be required under KRS Chapter 136. The payment of premiums by the
15 medical insurance fund or another trust fund established by the board for this
16 purpose shall not constitute taxable income to an insured recipient.

17 (10) In the event that a member is providing services on less than a full-time basis under
18 KRS 161.605, the retirement system may pay the full cost of the member's health
19 insurance coverage for the full fiscal year that the member is providing those
20 services, at the conclusion of which, the retirement system may then bill the active
21 employer and the active employer shall reimburse the retirement system for the cost
22 of the health insurance coverage incurred by the retirement system on a pro rata
23 basis for the time that the member was employed by the active employer.

24 ➔Section 4. Whereas retired teachers have seen their health costs increase
25 significantly in Plan Year 2017, an emergency is declared to exist, and this Act takes
26 effect upon its passage and approval by the Governor or upon its otherwise becoming a
27 law.