

1 AN ACT relating to retiree health benefits for hazardous duty members.

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

3 ➔Section 1. KRS 61.702 is amended to read as follows:

4 (1) For purposes of this section:

5 (a) "Hospital and medical insurance plan" may include, at the board's discretion,
6 any one (1) or more of the following:

- 7 1. Any hospital and medical expense policy or certificate, provider-
8 sponsored integrated health delivery network, self-insured medical plan,
9 health maintenance organization contract, or other health benefit plan;
- 10 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health
11 reimbursement arrangement or a similar account as may be permitted by
12 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's
13 discretion, may reimburse any medical expense permissible under 26
14 U.S.C. sec. 213; or
- 15 3. A medical insurance reimbursement program established by the board
16 through the promulgation of administrative regulation under which
17 members purchase individual health insurance coverage through a health
18 insurance exchange established under 42 U.S.C. sec. 18031 or 18041;

19 (b) "Monthly contribution rate" is the amount determined by the board based
20 upon the requirements of subsection (4)(a) to (c) of this section, except that
21 for members who began participating in the system on or after July 1, 2003,
22 the term shall mean the amount determined in subsection (4)(d) of this
23 section; and

24 (c) "Months of service" means the total months of combined service used to
25 determine benefits under the system, except service added to determine
26 disability benefits or service otherwise prohibited from being used to
27 determine retiree health benefits under KRS 16.505 to 16.652 or 61.510 to

1 61.705 shall not be counted as "months of service." For current and former
2 employees of the Council on Postsecondary Education who were employed
3 prior to January 1, 1993, and who earn at least fifteen (15) years of service
4 credit in the Kentucky Employees Retirement System, "months of service"
5 shall also include vested service in another retirement system other than the
6 Kentucky Teachers' Retirement System sponsored by the Council on
7 Postsecondary Education.

8 (2) (a) 1. The board of trustees of the system shall arrange by appropriate contract
9 or on a self-insured basis to provide a group hospital and medical
10 insurance plan coverage for:

11 a. Present and future recipients of a retirement allowance from the
12 Kentucky Employees Retirement System and the State Police
13 Retirement System; and

14 b. The spouse and each qualified dependent of a recipient who is a
15 former member or the beneficiary, provided the spouse and
16 dependent meet the requirements to participate in the hospital and
17 medical insurance plans established, contracted, or authorized by
18 the system.

19 2. Any recipient who chooses coverage under a hospital and medical
20 insurance plan shall pay, by payroll deduction from the retirement
21 allowance, electronic funds transfer, or by another method, the
22 difference between the premium cost of the hospital and medical
23 insurance plan coverage selected and the monthly contribution rate to
24 which he or she would be entitled under this section.

25 (b) 1. For present and future recipients of a retirement allowance from the
26 system who are not eligible for Medicare, the board may authorize these
27 participants to be included in the Kentucky Employees Health Plan as

1 provided by KRS 18A.225 to 18A.2287 and shall provide benefits for
2 recipients in the plan equal to those provided to state employees having
3 the same Medicare hospital and medical insurance eligibility status.
4 Notwithstanding the provisions of any other statute, system recipients
5 shall be included in the same class as current state employees for
6 purposes of determining medical insurance policies and premiums in the
7 Kentucky Employees Health Plan as provided by KRS 18A.225 to
8 18A.2287.

9 2. Regardless of age, if a recipient or the spouse or dependent child of a
10 recipient who elects coverage becomes eligible for Medicare, he or she
11 shall participate in the plans offered by the systems for Medicare eligible
12 recipients. Individuals participating in the Medicare eligible plans may
13 be required to obtain and pay for Medicare Part A and Part B coverage,
14 in order to participate in the Medicare eligible plans offered by the
15 system.

16 3. The system shall continue to provide the same hospital and medical
17 insurance plan coverage for recipients and qualifying dependents after
18 the age of sixty-five (65) as before the age of sixty-five (65), if the
19 recipient is not eligible for Medicare coverage.

20 (c) For recipients of a retirement allowance who are not eligible for the same
21 level of hospital and medical benefits as recipients living in Kentucky having
22 the same Medicare hospital and medical insurance eligibility status, the board
23 shall provide a medical insurance reimbursement plan as described in
24 subsection (6) of this section.

25 (d) Notwithstanding anything in KRS Chapter 16 or 61 to the contrary, the board
26 of trustees, in its discretion, may take necessary steps to ensure compliance
27 with 42 U.S.C. secs. 300bb-1 et seq.

- 1 (3) (a) Each employer participating in the Kentucky Employees Retirement System
2 or the State Police Retirement System as provided in KRS 16.505 to 16.652 or
3 61.510 to 61.705 shall contribute to the insurance trust fund established under
4 KRS 61.701 the amount necessary to provide the monthly contribution rate as
5 provided for under this section. Such employer contribution rate shall be
6 developed by appropriate actuarial method as a part of the determination of
7 each respective employer contribution rate determined under KRS 61.565.
- 8 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
9 from the creditable compensation of each member whose membership
10 date begins on or after September 1, 2008, an amount equal to one
11 percent (1%) of the member's creditable compensation. The deducted
12 amounts shall, at the discretion of the board, be credited to accounts
13 established pursuant to 26 U.S.C. sec. 401(h), within the funds
14 established in KRS 16.510 and 61.515, or the insurance trust fund
15 established under KRS 61.701. Notwithstanding the provisions of this
16 paragraph, a transfer of assets between the accounts established pursuant
17 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510
18 and 61.515, and the insurance trust fund established under KRS 61.701
19 shall not be allowed.
- 20 2. The employer shall file the contributions as provided by subparagraph 1.
21 of this paragraph at the retirement office in accordance with KRS
22 61.675. Any interest or penalties paid on any delinquent contributions
23 shall be credited to accounts established pursuant to 26 U.S.C. sec.
24 401(h), within the funds established in KRS 16.510 and 61.515, or the
25 insurance trust fund established under KRS 61.701. Notwithstanding any
26 minimum compensation requirements provided by law, the deductions
27 provided by this paragraph shall be made, and the compensation of the

- 1 member shall be reduced accordingly.
- 2 3. Each employer shall submit payroll reports, contributions lists, and other
3 data as may be required by administrative regulation promulgated by the
4 board of trustees pursuant to KRS Chapter 13A.
- 5 4. Every member shall be deemed to consent and agree to the deductions
6 made pursuant to this paragraph, and the payment of salary or
7 compensation less the deductions shall be a full and complete discharge
8 of all claims for services rendered by the person during the period
9 covered by the payment, except as to any benefits provided by KRS
10 16.505 to 16.652 or 61.510 to 61.705. No member may elect whether to
11 participate in, or choose the contribution amount to accounts established
12 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
13 16.510 and 61.515, or the insurance trust fund established under KRS
14 61.701. The member shall have no option to receive the contribution
15 required by this paragraph directly instead of having the contribution
16 paid to accounts established pursuant to 26 U.S.C. sec. 401(h) within the
17 funds established in KRS 16.510 and 61.515, or the insurance trust fund
18 established under KRS 61.701. No member may receive a rebate or
19 refund of contributions. If a member establishes a membership date prior
20 to September 1, 2008, pursuant to KRS 61.552(2) or (3), then this
21 paragraph shall not apply to the member and all contributions previously
22 deducted in accordance with this paragraph shall be refunded to the
23 member without interest. The contribution made pursuant to this
24 paragraph shall not act as a reduction or offset to any other contribution
25 required of a member or recipient under KRS 16.505 to 16.652 or
26 61.510 to 61.705.
- 27 5. The board of trustees, at its discretion, may direct that the contributions

1 required by this paragraph be accounted for within accounts established
2 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
3 16.510 and 61.515, or the insurance trust fund established under KRS
4 61.701, through the use of separate accounts.

5 (4) (a) The premium required to provide hospital and medical insurance plan
6 coverage under this section shall be paid wholly or partly from funds
7 contributed by:

- 8 1. The recipient of a retirement allowance, by payroll deduction from his or
9 her retirement allowance, or by other method;
- 10 2. The insurance trust fund established under KRS 61.701 or accounts
11 established pursuant to 26 U.S.C. sec. 401(h) within the funds
12 established in KRS 16.510 and 61.515;
- 13 3. Another state-administered retirement system under a reciprocal
14 arrangement, except that any portion of the premium paid from the funds
15 specified by subparagraph 2. of this paragraph under a reciprocal
16 agreement shall not exceed the amount that would be payable under this
17 section if all the member's service were in the systems administered by
18 the Kentucky Retirement Systems; or
- 19 4. A combination of the fund sources described by subparagraphs 1. to 3.
20 of this paragraph.

21 Group rates under the hospital and medical insurance plan shall be made
22 available to the spouse, each dependent child, and each disabled child,
23 regardless of the disabled child's age, of a recipient who is a former member
24 or the beneficiary, if the premium for the hospital and medical insurance for
25 the spouse, each dependent child, and each disabled child, or beneficiary is
26 paid by payroll deduction from the retirement allowance, electronic funds
27 transfer, or by another method. For purposes of this subsection only, a child

1 shall be considered disabled if he or she has been determined to be eligible for
2 federal Social Security disability benefits or meets the dependent disability
3 standard established by the Department of Employee Insurance in the
4 Personnel Cabinet.

5 (b) For a member who began participating in the system prior to July 1, 2003, the
6 monthly contribution rate shall be paid by the system from the funds specified
7 under paragraph (a)2. of this subsection and shall be equal to a percentage of
8 the single premium to cover the retired member as follows:

- 9 1. One hundred percent (100%) of the monthly premium for single
10 coverage shall be paid for a retired member who had two hundred forty
11 (240) months of service or more upon retirement or for a retired member
12 who when he or she was an employee became disabled as a direct result
13 of an act in line of duty as defined in KRS 16.505 or as a result of a
14 duty-related injury as defined in KRS 61.621;
- 15 2. Seventy-five percent (75%) of the monthly premium for single coverage
16 shall be paid for a retired member who had less than two hundred forty
17 (240) months of service but at least one hundred eighty (180) months of
18 service upon retirement, provided such retired member agrees to pay the
19 remaining twenty-five percent (25%) by payroll deduction from his or
20 her retirement allowance, electronic funds transfer, or by another
21 method;
- 22 3. Fifty percent (50%) of the monthly premium for single coverage shall be
23 paid for a retired member who had less than one hundred eighty (180)
24 months of service but had at least one hundred twenty (120) months of
25 service upon retirement, provided such retired member agrees to pay the
26 remaining fifty percent (50%) by payroll deduction from his or her
27 retirement allowance, electronic funds transfer, or by another method; or

- 1 4. Twenty-five percent (25%) of the monthly premium for single coverage
2 shall be paid for a retired member who had less than one hundred twenty
3 (120) months of service but had at least forty-eight (48) months of
4 service upon retirement, provided such retired member agrees to pay the
5 remaining seventy-five percent (75%) by payroll deduction from his or
6 her retirement allowance, electronic funds transfer, or by another
7 method.

8 Notwithstanding the foregoing provisions of this paragraph, an employee
9 participating in the system prior to July 1, 2003, who is killed as a direct result
10 of an act in line of duty as defined in KRS 16.505 or as a result of a duty-
11 related injury as defined in KRS 61.621, shall have the monthly premium paid
12 for the beneficiary, if the beneficiary is the member's spouse, and for each
13 dependent child as defined by KRS 16.505, so long as they individually
14 remain eligible for a monthly retirement benefit.

- 15 (c) 1. For a member who began participating in the system prior to July 1,
16 2003, who was determined to be in a hazardous position in the Kentucky
17 Employees Retirement System or in a position in the State Police
18 Retirement System, the funds specified under paragraph (a)2. of this
19 subsection shall also pay a percentage of the monthly contribution rate
20 sufficient to fund the premium costs for hospital and medical insurance
21 coverage for the spouse and for each dependent child of a recipient.

- 22 2. The percentage of the monthly contribution rate paid for the spouse and
23 each dependent child of a recipient who was in a hazardous position in
24 accordance with subparagraph 1. of this paragraph shall be based solely
25 on the member's service in a hazardous position using the formula in
26 paragraph (b) of this subsection.

- 27 (d) For members who begin participating in the system on or after July 1, 2003:

- 1 1. Participation in the insurance benefits provided under this section shall
2 not be allowed until the member has earned at least one hundred twenty
3 (120) months of service in the state-administered retirement systems,
4 except that for members who begin participating in the system on or
5 after September 1, 2008, participation in the insurance benefits provided
6 under this section shall not be allowed until the member has earned at
7 least one hundred eighty (180) months of service credited under KRS
8 16.543(1) or 61.543(1), or another state-administered retirement system.
- 9 2. A member who meets the minimum service requirements as provided by
10 subparagraph 1. of this paragraph shall upon retirement be eligible for
11 the following monthly contribution rate to be paid on his or her behalf
12 from the funds specified under paragraph (a)2. of this subsection:
- 13 a. For members with service in a nonhazardous position, a monthly
14 insurance contribution of ten dollars (\$10) for each year of service
15 as a participating employee in a nonhazardous position; and
- 16 b. *i.* For members with service in a hazardous position or who
17 participate in the State Police Retirement System, who do
18 not meet the definition of a career hazardous employee, a
19 monthly insurance contribution of fifteen dollars (\$15) for
20 each year of service as a participating employee in a
21 hazardous position or the State Police Retirement System.
- 22 ii. For members with service in a hazardous position or who
23 participate in the State Police Retirement System, who do
24 meet the definition of a career hazardous employee, a
25 monthly insurance contribution towards the health plans
26 offered to retirees who are not eligible for Medicare of forty
27 dollars (\$40) for each year of service as a participating

1 employee in a hazardous position or the State Police
2 Retirement System and a monthly insurance contribution
3 towards the health plans offered to retirees who are eligible
4 for Medicare of fifteen dollars (\$15) for each year of
5 service as a participating employee in a hazardous position
6 or the State Police Retirement System. The monthly
7 insurance contribution payable to retirees eligible for
8 Medicare under this subpart shall be equivalent to the
9 monthly contribution amount computed under subpart i. of
10 this subdivision as adjusted by subparagraph 5. of this
11 paragraph.

12 iii. Upon the death of the retired member, the beneficiary, if the
13 beneficiary is the member's spouse, shall be entitled to a
14 monthly insurance contribution of ten dollars (\$10) for each
15 year of service the member attained as a participating
16 employee in a hazardous position.

17 iv. For purposes of this subparagraph, "career hazardous
18 employee" means a member who upon retirement met the
19 service requirements specified by KRS 16.577(2) or (3) or
20 16.583(6)(b), as applicable.

- 21 3. The minimum service requirement to participate in benefits as provided
22 by subparagraph 1. of this paragraph shall be waived for a member who
23 becomes disabled as a direct result of an act in line of duty as defined in
24 KRS 16.505 or who dies as a result of a duty-related injury as defined in
25 KRS 61.621, and the member shall be entitled to the benefits payable
26 under this subsection as though the member had twenty (20) years of
27 service in the position for which the disabling condition occurred.

- 1 4. Notwithstanding the provisions of this paragraph, the minimum service
2 requirement to participate in benefits as provided by subparagraph 1. of
3 this paragraph shall be waived for a for a member who dies as a direct
4 result of an act in line of duty as defined in KRS 16.505 or who dies as a
5 result of a duty-related injury as defined in KRS 61.621, and the
6 premium for the member's spouse and for each dependent child as
7 defined in KRS 16.505 shall be paid in full by the systems so long as
8 they individually remain eligible for a monthly retirement benefit.
- 9 5. Except as provided by subparagraph 4. of this paragraph, the monthly
10 insurance contribution amount shall be increased July 1 of each year by
11 one and one-half percent (1.5%). The increase shall be cumulative and
12 shall continue to accrue after the member's retirement for as long as a
13 monthly insurance contribution is payable to the retired member or
14 beneficiary.
- 15 6. The benefits of this paragraph provided to a member whose participation
16 begins on or after July 1, 2003, shall not be considered as benefits
17 protected by the inviolable contract provisions of KRS 16.652 or 61.692.
18 The General Assembly reserves the right to suspend or reduce the
19 benefits conferred in this paragraph if in its judgment the welfare of the
20 Commonwealth so demands.
- 21 7. An employee whose membership date is on or after September 1, 2008,
22 who retires and is reemployed in a regular full-time position required to
23 participate in the system or the County Employees Retirement System
24 shall not be eligible for health insurance coverage or benefits provided
25 by this section and shall take coverage with his or her employing agency
26 during the period of reemployment in a regular full-time position.
- 27 (e) For members with service in another state-administered retirement system

1 who select hospital and medical insurance plan coverage through the system:

2 1. The system shall compute the member's combined service, including
3 service credit in another state-administered retirement system, and
4 calculate the portion of the member's premium monthly contribution rate
5 to be paid by the funds specified under paragraph (a)2. of this subsection
6 according to the criteria established in paragraphs (a) to (d) of this
7 subsection. Each state-administered retirement system shall pay annually
8 to the insurance trust fund established under KRS 61.701 the portion of
9 the system's cost of the retiree's monthly contribution for single coverage
10 for hospital and medical insurance plan which shall be equal to the
11 percentage of the member's number of months of service in the other
12 state-administered retirement plan divided by his or her total combined
13 service and in conjunction with the reciprocal agreement established
14 between the system and the other state-administered retirement systems.
15 The amounts paid by the other state-administered retirement plans and
16 by the Kentucky Retirement Systems from funds specified under
17 paragraph (a)2. of this subsection shall not be more than one hundred
18 percent (100%) of the monthly contribution adopted by the respective
19 boards of trustees;

20 2. A member may not elect coverage for hospital and medical benefits
21 through more than one (1) of the state-administered retirement systems;
22 and

23 3. A state-administered retirement system shall not pay any portion of a
24 member's monthly contribution for medical insurance unless the member
25 is a recipient or annuitant of the plan.

26 (5) Premiums paid for hospital and medical insurance coverage procured under
27 authority of this section shall be exempt from any premium tax which might

1 otherwise be required under KRS Chapter 136. The payment of premiums by the
2 funds described by subsection (4)(a)2. of this section shall not constitute taxable
3 income to an insured recipient. No commission shall be paid for hospital and
4 medical insurance procured under authority of this section.

5 (6) The board shall promulgate an administrative regulation to establish a medical
6 insurance reimbursement plan to provide reimbursement for hospital and medical
7 insurance plan premiums of recipients of a retirement allowance who are not
8 eligible for the same level of hospital and medical benefits as recipients living in
9 Kentucky and having the same Medicare hospital and medical insurance eligibility
10 status. An eligible recipient shall file proof of payment for hospital and medical
11 insurance plan coverage with the retirement office. Reimbursement to eligible
12 recipients shall be made on a quarterly basis. The recipient shall be eligible for
13 reimbursement of substantiated medical insurance premiums for an amount not to
14 exceed the total monthly contribution rate determined under subsection (4) of this
15 section. The plan shall not be made available if all recipients are eligible for the
16 same coverage as recipients living in Kentucky.

17 ➔Section 2. KRS 78.5536 is amended to read as follows:

18 (1) For purposes of this section:

19 (a) "Hospital and medical insurance plan" may include, at the board's discretion,
20 any one (1) or more of the following:

- 21 1. Any hospital and medical expense policy or certificate, provider-
22 sponsored integrated health delivery network, self-insured medical plan,
23 health maintenance organization contract, or other health benefit plan;
- 24 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health
25 reimbursement arrangement or a similar account as may be permitted by
26 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's
27 discretion, may reimburse any medical expense permissible under 26

1 U.S.C. sec. 213; or

2 3. A medical insurance reimbursement program established by the board
3 through the promulgation of administrative regulation under which
4 members purchase individual health insurance coverage through a health
5 insurance exchange established under 42 U.S.C. sec. 18031 or 18041;

6 (b) "Monthly contribution rate" shall be the amount determined by the board
7 based upon the requirements of subsection (4)(a) to (c) of this section, except
8 that for members who began participating in the system on or after July 1,
9 2003, the term shall mean the amount determined in subsection (4)(d) of this
10 section; and

11 (c) "Months of service" shall mean the total months of combined service used to
12 determine benefits under the system, except service added to determine
13 disability benefits or service otherwise prohibited from being used to
14 determine retiree health benefits under KRS 78.510 to 78.852 shall not be
15 counted as "months of service."

16 (2) (a) 1. The board of trustees of the system shall arrange by appropriate contract
17 or on a self-insured basis to provide a group hospital and medical
18 insurance plan coverage for:

19 a. Present and future recipients of a retirement allowance from the
20 County Employees Retirement System; and

21 b. The spouse and each qualified dependent of a recipient who is a
22 former member or the beneficiary, provided the spouse and
23 dependent meet the requirements to participate in the hospital and
24 medical insurance plans established, contracted, or authorized by
25 the system.

26 2. Any recipient who chooses coverage under a hospital and medical
27 insurance plan shall pay, by payroll deduction from the retirement

1 allowance, electronic funds transfer, or by another method, the
2 difference between the premium cost of the hospital and medical
3 insurance plan coverage selected and the monthly contribution rate to
4 which he or she would be entitled under this section.

- 5 (b) 1. For present and future recipients of a retirement allowance from the
6 system who are not eligible for Medicare, the board may authorize these
7 participants to be included in the Kentucky Employees Health Plan as
8 provided by KRS 18A.225 to 18A.2287 and shall provide benefits for
9 recipients in the plan equal to those provided to state employees having
10 the same Medicare hospital and medical insurance eligibility status.
11 Notwithstanding the provisions of any other statute, system recipients
12 shall be included in the same class as current state employees for
13 purposes of determining medical insurance policies and premiums in the
14 Kentucky Employees Health Plan as provided by KRS 18A.225 to
15 18A.2287.
- 16 2. Regardless of age, if a recipient or the spouse or dependent child of a
17 recipient who elects coverage becomes eligible for Medicare, he or she
18 shall participate in the plans offered by the systems for Medicare eligible
19 recipients. Individuals participating in the Medicare eligible plans may
20 be required to obtain and pay for Medicare Part A and Part B coverage
21 in order to participate in the Medicare eligible plans offered by the
22 system.
- 23 3. The system shall continue to provide the same hospital and medical
24 insurance plan coverage for recipients and qualifying dependents after
25 the age of sixty-five (65) as before the age of sixty-five (65), if the
26 recipient is not eligible for Medicare coverage.

27 (c) For recipients of a retirement allowance who are not eligible for the same

1 level of hospital and medical benefits as recipients living in Kentucky having
2 the same Medicare hospital and medical insurance eligibility status, the board
3 shall provide a medical insurance reimbursement plan as described in
4 subsection (6) of this section.

5 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of
6 trustees, in its discretion, may take necessary steps to ensure compliance with
7 42 U.S.C. secs. 300bb-1 et seq.

8 (3) (a) Each employer participating in the County Employees Retirement System as
9 provided in KRS 78.510 to 78.852 shall contribute to the insurance trust fund
10 established by KRS 61.701 the amount necessary to provide the monthly
11 contribution rate as provided for under this section. Such employer
12 contribution rate shall be developed by appropriate actuarial method as a part
13 of the determination of each respective employer contribution rate determined
14 under KRS 78.635.

15 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
16 from the creditable compensation of each member whose membership
17 date begins on or after September 1, 2008, an amount equal to one
18 percent (1%) of the member's creditable compensation. The deducted
19 amounts shall, at the discretion of the board, be credited to accounts
20 established pursuant to 26 U.S.C. sec. 401(h), within the funds
21 established in KRS 78.520, or the insurance trust fund established under
22 KRS 61.701. Notwithstanding the provisions of this paragraph, a
23 transfer of assets between the accounts established pursuant to 26 U.S.C.
24 sec. 401(h), within the funds established in KRS 78.520, and the
25 insurance trust fund established under KRS 61.701 shall not be allowed.

26 2. The employer shall file the contributions as provided by subparagraph 1.
27 of this paragraph at the retirement office in accordance with KRS

- 1 78.625. Any interest or penalties paid on any delinquent contributions
2 shall be credited to accounts established pursuant to 26 U.S.C. sec.
3 401(h), within the funds established in KRS 78.520, or the insurance
4 trust fund established under KRS 61.701. Notwithstanding any
5 minimum compensation requirements provided by law, the deductions
6 provided by this paragraph shall be made, and the compensation of the
7 member shall be reduced accordingly.
- 8 3. Each employer shall submit payroll reports, contributions lists, and other
9 data as may be required by administrative regulation promulgated by the
10 board of trustees pursuant to KRS Chapter 13A.
- 11 4. Every member shall be deemed to consent and agree to the deductions
12 made pursuant to this paragraph, and the payment of salary or
13 compensation less the deductions shall be a full and complete discharge
14 of all claims for services rendered by the person during the period
15 covered by the payment, except as to any benefits provided by KRS
16 78.510 to 78.852. No member may elect whether to participate in, or
17 choose the contribution amount to accounts established pursuant to 26
18 U.S.C. sec. 401(h) within the funds established in KRS 78.520, or the
19 insurance trust fund established under KRS 61.701. The member shall
20 have no option to receive the contribution required by this paragraph
21 directly instead of having the contribution paid to accounts established
22 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
23 78.520, or the insurance trust fund established under KRS 61.701. No
24 member may receive a rebate or refund of contributions. If a member
25 establishes a membership date prior to September 1, 2008, pursuant to
26 KRS 61.552(2) or (3), then this paragraph shall not apply to the member
27 and all contributions previously deducted in accordance with this

1 paragraph shall be refunded to the member without interest. The
 2 contribution made pursuant to this paragraph shall not act as a reduction
 3 or offset to any other contribution required of a member or recipient
 4 under KRS 78.510 to 78.852.

5 5. The board of trustees, at its discretion, may direct that the contributions
 6 required by this paragraph be accounted for within accounts established
 7 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
 8 78.520, or the insurance trust fund established under KRS 61.701,
 9 through the use of separate accounts.

10 (4) (a) The premium required to provide hospital and medical insurance plan
 11 coverage under this section shall be paid wholly or partly from funds
 12 contributed by:

13 1. The recipient of a retirement allowance, by payroll deduction from his or
 14 her retirement allowance, electronic funds transfer, or by other method;

15 2. The insurance trust fund established by KRS 61.701 or accounts
 16 established pursuant to 26 U.S.C. sec. 401(h) within the funds
 17 established in KRS 78.520;

18 3. Another state-administered retirement system, including the systems
 19 administered by Kentucky Retirement Systems, under a reciprocal
 20 arrangement, except that any portion of the premium paid from the funds
 21 specified by subparagraph 2. of this paragraph under a reciprocal
 22 agreement shall not exceed the amount that would be payable under this
 23 section if all the member's service were in the County Employees
 24 Retirement System. If the board provides for cross-referencing of
 25 insurance premiums, the employer's contribution for the working
 26 member or spouse shall be applied toward the premium, and the
 27 insurance trust fund established under KRS 61.701 or accounts

1 established pursuant to 26 U.S.C. sec. 401(h) within the funds
2 established in KRS 78.520, shall pay the balance; or

3 4. A combination of the fund sources described by subparagraph 1. to 3. of
4 this paragraph.

5 Group rates under the hospital and medical insurance plan shall be made
6 available to the spouse, each dependent child, and each disabled child,
7 regardless of the disabled child's age, of a recipient who is a former member
8 or the beneficiary, if the premium for the hospital and medical insurance for
9 the spouse, each dependent child, and each disabled child, or beneficiary is
10 paid by payroll deduction from the retirement allowance, electronic funds
11 transfer, or by another method. For purposes of this subsection only, a child
12 shall be considered disabled if he or she has been determined to be eligible for
13 federal Social Security disability benefits or meets the dependent disability
14 standard established by the Department of Employee Insurance in the
15 Personnel Cabinet.

16 (b) For a member who began participating in the system prior to July 1, 2003, the
17 monthly contribution rate shall be paid by the system from the funds specified
18 under paragraph (a)2. of this subsection and shall be equal to a percentage of
19 the single premium to cover the retired member as follows:

20 1. One hundred percent (100%) of the monthly premium for single
21 coverage shall be paid for a retired member who had two hundred forty
22 (240) months of service or more upon retirement or for a retired member
23 who when he or she was an employee was disabled as a direct result of
24 an act in line of duty as defined in KRS 78.510(48) or as a result of a
25 duty-related injury as defined in KRS 61.621;

26 2. Seventy-five percent (75%) of the monthly premium for single coverage
27 shall be paid for a retired member who had less than two hundred forty

1 (240) months of service but at least one hundred eighty (180) months of
2 service upon retirement, provided such retired member agrees to pay the
3 remaining twenty-five percent (25%) by payroll deduction from his or
4 her retirement allowance, electronic funds transfer, or by another
5 method;

- 6 3. Fifty percent (50%) of the monthly premium for single coverage shall be
7 paid for a retired member who had less than one hundred eighty (180)
8 months of service but had at least one hundred twenty (120) months of
9 service upon retirement, provided such retired member agrees to pay the
10 remaining fifty percent (50%) by payroll deduction from his or her
11 retirement allowance, electronic funds transfer, or by another method; or
12 4. Twenty-five percent (25%) of the monthly premium for single coverage
13 shall be paid for a retired member who had less than one hundred twenty
14 (120) months of service but had at least forty-eight (48) months of
15 service upon retirement, provided such retired member agrees to pay the
16 remaining seventy-five percent (75%) by payroll deduction from his or
17 her retirement allowance, electronic funds transfer, or by another
18 method.

19 Notwithstanding the foregoing provisions of this paragraph, an employee
20 participating in the system prior to July 1, 2003, who is killed as a direct result
21 of an act in line of duty as defined in KRS 78.510(48) or as a result of a duty-
22 related injury as defined in KRS 61.621, shall have the monthly premium paid
23 for the beneficiary, if the beneficiary is the member's spouse, and for each
24 dependent child, so long as they individually remain eligible for a monthly
25 retirement benefit.

- 26 (c) 1. For a member who began participating in the system prior to July 1,
27 2003, who was determined to be in a hazardous position in the County

1 Employees Retirement System, the funds specified under paragraph (a)2.
2 of this subsection shall also pay a percentage of the monthly contribution
3 rate sufficient to fund the premium costs for hospital and medical
4 insurance coverage for the spouse and for each dependent child of a
5 recipient.

6 2. The percentage of the monthly contribution rate paid for the spouse and
7 each dependent child of a recipient who was in a hazardous position in
8 accordance with subparagraph 1. of this paragraph shall be based solely
9 on the member's service in a hazardous position using the formula in
10 paragraph (b) of this subsection, except that for any recipient of a
11 retirement allowance from the County Employees Retirement System
12 who was contributing to the system on January 1, 1998, for service in a
13 hazardous position, the percentage of the monthly contribution shall be
14 based on the total of hazardous service and any nonhazardous service as
15 a police or firefighter with the same agency, if that agency was
16 participating in the County Employees Retirement System but did not
17 offer hazardous duty coverage for its police and firefighters at the time
18 of initial participation.

19 (d) For members who begin participating in the system on or after July 1, 2003:

20 1. Participation in the insurance benefits provided under this section shall
21 not be allowed until the member has earned at least one hundred twenty
22 (120) months of service in the state-administered retirement systems,
23 except that for members who begin participating in the system on or
24 after September 1, 2008, participation in the insurance benefits provided
25 under this section shall not be allowed until the member has earned at
26 least one hundred eighty (180) months of service credited under KRS
27 78.615(1) or another state-administered retirement system.

1 2. A member who meets the minimum service requirements as provided by
2 subparagraph 1. of this paragraph shall upon retirement be eligible for
3 the following monthly contribution rate to be paid on his or her behalf
4 from the funds specified under paragraph (a)2. of this subsection:

5 a. For members with service in a nonhazardous position, a monthly
6 insurance contribution of ten dollars (\$10) for each year of service
7 as a participating employee in a nonhazardous position; and

8 b. i. For members with service in a hazardous position who do
9 not meet the definition of a career hazardous employee, a
10 monthly insurance contribution of fifteen dollars (\$15) for
11 each year of service as a participating employee in a
12 hazardous position.

13 ii. For members with service in a hazardous position who do
14 meet the definition of a career hazardous employee, a
15 monthly insurance contribution towards the health plans
16 offered to retirees who are not eligible for Medicare of forty
17 dollars (\$40) for each year of service as a participating
18 employee in a hazardous position and a monthly insurance
19 contribution towards the health plans offered to retirees
20 who are eligible for Medicare of fifteen dollars (\$15) for
21 each year of service as a participating employee in a
22 hazardous position. The monthly insurance contribution
23 payable to retirees eligible for Medicare under this subpart
24 shall be equivalent to the monthly contribution amount
25 computed under subpart i. of this subdivision as adjusted
26 by subparagraph 5. of this paragraph.

27 iii. Upon the death of the retired member, the beneficiary, if the

1 beneficiary is the member's spouse, shall be entitled to a
2 monthly insurance contribution of ten dollars (\$10) for each
3 year of service the member attained as a participating
4 employee in a hazardous position.

5 **iv. For purposes of this subparagraph, "career hazardous**
6 **employee" means a member who upon retirement met the**
7 **service requirements specified by KRS 78.5514(2)(a)2, or**
8 **(3)(b), or 78.5516(6)(b) as applicable.**

9 3. The minimum service requirement to participate in benefits as provided
10 by subparagraph 1. of this paragraph shall be waived for a member who
11 is disabled as a result of an act in line of duty as defined in KRS
12 78.510(48) or as a result of a duty-related injury as defined by KRS
13 61.621 and the member shall be entitled to the benefits payable under
14 this subsection as though the member had twenty (20) years of service in
15 the position for which the disabling condition occurred.

16 4. Notwithstanding the provisions of this paragraph, the minimum service
17 requirement to participate in benefits as provided by subparagraph 1. of
18 this paragraph shall be waived for a for a member who dies a as a result
19 of an act in line of duty as defined in KRS 78.510(48) or as a result of a
20 duty-related injury as defined in KRS 61.621, and the premium for the
21 member's spouse and for each dependent child as defined in KRS 78.510
22 shall be paid in full by the systems so long as they individually remain
23 eligible for a monthly retirement benefit.

24 5. Except as provided by subparagraph 4. of this paragraph, the monthly
25 insurance contribution amount shall be increased July 1 of each year by
26 one and one-half percent (1.5%). The increase shall be cumulative and
27 shall continue to accrue after the member's retirement for as long as a

1 monthly insurance contribution is payable to the retired member or
2 beneficiary.

3 6. The benefits of this paragraph provided to a member whose participation
4 begins on or after July 1, 2003, shall not be considered as benefits
5 protected by the inviolable contract provisions of KRS 78.852. The
6 General Assembly reserves the right to suspend or reduce the benefits
7 conferred in this paragraph if in its judgment the welfare of the
8 Commonwealth so demands.

9 7. An employee whose membership date is on or after September 1, 2008,
10 who retires and is reemployed in a regular full-time position required to
11 participate in the system or the Kentucky Retirement Systems shall not
12 be eligible for health insurance coverage or benefits provided by this
13 section and shall take coverage with his or her employing agency during
14 the period of reemployment in a regular full-time position.

15 (e) For members with service in another state-administered retirement system
16 who select hospital and medical insurance plan coverage through the system:

17 1. The system shall compute the member's combined service, including
18 service credit in another state-administered retirement system, and
19 calculate the portion of the member's premium monthly contribution rate
20 to be paid by the funds specified under paragraph (a)2. of this subsection
21 according to the criteria established in paragraphs (a) to (d) of this
22 subsection. Each state-administered retirement system shall pay annually
23 to the insurance trust fund established under KRS 61.701 the portion of
24 the system's cost of the retiree's monthly contribution for single coverage
25 for hospital and medical insurance plan which shall be equal to the
26 percentage of the member's number of months of service in the other
27 state-administered retirement plan divided by his or her total combined

- 1 service and in conjunction with the reciprocal agreement established
2 between the system and the other state-administered retirement systems.
3 The amounts paid by the other state-administered retirement plans and
4 by the County Employees Retirement System from funds specified under
5 paragraph (a)2. of this subsection shall not be more than one hundred
6 percent (100%) of the monthly contribution adopted by the respective
7 boards of trustees;
- 8 2. A member may not elect coverage for hospital and medical benefits
9 through more than one (1) of the state-administered retirement systems;
10 and
- 11 3. A state-administered retirement system shall not pay any portion of a
12 member's monthly contribution for medical insurance unless the member
13 is a recipient or annuitant of the plan.
- 14 (5) Premiums paid for hospital and medical insurance coverage procured under
15 authority of this section shall be exempt from any premium tax which might
16 otherwise be required under KRS Chapter 136. The payment of premiums by the
17 funds described by subsection (4)(a)2. of this section shall not constitute taxable
18 income to an insured recipient. No commission shall be paid for hospital and
19 medical insurance procured under authority of this section.
- 20 (6) The board shall promulgate an administrative regulation to establish a medical
21 insurance reimbursement plan to provide reimbursement for hospital and medical
22 insurance plan premiums of recipients of a retirement allowance who are not
23 eligible for the same level of hospital and medical benefits as recipients living in
24 Kentucky and having the same Medicare hospital and medical insurance eligibility
25 status. An eligible recipient shall file proof of payment for hospital and medical
26 insurance plan coverage with the retirement office. Reimbursement to eligible
27 recipients shall be made on a quarterly basis. The recipient shall be eligible for

1 reimbursement of substantiated medical insurance premiums for an amount not to
2 exceed the total monthly contribution rate determined under subsection (4) of this
3 section. The plan shall not be made available if all recipients are eligible for the
4 same coverage as recipients living in Kentucky.

5 ➔Section 3. The amendments to the monthly insurance contribution amount
6 specified by amendments to subsection (4)(d)2.b.ii. of Section 1 of this Act and
7 subsection (4)(d)2.b.ii. of Section 2 of this Act shall be:

8 (1) Increased annually in accordance with (4)(d)5. of Section 1 of this Act or
9 (4)(d)5. of Section 2 of this Act, as applicable;

10 (2) Retroactive and apply to service in a hazardous position or service in the State
11 Police Retirement System accrued prior to the effective date of this Act for members and
12 retirees who are provided benefits under the subsection (4)(d)2.b. of Section 1 of this Act
13 or subsection (4)(d)2.b. of Section 2 of this Act, as applicable; and

14 (3) Payable beginning with health plan years occurring on or after January 1,
15 2023.