

1 AN ACT relating to public employee benefits.

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

3 ➔Section 1. KRS 16.198 is amended to read as follows:

4 The appointment, salary, benefits, and number of individuals employed as a Trooper R
5 Class and CVE R class shall be as follows:

- 6 (1) The commissioner may appoint CVE R Class employees. CVE R Class employees
7 shall serve on a contractual basis for a term of one (1) year, and the contract may be
8 renewed annually, by agreement of the parties, for no more than nine (9) additional
9 one (1) year terms. A CVE R Class employee shall be required to pass a physical
10 fitness test every three (3) years.
- 11 (2) The commissioner may appoint Trooper R Class employees who shall serve on a
12 contractual basis for a term of one (1) year. The contract may be renewed on an
13 annual basis upon the agreement of both parties. A Trooper R Class employee shall
14 be required to pass a physical fitness test every three (3) years.
- 15 (3) The compensation for Trooper R Class employees and CVE R Class employees
16 shall be established by administrative regulation promulgated pursuant to KRS
17 Chapter 13A.
- 18 (4) (a) All appointments of individuals employed as a Trooper R Class and CVE R
19 Class shall be based upon agency need as determined by the commissioner.
- 20 (b) Work stations for individuals employed as a Trooper R Class and CVE R
21 Class shall be determined by agency need with consideration given to the
22 applicant's stated preference.
- 23 (c) Merit of individuals employed as a Trooper R Class and CVE R Class shall be
24 determined by the applicant's work performance history.
- 25 (d) Fitness of individuals employed as a Trooper R Class and CVE R Class shall
26 be determined by the applicant's ability to adhere to the agency standards set
27 by the commissioner under this chapter.

- 1 (5) The number of individuals employed as a Trooper R Class and CVE R Class by the
2 department shall not:
- 3 (a) Exceed one hundred (100); or
4 (b) Be counted in the total employee cap for the department.
- 5 (6) All individuals employed as a Trooper R Class and CVE R Class shall be assigned
6 the job duties of trooper or commercial vehicle enforcement officer and shall not be
7 placed in any supervisory positions.
- 8 (7) Notwithstanding any provision of KRS 16.505 to 16.652, KRS 18A.005 to
9 18A.228, and KRS 61.510 to 61.705 to the contrary:
- 10 (a) Individuals employed as a Trooper R Class and CVE R Class shall continue to
11 receive all retirement and health insurance benefits provided by the systems
12 administered by Kentucky Retirement Systems to which they were entitled
13 upon retiring from the department as a commissioned officer under this
14 chapter;
- 15 (b) Individuals employed as a Trooper R Class and CVE R Class shall not be
16 eligible to receive health insurance coverage or benefits through the
17 department and shall not be eligible to participate in the State Police
18 Retirement System or the Kentucky Employees Retirement System; and
- 19 (c) The department shall not pay health insurance contributions to the state health
20 insurance plan for individuals employed as a Trooper R Class or CVE R
21 Class.
- 22 (8) *The department shall promulgate administrative regulations, pursuant to KRS*
23 *Chapter 13A, to establish vacation, bereavement, and sick leave and holiday pay*
24 *for Trooper R Class and CVE R Class employees.*
- 25 (9) Individuals employed as a Trooper R Class or CVE R Class shall be employed on a
26 contractual basis and shall be provided due process pursuant to KRS 16.140 or
27 16.192 for any disciplinary action imposed by the commissioner. A decision by the

1 commissioner to not renew a contract shall not be considered a disciplinary action
2 for purposes of this section.

3 ~~(10)~~~~(9)~~ The provisions of this section shall not eliminate or reduce any requirements
4 under KRS 61.637 for the department to pay employer contributions to the
5 retirement systems or to reimburse the retirement systems for the cost of retiree
6 health, on any individual employed as a Trooper R Class or CVE R Class.

7 ➔Section 2. KRS 61.702 is amended to read as follows:

8 (1) For purposes of this section:

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

11 1. Any hospital and medical expense policy or certificate, provider-
12 sponsored integrated health delivery network, self-insured medical plan,
13 health maintenance organization contract, or other health benefit plan;

14 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health
15 reimbursement arrangement or a similar account as may be permitted by
16 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's
17 discretion, may reimburse any medical expense permissible under 26
18 U.S.C. sec. 213; or

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

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

1 (c) "Months of service" means the total months of combined service used to
2 determine benefits under the system, except service added to determine
3 disability benefits or service otherwise prohibited from being used to
4 determine retiree health benefits under KRS 16.505 to 16.652 or 61.510 to
5 61.705 shall not be counted as "months of service." For current and former
6 employees of the Council on Postsecondary Education who were employed
7 prior to January 1, 1993, and who earn at least fifteen (15) years of service
8 credit in the Kentucky Employees Retirement System, "months of service"
9 shall also include vested service in another retirement system other than the
10 Kentucky Teachers' Retirement System sponsored by the Council on
11 Postsecondary Education.

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

15 a. Present and future recipients of a retirement allowance from the
16 Kentucky Employees Retirement System and the State Police
17 Retirement System; and

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

23 2. Any recipient who chooses coverage under a hospital and medical
24 insurance plan shall pay, by payroll deduction from the retirement
25 allowance, electronic funds transfer, or by another method, the
26 difference between the premium cost of the hospital and medical
27 insurance plan coverage selected and the monthly contribution rate to

1 which he or she would be entitled under this section.

2 (b) 1. For present and future recipients of a retirement allowance from the
3 system who are not eligible for Medicare, the board may authorize these
4 participants to be included in the Kentucky Employees Health Plan as
5 provided by KRS 18A.225 to 18A.2287 and shall provide benefits for
6 recipients in the plan equal to those provided to state employees having
7 the same Medicare hospital and medical insurance eligibility status.
8 Notwithstanding the provisions of any other statute, system recipients
9 shall be included in the same class as current state employees for
10 purposes of determining medical insurance policies and premiums in the
11 Kentucky Employees Health Plan as provided by KRS 18A.225 to
12 18A.2287.

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

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

24 (c) For recipients of a retirement allowance who are not eligible for the same
25 level of hospital and medical benefits as recipients living in Kentucky having
26 the same Medicare hospital and medical insurance eligibility status, the board
27 shall provide a medical insurance reimbursement plan as described in

1 subsection (6) of this section.

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

5 (3) (a) Each employer participating in the Kentucky Employees Retirement System
6 or the State Police Retirement System as provided in KRS 16.505 to 16.652 or
7 61.510 to 61.705 shall contribute to the insurance trust fund established under
8 KRS 61.701 the amount necessary to provide the monthly contribution rate as
9 provided for under this section. Such employer contribution rate shall be
10 developed by appropriate actuarial method as a part of the determination of
11 each respective employer contribution rate determined under KRS 61.565.

12 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
13 from the creditable compensation of each member whose membership
14 date begins on or after September 1, 2008, an amount equal to one
15 percent (1%) of the member's creditable compensation. The deducted
16 amounts shall, at the discretion of the board, be credited to accounts
17 established pursuant to 26 U.S.C. sec. 401(h), within the funds
18 established in KRS 16.510 and 61.515, or the insurance trust fund
19 established under KRS 61.701. Notwithstanding the provisions of this
20 paragraph, a transfer of assets between the accounts established pursuant
21 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510
22 and 61.515, and the insurance trust fund established under KRS 61.701
23 shall not be allowed.

24 2. The employer shall file the contributions as provided by subparagraph 1.
25 of this paragraph at the retirement office in accordance with KRS
26 61.675. Any interest or penalties paid on any delinquent contributions
27 shall be credited to accounts established pursuant to 26 U.S.C. sec.

1 401(h), within the funds established in KRS 16.510 and 61.515, or the
2 insurance trust fund established under KRS 61.701. Notwithstanding any
3 minimum compensation requirements provided by law, the deductions
4 provided by this paragraph shall be made, and the compensation of the
5 member shall be reduced accordingly.

6 3. Each employer shall submit payroll reports, contributions lists, and other
7 data as may be required by administrative regulation promulgated by the
8 board of trustees pursuant to KRS Chapter 13A.

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

1 paragraph shall not act as a reduction or offset to any other contribution
2 required of a member or recipient under KRS 16.505 to 16.652 or
3 61.510 to 61.705.

4 5. The board of trustees, at its discretion, may direct that the contributions
5 required by this paragraph be accounted for within accounts established
6 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
7 16.510 and 61.515, or the insurance trust fund established under KRS
8 61.701, through the use of separate accounts.

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

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

25 Group rates under the hospital and medical insurance plan shall be made
26 available to the spouse, each dependent child, and each disabled child,
27 regardless of the disabled child's age, of a recipient who is a former member

1 or the beneficiary, if the premium for the hospital and medical insurance for
2 the spouse, each dependent child, and each disabled child, or beneficiary is
3 paid by payroll deduction from the retirement allowance, electronic funds
4 transfer, or by another method. For purposes of this subsection only, a child
5 shall be considered disabled if he or she has been determined to be eligible for
6 federal Social Security disability benefits or meets the dependent disability
7 standard established by the Department of Employee Insurance in the
8 Personnel Cabinet.

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

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

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

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

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

1 accordance with subparagraph 1. of this paragraph shall be based solely
2 on the member's service in a hazardous position using the formula in
3 paragraph (b) of this subsection.

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

5 1. Participation in the insurance benefits provided under this section shall
6 not be allowed until the member has earned at least one hundred twenty
7 (120) months of service in the state-administered retirement systems,
8 except that for members who begin participating in the system on or
9 after September 1, 2008, participation in the insurance benefits provided
10 under this section shall not be allowed until the member has earned at
11 least one hundred eighty (180) months of service credited under KRS
12 16.543(1) or 61.543(1), or another state-administered retirement system.

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

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

20 b. For members with service in a hazardous position or who
21 participate in the State Police Retirement System, a monthly
22 insurance contribution of fifteen dollars (\$15) for each year of
23 service as a participating employee in a hazardous position or the
24 State Police Retirement System.

25 c. Upon the death of the retired member, the beneficiary, if the
26 beneficiary is the member's spouse, shall be entitled to a monthly
27 insurance contribution of ten dollars (\$10) for each year of service

1 the member attained as a participating employee in a hazardous
2 position.

- 3 3. The minimum service requirement to participate in benefits as provided
4 by subparagraph 1. of this paragraph shall be waived for a member who
5 becomes disabled as a direct result of an act in line of duty as defined in
6 KRS 16.505 or who dies as a result of a duty-related injury as defined in
7 KRS 61.621, and the member shall be entitled to the benefits payable
8 under this subsection as though the member had twenty (20) years of
9 service in the position for which the disabling condition occurred.
- 10 4. Notwithstanding the provisions of this paragraph, the minimum service
11 requirement to participate in benefits as provided by subparagraph 1. of
12 this paragraph shall be waived for a for a member who dies as a direct
13 result of an act in line of duty as defined in KRS 16.505 or who dies as a
14 result of a duty-related injury as defined in KRS 61.621, and the
15 premium for the member's spouse and for each dependent child as
16 defined in KRS 16.505 shall be paid in full by the systems so long as
17 they individually remain eligible for a monthly retirement benefit.
- 18 5. Except as provided by subparagraph 4. of this paragraph, the monthly
19 insurance contribution amount shall be increased:
- 20 a. On July 1 of each year by one and one-half percent (1.5%). The
21 increase shall be cumulative and shall continue to accrue after the
22 member's retirement for as long as a monthly insurance
23 contribution is payable to the retired member or beneficiary but
24 shall not apply to any increase in the contribution attributable to
25 the increase specified by subdivision b. of this subparagraph;
26 and
- 27 b. On January 1 of each year by five dollars (\$5) for members who

1 have accrued an additional full year of service as a participating
 2 employee beyond the career threshold, subject to the following
 3 restrictions:

4 i. The additional insurance contribution provided by this
 5 subdivision shall only be applied to the monthly
 6 contribution amounts provided under subparagraph 2.a.
 7 and 2.b. of this paragraph;

8 ii. The additional insurance contribution provided by this
 9 subdivision shall only be payable towards the health plans
 10 offered by the system to retirees who are not eligible for
 11 Medicare or for reimbursements provided to retirees not
 12 eligible for Medicare pursuant to subsection (6)(a)2. of this
 13 section; and

14 iii. In order for the annual increase to occur as provided by
 15 this subdivision, the funding level of retiree health benefits
 16 for the system in which the employee is receiving the
 17 additional insurance contribution shall be at least ninety
 18 percent (90%) as of the most recent actuarial valuation and
 19 be projected by the actuary to remain ninety percent (90%)
 20 for the year in which the increase is provided.

21 6. The benefits of this paragraph provided to a member whose participation
 22 begins on or after July 1, 2003, shall not be considered as benefits
 23 protected by the inviolable contract provisions of KRS 16.652 or 61.692.
 24 The General Assembly reserves the right to suspend or reduce the
 25 benefits conferred in this paragraph if in its judgment the welfare of the
 26 Commonwealth so demands.

27 7. An employee whose membership date is on or after September 1, 2008,

1 who retires and is reemployed in a regular full-time position required to
2 participate in the system or the County Employees Retirement System
3 shall not be eligible for health insurance coverage or benefits provided
4 by this section and shall take coverage with his or her employing agency
5 during the period of reemployment in a regular full-time position.

6 **8. For purposes of this paragraph:**

7 **a. "Career threshold" for a member with service in a**
8 **nonhazardous position means twenty-seven (27) years of service**
9 **credited under KRS 16.543(1), 61.543(1), 78.615(1), or another**
10 **state-administered retirement system and for a member with**
11 **service in a hazardous position means the service requirements**
12 **specified by KRS 16.577(2) or (3) or 16.583(6)(b), as applicable;**
13 **and**

14 **b. "Funding level" means the actuarial value of assets divided by**
15 **the actuarially accrued liability expressed as a percentage that is**
16 **determined and reported by the system's actuary in the annual**
17 **actuarial valuation.**

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

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

1 for hospital and medical insurance plan which shall be equal to the
2 percentage of the member's number of months of service in the other
3 state-administered retirement plan divided by his or her total combined
4 service and in conjunction with the reciprocal agreement established
5 between the system and the other state-administered retirement systems.
6 The amounts paid by the other state-administered retirement plans and
7 by the Kentucky Retirement Systems from funds specified under
8 paragraph (a)2. of this subsection shall not be more than one hundred
9 percent (100%) of the monthly contribution adopted by the respective
10 boards of trustees;

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

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

17 (5) Premiums paid for hospital and medical insurance coverage procured under
18 authority of this section shall be exempt from any premium tax which might
19 otherwise be required under KRS Chapter 136. The payment of premiums by the
20 funds described by subsection (4)(a)2. of this section shall not constitute taxable
21 income to an insured recipient. No commission shall be paid for hospital and
22 medical insurance procured under authority of this section.

23 (6) (a) The board shall promulgate an administrative regulation to establish a medical
24 insurance reimbursement plan to provide reimbursement for hospital and
25 medical insurance plan premiums of recipients of a retirement allowance who:
26 1. Are not eligible for the same level of hospital and medical benefits as
27 recipients living in Kentucky and having the same Medicare hospital and

1 medical insurance eligibility status; or

2 2. Are eligible for retiree health subsidies as provided by subsection
 3 (4)(d) of this section, except for those recipients eligible for full
 4 premium subsidies under subsection (4)(d)4. of this section. The
 5 reimbursement program as provided by this subparagraph shall be
 6 available to the recipient regardless of the hospital and medical
 7 insurance plans offered by the systems.

8 (b) An eligible recipient shall file proof of payment for hospital and medical
 9 insurance plan coverage with the retirement office. Reimbursement to eligible
 10 recipients shall be made on a quarterly basis. The recipient shall be eligible for
 11 reimbursement of substantiated medical insurance premiums for an amount
 12 not to exceed the total monthly contribution rate determined under subsection
 13 (4) of this section.

14 (c) For purposes of recipients described by paragraph (a)1. of this subsection,
 15 the plan shall not be made available if all recipients are eligible for the same
 16 coverage as recipients living in Kentucky.

17 ➔Section 3. 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. For members with service in a hazardous position, a monthly
9 insurance contribution of fifteen dollars (\$15) for each year of
10 service as a participating employee in a hazardous position.
- 11 c. Upon the death of the retired member, the beneficiary, if the
12 beneficiary is the member's spouse, shall be entitled to a monthly
13 insurance contribution of ten dollars (\$10) for each year of service
14 the member attained as a participating employee in a hazardous
15 position.
- 16 3. The minimum service requirement to participate in benefits as provided
17 by subparagraph 1. of this paragraph shall be waived for a member who
18 is disabled as a result of an act in line of duty as defined in KRS
19 78.510(48) or as a result of a duty-related injury as defined by KRS
20 61.621 and the member shall be entitled to the benefits payable under
21 this subsection as though the member had twenty (20) years of service in
22 the position for which the disabling condition occurred.
- 23 4. Notwithstanding the provisions of this paragraph, the minimum service
24 requirement to participate in benefits as provided by subparagraph 1. of
25 this paragraph shall be waived for a for a member who dies a as a result
26 of an act in line of duty as defined in KRS 78.510(48) or as a result of a
27 duty-related injury as defined in KRS 61.621, and the premium for the

1 member's spouse and for each dependent child as defined in KRS 78.510
2 shall be paid in full by the systems so long as they individually remain
3 eligible for a monthly retirement benefit.

4 5. Except as provided by subparagraph 4. of this paragraph, the monthly
5 insurance contribution amount shall be increased:

6 **a. On** July 1 of each year by one and one-half percent (1.5%). The
7 increase shall be cumulative and shall continue to accrue after the
8 member's retirement for as long as a monthly insurance
9 contribution is payable to the retired member or beneficiary **but**
10 **shall not apply to any increase in the contribution attributable to**
11 **the increase specified by subdivision b. of this subparagraph;**
12 **and**

13 **b. On January 1 of each year by five dollars (\$5) for members who**
14 **have accrued an additional full year of service as a participating**
15 **employee beyond the career threshold, subject to the following**
16 **restrictions:**

17 **i. The additional insurance contribution provided by this**
18 **subdivision shall only be applied to the monthly**
19 **contribution amounts provided under subparagraph 2.a.**
20 **and 2.b. of this paragraph;**

21 **ii. The additional insurance contribution provided by this**
22 **subdivision shall only be payable towards the health plans**
23 **offered by the system to retirees who are not eligible for**
24 **Medicare or for reimbursements provided to retirees not**
25 **eligible for Medicare pursuant to subsection (6)(a)2. of this**
26 **section; and**

27 **iii. In order for the annual increase to occur as provided by**

1 *this subdivision, the funding level of retiree health benefits*
2 *for the system in which the employee is receiving the*
3 *additional insurance contribution shall be at least ninety*
4 *percent (90%) as of the most recent actuarial valuation and*
5 *be projected by the actuary to remain ninety percent (90%)*
6 *for the year in which the increase is provided.*

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

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

19 8. *For purposes of this paragraph:*

20 *a. "Career threshold" for a member with service in a*
21 *nonhazardous position means twenty-seven (27) years of service*
22 *credited under KRS 16.543(1), 61.543(1), 78.615(1), or another*
23 *state-administered retirement system and for a member with*
24 *service in a hazardous position means the service requirements*
25 *specified by KRS 78.5514(2)(a)2. or (3)(b), or 78.5516(6)(b), as*
26 *applicable; and*

27 *b. "Funding level" means the actuarial value of assets divided by*

1 *the actuarially accrued liability expressed as a percentage that is*
2 *determined and reported by the system's actuary in the annual*
3 *actuarial valuation.*

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

1 member's monthly contribution for medical insurance unless the member
2 is a recipient or annuitant of the plan.

3 (5) Premiums paid for hospital and medical insurance coverage procured under
4 authority of this section shall be exempt from any premium tax which might
5 otherwise be required under KRS Chapter 136. The payment of premiums by the
6 funds described by subsection (4)(a)2. of this section shall not constitute taxable
7 income to an insured recipient. No commission shall be paid for hospital and
8 medical insurance procured under authority of this section.

9 (6) (a) The board shall promulgate an administrative regulation to establish a medical
10 insurance reimbursement plan to provide reimbursement for hospital and
11 medical insurance plan premiums of recipients of a retirement allowance who:

12 1. Are not eligible for the same level of hospital and medical benefits as
13 recipients living in Kentucky and having the same Medicare hospital and
14 medical insurance eligibility status; or

15 2. Are eligible for retiree health subsidies as provided by subsection
16 (4)(d) of this section, except for those recipients eligible for full
17 premium subsidies under subsection (4)(d)4. of this section. The
18 reimbursement program as provided by this subparagraph shall be
19 available to the recipient regardless of the hospital and medical
20 insurance plans offered by the systems.

21 (b) An eligible recipient shall file proof of payment for hospital and medical
22 insurance plan coverage with the retirement office. Reimbursement to eligible
23 recipients shall be made on a quarterly basis. The recipient shall be eligible for
24 reimbursement of substantiated medical insurance premiums for an amount
25 not to exceed the total monthly contribution rate determined under subsection
26 (4) of this section.

27 (c) For purposes of recipients described by paragraph (a)1. of this subsection,

1 the plan shall not be made available if all recipients are eligible for the same
2 coverage as recipients living in Kentucky.

3 ➔Section 4. The amendments to the reimbursement program under subsection (6)
4 of Section 2 of this Act and subsection (6) of Section 3 of this Act shall be applicable for
5 retiree health plans offered to recipients on or after January 1, 2023.