

1       AN ACT relating to in line of duty disability benefits and declaring an emergency.

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 (d) 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)(e) 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 and for those recipients  
27           described in subparagraph 3.b. of this paragraph, the board may

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

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

17                  3. The system shall continue to provide the same hospital and medical  
18                  insurance plan coverage for recipients and qualifying dependents after  
19                  the age of sixty-five (65) as before the age of sixty-five (65), if:

20                  a. The recipient is not eligible for Medicare coverage; or  
21                  b. The recipient would otherwise be eligible for Medicare coverage  
22                  but is subject to the Medicare Secondary Payer Act under 42  
23                  U.S.C. sec. 1395y(b) and has been reemployed by a participating  
24                  agency which offers the recipient a hospital and medical insurance  
25                  benefit or by a participating agency which is prevented from  
26                  offering a hospital and medical benefit to the recipient as a  
27                  condition of reemployment under KRS 70.293, 95.022, or

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

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

14 (3) (a) Each employer participating in the Kentucky Employees Retirement System  
15 or the State Police Retirement System as provided in KRS 16.505 to 16.652 or  
16 61.510 to 61.705 shall contribute to the insurance trust fund established under  
17 KRS 61.701 the amount necessary to provide the monthly contribution rate as  
18 provided for under this section. Such employer contribution rate shall be  
19 developed by appropriate actuarial method as a part of the determination of  
20 each respective employer contribution rate determined under KRS 61.565.

21 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct  
22 from the creditable compensation of each member whose membership  
23 date begins on or after September 1, 2008, an amount equal to one  
24 percent (1%) of the member's creditable compensation. The deducted  
25 amounts shall, at the discretion of the board, be credited to accounts  
26 established pursuant to 26 U.S.C. sec. 401(h), within the funds  
27 established in KRS 16.510 and 61.515, or the insurance trust fund

2. The employer shall file the contributions as provided by subparagraph 1.  
3. of this paragraph at the retirement office in accordance with KRS  
4. 61.675. Any interest or penalties paid on any delinquent contributions  
5. shall be credited to accounts established pursuant to 26 U.S.C. sec.  
6. 401(h), within the funds established in KRS 16.510 and 61.515, or the  
7. insurance trust fund established under KRS 61.701. Notwithstanding  
8. any minimum compensation requirements provided by law, the  
9. deductions provided by this paragraph shall be made, and the  
10. compensation of the member shall be reduced accordingly.
11. 3. Each employer shall submit payroll reports, contributions lists, and other  
12. data as may be required by administrative regulation promulgated by the  
13. board of trustees pursuant to KRS Chapter 13A.
14. 4. Every member shall be deemed to consent and agree to the deductions  
15. made pursuant to this paragraph, and the payment of salary or  
16. compensation less the deductions shall be a full and complete discharge  
17. of all claims for services rendered by the person during the period  
18. covered by the payment, except as to any benefits provided by KRS  
19. 16.505 to 16.652 or 61.510 to 61.705. No member may elect whether to  
20. participate in, or choose the contribution amount to accounts established  
21. pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
22. 16.510 and 61.515, or the insurance trust fund established under KRS  
23. 61.701. The member shall have no option to receive the contribution

1 required by this paragraph directly instead of having the contribution  
2 paid to accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
3 funds established in KRS 16.510 and 61.515, or the insurance trust fund  
4 established under KRS 61.701. No member may receive a rebate or  
5 refund of contributions. If a member establishes a membership date  
6 prior to September 1, 2008, pursuant to KRS 61.552(2) or (3), then this  
7 paragraph shall not apply to the member and all contributions previously  
8 deducted in accordance with this paragraph shall be refunded to the  
9 member without interest. The contribution made pursuant to this  
10 paragraph shall not act as a reduction or offset to any other contribution  
11 required of a member or recipient under KRS 16.505 to 16.652 or  
12 61.510 to 61.705.

13 5. The board of trustees, at its discretion, may direct that the contributions  
14 required by this paragraph be accounted for within accounts established  
15 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
16 16.510 and 61.515, or the insurance trust fund established under KRS  
17 61.701, through the use of separate accounts.

18 18 (4) (a) The premium required to provide hospital and medical insurance plan  
19 coverage under this section shall be paid wholly or partly from funds  
20 contributed by:

- 21 1. The recipient of a retirement allowance, by payroll deduction from his  
22 or her retirement allowance, or by other method;
- 23 2. The insurance trust fund established under KRS 61.701 or accounts  
24 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
25 established in KRS 16.510 and 61.515;
- 26 3. Another state-administered retirement system, including the County  
27 Employees Retirement System, under a reciprocal arrangement, except

1 that any portion of the premium paid from the funds specified by  
2 subparagraph 2. of this paragraph under a reciprocal agreement shall not  
3 exceed the amount that would be payable under this section if all the  
4 member's service were in the systems administered by the Kentucky  
5 Retirement Systems. If the board provides for cross-referencing of  
6 insurance premiums, the employer's contribution for the working  
7 member or spouse shall be applied toward the premium, and the  
8 insurance trust fund established under KRS 61.701 or accounts  
9 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
10 established in KRS 16.510 and 61.515 shall pay the balance; or  
11 4. A combination of the fund sources described by subparagraphs 1. to 3.  
12 of this paragraph.

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

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

1. One hundred percent (100%) of the monthly premium for single  
2 coverage shall be paid for a retired member who had two hundred forty  
3 (240) months of service or more upon retirement or for a retired member  
4 who when he or she was an employee became disabled as a direct result  
5 of an act in line of duty as defined in KRS 16.505 or as a result of a  
6 duty-related injury as defined in KRS 61.621;
7. Seventy-five percent (75%) of the monthly premium for single coverage  
8 shall be paid for a retired member who had less than two hundred forty  
9 (240) months of service but at least one hundred eighty (180) months of  
10 service upon retirement, provided such retired member agrees to pay the  
11 remaining twenty-five percent (25%) by payroll deduction from his or  
12 her retirement allowance, electronic funds transfer, or by another  
13 method;
14. Fifty percent (50%) of the monthly premium for single coverage shall be  
15 paid for a retired member who had less than one hundred eighty (180)  
16 months of service but had at least one hundred twenty (120) months of  
17 service upon retirement, provided such retired member agrees to pay the  
18 remaining fifty percent (50%) by payroll deduction from his or her  
19 retirement allowance, electronic funds transfer, or by another method; or
20. Twenty-five percent (25%) of the monthly premium for single coverage  
21 shall be paid for a retired member who had less than one hundred twenty  
22 (120) months of service but had at least forty-eight (48) months of  
23 service upon retirement, provided such retired member agrees to pay the  
24 remaining seventy-five percent (75%) by payroll deduction from his or  
25 her retirement allowance, electronic funds transfer, or by another  
26 method.

1 in the system prior to July 1, 2003, who:

2 1. Dies as a direct result of an act in line of duty as defined in KRS 16.505  
3 or dies as a result of a duty-related injury as defined in KRS 61.621, the  
4 monthly premium shall be paid for his or her spouse so long as the  
5 spouse remains eligible for a monthly retirement benefit;

6 2. Becomes totally and permanently disabled as defined in KRS 16.582 as  
7 a direct result of an act in line of duty as defined in KRS 16.505,  
8 *receives a satisfactory determination of a hazardous disability that is a*  
9 *direct result of an act in line of duty as defined in KRS 16.505,* or  
10 becomes disabled as a result of a duty-related injury as defined in KRS  
11 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the  
12 monthly premium shall be paid for his or her spouse so long as the  
13 member and the spouse individually remain eligible for a monthly  
14 retirement benefit; and

15 3. Dies as a direct result of an act in line of duty as defined in KRS 16.505,  
16 dies as a result of a duty-related injury as defined in KRS 61.621,  
17 becomes totally and permanently disabled as defined in KRS 16.582 as a  
18 direct result of an act in line of duty as defined in KRS 16.505, *receives*  
19 *a satisfactory determination of a hazardous disability that is a direct*  
20 *result of an act in line of duty as defined in KRS 16.505,* or becomes  
21 disabled as a result of a duty-related injury as defined in KRS 61.621  
22 and is eligible for the benefits provided by KRS 61.621(5)(a), the  
23 monthly premium shall be paid for each dependent child as defined in  
24 KRS 16.505, so long as the member remains eligible for a monthly  
25 retirement benefit, unless deceased, and each dependent child  
26 individually remains eligible under KRS 16.505.

27 (d) 1. For a member who began participating in the system prior to July 1,

1           2003, who was determined to be in a hazardous position in the Kentucky  
2           Employees Retirement System or in a position in the State Police  
3           Retirement System, or who is receiving a retirement allowance based on  
4           General Assembly service, the funds specified under paragraph (a)2. of  
5           this subsection shall also pay a percentage of the monthly contribution  
6           rate sufficient to fund the premium costs for hospital and medical  
7           insurance coverage for the spouse and for each dependent child of a  
8           recipient.

9           2. The percentage of the monthly contribution rate paid for the spouse and  
10           each dependent child of a recipient who was in a hazardous position or  
11           who is receiving a retirement allowance based on General Assembly  
12           service in accordance with subparagraph 1. of this paragraph shall be  
13           based solely on the member's service in a hazardous position using the  
14           formula in paragraph (b) of this subsection.

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

16 1. Participation in the insurance benefits provided under this section shall

17 not be allowed until the member has earned at least one hundred twenty

18 (120) months of service in the state-administered retirement systems,

19 except that for members who begin participating in the system on or

20 after September 1, 2008, participation in the insurance benefits provided

21 under this section shall not be allowed until the member has earned at

22 least one hundred eighty (180) months of service credited under KRS

23 16.543(1) or 61.543(1), or another state-administered retirement system.

24 2. A member who meets the minimum service requirements as provided by

25 subparagraph 1. of this paragraph shall upon retirement be eligible for

26 the following monthly contribution rate to be paid on his or her behalf,

27 or on behalf of the spouse or dependent of a member with service in a

- 3 a. For members with service in a nonhazardous position, a monthly  
4 insurance contribution of ten dollars (\$10) for each year of service  
5 as a participating employee in a nonhazardous position;
- 6 b. For members with service in a hazardous position or who  
7 participate in the State Police Retirement System, a monthly  
8 insurance contribution of fifteen dollars (\$15) for each year of  
9 service as a participating employee in a hazardous position or the  
10 State Police Retirement System; and
- 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 receives a satisfactory determination of a hazardous disability that is a  
19 direct result of an act in line of duty as defined in KRS 16.505, and the  
20 premium for the member, the member's spouse, and for each  
21 dependent child as defined in KRS 16.505 shall be paid in full by the  
22 systems so long as the member, member's spouse, or dependent child  
23 individually remains eligible for a monthly retirement benefit~~[member~~  
24 ~~shall be entitled to the benefits payable under this subsection as though~~  
25 ~~the member had twenty (20) years of service in a hazardous position]~~.
- 26 4. The minimum service required to participate in benefits as provided by  
27 subparagraph 1. of this paragraph shall be waived for a member who is

disabled as a result of a duty-related injury as defined in KRS 61.621 and is eligible for the benefits provided by KRS 61.621(5)(b), and the member shall be entitled to the benefits payable under this subsection as though the member had twenty (20) years of service in a nonhazardous position.

6. Notwithstanding the provisions of this paragraph, the minimum service  
7 requirement to participate in benefits as provided by subparagraph 1. of  
8 this paragraph shall be waived for a for a member who dies as a direct  
9 result of an act in line of duty as defined in KRS 16.505, who becomes  
10 totally and permanently disabled as defined in KRS 16.582 as a direct  
11 result of an act in line of duty as defined in KRS 16.505, who dies as a  
12 result of a duty-related injury as defined in KRS 61.621, or who  
13 becomes disabled as a result of a duty-related injury as defined in KRS  
14 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a),  
15 and the premium for the member, the member's spouse, and for each  
16 dependent child as defined in KRS 16.505 shall be paid in full by the  
17 systems so long as the member, member's spouse, or dependent child  
18 individually remains eligible for a monthly retirement benefit.

19. Except as provided by subparagraphs 3. and[subparagraph] 5. of this  
20 paragraph, the monthly insurance contribution amount shall be  
21 increased:

22. a. On July 1 of each year by one and one-half percent (1.5%). The  
23 increase shall be cumulative and shall continue to accrue after the  
24 member's retirement for as long as a monthly insurance  
25 contribution is payable to the retired member or beneficiary but  
26 shall not apply to any increase in the contribution attributable to  
27 the increase specified by subdivision b. of this subparagraph; and

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

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

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

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

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

- 1           8. An employee whose membership date is on or after September 1, 2008,  
2           who retires and is reemployed in a regular full-time position required to  
3           participate in the system or the County Employees Retirement System  
4           shall not be eligible for health insurance coverage or benefits provided  
5           by this section and shall take coverage with his or her employing agency  
6           during the period of reemployment in a regular full-time position.
- 7           9. For purposes of this paragraph:
  - 8           a. "Career threshold" for a member with service in a nonhazardous  
9           position means twenty-seven (27) years of service credited under  
10           KRS 16.543(1), 61.543(1), 78.615(1), or another state-  
11           administered retirement system and for a member with service in a  
12           hazardous position means the service requirements specified by  
13           KRS 16.577(2) or (3) or 16.583(6)(b), as applicable; and
  - 14           b. "Funding level" means the actuarial value of assets divided by the  
15           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           (f) 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 (e) of this  
25           subsection. Each state-administered retirement system shall pay  
26           annually to the insurance trust fund established under KRS 61.701 the  
27           portion of the system's cost of the retiree's monthly contribution for

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

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

1 and medical insurance eligibility status; or

2 2. Are eligible for retiree health subsidies as provided by subsection (4)(e)

3 of this section, except for those recipients eligible for full premium

4 subsidies under subsection (4)(e)5. of this section. The reimbursement

5 program as provided by this subparagraph shall be available to the

6 recipient regardless of the hospital and medical insurance plans offered

7 by the systems.

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 (d) 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)(e) 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

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 and for those recipients  
7 described in subparagraph 3.b. of this paragraph, the board may  
8 authorize these participants to be included in the Kentucky Employees  
9 Health Plan as provided by KRS 18A.225 to 18A.2287 and shall provide  
10 benefits for recipients in the plan equal to those provided to state  
11 employees having the same Medicare hospital and medical insurance  
12 eligibility status. Notwithstanding the provisions of any other statute  
13 except subparagraph 3.b. of this paragraph, system recipients shall be  
14 included in the same class as current state employees for purposes of  
15 determining medical insurance policies and premiums in the Kentucky  
16 Employees Health Plan as provided by KRS 18A.225 to 18A.2287.

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

24 3. The system shall continue to provide the same hospital and medical  
25 insurance plan coverage for recipients and qualifying dependents after  
26 the age of sixty-five (65) as before the age of sixty-five (65), if:  
27 a. The recipient is not eligible for Medicare coverage; or



1 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct  
2 from the creditable compensation of each member whose membership  
3 date begins on or after July 1, 2003, and who is subject to the benefits  
4 provided under subsection (4)(e) of this section, an amount equal to one  
5 percent (1%) of the member's creditable compensation if the member is  
6 participating in a nonhazardous position and two percent (2%) of the  
7 member's creditable compensation if the member is participating in a  
8 hazardous position. The deducted amounts shall, at the discretion of the  
9 board, be credited to accounts established pursuant to 26 U.S.C. sec.  
10 401(h), within the funds established in KRS 78.520, or the insurance  
11 trust fund established under KRS 61.701. Notwithstanding the  
12 provisions of this paragraph, a transfer of assets between the accounts  
13 established pursuant to 26 U.S.C. sec. 401(h), within the funds  
14 established in KRS 78.520, and the insurance trust fund established  
15 under KRS 61.701 shall not be allowed.  
16 2. The employer shall file the contributions as provided by subparagraph 1.  
17 of this paragraph at the retirement office in accordance with KRS  
18 78.625. Any interest or penalties paid on any delinquent contributions  
19 shall be credited to accounts established pursuant to 26 U.S.C. sec.  
20 401(h), within the funds established in KRS 78.520, or the insurance  
21 trust fund established under KRS 61.701. Notwithstanding any  
22 minimum compensation requirements provided by law, the deductions  
23 provided by this paragraph shall be made, and the compensation of the  
24 member shall be reduced accordingly.  
25 3. Each employer shall submit payroll reports, contributions lists, and other  
26 data as may be required by administrative regulation promulgated by the  
27 board of trustees pursuant to KRS Chapter 13A.

1           4. Every member shall be deemed to consent and agree to the deductions  
2           made pursuant to this paragraph, and the payment of salary or  
3           compensation less the deductions shall be a full and complete discharge  
4           of all claims for services rendered by the person during the period  
5           covered by the payment, except as to any benefits provided by KRS  
6           78.510 to 78.852. No member may elect whether to participate in, or  
7           choose the contribution amount to accounts established pursuant to 26  
8           U.S.C. sec. 401(h) within the funds established in KRS 78.520, or the  
9           insurance trust fund established under KRS 61.701. The member shall  
10          have no option to receive the contribution required by this paragraph  
11          directly instead of having the contribution paid to accounts established  
12          pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
13          78.520, or the insurance trust fund established under KRS 61.701. No  
14          member may receive a rebate or refund of contributions. If a member  
15          establishes a membership date prior to July 1, 2003, pursuant to KRS  
16          61.552(2) or (3) or who is subject to the benefits provided under  
17          subsection (4)(b) or (d) of this section, then this paragraph shall not  
18          apply to the member and all contributions previously deducted in  
19          accordance with this paragraph shall be refunded to the member without  
20          interest. The contribution made pursuant to this paragraph shall not act  
21          as a reduction or offset to any other contribution required of a member  
22          or recipient under KRS 78.510 to 78.852.

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

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

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

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

10              3. Another state-administered retirement system, including the systems  
11                   administered by Kentucky Retirement Systems, under a reciprocal  
12                   arrangement, except that any portion of the premium paid from the  
13                   funds specified by subparagraph 2. of this paragraph under a reciprocal  
14                   agreement shall not exceed the amount that would be payable under this  
15                   section if all the member's service were in the County Employees  
16                   Retirement System. If the board provides for cross-referencing of  
17                   insurance premiums, the employer's contribution for the working  
18                   member or spouse shall be applied toward the premium, and the  
19                   insurance trust fund established under KRS 61.701 or accounts  
20                   established pursuant to 26 U.S.C. sec. 401(h) within the funds  
21                   established in KRS 78.520, shall pay the balance; or

22              4. A combination of the fund sources described by subparagraphs 1. to 3.  
23                   of this paragraph.

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

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

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

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

18 2. Seventy-five percent (75%) of the monthly premium for single coverage  
19 shall be paid for a retired member who had less than two hundred forty  
20 (240) months of service but at least one hundred eighty (180) months of  
21 service upon retirement, provided such retired member agrees to pay the  
22 remaining twenty-five percent (25%) by payroll deduction from his or  
23 her retirement allowance, electronic funds transfer, or by another  
24 method;

25 3. Fifty percent (50%) of the monthly premium for single coverage shall be  
26 paid for a retired member who had less than one hundred eighty (180)  
27 months of service but had at least one hundred twenty (120) months of

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

11 (c) Notwithstanding paragraph (b) of this subsection, for a member participating  
12 in the system prior to July 1, 2003, who:

13       1. Dies as a direct result of an act in line of duty as defined in KRS 78.510  
14                   or dies as a result of a duty-related injury as defined in KRS 61.621, the  
15                   monthly premium shall be paid for his or her spouse so long as the  
16                   spouse remains eligible for a monthly retirement benefit;

17 2. Becomes totally and permanently disabled as defined in KRS 78.5524 as  
18 a direct result of an act in line of duty as defined in KRS 78.510,  
19 *receives a satisfactory determination of a hazardous disability that is a*  
20 *direct result of an act in line of duty as defined in KRS 78.510,* or  
21 becomes disabled as a result of a duty-related injury as defined in KRS  
22 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the  
23 monthly premium shall be paid for his or her spouse so long as the  
24 member and the spouse individually remain eligible for a monthly  
25 retirement benefit; and

1 becomes totally and permanently disabled as defined in KRS 78.5524 as  
2 a direct result of an act in line of duty as defined in KRS 78.510,  
3 *receives a satisfactory determination of a hazardous disability that is a*  
4 *direct result of an act in line of duty as defined in KRS 78.510,* or  
5 becomes disabled as a result of a duty-related injury as defined in KRS  
6 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the  
7 monthly premium shall be paid for each dependent child as defined in  
8 KRS 78.510, so long as the member remains eligible for a monthly  
9 retirement benefit, unless deceased, and each dependent child  
10 individually remains eligible under KRS 78.510.

11 (d) 1. For a member who began participating in the system prior to July 1,  
12 2003, who was determined to be in a hazardous position in the County  
13 Employees Retirement System, or who is receiving a retirement  
14 allowance based on General Assembly service, the funds specified under  
15 paragraph (a)2. of this subsection shall also pay a percentage of the  
16 monthly contribution rate sufficient to fund the premium costs for  
17 hospital and medical insurance coverage for the spouse and for each  
18 dependent child of a recipient.

19 2. The percentage of the monthly contribution rate paid for the spouse and  
20 each dependent child of a recipient who was in a hazardous position or  
21 who is receiving a retirement allowance based on General Assembly  
22 service in accordance with subparagraph 1. of this paragraph shall be  
23 based solely on the member's service in a hazardous position using the  
24 formula in paragraph (b) of this subsection, except that for any recipient  
25 of a retirement allowance from the County Employees Retirement  
26 System who was contributing to the system on January 1, 1998, for  
27 service in a hazardous position, the percentage of the monthly

1 contribution shall be based on the total of hazardous service and any  
2 nonhazardous service as a police or firefighter with the same agency, if  
3 that agency was participating in the County Employees Retirement  
4 System but did not offer hazardous duty coverage for its police and  
5 firefighters at the time of initial participation.

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

7 1. Participation in the insurance benefits provided under this section shall  
8 not be allowed until the member has earned at least one hundred twenty  
9 (120) months of service in the state-administered retirement systems,  
10 except that for members who begin participating in the system on or  
11 after September 1, 2008, participation in the insurance benefits provided  
12 under this section shall not be allowed until the member has earned at  
13 least one hundred eighty (180) months of service credited under KRS  
14 78.615(1) or another state-administered retirement system;

15 2. A member who meets the minimum service requirements as provided by  
16 subparagraph 1. of this paragraph shall upon retirement be eligible for  
17 the following monthly contribution rate to be paid on his or her behalf,  
18 or on behalf of the spouse or dependent of a member with service in a  
19 hazardous position, from the funds specified under paragraph (a)2. of  
20 this subsection:

21 a. For members with service in a nonhazardous position who do not  
22 meet the career threshold, a monthly insurance contribution of ten  
23 dollars (\$10) for each year of service as a participating employee  
24 in a nonhazardous position;

25 b. For members with service in a nonhazardous position who meet  
26 the career threshold, a monthly insurance contribution towards the  
27 health plans offered to retirees who are not eligible for Medicare

1 of forty dollars (\$40) for each year of service as a participating  
2 employee in a nonhazardous position and a monthly insurance  
3 contribution towards the health plans offered to retirees who are  
4 eligible for Medicare of ten dollars (\$10) for each year of service  
5 as a participating employee in a nonhazardous position. The  
6 monthly insurance contribution payable to retirees eligible for  
7 Medicare under this subdivision shall be adjusted as necessary so  
8 that it is equivalent to the monthly contribution amount computed  
9 under subdivision a. of this subparagraph as adjusted by  
10 subparagraph 6.a. of this paragraph;

11 c. For members with service in a hazardous position who do not meet  
12 the career threshold, a monthly insurance contribution of fifteen  
13 dollars (\$15) for each year of service as a participating employee  
14 in a hazardous position;

15 d. For members with service in a hazardous position who meet the  
16 career threshold, a monthly insurance contribution towards the  
17 health plans offered to retirees who are not eligible for Medicare  
18 of fifty dollars (\$50) for each year of service as a participating  
19 employee in a hazardous position and a monthly insurance  
20 contribution towards the health plans offered to retirees who are  
21 eligible for Medicare of fifteen dollars (\$15) for each year of  
22 service as a participating employee in a hazardous position. The  
23 monthly insurance contribution payable to retirees eligible for  
24 Medicare under this subdivision shall be adjusted as necessary so  
25 that it is equivalent to the monthly contribution amount computed  
26 under subdivision c. of this subparagraph as adjusted by  
27 subparagraph 6.a. of this paragraph; and

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

6 3. The minimum service requirement to participate in benefits as provided  
7 by subparagraph 1. of this paragraph shall be waived for a member who  
8 receives a satisfactory determination of a hazardous disability that is a  
9 direct result of an act in line of duty as defined in KRS 78.510[(48)] and  
10 the premium for the member, the member's spouse, and for each  
11 dependent child as defined in KRS 78.510 shall be paid in full by the  
12 systems so long as the member, member's spouse, or dependent child  
13 individually remains eligible for a monthly retirement benefit[member  
14 shall be entitled to the benefits payable under this subsection as though  
15 the member had twenty (20) years of service in a hazardous position];

16 4. The minimum service required to participate in benefits as provided by  
17 subparagraph 1. of this paragraph shall be waived for a member who is  
18 disabled as a result of a duty-related injury as defined in KRS 61.621  
19 and is eligible for the benefits provided by KRS 61.621(5)(b), and the  
20 member shall be entitled to the benefits payable under this subsection as  
21 though the member had twenty (20) years of service in a nonhazardous  
22 position;

23 5. 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 member who dies as a direct result  
26 of an act in line of duty as defined in KRS 78.510[(48)], who becomes  
27 totally and permanently disabled as defined in KRS 78.5524 as a direct

1 result of an act in line of duty as defined in KRS 78.510, who dies as a  
2 result of a duty-related injury as defined in KRS 61.621, or who  
3 becomes disabled as a result of a duty-related injury as defined in KRS  
4 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a),  
5 and the premium for the member, the member's spouse, and for each  
6 dependent child as defined in KRS 78.510 shall be paid in full by the  
7 systems so long as the member, member's spouse, or dependent child  
8 individually remains eligible for a monthly retirement benefit;

9           6. Except as provided by subparagraphs 3. and~~5.~~ 5. of this

10           paragraph, the monthly insurance contribution amount shall be

11           increased:

12           a. On July 1 of each year by one and one-half percent (1.5%). The

13           increase shall be cumulative and shall continue to accrue after the

14           member's retirement for as long as a monthly insurance

15           contribution is payable to the retired member or beneficiary but

16           shall not apply to any increase in the contribution attributable to

17           the increase specified by subdivision b. of this subparagraph; and

18           b. On January 1 of each year by five dollars (\$5) for members who

19           have accrued an additional full year of service as a participating

20           employee beyond the career threshold, subject to the following

21           restrictions:

22           i. The additional insurance contribution provided by this

23           subdivision shall only be applied to the monthly contribution

24           amounts provided under subparagraph 2.b. and d. of this

25           paragraph;

26           ii. The additional insurance contribution provided by this

27           subdivision shall only be payable towards the health plans

offered by the system to retirees who are not eligible for Medicare or for reimbursements provided to retirees not eligible for Medicare pursuant to subsection (6)(a)2. of this section; and

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

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

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

25 a. "Career threshold" for a member with service in a nonhazardous  
26 position means twenty-seven (27) years of service credited under  
27 KRS 16.543(1), 61.543(1), 78.615(1), or another state-

administered retirement system and for a member with service in a hazardous position means the service requirements specified by KRS 78.5514(2)(a)2. or (3)(b), or 78.5516(6)(b), as applicable; and

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

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

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

1 adopted by the respective boards of trustees;

2 2. A member may not elect coverage for hospital and medical benefits

3 through more than one (1) of the state-administered retirement systems;

4 and

5 3. A state-administered retirement system shall not pay any portion of a

6 member's monthly contribution for medical insurance unless the

7 member is a recipient or annuitant of the plan.

8 (5) Premiums paid for hospital and medical insurance coverage procured under

9 authority of this section shall be exempt from any premium tax which might

10 otherwise be required under KRS Chapter 136. The payment of premiums by the

11 funds described by subsection (4)(a)2. of this section shall not constitute taxable

12 income to an insured recipient. No commission shall be paid for hospital and

13 medical insurance procured under authority of this section.

14 (6) (a) The board shall promulgate an administrative regulation to establish a medical

15 insurance reimbursement plan to provide reimbursement for hospital and

16 medical insurance plan premiums of recipients of a retirement allowance who:

17 1. Are not eligible for the same level of hospital and medical benefits as

18 recipients living in Kentucky and having the same Medicare hospital

19 and medical insurance eligibility status; or

20 2. Are eligible for retiree health subsidies as provided by subsection (4)(e)

21 of this section, except for those recipients eligible for full premium

22 subsidies under subsection (4)(e)5. of this section. The reimbursement

23 program as provided by this subparagraph shall be available to the

24 recipient regardless of the hospital and medical insurance plans offered

25 by the systems.

26 (b) An eligible recipient shall file proof of payment for hospital and medical

27 insurance plan coverage with the retirement office. Reimbursement to eligible

1                   recipients shall be made on a quarterly basis. The recipient shall be eligible  
2                   for reimbursement of substantiated medical insurance premiums paid by the  
3                   recipient to obtain coverage for an amount not to exceed the total monthly  
4                   contribution rate determined under subsection (4) of this section. For  
5                   reimbursements provided under paragraph (a)2. of this subsection, the full  
6                   subsidy under subsection (4)(e)2. of this section shall be reimbursed by the  
7                   system to the recipient up to the amount individually paid by the recipient to  
8                   obtain coverage. In the case of recipients of a retirement allowance from a  
9                   nonhazardous position, the reimbursement shall be limited to the amount paid  
10                  by the recipient to obtain single coverage.

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

14                  ➔Section 3. Whereas protecting and honoring the public safety officers who have  
15                  given their health and their lives in service to the Commonwealth is a value held by all  
16                  Kentuckians, an emergency is declared to exist, and this Act takes effect upon its passage  
17                  and approval by the Governor or upon its otherwise becoming a law.