

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

1                   164.952. Individuals who are eligible, pursuant to this subdivision,  
2                   to be included in the Kentucky Employees Health Plan as provided  
3                   by KRS 18A.225 to 18A.2287 may be rated as a separate class  
4                   from other eligible employees and retirees for the purpose of  
5                   determining medical insurance premiums.

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. 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

1 established under KRS 61.701. Notwithstanding the provisions of this  
2 paragraph, a transfer of assets between the accounts established pursuant  
3 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510  
4 and 61.515, and the insurance trust fund established under KRS 61.701  
5 shall not be allowed.

6 2. The employer shall file the contributions as provided by subparagraph 1.  
7 of this paragraph at the retirement office in accordance with KRS  
8 61.675. Any interest or penalties paid on any delinquent contributions  
9 shall be credited to accounts established pursuant to 26 U.S.C. sec.  
10 401(h), within the funds established in KRS 16.510 and 61.515, or the  
11 insurance trust fund established under KRS 61.701. Notwithstanding  
12 any minimum compensation requirements provided by law, the  
13 deductions provided by this paragraph shall be made, and the  
14 compensation of the member shall be reduced accordingly.

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

18 4. Every member shall be deemed to consent and agree to the deductions  
19 made pursuant to this paragraph, and the payment of salary or  
20 compensation less the deductions shall be a full and complete discharge  
21 of all claims for services rendered by the person during the period  
22 covered by the payment, except as to any benefits provided by KRS  
23 16.505 to 16.652 or 61.510 to 61.705. No member may elect whether to  
24 participate in, or choose the contribution amount to accounts established  
25 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
26 16.510 and 61.515, or the insurance trust fund established under KRS  
27 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 (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           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           2. 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          3. 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          4. 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.
- 27          (c) Notwithstanding paragraph (b) of this subsection, for a member participating



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

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

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

13           1.    Participation in the insurance benefits provided under this section shall  
14           not be allowed until the member has earned at least one hundred twenty  
15           (120) months of service in the state-administered retirement systems,  
16           except that for members who begin participating in the system on or  
17           after September 1, 2008, participation in the insurance benefits provided  
18           under this section shall not be allowed until the member has earned at  
19           least one hundred eighty (180) months of service credited under KRS  
20           16.543(1) or 61.543(1), or another state-administered retirement system.

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

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

- 1                   b. For members with service in a hazardous position or who
- 2                   participate in the State Police Retirement System, a monthly
- 3                   insurance contribution of fifteen dollars (\$15) for each year of
- 4                   service as a participating employee in a hazardous position or the
- 5                   State Police Retirement System.
- 6                   c. Upon the death of the retired member, the beneficiary, if the
- 7                   beneficiary is the member's spouse, shall be entitled to a monthly
- 8                   insurance contribution of ten dollars (\$10) for each year of service
- 9                   the member attained as a participating employee in a hazardous
- 10                  position.
- 11                 3. The minimum service requirement to participate in benefits as provided
- 12                 by subparagraph 1. of this paragraph shall be waived for a member who
- 13                 receives a satisfactory determination of a hazardous disability that is a
- 14                 direct result of an act in line of duty as defined in KRS 16.505, and the
- 15                 *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*~~member shall be entitled to the benefits payable under this~~
- 18                 ~~subsection as though the member had twenty (20) years of service in a~~
- 19                 ~~hazardous position].~~
- 20                 4. The minimum service required to participate in benefits as provided by
- 21                 subparagraph 1. of this paragraph shall be waived for a member who is
- 22                 disabled as a result of a duty-related injury as defined in KRS 61.621
- 23                 and is eligible for the benefits provided by KRS 61.621(5)(b), and the
- 24                 member shall be entitled to the benefits payable under this subsection as
- 25                 though the member had twenty (20) years of service in a nonhazardous
- 26                 position.
- 27                 5. Notwithstanding the provisions of this paragraph, the minimum service

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

13 6. Except as provided by subparagraphs 3. and~~subparagraph~~ 5. of this  
 14 paragraph, the monthly insurance contribution amount shall be  
 15 increased:

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

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

26 i. The additional insurance contribution provided by this  
 27 subdivision shall only be applied to the monthly contribution

1 amounts provided under subparagraph 2.a. and b. of this  
2 paragraph;

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

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

16 7. The benefits of this paragraph provided to a member whose participation  
17 begins on or after July 1, 2003, shall not be considered as benefits  
18 protected by the inviolable contract provisions of KRS 16.652 or  
19 61.692. The General Assembly reserves the right to suspend or reduce  
20 the benefits conferred in this paragraph if in its judgment the welfare of  
21 the Commonwealth so demands.

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

- 1           9. For purposes of this paragraph:
- 2           a. "Career threshold" for a member with service in a nonhazardous
- 3           position means twenty-seven (27) years of service credited under
- 4           KRS 16.543(1), 61.543(1), 78.615(1), or another state-
- 5           administered retirement system and for a member with service in a
- 6           hazardous position means the service requirements specified by
- 7           KRS 16.577(2) or (3) or 16.583(6)(b), as applicable; and
- 8           b. "Funding level" means the actuarial value of assets divided by the
- 9           actuarially accrued liability expressed as a percentage that is
- 10          determined and reported by the system's actuary in the annual
- 11          actuarial valuation.
- 12          (f) For members with service in another state-administered retirement system
- 13          who select hospital and medical insurance plan coverage through the system:
- 14          1. The system shall compute the member's combined service, including
- 15          service credit in another state-administered retirement system, and
- 16          calculate the portion of the member's premium monthly contribution rate
- 17          to be paid by the funds specified under paragraph (a)2. of this subsection
- 18          according to the criteria established in paragraphs (a) to (e) of this
- 19          subsection. Each state-administered retirement system shall pay
- 20          annually to the insurance trust fund established under KRS 61.701 the
- 21          portion of the system's cost of the retiree's monthly contribution for
- 22          single coverage for hospital and medical insurance plan which shall be
- 23          equal to the percentage of the member's number of months of service in
- 24          the other state-administered retirement plan divided by his or her total
- 25          combined service and in conjunction with the reciprocal agreement
- 26          established between the system and the other state-administered
- 27          retirement systems. The amounts paid by the other state-administered

- 1 retirement plans and by the Kentucky Retirement Systems from funds  
2 specified under paragraph (a)2. of this subsection shall not be more than  
3 one hundred percent (100%) of the monthly contribution adopted by the  
4 respective boards of trustees;
- 5 2. A member may not elect coverage for hospital and medical benefits  
6 through more than one (1) of the state-administered retirement systems;  
7 and
- 8 3. A state-administered retirement system shall not pay any portion of a  
9 member's monthly contribution for medical insurance unless the  
10 member is a recipient or annuitant of the plan.
- 11 (5) Premiums paid for hospital and medical insurance coverage procured under  
12 authority of this section shall be exempt from any premium tax which might  
13 otherwise be required under KRS Chapter 136. The payment of premiums by the  
14 funds described by subsection (4)(a)2. of this section shall not constitute taxable  
15 income to an insured recipient. No commission shall be paid for hospital and  
16 medical insurance procured under authority of this section.
- 17 (6) (a) The board shall promulgate an administrative regulation to establish a medical  
18 insurance reimbursement plan to provide reimbursement for hospital and  
19 medical insurance plan premiums of recipients of a retirement allowance who:
- 20 1. Are not eligible for the same level of hospital and medical benefits as  
21 recipients living in Kentucky and having the same Medicare hospital  
22 and medical insurance eligibility status; or
- 23 2. Are eligible for retiree health subsidies as provided by subsection (4)(d)  
24 of this section, except for those recipients eligible for full premium  
25 subsidies under subsection (4)(e)5. of this section. The reimbursement  
26 program as provided by this subparagraph shall be available to the  
27 recipient regardless of the hospital and medical insurance plans offered

1 by the systems.

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

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

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

12 (1) For purposes of this section:

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

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

18 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health  
19 reimbursement arrangement or a similar account as may be permitted by  
20 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's  
21 discretion, may reimburse any medical expense permissible under 26  
22 U.S.C. sec. 213; or

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

27 (b) "Monthly contribution rate" shall be the amount determined by the board



1 based upon the requirements of subsection (4)(a) to (d) of this section, except  
2 that for members who began participating in the system on or after July 1,  
3 2003, the term shall mean the amount determined in subsection (4)(e) of this  
4 section; and

5 (c) "Months of service" shall mean the total months of combined service used to  
6 determine benefits under the system, except service added to determine  
7 disability benefits or service otherwise prohibited from being used to  
8 determine retiree health benefits under KRS 78.510 to 78.852 shall not be  
9 counted as "months of service."

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

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

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

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

26 (b) 1. For present and future recipients of a retirement allowance from the  
27 system who are not eligible for Medicare and for those recipients

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

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

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

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

1 condition of reemployment under KRS 70.293, 95.022, or  
2 164.952. Individuals who are eligible, pursuant to this subdivision,  
3 to be included in the Kentucky Employees Health Plan as provided  
4 by KRS 18A.225 to 18A.2287 may be rated as a separate class  
5 from other eligible employees and retirees for the purpose of  
6 determining medical insurance premiums.

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

12 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of  
13 trustees, in its discretion, may take necessary steps to ensure compliance with  
14 42 U.S.C. secs. 300bb-1 et seq.

15 (3) (a) Each employer participating in the County Employees Retirement System as  
16 provided in KRS 78.510 to 78.852 shall contribute to the insurance trust fund  
17 established by KRS 61.701 the amount necessary to provide the monthly  
18 contribution rate as provided for under this section. Such employer  
19 contribution rate shall be developed by appropriate actuarial method as a part  
20 of the determination of each respective employer contribution rate determined  
21 under KRS 78.635.

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

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

1 directly instead of having the contribution paid to accounts established  
2 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
3 78.520, or the insurance trust fund established under KRS 61.701. No  
4 member may receive a rebate or refund of contributions. If a member  
5 establishes a membership date prior to September 1, 2008, pursuant to  
6 KRS 61.552(2) or (3), then this paragraph shall not apply to the member  
7 and all contributions previously deducted in accordance with this  
8 paragraph shall be refunded to the member without interest. The  
9 contribution made pursuant to this paragraph shall not act as a reduction  
10 or offset to any other contribution required of a member or recipient  
11 under KRS 78.510 to 78.852.

12 5. The board of trustees, at its discretion, may direct that the contributions  
13 required by this paragraph be accounted for within accounts established  
14 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
15 78.520, or the insurance trust fund established under KRS 61.701,  
16 through the use of separate accounts.

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

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

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

26 3. Another state-administered retirement system, including the systems  
27 administered by Kentucky Retirement Systems, under a reciprocal

1 arrangement, except that any portion of the premium paid from the  
2 funds specified by subparagraph 2. of this paragraph under a reciprocal  
3 agreement shall not exceed the amount that would be payable under this  
4 section if all the member's service were in the County Employees  
5 Retirement System. 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 78.520, shall pay the balance; or

11 4. A combination of the fund sources described by subparagraph 1. to 3. of  
12 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           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 was disabled as a direct result of  
5           an act in line of duty as defined in KRS 78.510(48) or as a result of a  
6           duty-related injury as defined in KRS 61.621;
  - 7           2. 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          3. 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          4. 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.
- 27          (c) Notwithstanding paragraph (b) of this subsection, for a member participating

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

- 1. Dies as a direct result of an act in line of duty as defined in KRS 78.510 or dies as a result of a duty-related injury as defined in KRS 61.621, the monthly premium shall be paid for his or her spouse so long as the spouse remains eligible for a monthly retirement benefit;
- 2. Becomes totally and permanently disabled as defined in KRS 78.5524 as a direct result of an act in line of duty as defined in KRS 78.510, receives a satisfactory determination of a hazardous disability that is a direct result of an act in line of duty as defined in KRS 78.510, or becomes 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)(a), the monthly premium shall be paid for his or her spouse so long as the member and the spouse individually remain eligible for a monthly retirement benefit; and
- 3. Dies as a direct result of an act in line of duty as defined in KRS 78.510, dies as a result of a duty-related injury as defined in KRS 61.621, becomes totally and permanently disabled as defined in KRS 78.5524 as a direct result of an act in line of duty as defined in KRS 78.510, receives a satisfactory determination of a hazardous disability that is a direct result of an act in line of duty as defined in KRS 78.510, or becomes 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)(a), the monthly premium shall be paid for each dependent child as defined in KRS 78.510, so long as the member remains eligible for a monthly retirement benefit, unless deceased, and each dependent child individually remains eligible under KRS 78.510.

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

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

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

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

- 1                   78.615(1) or another state-administered retirement system.
- 2                   2. A member who meets the minimum service requirements as provided by
- 3                   subparagraph 1. of this paragraph shall upon retirement be eligible for
- 4                   the following monthly contribution rate to be paid on his or her behalf
- 5                   from the funds specified under paragraph (a)2. of this subsection:
- 6                   a. For members with service in a nonhazardous position, a monthly
- 7                   insurance contribution of ten dollars (\$10) for each year of service
- 8                   as a participating employee in a nonhazardous position;
- 9                   b. For members with service in a hazardous position, a monthly
- 10                  insurance contribution of fifteen dollars (\$15) for each year of
- 11                  service as a participating employee in a hazardous position; and
- 12                  c. Upon the death of the retired member, the beneficiary, if the
- 13                  beneficiary is the member's spouse, shall be entitled to a monthly
- 14                  insurance contribution of ten dollars (\$10) for each year of service
- 15                  the member attained as a participating employee in a hazardous
- 16                  position.
- 17                  3. The minimum service requirement to participate in benefits as provided
- 18                  by subparagraph 1. of this paragraph shall be waived for a member who
- 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(48) and
- 21                  the *premium for the member, the member's spouse, and for each*
- 22                  *dependent child as defined in KRS 78.510 shall be paid in full by the*
- 23                  *systems so long as the member, member's spouse, or dependent child*
- 24                  *individually remains eligible for a monthly retirement benefit*~~member~~
- 25                  ~~shall be entitled to the benefits payable under this subsection as though~~
- 26                  ~~the member had twenty (20) years of service in a hazardous position].~~
- 27                  4. The minimum service required to participate in benefits as provided by

1           subparagraph 1. of this paragraph shall be waived for a member who is  
2           disabled as a result of a duty-related injury as defined in KRS 61.621  
3           and is eligible for the benefits provided by KRS 61.621(5)(b), and the  
4           member shall be entitled to the benefits payable under this subsection as  
5           though the member had twenty (20) years of service in a nonhazardous  
6           position.

7           5. Notwithstanding the provisions of this paragraph, the minimum service  
8           requirement to participate in benefits as provided by subparagraph 1. of  
9           this paragraph shall be waived for a member who dies as a direct result  
10          of an act in line of duty as defined in KRS 78.510(48), who becomes  
11          totally and permanently disabled as defined in KRS 78.5524 as a direct  
12          result of an act in line of duty as defined in KRS 78.510, who dies as a  
13          result of a duty-related injury as defined in KRS 61.621, or who  
14          becomes disabled as a result of a duty-related injury as defined in KRS  
15          61.621 and is eligible for the benefits provided by KRS 61.621(5)(a),  
16          and the premium for the member, the member's spouse, and for each  
17          dependent child as defined in KRS 78.510 shall be paid in full by the  
18          systems so long as the member, member's spouse, or dependent child  
19          individually remains eligible for a monthly retirement benefit.

20          6. Except as provided by subparagraphs 3. and 5.~~[subparagraph 4.]~~ of this  
21          paragraph, the monthly insurance contribution amount shall be  
22          increased:

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

- 1 the increase specified by subdivision b. of this subparagraph; and
- 2 b. On January 1 of each year by five dollars (\$5) for members who
- 3 have accrued an additional full year of service as a participating
- 4 employee beyond the career threshold, subject to the following
- 5 restrictions:
- 6 i. The additional insurance contribution provided by this
- 7 subdivision shall only be applied to the monthly contribution
- 8 amounts provided under subparagraph 2.a. and b. of this
- 9 paragraph;
- 10 ii. The additional insurance contribution provided by this
- 11 subdivision shall only be payable towards the health plans
- 12 offered by the system to retirees who are not eligible for
- 13 Medicare or for reimbursements provided to retirees not
- 14 eligible for Medicare pursuant to subsection (6)(a)2. of this
- 15 section; and
- 16 iii. In order for the annual increase to occur as provided by this
- 17 subdivision, the funding level of retiree health benefits for
- 18 the system in which the employee is receiving the additional
- 19 insurance contribution shall be at least ninety percent (90%)
- 20 as of the most recent actuarial valuation and be projected by
- 21 the actuary to remain ninety percent (90%) for the year in
- 22 which the increase is provided.
- 23 7. The benefits of this paragraph provided to a member whose participation
- 24 begins on or after July 1, 2003, shall not be considered as benefits
- 25 protected by the inviolable contract provisions of KRS 78.852. The
- 26 General Assembly reserves the right to suspend or reduce the benefits
- 27 conferred in this paragraph if in its judgment the welfare of the

- 1 Commonwealth so demands.
- 2 8. An employee whose membership date is on or after September 1, 2008,  
3 who retires and is reemployed in a regular full-time position required to  
4 participate in the system or the Kentucky Retirement Systems shall not  
5 be eligible for health insurance coverage or benefits provided by this  
6 section and shall take coverage with his or her employing agency during  
7 the period of reemployment in a regular full-time position.
- 8 9. For purposes of this paragraph:
- 9 a. "Career threshold" for a member with service in a nonhazardous  
10 position means twenty-seven (27) years of service credited under  
11 KRS 16.543(1), 61.543(1), 78.615(1), or another state-  
12 administered retirement system and for a member with service in a  
13 hazardous position means the service requirements specified by  
14 KRS 78.5514(2)(a)2. or (3)(b), or 78.5516(6)(b), as applicable;  
15 and
- 16 b. "Funding level" means the actuarial value of assets divided by the  
17 actuarially accrued liability expressed as a percentage that is  
18 determined and reported by the system's actuary in the annual  
19 actuarial valuation.
- 20 (f) For members with service in another state-administered retirement system  
21 who select hospital and medical insurance plan coverage through the system:
- 22 1. The system shall compute the member's combined service, including  
23 service credit in another state-administered retirement system, and  
24 calculate the portion of the member's premium monthly contribution rate  
25 to be paid by the funds specified under paragraph (a)2. of this subsection  
26 according to the criteria established in paragraphs (a) to (e) of this  
27 subsection. Each state-administered retirement system shall pay

1           annually to the insurance trust fund established under KRS 61.701 the  
2           portion of the system's cost of the retiree's monthly contribution for  
3           single coverage for hospital and medical insurance plan which shall be  
4           equal to the percentage of the member's number of months of service in  
5           the other state-administered retirement plan divided by his or her total  
6           combined service and in conjunction with the reciprocal agreement  
7           established between the system and the other state-administered  
8           retirement systems. The amounts paid by the other state-administered  
9           retirement plans and by the County Employees Retirement System from  
10          funds specified under paragraph (a)2. of this subsection shall not be  
11          more than one hundred percent (100%) of the monthly contribution  
12          adopted by the respective boards of trustees;

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

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

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

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

- 1           1. Are not eligible for the same level of hospital and medical benefits as  
2 recipients living in Kentucky and having the same Medicare hospital  
3 and medical insurance eligibility status; or
- 4           2. Are eligible for retiree health subsidies as provided by subsection (4)(e)  
5 of this section, except for those recipients eligible for full premium  
6 subsidies under subsection (4)(e)5. of this section. The reimbursement  
7 program as provided by this subparagraph shall be available to the  
8 recipient regardless of the hospital and medical insurance plans offered  
9 by the systems.
- 10       (b) An eligible recipient shall file proof of payment for hospital and medical  
11 insurance plan coverage with the retirement office. Reimbursement to eligible  
12 recipients shall be made on a quarterly basis. The recipient shall be eligible  
13 for reimbursement of substantiated medical insurance premiums for an  
14 amount not to exceed the total monthly contribution rate determined under  
15 subsection (4) of this section.
- 16       (c) For purposes of recipients described by paragraph (a)1. of this subsection, the  
17 plan shall not be made available if all recipients are eligible for the same  
18 coverage as recipients living in Kentucky.

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