

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

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 78.510
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 78.5524 as
7 a direct result of an act in line of duty as defined in KRS 78.510,
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, 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 78.510,
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 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 each dependent child as defined in
24 KRS 78.510, 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 78.510.

- 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 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.