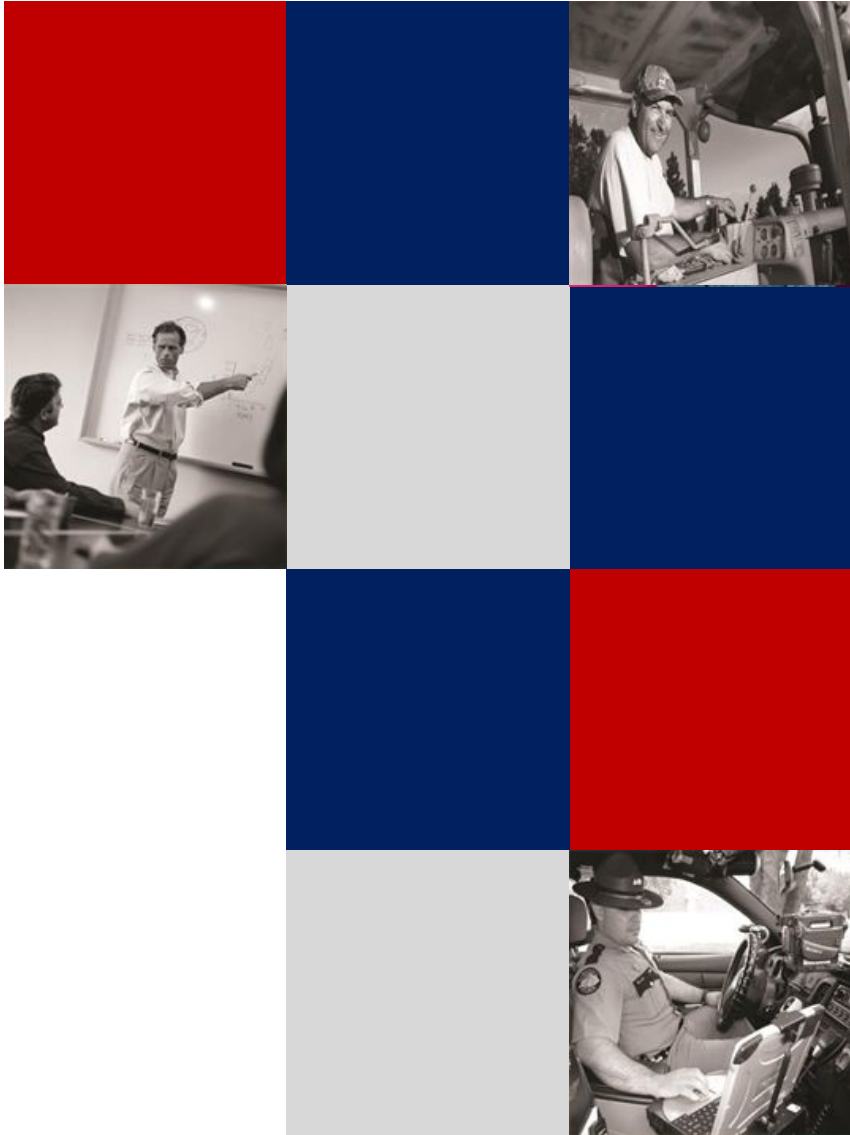




**County Employees Retirement System  
Board of Trustees – Regular Meeting  
October 16, 2024, at 2:00 pm ET (1:00 pm CT)  
Live Video Conference/Facebook Live**

**AGENDA**

- |   |  |
|---|--|
| <b>1. Call to Order</b>   | <b>Lisle Cheatham</b>                      |
| <b>2. Opening Statement</b>   | <b>Eric Branco</b>                         |
| <b>3. Roll Call</b>   | <b>Sherry Rankin</b>                       |
| <b>4. Public Comment</b>  | <b>Sherry Rankin</b>                       |
| <b>5. Chairman’s Corner</b>   | <b>Lisle Cheatham</b>                      |
| <b>6. Member Benefits Training – Payment Options, Pension Spiking &amp; Medicare Eligible Insurance</b> | <b>Erin Surratt<br/>KPPA Benefits Team</b> |
| <b>7. Adjourn</b>   | <b>Lisle Cheatham</b>                      |



# CERS Benefits Training

Erin Surratt, Executive Director, Office of Benefits

October 16, 2024



## Agenda

Retirement Payment Options  
Payment Option Descriptions  
Noteworthy Points  
Payment Option Examples

Pension Spiking  
History & Overview  
Pension Spiking Example  
Form 6487  
Pension Spiking Data

Health Insurance  
Transition to Medicare  
Medicare Advantage Plans  
MSP

Q & A



## Retirement Payment Options

Upon retirement, various payment options are offered to help members select the most suitable monthly benefit for their needs. Members are encouraged to carefully review these options, as they cannot be changed after the first day of the month in which the retirement payment is to be received, except in limited circumstances outlined in KRS 61.542.

Payment Option	Member Payment	Beneficiary Payment	Payment Period for Beneficiary	Special Conditions
Basic/Annuity	Highest monthly payment/annuity until death	Lump-sum payment of any remaining accumulated account balance (AABAL) if member dies before receiving an amount equal to their AABAL.	None	
Life w 10, 15, or 20 Years Certain	Monthly payment until death	If the member dies before the guaranteed period, the beneficiary will receive the remaining payments for the specified period beyond the member's initial retirement date. There is no beneficiary payment if member lives beyond the guaranteed period.	Up to: 10 years (120 mos.), or 15 years (180 mos.), or 20 years (240 mos.)	Available to members if: 10 Year: < age 76 15 Year: < age 68 20 Year: < age 62
*Survivorship 100%, 66 2/3%, or 50%	Monthly payment until death	100%, 66 2/3%, or 50% of the member's monthly payment.	Until death	
*Pop-Up	Monthly payment until death	Increases to Basic/Annuity if beneficiary dies first OR upon divorce.	Until death	

\*According to the IRS' Minimum Distribution Incidental Benefit (MDIB) Rule, if a non-spouse beneficiary is designated at the time of retirement, the availability of certain survivorship payment options may be restricted based on the age difference between the member and the beneficiary.

Payment Option	Member Payment	Beneficiary Payment	Payment Period for Beneficiary	Special Conditions
Social Security Adjustment Option (SSAO) without survivor rights	Higher monthly payment until age 62, then reduced based on the estimated Social Security (SS) amount at age 62.  **This option does not affect the amount of SS that the member will receive.	Lump-sum payment of any remaining AABAL if member dies before receiving an amount equal to their AABAL.	None	Member must be under age 62 to be eligible for this payment option.
*Social Security Adjustment Option (SSAO) with survivor rights		Beneficiary receives the higher payment until the member's 62 <sup>nd</sup> birthday, then the payment is reduced.	Until death	
Partial Lump Sum Option (PLSO) without survivor rights	Provides a one-time payment equal to 12, 24, 36, 48, or 60 times the monthly benefit under the Basic/Annuity option, plus an actuarially reduced monthly payment to the retired member until death.	Lump-sum payment of any remaining AABAL if member dies before receiving an amount equal to their AABAL.	None	
*Partial Lump Sum Option (PLSO) with survivor rights		Same payment as member.	Until death	
Ten Year Certain Tier 1 and Tier 2 Hazardous members only	Higher monthly payment for 10 years. After 10 years, payment ceases.	If the member passes away within 10 years of his/her initial retirement date, the beneficiary will receive the member's payment for the remainder of the 10-year period.	Up to 10 years from member's initial retirement date	No death benefit once the payment ceases. Member, spouse, and eligible dependents will continue to receive insurance benefits to which they are entitled.
*According to the IRS' Minimum Distribution Incidental Benefit (MDIB) Rule, if a non-spouse beneficiary is designated at the time of retirement, the availability of certain survivorship payment options may be restricted based on the age difference between the member and the beneficiary.				



Payment Option	Member Payment	Beneficiary Payment	Payment Period for Beneficiary	Special Conditions
*Actuarial/Lump Sum Refund	The higher of a one-time lump sum payment that is the actuarial equivalent of the total amount they would have received over 60 months and a one-time lump sum payment of the member's accumulated account balance.	None.	None	For Tiers 1 and 2, the refund is the total of contributions and interest if it exceeds the actuarial lump sum.  Tier 3 members are not eligible.  No health insurance or death benefit.

\*If a Tier 3 member is not vested (has less than 60 months of service credit), the member is only entitled to their contributions and interest when electing a lump sum refund.

## Noteworthy Points



Member must choose same payment option in all systems



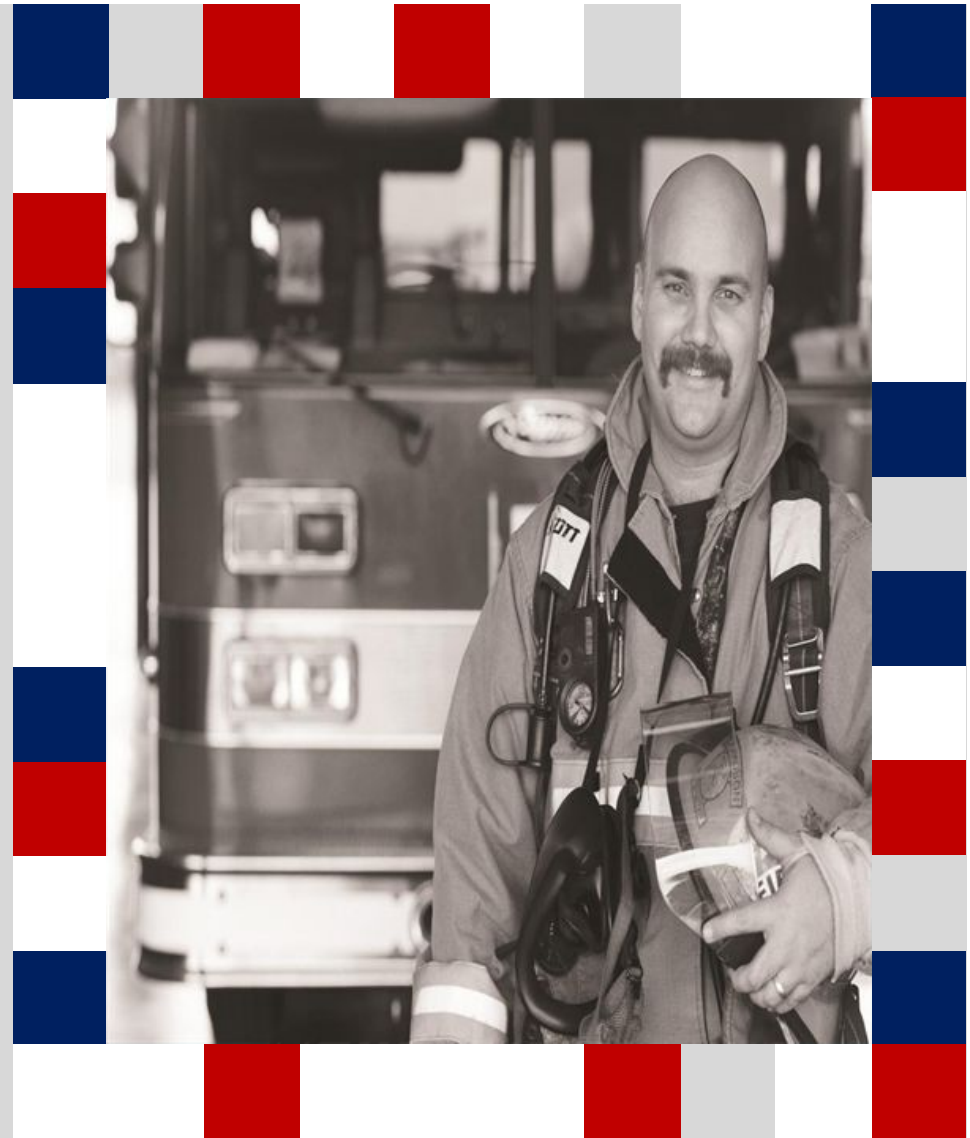
Eligible members and beneficiaries must be receiving a monthly payment to participate in the insurance program



Both monthly and lump sum payments are subject to federal and state income tax; however, KPPA will only withhold federal taxes



KRS 61.542(5) allows a member, under certain conditions, to change their beneficiary after retirement and, in limited circumstances, select another survivorship payment option





# Payment Option Example

Payment Option	Member Payment		(or) Beneficiary Payment	
Basic/Annuity	\$1,672.46		\$0.00	
Life with 10 years certain	\$1,645.61		\$1,645.61 (or) \$0.00	
Life with 15 years certain	\$1,613.85		\$1,613.85 (or) \$0.00	
Life with 20 years certain	\$1,571.05		\$1,571.05 (or) \$0.00	
Survivorship 100%	\$1,459.89		\$1,459.89	
Survivorship 66 2/3%	\$1,524.48		\$1,016.37	
Survivorship 50%	\$1,558.96		\$779.48	
Pop-Up Option	\$1,444.25 or Basic		\$1,444.25	
Estimated Age 62 SS: \$1,000.00	Until age 62	Age 62 & After	Until age 62	Age 62 & After
Social Security Option (without Survivor Rights)	\$2,596.16	\$1,596.16	\$0.00	\$0.00
Social Security Option (with Survivor Rights)	\$2,393.14	\$1,393.14	\$2,393.14	\$1,393.14
John Doe can also reject all monthly payment options and request an actuarial/lump sum refund of approximately \$87,504.33.				

SSAO Comparison

Social Security (SS) Adjustment Option Comparison Worksheet		
Retirement Date:		08/01/2024
Retirement Age:		60 - 11
Estimated Soc Sec Amt @ Age 60/62:		\$1,000.00
<b>Basic/Annuity:</b>		\$1,672.46
SS Adjustment Without Survivor Rights Before Age 62:		\$2,596.16
SS Adjustment Without Survivor Rights After Age 62:		\$1,596.16
<b>Before Age 62:</b>		
\$2,596.16	SS Adjustment Option Without Survivor Rights Before Age 62	
(\$1,672.46)	Basic	
\$923.70	Amount Gained per month by taking the SS Adjustment Option	
X	13	Months the member will earn inflated amount prior to age 62
<b>\$12,008.10</b>	<b>Total Amount Gained Prior to Age 62</b>	
<b>After Age 62 Assuming No Cost Of Living Raises are Given:</b>		
\$1,672.46	Basic/Annuity	
+	\$1,000.00	Estimated SS Amount at Age 62
<b>\$2,672.46</b>	<b>Total Income After Age 62 without the SS Adjustment Option</b>	
\$1,596.16	*SS Adjustment Option Without Survivor Rights After Age 62	
+	\$1,000.00	Estimated SS Amount at Age 62
<b>\$2,596.16</b>	<b>Total Income After Age 62 With the SS Adjustment Option</b>	
\$2,672.46	Total Income After Age 62 Without the SS Adjustment Option	
(\$2,596.16)	Total Income After Age 62 With the SS Adjustment Option	
<b>\$76.30</b>	<b>Total Amount Lost per Month After Age 62</b>	
\$12,008.10	Total Amount gained Prior to Age 62	
/	\$76.30	Total Amount Lost Per Month After Age 62
<b>13.12</b>	<b>Years for KPPA to Regain Additional \$ Paid to Member Prior to Age 62</b>	



SSAO Comparison

Social Security (SS) Adjustment Option Comparison Worksheet		
Retirement Date:		08/01/2024
Retirement Age:		60 - 11
Estimated Soc Sec Amt @ Age 60/62:		\$1,000.00
<b>Survivorship 100%:</b>		\$1,459.89
SS Adjustment With Survivor Rights Before Age 62:		\$2,393.14
SS Adjustment With Survivor Rights After Age 62:		\$1,393.14
<b>Before Age 62:</b>		
\$2,393.14	SS Adjustment Option With Survivor Rights Before Age 62	
(\$1,459.89)	Survivorship 100%	
\$933.25	Amount Gained per month by taking the SS Adjustment Option	
X	13	Months the member will earn inflated amount prior to age 62
<b>\$12,132.25</b>	<b>Total Amount Gained Prior to Age 62</b>	
<b>After Age 62 Assuming No Cost Of Living Raises are Given:</b>		
\$1,459.89	Survivorship 100%	
+	\$1,000.00	Estimated SS Amount at Age 62
<b>\$2,459.89</b>	<b>Total Income After Age 62 without the SS Adjustment Option</b>	
\$1,393.14	*SS Adjustment Option With Survivor Rights After Age 62	
+	\$1,000.00	Estimated SS Amount at Age 62
<b>\$2,393.14</b>	<b>Total Income After Age 62 With the SS Adjustment Option</b>	
\$2,459.89	Total Income After Age 62 Without the SS Adjustment Option	
(\$2,393.14)	Total Income After Age 62 With the SS Adjustment Option	
<b>\$66.75</b>	<b>Total Amount Lost per Month After Age 62</b>	
\$12,132.25	Total Amount gained Prior to Age 62	
/	\$66.75	Total Amount Lost Per Month After Age 62
<b>15.15</b>	<b>Years for KPPA to Regain Additional \$ Paid to Member Prior to Age 62</b>	



# Payment Option Example

Partial Lump Sum Option Without Survivor Rights		Member Payment	Beneficiary Payment
One Time Payment (12) =	\$20,069.52 PLUS	\$1,541.22	\$0.00
One Time Payment (24) =	\$40,139.04 PLUS	\$1,409.99	\$0.00
One Time Payment (36) =	\$60,208.56 PLUS	\$1,278.75	\$0.00
One Time Payment (48) =	\$80,278.08 PLUS	\$1,147.52	\$0.00
One Time Payment (60) =	\$100,347.60 PLUS	\$1,016.28	\$0.00
Partial Lump Sum Option With Survivor Rights		Member Payment	Beneficiary Payment
One Time Payment (12) =	\$17,518.68 PLUS	\$1,359.89	\$1,359.89
One Time Payment (24) =	\$35,037.36 PLUS	\$1,259.90	\$1,259.90
One Time Payment (36) =	\$52,556.04 PLUS	\$1,159.90	\$1,159.90
One Time Payment (48) =	\$70,074.72 PLUS	\$1,059.91	\$1,059.91
One Time Payment (60) =	\$87,593.40 PLUS	\$959.91	\$959.91

A lump sum payment is an eligible rollover distribution subject to special federal tax rules. KPPA does not withhold state taxes. Members should consult with a qualified tax advisor to determine federal and state tax withholdings.



### Partial Lump Sum Option Comparison Worksheet

JOSEPH E DEMO

Member ID:

Beneficiary: JOANNE DEMO

Retirement Date: 8/1/2024

Provided below is your estimated one-time and monthly benefit at each PLSO payment level, with and without survivor benefits.

**This is only an estimate; you are not guaranteed to receive these projected retirement benefits.** This estimate is provided prior to final wages and information being reported by the employer. Once the employer has reported final information and KPPA has completed a post retirement audit, the monthly benefit amount reduced by Partial Lump Sum listed below may be adjusted to reflect the monthly benefit you are entitled to receive retroactive to the retirement date. KPPA is required by law to correct all errors in records, including benefits that have already been paid and future benefits, without exception. If error correction reveals that the member has been overpaid, the member is required to repay those benefits.

**Partial Lump Sum Option without Survivor Benefits:** If the member dies before receiving total benefits equal to their accumulated account balance, the beneficiary will receive the remaining balance in one payment. The beneficiary is not eligible for monthly benefits and cannot participate in the health plans offered by KPPA.

PLSO Payment Levels	12 Months	24 Months	36 Months	48 Months	60 Months
Basic Amount	\$1,672.46	\$1,672.46	\$1,672.46	\$1,672.46	\$1,672.46
One-time Partial Lump Sum Amount	\$20,069.52	\$40,139.04	\$60,208.56	\$80,278.08	\$100,347.60
Basic Monthly Benefit Amount Reduced by Partial Lump Sum Amount	\$1,541.22	\$1,409.99	\$1,278.75	\$1,147.52	\$1,016.28
Estimated Additional Months of Service*	26	51	77	102	128

*\*For illustrative purposes, if you continue working, this is the amount of additional service credit you would need to accrue in order to retire, select the PLSO payment level, and still receive a monthly benefit that is comparable to your estimated Basic monthly benefit as of the retirement date included in this estimate.*

*\*\*Actuarial factors are included in this calculation to account for the member's age at retirement and service type (hazardous or nonhazardous)*

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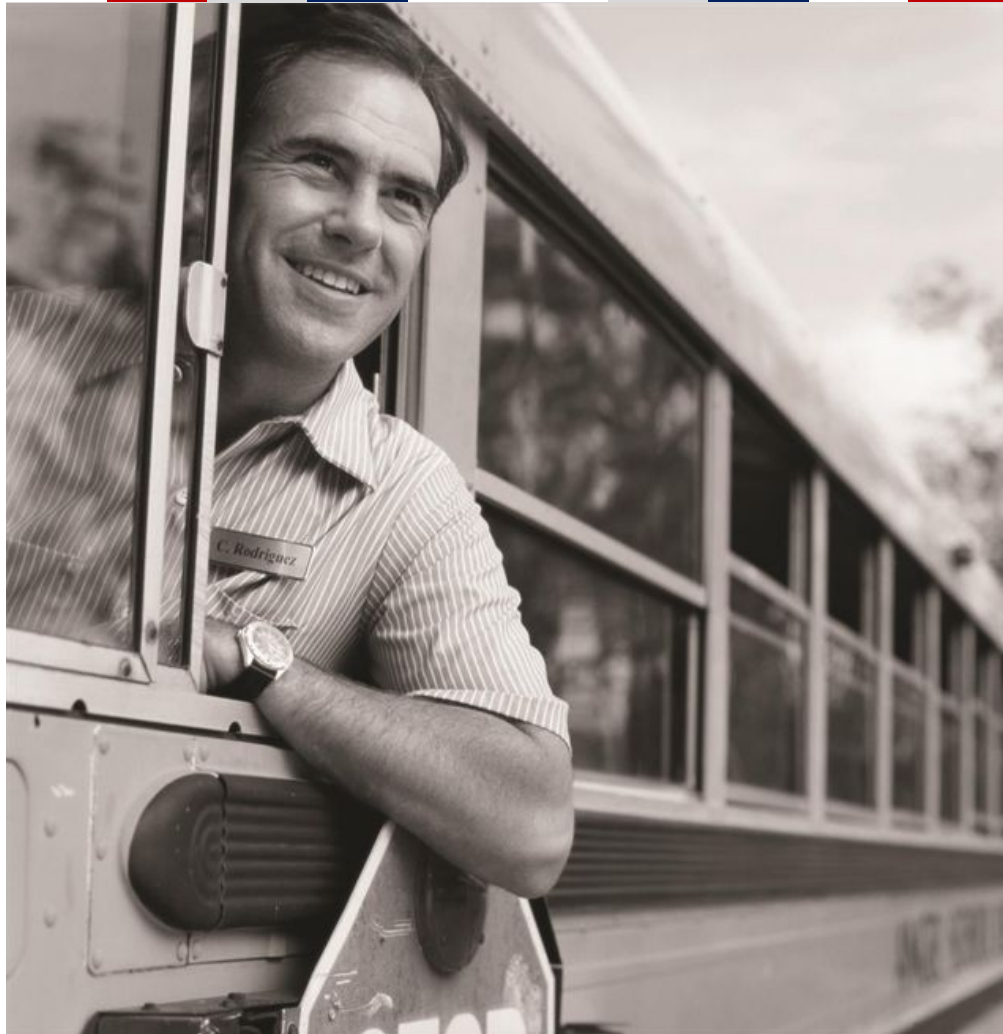


# PLSO Comparison

PLSO Payment Levels	12 Months	24 Months	36 Months	48 Months	60 Months
Survivorship 100%	\$1,459.89	\$1,459.89	\$1,459.89	\$1,459.89	\$1,459.89
One-time Partial Lump Sum Amount	\$17,518.68	\$35,037.36	\$52,556.04	\$70,074.72	\$87,593.40
Survivorship 100% Monthly Benefit Amount Reduced by Partial Lump Sum Amount	\$1,359.89	\$1,259.90	\$1,159.90	\$1,059.91	\$959.91
Estimated Additional Months of Service*	23	45	67	89	111
<p><i>*For illustrative purposes, if you continue working, this is the amount of additional service credit you would need to accrue in order to retire, select the PLSO payment level, and still receive a monthly benefit that is comparable to your estimated Survivorship 100% monthly benefit as of the retirement date included in this estimate.</i></p> <p><i>**Actuarial factors are included in this calculation to account for the member's age at retirement, service type (hazardous or nonhazardous), and survivor benefits.</i></p>					

**PLEASE KEEP IN MIND:**

The one-time Partial Lump Sum amount is an eligible rollover distribution subject to special federal tax rules. You may wish to contact a qualified tax advisor prior to selecting a Partial Lump Sum payment option, which may be subject to additional tax penalties. If you select a Partial Lump Sum payment option, KPPA will require you to complete the *Form 6025 – Direct Rollover or Payment Election Form for an Eligible Rollover Distribution* to either rollover your one-time Partial Lump Sum amount or receive direct payments of your one-time Partial Lump Sum amount.



## Pension Spiking

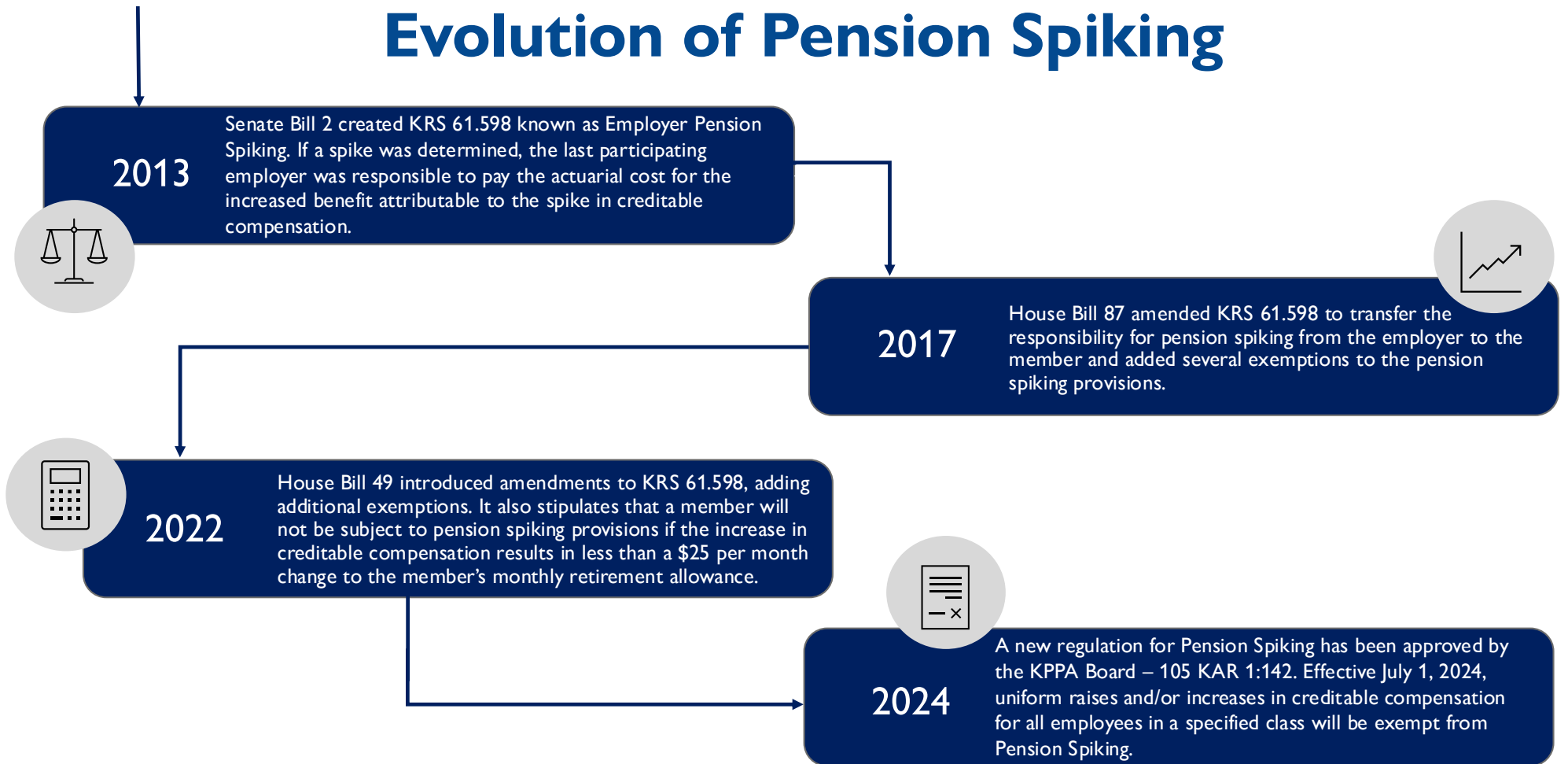
During the 2013 General Assembly, legislators passed Senate Bill 2 which became KRS 61.598.

Pension spiking occurs when there is a salary increase of more than 10% between consecutive years within the last five years of employment for Tier 1 (participation prior to September 1, 2008) and Tier 2 (participation September 1, 2008, through December 31, 2013) members.

Tier 3 (participation on, or after January 1, 2014) members are not subject to pension spiking.

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# Evolution of Pension Spiking





# Pension Spiking Exemptions

A Tier 1 or Tier 2 member's final compensation will be adjusted unless the increase in creditable compensation is due to one of the following exemptions:

## Member Pension Spiking Exemptions

1. Bona fide promotion or career advancement;
2. Lump sum payment from compensatory time at termination only;
3. Lump sum payout for alternate sick leave at termination;
4. Increases in years where the member was on leave without pay in the prior fiscal year;
5. An increase due to overtime work and pay as the result of a state or federal grant, grand pass-through, or a similar program that requires overtime as a condition or necessity of the employer's receipt of the grant;
6. An increase due to overtime work and pay required by a federal, state, or local government declared emergency; or
7. The first 100 hours of mandatory overtime in a fiscal year.

# Pension Spiking Example

In the example below, a spike is detected in the member's creditable compensation from Fiscal year 3 to Fiscal Year 4 of 14%. Fiscal year 4 must be adjusted to reflect the 10% limit From one year to the next.

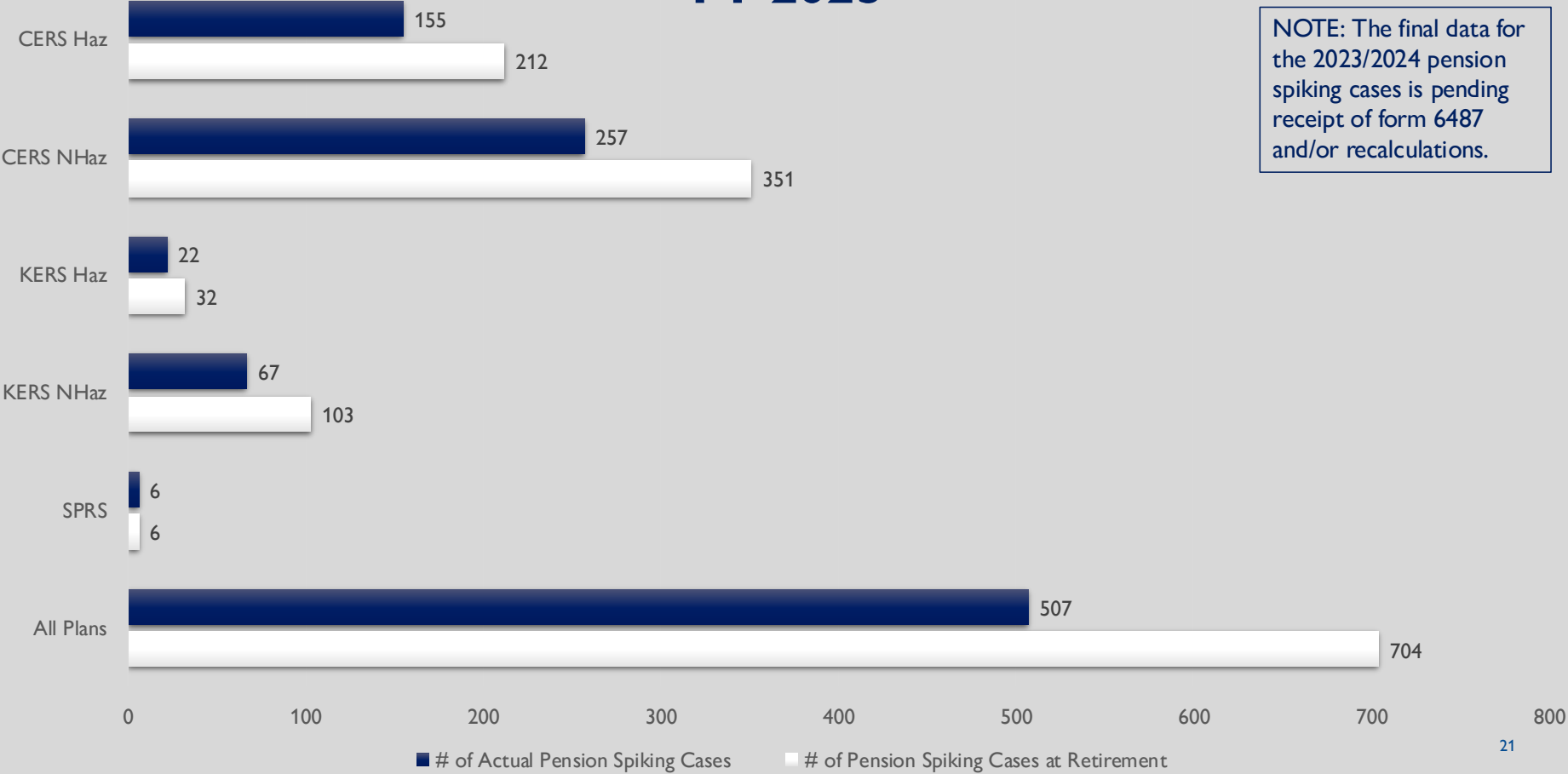
Last Fiscal Years	Creditable Compensation	Months of Service	Annualized	% Change	Spiking
Fiscal Year 5	\$18,750.00	12	\$18,750.00	0%	NO
Fiscal Year 4	\$18,695.00	12	\$18,695.00	14%	YES
Fiscal Year 3	\$16,333.25	12	\$16,333.25	8%	NO
Fiscal Year 2	\$15,152.33	12	\$15,152.33	-2%	NO
Fiscal Year 1	\$14,138.00	11	\$15,423.27	0%	NO

Example Pension Spiking Adjustment	
Fiscal Year 3 (prior year with no spike)	\$16,333.25
10% limit for Fiscal Year 4	X 1.10
Fiscal Year 4 Revised Creditable Compensation	\$17,966.58

**NOTE:** A member's final compensation will be adjusted unless the 10% increase in creditable compensation is due to an allowable exemption.

# Pension Spiking Data FY 2023

NOTE: The final data for the 2023/2024 pension spiking cases is pending receipt of form 6487 and/or recalculations.





## Medicare Eligible Health Insurance

KPPA provides health insurance plans for eligible retirees under 65, as well as for those over 65 who coordinate with Medicare for claim processing.

Humana is currently KPPA's Medicare Advantage provider.

# Transition to Medicare

Upon a retiree's 64th birthday, KPPA sends a flyer directing them to the Humana Group Employer Plan presentation, which explains the transition from KEHP plans to Humana Medicare Advantage plans, including benefits, coverage options, and the enrollment process.



Six weeks prior to a retiree's 65th birthday, KPPA sends a letter detailing the transition to Medicare, reminding them to complete the necessary steps for enrollment in a Medicare Advantage plan.



The Social Security Administration (SSA) automatically enrolls members in Part A (hospitalization), effective the first day of the month they turn 65.

However, members must apply for Part B (medical) coverage through the SSA office.

Proof of enrollment in both Part A and Part B is required to enroll in the Medicare Advantage Plan.



**KENTUCKY PUBLIC PENSIONS AUTHORITY**

Ryan Barrow, Executive Director  
1260 Louisville Road • Frankfort, Kentucky 40601  
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



July 15, 2024

NAME  
ADDRESS  
ADDRESS

Dear NAME:

This letter is in regard to an upcoming change in your medical insurance. If you are eligible for Medicare, you **must change your medical insurance coverage through the Kentucky Public Pensions Authority (KPPA)**. If you have End Stage Renal Disease, please contact our office for further instructions. Please be aware if you return to work with an employer who participates in Kentucky Public Pensions Authority, you may be prevented from enrolling in the KPPA Medicare Advantage Plan. Medicare eligible retirees who are not able to enroll in the KPPA Medicare Advantage plan may be eligible to enroll in a plan designated for retirees affected by the Medicare Secondary Payer Act. Please contact our office at [KPPAMedicareSecondaryPayer@kyret.ky.gov](mailto:KPPAMedicareSecondaryPayer@kyret.ky.gov) for assistance.

Information regarding the Medicare plans available through KPPA and a Form 6200, Kentucky Public Pensions Authority Health Plans for Medicare Eligible Persons, are enclosed. You must complete and return the Form 6200, along with a copy of your Medicare card, to KPPA no later than July 20, 2024, to have the Medicare Eligible coverage effective August 1, 2024. **If our office has not received your Form 6200 by August 20, 2024, your current coverage will be cancelled**, and you will be enrolled automatically in the KPPA Health Plan Medical Only. If you choose not to participate in the coverage, you will need to complete the Form 6200 to waive your coverage. **KPPA requires a copy of your Medicare card accompany your enrollment form.**

When applying for a KPPA Health Plan for Medicare Eligible Persons, it is assumed that Medicare Part A and Part B coverage has been obtained through the Social Security Administration office. Please be aware that failure to obtain Part B coverage may result in higher out-of-pocket medical expenses and premiums. Additionally, Humana Medicare Group PPO Medicare Advantage Essential and Premium plans require both Part A and Part B coverage.

KPPA will continue to pay the same percentage of the monthly contribution rate toward your Medicare eligible coverage that is paid toward your current coverage. If KPPA contributes toward a dependent's coverage, the same percentage will be contributed toward the dependent's single plan. Any portion of the premium that exceeds what KPPA pays will be deducted from your monthly benefit payment. If your portion of the premium exceeds your monthly benefit, you will be responsible for paying the additional amount owed every month.

You can submit completed forms and supporting documentation by upload through Retiree Self-Service at [myretirement.ky.gov](http://myretirement.ky.gov), by mail sent to 1260 Louisville Road, Frankfort, KY 40601; or by fax sent to (502) 696-8822.

Member ID: XXXXXX  
Letter: HI-028

6201

If you have questions about the Medicare plans offered through KPPA, you may contact our office at (502) 696-8800 or 1-800-928-4646. However, all questions concerning Medicare should be directed to your local Social Security Administration office.

Sincerely,  
Division of Retiree Health Care

Enclosures

Member ID: XXXXXX  
Letter: HI-028

6201

# Medical Insurance Benefits

## CY 2024 Medicare Eligible Health Insurance Plans – Medicare Advantage

Plan Option	Monthly Premium	2024 – Mirror Plan for members w/o Medicare Part B
Humana Medicare Employer PPO- <b>KPPA Premium</b> Prescription Drug Plan	\$93.35	\$328.11
Humana Medicare Employer PPO- <b>KPPA Essential</b> Prescription Drug Plan	\$4.07	\$228.98
<b>KPPA Medical Only*</b>	\$188.73	NA

\*The KPPA Medical Only plan is not a Medicare Advantage plan and does not provide any outpatient prescription drug benefits.

# Medical Insurance Benefits

**Members participating prior to 7/1/2003, use the Percentage Contribution Level guide below:**

Service Credit Percentage Contribution	% KPPA Pays	\$ Amount KPPA Pays
240 months or more	100%	\$188.73
180 – 239 months	75%	\$141.55
120 – 179 months	50%	\$94.37
48 – 119 months	25%	\$47.18
0 – 47 months	0%	\$0



# Medical Insurance Benefits

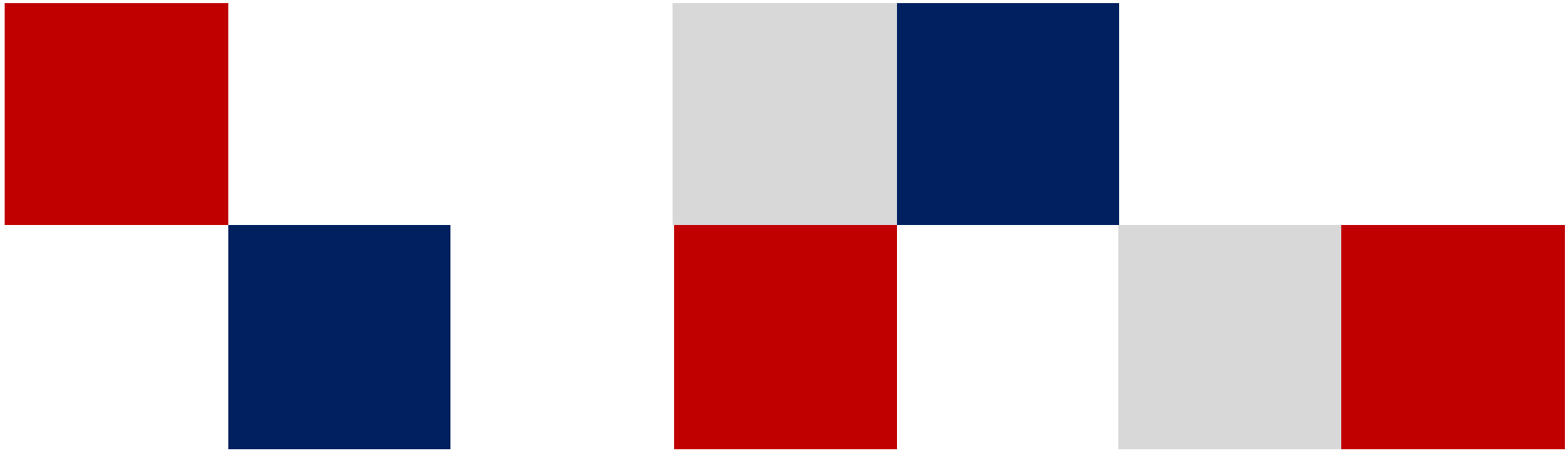
**Members participating on, or after 07/01/2003, use the Dollar Contribution guide below:**

- Participating 07/01/2003 through 08/31/2008: To be eligible for health insurance benefits, the member must have 120 months of service upon retirement.
- Participating 09/01/2008 and after: To be eligible for health insurance benefits, the member must have 180 months of service upon retirement.

Service Type	Monthly Dollar Contribution for Each Year of Service
Nonhazardous	\$14.63
Hazardous	\$21.94

**Hazardous Example for Dollar Contribution Plan:**

Dollar Contribution Amount	X	FULL Years of Hazardous Service	=	Monthly Dollar Contribution Amount
\$21.94	X	20	=	\$438.80



## Medicare Secondary Payer Act

Under the Medicare Secondary Payer (MSPA) Act, in certain circumstances, a Medicare eligible retiree's reemployment with a participating employer of a system administered by KPPA will **prohibit** KPPA from offering or continuing to offer retiree coverage under the KPPA - Humana Medicare Advantage Plan.

However, effective October 1, 2022, Medicare-eligible retirees who are not able to enroll in the KPPA Medicare Advantage Plan may be eligible for enrollment in a plan designed for retirees affected by the MSPA.

# Q & A

