

# **KCTCS RETIREMENT GUIDE 2013**

For Employees participating  
in the KCTCS Personnel System



KCTCS is an equal opportunity employer and education institution.

**KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM**

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# INTRODUCTION

## Retirement Benefits at KCTCS

Employees in the KCTCS personnel system may elect to participate in one of three retirement systems. **Within the first 30 days of employment, it is mandatory for a new employee to make a retirement election into either a defined benefit plan or a defined contribution plan,** as described below:

### 1. Defined Benefit Plans

- Kentucky Teachers Retirement System (KTRS)
  - Enrollment will depend upon the position held
- Kentucky Employees Retirement System (KERS)

### 2012/2013 CONTRIBUTION RATES

Retirement System	Employee Contribution	Employer Contribution
<b><i>Participants hired prior to 7/1/2008 ("Grandfathered" Plan)</i></b>		
KTRS -- <i>optional (pay social security)</i>	6.84%	14.52%
KTRS -- <i>mandatory (do not pay social security)</i>	10.855%	14.105%
<b><i>New participants hired on or after July 1, 2008</i></b>		
KTRS -- <i>optional (pay social security)</i>	7.16%	14.84%
<b><i>Participants hired prior to 9/1/2008</i></b>		
KERS -- non-hazardous duty	5.0%	23.61%
KERS -- hazardous duty	8.0%	35.89%
<b><i>New participants hired on or after September 1, 2008</i></b>		
KERS -- non-hazardous duty	6.0%*	23.61%
KERS -- hazardous duty	9.0%*	29.79%

\*1% allocated to KRS insurance funding, not returnable to employee

- These retirement systems are governed by Kentucky statute. Aside from the retirement benefits themselves, Long Term Disability benefits and Retiree Health Care are offered to participants.
- Vesting begins after 5 years of service.
- Details on regulations, policies and benefits are available at the respective retirement system by accessing or contacting:

**Kentucky Teachers Retirement System**  
 479 Versailles Rd.  
 Frankfort, KY 40601-3800  
 (800) 618-1687  
[www.ktrs.ky.gov](http://www.ktrs.ky.gov)

**Kentucky Retirement Systems**  
 Perimeter Park West  
 1260 Louisville Rd.  
 Frankfort, KY 40601-6124  
 (800) 928-4646  
[www.kyret.ky.gov](http://www.kyret.ky.gov)

## **2. Defined Contribution Plans**

A 403(b) defined contribution plan is also offered, and the employee may select one or more carriers to handle the investments in their retirement account.

- Employees contribute **5%** of the base salary
- KCTCS contributes **10%** of the base salary
- For employees hired before 7/1/2009 -- immediate 100% vesting of both employee and employer contributions
- For employees hired on or after 7/1/2009 -- immediate 100% vesting for employee contributions and 100% vesting after 5 years of continuous service for employer contributions

### **403(b) Carriers:**

ING	800-262-3862	<a href="http://www.ing-usa.com/">www.ing-usa.com/</a>
TIAA-CREF	800-842-2776	<a href="http://www.tiaa-cref.org">www.tiaa-cref.org</a>
American Century	800-345-3533	<a href="http://www.americancentury.com/index.jsp">www.americancentury.com/index.jsp</a>
Fidelity	800-343-0860	<a href="https://www.fidelity.com">https://www.fidelity.com</a>

### **3. Additional Supplemental Retirement Plans**

- Available for additional voluntary employee contributions
- 403(b) supplemental and 457 plans available through Defined Contribution carriers listed above
- 401(k) plans and 457 plans are available through the Kentucky Deferred Compensation Authority
  - (800) 542-2667
  - [www.kentuckydcp.com/](http://www.kentuckydcp.com/)
- Annual employee contribution limits are established by the IRS

#### **2013 Supplemental Retirement Contribution Limits**

Normal Limit	Catch-up Limit*	Total Amount Allowed**
\$17,500	\$5,500	\$22,500

\* *Catch-up amount is allowed to employees 50 years and older*

\*\* *Limit Applies to 457 Plans, 403(b) supplemental plans and to the combination of 403(b) supplemental and 401(k) plans*

### **4. Roth 401(k) and 403(b) Supplemental Employee Contributions**

- Available for additional voluntary employee contributions
- Available through all 403(b) carriers
- Roth 401(k) contributions available from the Kentucky Deferred Compensation Authority
- Roth contributions are combined with the pre-tax contributions to meet the IRS annual contribution limits.

**This handbook may offer information on the retirement process common to all systems, but it is specific to KCTCS employees retiring under the 403(b) retirement system.**

## **Retirement Eligibility for KCTCS Employees Participating in 403(b) Retirement Plans**

Eligibility for retirement for KCTCS faculty/staff members occurs when the combination of the employee's age and years of regular full-time service (with a minimum of 15 years of continuous service at the time of retirement) equals or exceeds the number 75 (often referred to as the "Rule of 75").

For purposes of calculating years of service toward retirement under KCTCS personnel policies, the faculty/staff member's date of hire is based upon their total years of continuous service with KCTCS, UK and/or 18A/151B personnel policies.

### **Termination of Employment vs. Retirement**

If an employee who does not meet the above criteria for retirement terminates employment, he/she will still have access to their retirement funds. The funds will always include their employee contributions and will include employer contribution if they are vested. Access to the funds will be subject to IRS regulations. See page 8 for further information on accessing these funds.

You must have 15 years of continuous service with KCTCS to be eligible for the health credit for Retiree Health. However, employees hired with an effective date on or after July 1, 2009, who retire under the provisions of KCTCS Board of Regents policy 3.7 are not eligible for participation in a KCTCS-sponsored retiree health plan.

Also, if you are age 65 or older with between 5-15 years of service when you terminate employment, you may participate in the KCTCS Medicare Eligible Health plan at your own expense.

# What Steps Do I Take to Retire from KCTCS?

## Notification of Intent to Retire

- *Written notification of your intent to retire must be given to your college HR department 3 months prior to your intended retirement date.*
  - KCTCS related policies can be found in Appendix A at the back of this booklet
- Your college will notify KCTCS System Office Human Resources Department of your intent to retire and the date you have selected.
- The System Office Human Resources/Benefits department will contact you with details of the effect of your retirement on your benefits, as well as details regarding your retiree health coverage, including:
  - The amount you will be contributing and billed for;
  - If you are over age 65, you will receive materials for enrollment in the Medicare Eligible plan; and
  - If you have health insurance coverage on your spouse and/or dependent, appropriate forms and information will be forwarded regarding their continuation of coverage either under your early retirement plan or their own plan should you be covered under the Medicare Eligible plan.
- If you are age 65 or over, or within 3 months of turning 65 at your retirement, you should contact the Social Security Administration to sign up for Medicare (see Medicare section page 12).
- If you wish to begin drawing your Social Security benefits, you will need to contact the Social Security Administration (see Social Security section page 10).

- The System Office Benefits department becomes your administrator for Human Resources/Benefits issues. They will provide you with:
  - Open enrollment materials and notifications;
  - Information on plan changes;
  - Material when you or a covered spouse will turn 65 and must enroll in the Medicare Eligible plan;
- You must contact the System Office Benefits department for qualifying events and/or family status change events (marriage, divorce, death, gaining or losing other coverage).
- A monthly billing for your portion of Retiree Health benefits will be issued from a Trustee/Administrator. The Systems Office Benefits department will maintain relations with the health insurance carrier and Trustee/Administrator and provide eligibility and enrollment information to them on your behalf.

## **Accessing Your Retirement Funds**

**What do I do with previous retirement assets?** An employee can:

- Leave the money where it is with no penalties;
- Rollover the money to another qualified plan (for example, an IRA);
- Rollover the money to the new employer's plan, if allowed, and continue making contributions;
- Take distribution that will be taxable as ordinary income, with an additional 10% penalty (if applicable);
- Maintain years of service if the employee has prior years in the KTRS or KERS systems, or be paid out for the contributions.

### **How do I access my funds in a 403(b) plan?**

- In some cases, an employee may access plan funds with no penalty if they separate from employment during the year in which they turn age 55.

### **How do I transfer money from one carrier to another carrier?**

- The employee needs to contact the carrier which will be receiving the funds. The receiving carrier will initiate all required paperwork between the employee and the prior carrier.

### **What constitutes a “separation of service”?**

- An employee is considered separated from service when they retire or terminate employment. “Opting over” to the KCTCS personnel system from another personnel system does NOT constitute a separation of service.

### **How do I retire under each of the retirement systems offered at KCTCS?**

- **Under a 403(b) plan –**
  - The employee must give the employer 3 months written notice before retirement;
  - Once the employee has separated from service, he/she may:
    - Cash out the contract by contacting the carrier(s) concerning taxes and possible penalties;
    - Take one of the many distribution options offered by their chosen carrier(s);
    - Rollover the funds into a tax-deferred rollover IRA without paying income taxes, or rollover the funds into a Roth IRA and pay income taxes on the distribution;
    - Choose not to take a distribution at the beginning of retirement and leave the funds in place with the carrier(s).

- **Under KERS –**
  - the employee must notify KERS and the employer;
  - Form 6000, “Notification of Retirement” must be submitted by KERS;
  - a refund of employee contributions will be made if the employee has less than five years of service with KERS
  
- **Under KTRS –**
  - the employee must notify KTRS and the employer;
  - the employee must complete a retirement application and return it to KTRS;
  - a refund of employee contributions will be made if the employee has less than five years of service with KTRS.

### **Return to Work Issues**

Each retirement system has their own rules governing being re-hired by previous employers (in this case KCTCS). Please check with your retirement carrier on your situation or visit their web-site for further information.

If waiting periods are not met or there is not a “bona-fide separation of service” (there is a pre-arrangement for the employee to return to work upon their retirement) you could experience negative consequences to your retirement benefit.

# SOCIAL SECURITY

Social Security is an income benefit, usually collected by retirees, for individuals aged 62 and older who have attained at least 40 credits from the Social Security Administration while they were employed. Disability and survivor's benefits may also be available for people younger than age 62.

## For 2013

**Earnings Limitations** – Survivors' and retirement benefits may be affected for working individuals

- Working individuals who receive Social Security survivors' or retirement benefits and who are *between ages 62 and the Full Retirement Age* (see the "Full Retirement Age" chart below) can earn up to **\$15,120 in 2013 without penalty**.
  - After earning this amount, \$1 is withheld from benefits for every \$2 earned.
- Working individuals who reach Full Retirement Age (see the "Full Retirement Age" chart below) can earn up to **\$40,080 during 2013 without penalty**.
  - After earning this amount prior to the month that their Full Retirement Age is attained, \$1 is withheld for every \$3 earned.
  - Income earned in and after the month that the Full Retirement Age is attained **during 2013** is earned without penalty.
- Working people who have attained Full Retirement Age (see the "Full Retirement Age" chart below) receive their benefits with no amount withheld no matter how much they earn in wages.

**Early retirement** can still begin as early as age 62, but your Social Security benefit amount will be reduced. The amount of the reduction is based on when you were born and how early you start your retirement.

**Full Retirement Age (FRA)** is the age of retirement for which you receive full Social Security retirement benefits. This age will gradually increase in steps from age 65 to age 67 for new retirees (note the full Retirement Age to receive survivor's benefits is slightly different from this chart). Use the chart below to determine Full Retirement Age for retirees:

Year of Your Birth	Your Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

To view the Social Security Administration’s final rules on Full Retirement Age, please visit their web-site.

<http://www.ssa.gov/>

***Increased retirement benefits*** are obtained if you work past your Full Retirement Age as described above.

***Before choosing your retirement date,*** you should contact the Social Security Administration about 3 months prior to the date you would like to retire to make sure you understand the options that are available and to determine the best month in which to start collecting benefits. You can apply in person at a local Social Security office, by phone at 1.800.772.1213, or online. To apply for retirement benefits, you’ll need your Social Security number, birth certificate, most recent year’s W-2 form(s), and the name of your bank or other financial institution and your checking account number in order to start the direct deposit of retirement benefits into your account. Other documents will be needed for non-citizens and to receive survivor’s benefits.

# MEDICARE

## **Where do I find information on Medicare benefits?**

Although Social Security determines entitlement to Medicare benefits, the Medicare program is administered by a different agency, the Centers for Medicare & Medicaid Services (CMS).

### *Web-sites:*

<http://www.ssa.gov/pgm/medicare.htm>

<http://www.medicare.gov/>

## **When am I eligible for Medicare?**

Most people qualify for Medicare when they turn age 65. You qualify for it if you're eligible for Social Security or Railroad Retirement benefits. Or you may qualify on a spouse's (including divorced spouse's) record. Others qualify because they are government employees not covered by Social Security, but who paid the Medicare part of the Social Security tax. In addition, if you've been getting Social Security disability benefits for 24 months or get Social Security disability benefits and have amyotrophic lateral sclerosis (Lou Gehrig's disease), you'll qualify for Medicare. You may also qualify if you have permanent kidney failure and you receive maintenance dialysis or a kidney transplant.

## **I'll be 65 years old soon. When should I sign up for Medicare?**

Generally, people are advised to file for Medicare benefits 3 months before age 65. Remember, Medicare benefits can begin no earlier than age 65. If you are already

receiving Social Security, you will automatically be enrolled in Medicare Part A and Part B without an additional application. However, because you must pay a premium for Part B coverage, you have the option of turning it down. (**NOTE:** It is always advantageous to **not** apply for Medicare Part B while you are actively working. You can then sign up for it during a “Special Enrollment Period”.) You will receive a Medicare card about two months before turning age 65.

If you would like to file for Medicare only, you can apply by calling 1-800-772-1213. Representatives there can make an appointment for you at any convenient Social Security office and advise you what to bring with you. When you apply for Medicare, they often also take an application for monthly benefits. You can apply for retirement benefits online.

### **What are the differences between Medicare Parts A, B, C and D?**

There are four parts to Medicare:

- Medicare Part A, Hospital Insurance;
- Medicare Part B, Medical Insurance;
- Medicare Part C (Medicare Advantage), which was formerly known as "Medicare + Choice"; and
- Medicare Part D, prescription drug coverage.

Generally, people who are over age 65 and getting Social Security automatically qualify for Medicare Parts A and B.

**Part A** is paid for by a portion of Social Security tax. It helps pay for inpatient hospital care, skilled nursing care, hospice care and other services.

**Part B** is paid for by the monthly premiums of people enrolled and by general funds from the U.S. Treasury. It helps pay for doctors' fees, outpatient hospital visits, and other medical services and supplies that are not covered by Part A. The premium is established each year. After enrollment, your premium payment is automatically deducted from your monthly Social Security benefit

**Part C** (Medicare Advantage) plans allow you to choose to receive all of your health care services through a provider organization. These plans may help lower

your costs of receiving medical services, or you may get extra benefits for an additional monthly fee. You must have both Parts A and B to enroll in Part C.

**Part D** (prescription drug coverage) is voluntary and the costs are paid for by the monthly premiums of enrollees and Medicare. Unlike Part B in which you are automatically enrolled and must opt out if you do not want it, you have to opt in to participate in Part D by filling out a form and enrolling in an approved plan.

More information may be found in the publication called Medicare and You, publication number CMS-10050. Many of their other publications are available on the internet.

### **What is the difference between a Medicare Advantage plan, a Medicare Supplement plan and a Medigap plan?**

**Medicare Advantage Plan** – A plan offered by a private company which contracts with Medicare to provide you with all your Medicare Part A and Part B benefits. Medicare Advantage plans are HMO's, PPO's or private Fee-for-Service plans. If you are enrolled in a Medicare advantage plan, Medicare services are covered through the plans and are not paid for under the original Medicare.

**Medicare Supplement plan** – A plan sold by private insurance companies designed to help pay some of the medical expenses that Medicare does not pay.

**Medigap plan or policy** – A Medicare supplement insurance sold by private insurance companies to fill in “gaps” in original Medicare plan coverage based on standardized coverage outlined by the government.

### **If I retire at age 62, will I be eligible for Medicare at that time?**

No. Medicare benefits based on retirement do not begin until a person is age 65. If you retire at age 62, you may be able to continue to have medical insurance coverage through your employer or purchase it from a private insurance company until you turn age 65 and become eligible for Medicare.

For more information about who can get Medicare, please see Medicare publication # CMS-10050. There are also many related publications available on the internet.

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## **Medicare Enrollment**

**Individuals who are age 65, working and covered by their employer's health plan or individuals age 65 or older and are covered by their working spouse's health plan would enroll in Medicare Part B during the "Special Enrollment Period" as outlined below without penalty.**

**The working employee's or working spouse's health plan would provide primary health insurance coverage, while Medicare would be the secondary payer.**

### **Enrolling in Medicare Part B**

You must decide for yourself whether or not to enroll in Medicare Part B. Medicare Part B helps cover your doctors' services, outpatient hospital care, and some other medical services that Medicare Part A doesn't cover, such as some of the services of physical and occupational therapists, and some home health care.

### **How and when you enroll in Medicare Part B depend on your situation**

Information is available at [www.medicare.gov](http://www.medicare.gov) on the web to help you make decisions about enrolling in Medicare Part B.

- **If you are under age 65 and disabled**, generally you are automatically enrolled in Medicare Part B after you get disability benefits from Social Security or the Railroad Retirement Board for 24 months.
- **If you didn't sign up for Medicare Part B when you first became eligible**, you may sign up at other times. Exactly when you can enroll depends on your situation.

- If you aren't automatically enrolled in Medicare Part B, you will need to contact the Social Security Administration to get enrolled.
  - Call the Social Security Administration at 1-800-772-1213. TTY users should call 1-800-325-0778.
  - Some people who meet certain conditions may be able to apply online – check the Social Security Administration's website for online application information.
- ***Please note: Premiums for Medicare Part B are not included in your Retiree Health Billings. Generally, Part B premiums are deducted from your Social Security check and/or deposit.***

## **How to Enroll in Medicare Part B**

### **Initial Enrollment Period**

The Initial Enrollment Period is a seven-month period that begins 3 months *before* the month you are first eligible for Medicare Part B. For most people, the Initial Enrollment Period begins three months *before* the month you turn age 65. It ends three months after you turn age 65.

You can sign up for Medicare part B anytime during your Initial Enrollment Period. However, if you want Medicare Part B coverage to begin the month you turn age 65, you must sign up for it during the first three months of your Initial Enrollment Period. If you wait until you are age 65, or sign up during the last three months of your Initial Enrollment Period, your Medicare Part B start date will be delayed. **If you don't sign up for Medicare Part B during your Initial Enrollment Period, you may have to pay extra for your Medicare Part B premium\*. (\* Unless you qualify for the Special Enrollment Period)**

### **What if I didn't enroll in Medicare Part B when I first became eligible?**

If you didn't sign up for Medicare Part B when you first became eligible (during your Initial Enrollment Period), you may be able to sign up during the other two enrollment periods:

- The General Enrollment Period, or
- The Special Enrollment Period.

### **The General Enrollment Period for Medicare Part B**

This period runs from January 1 through March 31 of each year. During this time, you can sign up for Medicare Part B at your local Social Security Office. Your Medicare Part B coverage will start on July 1 of the year you sign up.

### **The Special Enrollment Period for Medicare Part B**

This enrollment period is available if you are eligible for Medicare based on age 65 or disability but waited to enroll in Medicare Part B **because you or your spouse were working and you had group health plan coverage through an employer or union based on this work.**

If this applies to you, you can sign up for Medicare Part B anytime while you are covered by the group health plan based on current employment status or during the eight-month period following the month the group health plan coverage ends or the employment ends, whichever is first.

### **If you are still working and plan to keep your employer's group health plan coverage:**

You should talk to your benefits administrator or your State Health Insurance Assistance Program to help you decide the best time to enroll in Medicare Part B.

When you sign up for Medicare Part B, you automatically begin your Medigap (Medicare Supplement Insurance) open enrollment period. Once your Medigap open enrollment period begins, it can't be changed or restarted.

If you are disabled and have group health plan coverage based on your own or family member's current employment, the Medicare Part B Special Enrollment Period rules may also apply.

**Important: Most people who sign up for Medicare Part B during a Special Enrollment Period don't pay higher premiums.** However, if you are eligible but don't sign up for Medicare Part B during the Special Enrollment Period, you will only be able to sign up during the General Enrollment Period, and the cost of Medicare Part B may go up.

## **What You Need to Know about Medicare Part D**

Your existing prescription drug coverage through the Kentucky Employee's Health Plan (KEHP) and the KCTCS offered Medicare Eligible plan is on average as good, or better than the standard Medicare prescription drug coverage (Medicare Part D). You can keep your existing group prescription coverage and choose not to enroll in a Medicare Part D Plan.

A Notice of Creditable Coverage will be supplied to you. **KEEP this Notice of Creditable Coverage for later use!** You will not be penalized if you later decide to enroll in a Medicare prescription drug plan if you have your copy of the Notice. However, if you drop your entire group coverage and do not enroll in a Medicare Part D plan after the group coverage ends, you may be penalized if you enroll in a Medicare Part D Plan later.

*(Notices of Creditable Coverage are available in Appendix C and Appendix D at the end of this booklet.)*

## 2013 Medicare Rates

Each year Medicare sets how much you pay for its premiums, deductibles, and copayments. Here are the rates for 2013.

### Part A Premiums

Most people do not pay for Part A because they paid Medicare taxes for 40+ quarters while working. For those who have less than 30 quarters of covered employment, the Medicare Part A coverage can be purchased for **\$441.00/month** for 2013.

### Part B Premiums

The Medicare Part B premium increased to a minimum of **\$104.90/month** for 2013. Note below that that cost of the Part B premium is based on income level – the higher the income, the more the premium costs per month.

<i><b>Tax Return Income (Individual)</b></i>	<i><b>Joint Tax Return Income (Married Couples)</b></i>	<i><b>2013 Monthly Part B Premium</b></i>
Up to \$85,000	Up to \$170,000	\$104.90
\$85,001 to \$107,000	\$170,001 to \$214,000	\$146.90
\$107,001 to \$160,000	\$214,001 to \$320,000	\$209.80
\$160,001 to \$214,000	\$320,001 to \$428,000	\$272.70
Over \$214,000	Over \$428,000	\$335.70

Costs will go up every year for the next two years for those with higher incomes.

## Deductibles and Copayments

**Part A Deductible:** 2013 Part A deductible is **\$1,184** per illness

**Part B Deductible:** The 2013 Part B deductible is **\$147**.

**Part A Copayments:** The Part A deductible covers the first 60 days of a Medicare-covered hospital stay. Then you pay **\$296/day** for days 61 through 90. After the 90th day, your co-pay for lifetime reserve days is **\$592/day**.

## 2013 Medicare Part D Benefits

<b>Prescription Expense</b>	<b>Medicare Part D Pays</b>	<b>You Pay</b>	<b>Description</b>
\$1 -- \$325	\$ 0.00	\$325	Deductible
\$325 -- \$2970 (next \$2645.00)	\$1,983.75 75%	\$661.25 25%	Co-Insurance
\$2970 --\$6,733.75 (next \$3763.75)	\$0	\$3,763.75	the “Donut Hole”
<b>Total</b>	<b>\$1,983.75</b>	<b>\$4,750</b>	
\$6,733.75+	Approx 95%	5% or minimum copay (\$2.65 for generic or \$6.60 for name brand) whichever greater	Catastrophic Coverage

## The Medicare Part D and the “Donut Hole”

If you reach the coverage gap, (also known as the “donut hole”) in your Medicare prescription drug coverage, you will get the following if you are not already receiving Medicare Extra Help:

- A 52.5% discount on covered brand-name drugs when you buy them at a pharmacy or order them through the mail
- Medicare will pay 21% of the price for generic drugs during the coverage gap.

## RETIREE HEALTHCARE

*An employee hired with an effective date on or after July 1, 2009, who retires under the provisions of KCTCS Board of Regents policy 3.7 is not eligible for participation in a KCTCS sponsored retiree health plan.*

For employees hired prior to July 1, 2009, Early Retirees (under age 65) will be eligible for the same health plans that are available to active KCTCS employees through the Kentucky Employees Health Plan (KEHP) except for the Commonwealth Maximum Choice Plan which is not available to retirees. You may view the health plan options at <http://www.personnel.ky.gov/dei/2013+Plan+Year/>

KCTCS will provide an employer contribution (credit) not to exceed the cost of the premium. Retirees will be billed on a monthly basis for the insurance premiums not covered by the KCTCS employer credit.

The surviving spouse may receive one half of the applicable single credit if the retiree had coverage on the spouse and was eligible to receive the credit at the time of death. Surviving spouse coverage continues for life.

Premium and contribution rates and plan benefits will be reviewed and are subject to change in January of each year following each Open Enrollment period.

**A faculty/staff member must have 15 years or more continuous, regular full-time service or its equivalent to be eligible to remain on a health plan with KCTCS and receive the employer credit.**

Retirees and any eligible dependents who are age 65 or older and eligible for Medicare are no longer eligible to participate in the Kentucky Employees Health Plan. They are eligible to participate in any Medicare Eligible Coverage plan offered by KCTCS.

For 2013, KCTCS offers the Anthem "Blue Seniors' Standard (Low Option)" and "Blue Seniors' Standard with Prescription Drug Rider (High Option)" Medicare Eligible plans. Low Option coverage does not provide any

prescription drug benefits. Anthem Blue Seniors' is available nation-wide.

If the KCTCS retiree elects the high option plan with prescription coverage, the plan's prescription benefit provides "creditable coverage" and the retiree does not need to sign up for Medicare Part D.

A copy of the KCTCS Medicare Eligible Plan Creditable Coverage Notice is located in Appendix D at the back of this booklet.

If the KCTCS retiree elects the low option plan without prescription drug coverage, it is recommended that the retiree sign up for an available Medicare Part "D" plan in their state of residence.

<b>Anthem Blue Seniors' Rates for Plan Year 2013</b>			
<b>Plan/Coverage Level</b>	<b>Monthly Rate</b>	<b>KCTCS Contribution (credit)</b>	<b>Monthly Cost to Retiree</b>
High Option Retiree Only	\$ 340.00	\$309.00	<b>\$31.00</b>
High Option Retiree's Spouse	\$ 340.00	\$0.00	<b>\$340.00</b>
High Option Retiree and Spouse	\$680.00	\$309.00	<b>\$371.00</b>
High Option Surviving Spouse	\$ 340.00	\$170.00	<b>\$170.00</b>
High Option Retiree (with 5-15 yrs of service )	\$ 340.00	\$0.00	<b>\$340.00</b>
Low Option Retiree Only	\$151.00	\$151.00	<b>\$0.00</b>
Low Option Retiree's Spouse	\$151.00	\$0.00	<b>\$151.00</b>
Low Option Retiree and Spouse	\$302.00	\$151.00	<b>\$151.00</b>
Low Option Surviving Spouse	\$151.00	\$75.50	<b>\$75.50</b>
Low Option Retiree (with 5-15 yrs of service )	\$151.00	\$0.00	<b>\$151.00</b>

KCTCS will contribute up to \$ 309.00 monthly in 2013 (not to exceed the premium cost) towards the purchase of a KCTCS sponsored Medicare Eligible Secondary Coverage policy for an eligible KCTCS retiree.

The KCTCS employer contribution (credit) is available to the KCTCS Retiree only and not to the retiree spouse and/or dependent.

If the retiree needs to cover his/her spouse, there may be better options for the spouse in the marketplace, such as Medicare Advantage plan offerings.

The surviving spouse may receive one half of the employer contribution (credit) if the retiree had coverage on the spouse and was eligible to receive the credit at the time of retiree's death. Surviving spouse coverage continues for life.

A faculty/staff member who is 65 years old or older and has a minimum of 5 years but less than 15 years of continuous, regular full-time service is eligible to participate in the Medicare Eligible plan with KCTCS but is not eligible to receive the employer contribution (credit). He/she must pay the entire cost of the premium.

Premium and contribution rates and plan benefits will be reviewed and are subject to change in January of each year following each Open Enrollment period.

Any premiums not covered by the KCTCS contribution credit will be billed on a monthly basis. Administration of the billing will be handled by the KCTCS System Office Employee Benefits Department, including processing of enrollments. Monthly invoices will be issued by a Trustee/Administrator designated by KCTCS.

***An employee hired with an effective date on or after July 1, 2009, who retires under the provisions of KCTCS Board of Regents policy 3.7 is not eligible for participation in a KCTCS sponsored retiree health plan.***

## **Benefits Payment/Coordination of Benefits**

Medical charges are first submitted to Medicare, your primary coverage and paid in accordance with its benefits schedule. Any unpaid amounts including deductibles, coinsurance, etc. will then be billed to the Anthem Blue Seniors' plan, your secondary carrier. These bills will then be paid in accordance with this plan's schedule of benefits. You pay any remaining charges after both Medicare and the KCTCS Medicare Eligible (Anthem Blue Seniors') plan have been applied.

## **Retiree Health Plan Administration**

The KCTCS System Office Human Resources/Benefits is responsible for the administration of your Retiree Health Care.

### **Contact information:**

#### **KCTCS Human Resources/Benefits**

**300 North Main Street**

**Versailles, KY 40383**

**(859) 256-3100**

**Fax: (859) 256-3119**

# WHAT HAPPENS TO MY OTHER BENEFITS WHEN I RETIRE?

## **Health Insurance**

- Retiree Health coverage is available if you meet the eligibility criteria outlined in the Retiree Healthcare section of this booklet. However, an employee hired with an effective date on or after July 1, 2009, who retires under the provisions of KCTCS Board of Regents policy 3.7 is not eligible for participation in a KCTCS sponsored retiree health plan.
- If not eligible for Retiree Health benefits, your health insurance may be continued through COBRA. Please contact the KCTCS System Office Benefits department for further information about continuing coverage through COBRA.

## **Dental Insurance**

- There is no retiree benefit for dental insurance. Coverage may be continued through COBRA. Please contact the KCTCS System Office Benefits department for further information.

## **Life Insurance**

- Your group coverage ceases on the date of your retirement. However, your coverage may be continued and/or converted through the Life Insurance carrier.

## **Accident & Dismemberment Insurance (AD & D)**

- Coverage ceases at termination/retirement.

## **Flexible Spending Account**

- Plan may be continued through COBRA until plan year end. Benefit ceases at retirement. You will have up to 90 days to claim benefits for services incurred prior to retirement date.

## **Health Reimbursement Account**

- Plan may be continued through COBRA until plan year end. Benefit ceases at retirement. You will have up to 90 days to claim benefits for services incurred prior to retirement date.

## **Long Term Disability**

- Group plan ceases at retirement. If you are enrolled in the supplemental Long Term Disability plan, coverage would continue to age 65 as long as you continue remitting premium payments.

## **Voluntary Benefits**

- Any payroll deducted individual plans (such as a cancer policy, long term care policy, etc.) may be directly billed to you by the policy carrier. You should contact the carrier(s) directly to make arrangements for continuing payments if you wish to continue this coverage.

## **Issues Specific to Individuals who have Opted-Over from UK**

- If you have retired from University of Kentucky personnel policies, deferred their retiree health plan and enrolled in an active KCTCS personnel policy health plan, you will need to exercise the one-time activation of your UK Retiree Health plan in order to maintain health coverage. Administration of your plan will be handled by the KCTCS System Office Human Resources/Benefits department.
- If you have retired from the University of Kentucky personnel policies and maintained your UK Retiree Health plan, you will continue on your plan and Administration and billing of your plan will be handled by the KCTCS System Office Human Resources/Benefits department.

# Appendix A

## KCTCS Retirement Policies

### 2.8.4 Retirement

*Administrative Policy and Procedures - Effective date 6-22-98; revised 3-11-05; 11/20/2009.*

Eligible KCTCS employees in all employment status categories may retire in accordance with the applicable retirement plan's policies and procedures. Proper notice of retirement shall be given. For the KCTCS 403b retirement plan an employee shall give notice of retirement no less than 3 (three) months in advance of retirement, although this requirement may be waived by the college president/ceo. Requirements for giving notice of retirement under the UK 403b retirement plan are specified in the UK Administrative Regulations. Requirements for giving notice of retirement under the defined benefit plans are specified in the state statutes pertaining to the state retirement plans.

To be considered as an official retiree under the respective retirement plans, the terminating employee shall meet the age and service requirements as specified in the KCTCS retirement plan policies and procedures and the respective regulations for the retirement plans.

### **Board of Regents Policy -3.7 Kentucky Community and Technical College System Retirement Plan Policies**

#### **3.7.1 Retirement Plans**

KCTCS provides employees with the option to join a Defined Benefit Plan or a Defined Contribution 403 (b) Plan. The Defined Benefit Plan includes either the Kentucky Teachers Retirement System (KTRS) or the Kentucky Employees Retirement System (KERS). The election to join a retirement plan must be made within 30 days of regular full-time employment. Participation in a KCTCS retirement plan is mandatory for regular full-time employees and a condition of employment.

### 3.7.2 Defined Benefit Plans

KTRS is a defined benefit plan for employees employed in selected education-related organizations working in a position that requires certification or a degree from a four-year college or university. KERS is a defined benefit plan for non-instructional employees working in a position with a state university that does not require a degree or certification. The rates for contributions and multipliers for retirement annuities are defined by state statute. An irrevocable, one-time election is made to enter either plan. The employee must remain in that retirement system as long as they are in a position that is covered under that retirement system.

### 3.7.3 Defined Contribution 403 (b) Plan

Employees that enroll in a defined contribution plan make an irrevocable, one-time salary reduction (pre-tax) agreement when entering the plan. The employee may not withdraw from the KCTCS Defined Contribution 403 (b) Plan as long as that employee remains eligible for plan participation

#### 3.7.3.1 Contributions as a Percent of Annual Salary

<b>Paid by the Participant</b>	<b>Paid by the Institution</b>	<b>Total</b>
5%	10%	15%

KCTCS, or its designate, will withhold the contribution of the participant from regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier selected by the participant for the purchase of retirement benefits. Retirement contributions are made on the participant's salary. Retirement benefits purchased with the combined participant and KCTCS contributions shall become the property of individual participants immediately upon purchase. There is no vesting period. All benefits are for the sole purpose of providing retirement benefits, or death benefits, or both. Participants cannot access their retirement accounts until they separate from service with KCTCS except to use their retirement account as collateral on a 403(b) loan, if allowed, from their 403(b) carrier.

An employee hired with an effective date on or after July 1, 2009 shall be subject to a vesting schedule for employer contributions. An employee must work a total of five years (60 months) of continuous service to be able to complete the vesting period and be eligible to receive the employee's accrued benefits derived from employer contributions.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the KCTCS retirement policies to the contrary, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) annual maximum includable compensation limit.

The OBRA '93 annual limit is adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401 (a) (17) (B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined. This is the determination period. The determination period may not exceed 12 months. If a determination period consists of fewer than 12 months, the OBRA '93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator, which is 12.

Any reference in this plan to the limitation under section 401 (a) (17) of the Code shall mean the OBRA '93 annual maximum includable compensation limit stated in this provision. The KCTCS Retirement Plan Year is deemed to begin July 1 of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA '93 annual limit in effect for that prior determination period.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employee or employer contributions or both, these percentages shall not be applied to the extent of violating applicable laws. In these cases, the amount of the employer contribution that cannot be forwarded to a

retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

### **3.7.3.2 Investments**

The participant must advise the retirement plan carrier which investment options have been chosen. If two or more options are selected with a retirement carrier, the part of the retirement contribution that is to be allocated to each option shall be specified. A participant may change the investment options by contacting the retirement carrier.

### **3.7.3.3 Termination of Contributions**

Contributions on behalf of a participant in the Retirement Plan shall terminate upon cessation of regular full-time employment or retirement.

### **3.7.3.4 Retirement Date**

Retirement is authorized when the combination of the employee's age and years of regular full-time service (with a minimum of 15 years of continuous service at the time of retirement) equals or exceeds the number 75. Regular part-time service will be counted on a pro rate basis. Employees that are retiring must provide written notification through normal administrative channels to their appropriate Chancellor or Vice President at least three months in advance of the desired retirement date.

### **3.7.3.5 Sick Leave Conversion**

Former UKCCS employees that were employed by the University of Kentucky prior to July 1, 1995, will receive a payment for unused sick leave if the accrued balance is at least 66 days. The first 22 days will be at full pay and the remaining days will be paid at the rate of the KCTCS retirement contribution rate which is currently 10%.

### **3.7.3.6 Retirement Benefits**

Each participant is entitled at retirement to activate any retirement benefits that have been accrued under the KCTCS retirement plan in accordance with the rules established by the retirement plan carriers. In addition to lump sum or partial lump sum provisions, there will be both annuitized and non-annuitized methods of

withdrawal. There may be variances in the retirement withdrawal options among the carriers. All retirement plan carriers do not offer the same withdrawal options.

### **3.7.3.7 Periods of Service**

As used in the defined contribution retirement plan, "period of service" means the number of years of full-time employment, plus credit allowed for part-time employment, plus periods in an approved leave of absence status. Employees can earn only one year of service per calendar year, regardless of any extra part-time employment above the normal 37.5-hour work week within KCTCS.

### **3.7.3.9 Purchase of Service Credit**

The Defined Contribution 403 (b) Plan does not have a feature that allows the purchase of service from prior service in military, public employment, or higher education positions. This feature is common in defined benefit plans, but is not used in a defined contribution plan.

**9-16-98**

Date Approved by  
KCTCS Board of Regents

**3-13-09**

Date of Last  
Review

**9-16-98; 8-15-03; 3-13-09**

Date of Last Revision  
*(Includes all dates in  
Chronological order)*

**(SIGNED) 3-13-09**

**Chair, Board of Regents**

**(SIGNED) 3-13-09**

**President, KCTCS**

# Appendix B

## Retiree Healthcare Policies

### 3.7.4 Conversion of Health Insurance Upon Retirement

#### 3.7.4.1 Defined Contribution Plan 403 (b) Plan Retirees

Employees that meet the retirement criteria will continue to receive a contribution toward the cost of their health insurance plan. Employees under age 65 will remain on a regular health insurance plan until age 65, while employees that retire and are eligible for Medicare will be placed on a Medicare eligible health insurance plan.

An employee hired with an effective date on or after July 1, 2009, who retires under the provisions of KCTCS Board of Regents Policy 3.7 is not eligible for participation in a KCTCS sponsored retiree health plan.

Employees that retire from the Community Colleges under UK benefits at the time of retirement will receive their health insurance credit per UK policy and participate in the UK health plans. Any Community College employee that has retired under the UK benefits will be ineligible for the health insurance credit available through employment under the KCTCS personnel system.

#### 3.7.4.2 KTRS/KERS

Requirements for health insurance coverage in retirement are established by state statute. Employees should contact the appropriate retirement system office for details.

**9-16-98**

Date Approved by  
KCTCS Board of Regents

**3-13-09**

Date of Last  
Review

**9-16-98; 8-15-03; 3-13-09**

Date of Last Revision  
*(Includes all dates in  
Chronological order)*

**(SIGNED) 3-13-09**

**Chair, Board of Regents**

**(SIGNED) 3-13-09**

**President, KCTCS**

# Appendix C

## KEHP Creditable Coverage Notice

### KENTUCKY EMPLOYEES HEALTH PLAN CREDITABLE COVERAGE DISCLOSURE NOTICE

#### Important Notice from Kentucky Employees' Health Plan about Your Prescription Drug Coverage and Medicare

Please read this notice carefully and keep it where you can find it. This notice has information about your current prescription drug coverage with Kentucky Employees' Health Plan and about your options under Medicare's prescription drug coverage. This information can help you decide whether or not you want to join a Medicare drug plan. If you are considering joining, you should compare your current coverage, including which drugs are covered at what cost, with the coverage and costs of the plans offering Medicare prescription drug coverage in your area. Information about where you can get help to make decisions about your prescription drug coverage is at the end of this notice.

There are two important things you need to know about your current coverage and Medicare's prescription drug coverage:

1. Medicare prescription drug coverage became available in 2006 to everyone with Medicare. You can get this coverage if you join a Medicare Prescription Drug Plan or join a Medicare Advantage Plan (like an HMO or PPO) that offers prescription drug coverage. All Medicare drug plans provide at least a standard level of coverage set by Medicare. Some plans may also offer more coverage for a higher monthly premium.
2. Kentucky Employees' Health Plan has determined that the prescription drug coverage offered by the Kentucky Employees' Health Plan is, on average for all plan participants, expected to pay out as much as standard Medicare prescription drug coverage pays and is therefore considered Creditable Coverage. Because your existing coverage is Creditable Coverage, you can keep this coverage and not pay a higher premium (a penalty) if you later decide to join a Medicare drug plan.

### **When Can You Join A Medicare Drug Plan?**

You can join a Medicare drug plan when you first become eligible for Medicare and each year from October 15th to December 7th.

However, if you lose your current creditable prescription drug coverage, through no fault of your own, you will also be eligible for a two (2) month Special Enrollment Period (SEP) to join a Medicare drug plan.

### **What Happens To Your Current Coverage If You Decide to Join A Medicare Drug Plan?**

If you decide to join a Medicare drug plan, your current Kentucky Employees' Health Plan coverage will be affected. For additional information about your Kentucky Employees' Health Plan Prescription Drug coverage please see the 2013 Benefits Selection Guide and the Prescription Drug Summary Plan Descriptions. Please also see pages 7- 9 of the CMS Disclosure of Creditable Coverage To Medicare Part D Eligible Individuals Guidance (available at <http://www.cms.hhs.gov/CreditableCoverage/>), which outlines the prescription drug plan provisions/options that Medicare eligible individuals may have available to them when they become eligible for Medicare Part D.

If you do decide to join a Medicare drug plan and drop your current Kentucky Employees' Health Plan coverage, be aware that you and your dependents may not be able to get this coverage back.

### **When Will You Pay A Higher Premium (Penalty) To Join A Medicare Drug Plan?**

You should also know that if you drop or lose your current coverage with Kentucky Employees' Health Plan and don't join a Medicare drug plan within 63 continuous days after your current coverage ends, you may pay a higher premium (a penalty) to join a Medicare drug plan later.

If you go 63 continuous days or longer without creditable prescription drug coverage, your monthly premium may go up by at least 1% of the Medicare base beneficiary premium per month for every month that you did not have that coverage. For example, if you go nineteen months without creditable coverage, your premium may consistently be at least 19% higher than the Medicare base beneficiary premium. You may have to pay this higher premium (a penalty) as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following October to join.

## **For More Information About This Notice Or Your Current Prescription Drug Coverage...**

Use the contact information listed below for further information:

Personnel Cabinet  
Department of Employee Insurance  
501 High Street, 2nd Floor  
Frankfort, Kentucky 40601  
Phone 502-564-6534 or toll free at (888) 581-8834.

You may also visit the Department of Employee Insurance website at <http://personnel.ky.gov/dei/> and Kentucky Employees' Health Plan 2013 Benefits Selection Guide and Prescription Drug Summary Plan Descriptions.

**Note:** You'll get this notice each year. You will also get it before the next period you can join a Medicare drug plan, and if this coverage through Kentucky Employees' Health Plan changes. You also may request a copy of this notice at any time.

## **For More Information about Your Options Under Medicare Prescription Drug Coverage...**

More detailed information about Medicare plans that offer prescription drug coverage is in the "Medicare & You" handbook. You'll get a copy of the handbook in the mail every year from Medicare. You may also be contacted directly by Medicare drug plans. For more information about Medicare prescription drug coverage:

- Visit [www.medicare.gov](http://www.medicare.gov)
- Call your State Health Insurance Assistance Program (see the inside back cover of your copy of the "Medicare & You" handbook for their telephone number) for personalized help.
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. If you have limited income and resources, extra help paying for Medicare prescription drug coverage is available. For information about this extra help, visit Social Security on the web at [www.socialsecurity.gov](http://www.socialsecurity.gov) or call them at 1-800-772-1213 (TTY 1-800-325-0778).

### **Contact Information:**

**Date:** January 1, 2013

**Name of Entity/Sender:** Kentucky Employees' Health Plan

**Contact--Position/Office:** Department of Employee Insurance

**Address:** 501 High Street, 2nd Floor, Frankfort, Kentucky 40601

**Phone Number:** 502-564-6534 or toll free at (888) 581-8834

## Appendix D

# KCTCS Medicare Eligible Creditable Coverage Notice

### CREDITABLE COVERAGE DISCLOSURE NOTICE

#### Important Notice from Kentucky Community & Technical College System (KCTCS) About Your Prescription Drug Coverage and Medicare

**Please read this notice carefully and keep it where you can find it.** This notice has information about your current prescription drug coverage with the KCTCS Retiree Medicare Eligible Health Plan: *Anthem Blue Seniors' Standard Plan with Prescription Drug Rider (High Option)* and about your options under Medicare's prescription drug coverage. If you are considering joining you should compare your current coverage, including which drugs are covered at what cost, with the coverage and costs of the plans offering Medicare prescription drug coverage in your area. Information about where you can get help making decisions about your prescription drug coverage is at the end of this notice.

This notice confirms that the prescription drug coverage offered by the *Anthem Blue Seniors' Standard Plan with Prescription Drug Rider (High Option)* is, on average as good as or better than the standard Medicare prescription drug coverage (Medicare Part D). **You can keep your existing group prescription coverage and choose not to enroll in a Medicare Part D Plan.**

Medicare prescription drug coverage became available in 2006 to everyone with Medicare. You can get this coverage if you join a Medicare Prescription Drug Plan or join a Medicare Advantage Plan (like an HMO or PPO) that offers prescription drug coverage. All Medicare drug plans provide at least a standard level of coverage set by Medicare. Some plans may also offer more coverage for a higher monthly premium.

With this Notice of Creditable Coverage, you will not be penalized if you later decide to enroll in a Medicare prescription drug plan. However, you must remember that if you drop your entire group coverage through the KCTCS Retiree Medicare Eligible Health Plan and do not enroll in a Medicare part D Plan after your existing group coverage ends, you may be penalized if you enroll in a Medicare Part D Plan later.

If you keep your existing group *Anthem Blue Seniors' Standard Plan with Prescription Drug Rider (High Option)* coverage, it is not necessary to join a Medicare prescription drug plan this year. However, if you are enrolled in the *Anthem Blue Seniors' Standard Plan (no prescription coverage)*, you will need to enroll in Medicare Part D.

If you drop your coverage with Anthem and/or change to their Low Option plan and enroll in a Medicare prescription drug plan, you may not be able to get this coverage back later. You should compare your current coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

**For further information contact:**

KCTCS Benefits Office	or	Anthem Blue Seniors'
300 North Main Street		(866) 882-2284
Versailles, KY 40383		
859) 256-3100		

**For more information about your options under Medicare prescription drug coverage...**

More detailed information about Medicare plans that offer prescription drug coverage is available in the "Medicare & You 2013" handbook. You'll get a copy of the handbook in the mail every year from Medicare. You may also be contacted directly by Medicare prescription drug plans. You can also get more information about Medicare prescription drug plans from these places:

- Visit [www.medicare.gov](http://www.medicare.gov)
- Call your State Health Insurance Assistance Program (see your copy of the Medicare & You handbook for their telephone number)
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

For people with limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help is available from the Social Security Administration (SSA). For more information about this extra help, visit SSA online at [www.socialsecurity.gov](http://www.socialsecurity.gov) or call them at 1-800-772-1213 (TTY 1-800-325-0778).

**Remember: Keep this Creditable Coverage notice. If you decide to join one of the Medicare drug plans, you may be required to provide a copy of this notice when you join to show whether or not you have maintained creditable coverage and, therefore, whether or not you are required to pay a higher premium (a penalty)**