KEA President's Points

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We unite, organize and empower members to advocate for themselves and to ensure a quality public education for every Kentucky student.

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September 26, 2018

Dear Members,

Elimination of state budget appropriation requires changes for under-65 Teacher Retirement System (TRS) retirees who are covering dependents on their health insurance

Retiree health insurance is complicated, and the cost of premiums depends on many things: the level of coverage you choose; whether you are under 65 or over 65; and which state pension system you retired from. **The changes described below affect under-65 TRS retirees who are covering dependents through the Kentucky Employees Health Plan (KEHP). They do not affect currently employed teachers or retirees over age 65.**

Background: When you are an active employee, you pay the employee share of premiums to KEHP. The amount of those premiums depends on whether you select single coverage or whether you need coverage for yourself and your dependents. ("Dependent" coverage means you select couple, parent plus or family coverage. Essentially, anything other than single coverage.) Your employer also pays a portion of your health insurance premium. The employer share of premiums for dependent coverage is considerably higher than the employer share of premiums for single coverage. For purposes of health insurance, your "employer" is not the school district in which you are or were employed, but instead, is the Commonwealth of Kentucky. That means the money for the employer share of premiums must be included in the state budget.

State law requires that all TRS retirees have access to health insurance in retirement. "Having access to" insurance coverage in retirement is different from having any part of that coverage paid on your behalf; it simply means you continue to be eligible to enroll in KEHP even though you are no longer actively employed. When you retire, you are no longer employed by the Commonwealth, so they no longer pay the employer share of your health insurance premiums. But, in order for under-65 retirees to obtain health insurance coverage through KEHP, someone must pay the employer share of the cost of health insurance.

Even though retirees are not active employees of the state, previous state budgets have included two appropriations: one to pay the employer share of single coverage for TRS retirees, and a second, separate appropriation to pay the employer share of the cost of dependent coverage for under-65 TRS retirees. It's important to note that the state has no legal obligation to provide the dependent subsidy for under-65 retirees. It's also important to note that Kentucky Retirement System retirees (including CERS participants, who are classified school employees) have not received any dependent subsidy for years and have had to pay the full cost of dependent coverage themselves.

The final version of the 2018-2020 state budget does not include any money for the dependent subsidy for TRS under-65 retirees, which costs about $20 million per year. The final version of the budget also does not include any money for single premiums for under-65 retirees for 19-20, which will cost about $70 million per year. **The TRS Board of Trustees already plans to pay the necessary single premiums for 2019-20, because they want to make sure all retirees have at least that level of health insurance available to them. But that's a $70 million bill that the state usually pays, and that TRS didn't see coming.**

Dependent subsidy changes: The state budget went into effect on July 1, 2018, but the plan year for health insurance runs from January 1 through December 31, 2018. That means that after July 1, 2018 there was no state appropriation available to pay the dependent subsidy for under-65 retirees. However, **because TRS did not want under-65 retirees with dependents to suffer a significant health insurance premium increase in the middle of the plan year, the TRS Board of Trustees immediately voted to pay $10 million needed to cover the cost and keep retirees whole through the end of December 2018.** But TRS also had to consider whether it could continue to step in on behalf of the Commonwealth and pay the full cost of the dependent subsidy for the next two years. After considering possible solutions to the problem (which affects 3,235 under-65 retirees out of a total of 41,059 retirees) TRS ultimately decided that it could not afford to make up the lost appropriation for single coverage health insurance ($70 million for FY 19-20) and also continue to pay the full amount of the dependent subsidy for under-65 retirees ($20 million per year).

Despite the significant financial burden on the system, the TRS Trustees were very concerned that current under-65 retirees who are covering dependents might not be able to afford coverage if the dependent subsidy goes away all at once, like it did for KRS retirees. Although it was a very difficult decision, and clearly is not a perfect solution, the TRS Board finally opted instead for a "step-down" approach. The full amount of the subsidy is covered through December 31. TRS will pay two-thirds (2/3) of the dependent subsidy beginning January 1, 2019 and will pay one-third (1/3) of the dependent subsidy beginning January 1, 2020. Stepping down the subsidy amount over the next two years gives under-65 TRS retirees who are carrying dependents some time to plan and look at other options for coverage. It also allows teachers who are not yet retired to consider whether they can afford to carry dependent coverage after they retire.

We've had questions about why the "shared responsibility" fund that all active teachers contribute to can't cover this. The answer is that it's just not allowed. That fund was established to make sure retirees over age 65 have adequate supplemental Medicare coverage; it was not established to allow payment for the under-65 dependent subsidy.

Remember, the change in the cost of dependent coverage affects under-65 TRS retirees who are covering dependents through a KEHP health insurance plan. It does not affect currently employed teachers or retirees over age 65. Linked below are two documents that TRS sent out to all affected under-65 retirees explaining these changes. If you are retired and have not received a letter from TRS, you are not affected by this change. ***NSS OE handout*** can be accessed **here**. ***TRS Fact Sheet*** can be accessed **here**.

It's possible that the appropriation for the dependent subsidy could be included in the next biennium budget, but that's not a sure thing. KEA, in partnership with TRS, will be lobbying for reinstatement of this appropriation during the 2020 budget session and even sooner, should the opportunity arise. The more voices we have in support of reinstatement, the better our odds of success. **If you or your family members are affected by the loss of this appropriation, please contact your legislators to let them know that this issue is important to you. The legislative message line is 800-372-7181. You can also contact your legislators through the KEA website at www.kea.org through the "Issues and Action" tab.**

This is one more example that elections have consequences. Make a plan now to go to the polls on Tuesday, November 6 to vote for candidates who support public education.

Remember in November!

Sincerely,

Stephanie Winkler
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