

**161.540 Members' contributions -- Picked-up contributions.**

- (1) (a) Each individual who becomes a contributing nonuniversity member prior to January 1, 2022, shall contribute to the retirement system twelve and eight hundred fifty-five thousandths percent (12.855%) of annual compensation, of which:
  1. Nine and one hundred five thousandths percent (9.105%) of annual compensation shall be used to fund pension benefits; and
  2. Three and three-quarters percent (3.75%) of annual compensation shall be used to fund retiree health benefits.
- (b) Each individual who becomes a contributing university member prior to January 1, 2022, shall contribute to the retirement system ten and four-tenths percent (10.4%) of annual compensation, of which:
  1. Seven and six hundred twenty-five thousandths percent (7.625%) of annual compensation shall be used to fund pension benefits; and
  2. Two and seven hundred seventy-five thousandths percent (2.775%) of annual compensation shall be used to fund retiree health benefits.
- (c) Each individual who becomes a contributing nonuniversity member on or after January 1, 2022, shall contribute to the retirement system fourteen and three-quarters percent (14.75%) of annual compensation, of which:
  1. Nine percent (9%) of annual compensation shall be used to fund pension benefits in the foundational benefit component as described by KRS 161.633. The contribution provided by this subparagraph shall not be used to fund the supplemental benefit account as provided by KRS 161.635;
  2. Two percent (2%) of annual compensation shall fund the required employee contribution in the supplemental benefit component in KRS 161.635, except that the board may direct these contributions on a prospective basis into the pension and life insurance funds to contain costs of the foundational benefit component within the provisions of KRS 161.633; and
  3. Three and three-quarters percent (3.75%) of annual compensation shall be used to fund retiree health benefits.
- (d) Each individual who becomes a contributing university member on or after January 1, 2022, shall contribute to the retirement system nine and seven hundred seventy-five thousandths percent (9.775%) of annual compensation, of which:
  1. Five percent (5%) of annual compensation shall be used to fund pension benefits in the foundational benefit component as described by KRS 161.634. The contribution provided by this subparagraph shall not be used to fund the supplemental benefit account as provided by KRS 161.636;
  2. Two percent (2%) of annual compensation shall fund the required employee contribution in the supplemental benefit component in KRS

161.636, except that the board may direct these contributions on a prospective basis into the pension and life insurance funds to contain costs of the foundational benefit component within the provisions of KRS 161.634; and

3. Two and seven hundred and seventy-five thousandths percent (2.775%) of annual compensation shall be used to fund retiree health benefits.
- (e) When the funds established to actuarially fund pension annuities and the medical insurance fund established under KRS 161.420 become fully funded as determined by the annual actuarial valuation, the board of trustees shall recommend to the General Assembly that the contributions required under paragraph (a)2., (b)2., (c)3., or (d)3. of this subsection shall, in an actuarially accountable manner, be either decreased, suspended, or eliminated.
  - (f) Payments authorized by statute that are made to retiring members, who became members of the system before July 1, 2008, for not more than sixty (60) days of unused accrued annual leave shall, subject to KRS 161.220(10), be considered as part of the member's annual compensation, and shall be used only for the member's final year of active service. Notwithstanding the provisions of this subsection or any other statute to the contrary, for retirement calculation purposes, members may only be credited for payment of annual leave under the following conditions:
    1. Payment by an employer for annual leave shall be equally available to all members serving under contracts requiring the same number of worked days and greater; and
    2. At least two (2) members of the employer shall receive payment for annual leave.
  - (g) The contribution of members shall not exceed the applicable percentages on annual compensation as set forth in this section or as where otherwise limited by statute. When a member retires, if it is determined that he or she has made contributions on a salary in excess of the amount to be included for the purpose of calculating his or her final average salary, any excess contribution shall be refunded in a lump sum to the member's employer for distribution to the member.
- (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for the purpose of compliance with Section 414(h) of the United States Internal Revenue Code, pick up the member contributions required by this section for all compensation earned after August 1, 1982, and the contributions so picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code and KRS 141.010. The picked-up member contribution shall satisfy all obligations to the retirement system satisfied prior to August 1, 1982, by the member contribution, and the picked-up member contribution shall be in lieu of a member contribution. Each employer shall pay these picked-up member contributions from the same source of funds which is used to pay earnings to the member. The member shall have no option to receive the contributed amounts directly instead of having them paid by the employer to the system. Member contributions picked-up after August 1, 1982, shall be treated for

all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent as member contributions made prior to August 1, 1982.

**Effective:** June 27, 2025

**History:** Amended 2025 Ky. Acts ch. 126, sec. 3, effective June 27, 2025. -- Repealed, reenacted, and amended 2021 Ky. Acts ch. 157, sec. 7, effective January 1, 2022; and ch. 192, sec. 11, effective June 29, 2021. -- Amended 2018 Ky. Acts ch. 107, sec. 57, effective July 14, 2018; ch. 171, sec. 94, effective April 14, 2018; and ch. 207, sec. 94, effective April 27, 2018. -- Amended 2010 Ky. Acts ch. 159, sec. 3, effective July 1, 2010; and ch. 164, sec. 6, effective July 1, 2010. -- Amended 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 34, effective June 27, 2008. -- Amended 2008 Ky. Acts ch. 11, sec. 1, effective April 7, 2008; and ch. 78, sec. 9, effective July 1, 2008. -- Amended 2002 Ky. Acts ch. 275, sec. 16, effective July 1, 2002. -- Amended 1996 Ky. Acts ch. 359, sec. 8, effective July 1, 1996. -- Amended 1994 Ky. Acts ch. 369, sec. 12, effective July 1, 1994; and ch. 469, sec. 35, effective July 15, 1994. -- Amended 1992 Ky. Acts ch. 192, sec. 7, effective July 1, 1992. -- Amended 1990 Ky. Acts ch. 476, Pts. V and VII D, secs. 514, 648, effective April 11, 1990. -- Amended 1988 Ky. Acts ch. 240, sec. 3, effective July 15, 1988; ch. 260, sec. 3, effective July 15, 1988; and ch. 363, sec. 10, effective July 1, 1988. -- Amended 1984 Ky. Acts ch. 253, sec. 15, effective July 1, 1984; and ch. 302, sec. 2, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 166, sec. 4, effective July 15, 1982; and ch. 326, sec. 7, effective July 1, 1982. -- Amended 1980 Ky. Acts ch. 188, sec. 120, effective July 15, 1980; and ch. 206, sec. 5, effective July 1, 1980. -- Amended 1978 Ky. Acts ch. 152, sec. 8, effective March 28, 1978. -- Amended 1974 Ky. Acts ch. 395, sec. 11, effective July 1, 1974. -- Amended 1970 Ky. Acts ch. 168, sec. 2. -- Amended 1964 Ky. Acts ch. 43, sec. 11. -- Amended 1960 Ky. Acts ch. 44, sec. 10. -- Amended 1954 Ky. Acts ch. 196, sec. 3. -- Amended 1946 Ky. Acts ch. 111, sec. 3. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 4506b-36.

**Legislative Research Commission Note** (12/13/2018). On December 13, 2018, the Kentucky Supreme Court ruled that the passage of 2018 SB 151 (2018 Ky. Acts ch. 107), did not comply with the three-readings rule of Kentucky Constitution Section 46 and that the legislation is, therefore, constitutionally invalid and declared void. That ruling applies to changes made to this statute in that Act.