

FINANCE AND ADMINISTRATION CABINET
Kentucky Public Pensions Authority
(Amendment)

105 KAR 1:340. Rollovers and transfers of contributions in other plans.

RELATES TO: KRS ~~16.505 – 16.652~~~~[16.510-16.652]~~, ~~61.505, 61.552~~~~[61.515-61.705]~~, ~~78.510 – 78.852~~~~[78.520-78.852]~~, 26 U.S.C. secs. 401(a)(31), 402(c), 408(d)(3)

STATUTORY AUTHORITY: KRS ~~61.505(1)(g)~~~~[61.645(9)(e)]~~

CERTIFICATION STATEMENT: This is to certify that this administrative regulation complies with KRS 13A.150(2) because it does not have a major economic impact.

NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority on behalf of the County Employees Retirement System and Kentucky Retirement System to promulgate all administrative regulations that are consistent with and are necessary or proper in order to carry out the provisions of duties authorized by KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3, ~~61.552(16)(h)~~ authorizes an eligible employee to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System~~[Kentucky Retirement Systems]~~ by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code. This administrative regulation establishes the procedures and the form for purchasing service credit~~[forms for making purchases]~~ by rollover or transfer of funds from a retirement plan or deferred compensation arrangement.

Section 1.

(1)

(a) An eligible employee ~~may~~~~[eligible to]~~ purchase service credit under KRS ~~16.505~~~~[16.510]~~ to 16.652, ~~61.510~~~~[61.515]~~ to 61.705, or ~~78.510~~~~[78.520]~~ to 78.852~~[may purchase the service]~~ by:

1. Transferring ~~[transferring]~~ funds through a direct trustee-to-trustee transfer ~~pursuant to~~~~[, as permitted under]~~ applicable sections of the Internal Revenue Code and associated regulations or rulings;~~[-]~~

2. Direct

~~[(b)]~~ ~~[Service credit may also be purchased through a direct]~~ rollover ~~pursuant to~~~~[, as contemplated by and permitted under]~~ 26 USC sec. 401(a)(31) and associated regulations or rulings;~~or~~~~[-]~~

3. Rollover

~~[(c)]~~ ~~[Service credit may also be purchased by a rollover]~~ of funds pursuant to ~~and permitted under]~~ 26 USC sec. 402(c) or 408(d)(3).

(b) ~~[(d)]~~ The Kentucky Public Pensions Authority~~[Kentucky Retirement Systems]~~ shall accept the transfer or rollover to the extent permitted by law ~~pursuant to~~~~[, as specified in the]~~ applicable provisions of the Internal Revenue Code and associated regulations and rulings.

(2) The agency~~[retirement system]~~ shall not accept a rollover or transfer of funds from a retirement plan or deferred compensation arrangement unless the employee has obtained a calculation of the cost of the service from the agency~~[retirement system]~~.

Section 2.

(1) An employee who intends to rollover or transfer eligible funds from a retirement plan or deferred compensation arrangement shall complete Section 1 of "Form 4170, Direct Transfer/Rollover Authorization Form", incorporated by reference in 105 KAR 1:330.

(2) The financial institution or plan administrator responsible for the employee's account in the retirement plan or deferred compensation arrangement shall complete Section 2 of

Form 4170["Form 4170, Direct Transfer/Rollover Authorization Form"].

(3) The completed Form 4170["Form 4170, Direct Transfer/Rollover Authorization Form",] shall be filed at the agency[retirement system] by the payment due date. A completed form not filed by the payment due date shall be void.

(4) The financial institution shall complete the rollover or transfer within sixty (60) days from the payment due date.

Section 3. If the employee is making a lump sum purchase by rollover or transfer from a retirement plan or deferred compensation arrangement and the total distribution amount at the time of transfer or rollover by the financial institution or plan administrator responsible for the employee's account in the retirement plan or deferred compensation arrangement is less than total cost of the service:

(1) Upon notification, the employee shall pay the additional cost by the purchase due date.

(2) If the transfer or rollover amount is not known until after the purchase due date[date the purchase was due], the employee shall have ten (10) working days from the date of notification to submit the additional cost due.

(3) If the employee does not timely submit[file] the payment pursuant to subsection 1 or 2 of this section for the additional cost due to the agency, the agency[in the retirement office by the date the purchase is due, the retirement system] shall credit the employee's account with the maximum service credit that may be purchased under the applicable statute for the type of service, whether in months or increments, by an amount equal to or less than the total distribution. The agency[retirement system] shall return any excess amount to the retirement plan or deferred compensation arrangement.

Section 4. If the total distribution amount at the time of transfer or rollover by the financial institution or plan administrator responsible for the employee's account in the retirement plan or deferred compensation arrangement is less than total cost of the service, and the employee is paying the remaining principal of an installment purchase agreement under KRS 61.552(9)(a)2.[61.552(16)]:

(1) The employee shall pay the additional cost due within sixty (60) days of termination of the installment purchase agreement.

(2) If the employee does not submit the payment to the agency[file the payment in the retirement office] by the purchase due date[date the purchase is due] or within sixty (60) days of termination of the installment purchase agreement, the agency[retirement system] shall return the total distribution to the retirement plan or deferred compensation arrangement.

Section 5. If the actual total distribution at the time of transfer by the financial institution responsible for the employee's account in the retirement plan or deferred compensation arrangement is greater than the amount certified on Form 4170, Direct Transfer/Rollover Authorization Form, the amount in excess of the cost of the service shall be returned:

(1) First, to the employee from funds[, if any,] paid by the employee toward the service purchase; and[or]

(2) Second, to the financial institution responsible for the employee's account in the retirement plan or deferred compensation arrangement.

[Section 6.] [Incorporation by Reference.]

[(1)] ["Form 4170, Direct Transfer/Rollover Authorization Form, April 2002", Kentucky Retirement Systems, is incorporated by reference.]

[(2)] [This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, Monday through Friday, 8 a.m. to 4:30 p.m.]

RYAN BARROW, Executive Director

APPROVED BY AGENCY: November 4, 2025

FILED WITH LRC: November 7, 2025 at 11:15 a.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Monday, January 26, 2026 at 10:00 a.m. Eastern Time at the Kentucky Public Pensions Authority (KPPA), 1270 Louisville Road, Frankfort, Kentucky 40601. Individuals interested in presenting a public comment at this hearing shall notify this agency in writing no later than five (5) workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

CONTACT PERSON: Carole J. Catalfo, Policy Specialist, Kentucky Public Pensions Authority. 1260 Louisville Road, Frankfort, Kentucky 40601. Phone (502) 696-8679, Fax (502) 696-8615, Email: Legal.Non-Advocacy@kyret.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person:Carole J. Catalfo

Subject Headings:Boards and Commissions, Retirements and Pensions, State Employees

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation establishes the procedures and the form for purchasing service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement to the extent allowed under the Internal Revenue Code.

(b) The necessity of this administrative regulation:

This administrative regulation is necessary to establish the procedures and the form for purchasing service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement to the extent allowed under the Internal Revenue Code.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

KRS 61.505(1)(g) authorizes the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations that are consistent with and are necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3. authorizes an employee to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This administrative regulation assists in the effective administration of the statutes by establishing the procedures and the form for purchasing service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement to the extent allowed under the Internal Revenue Code.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

The amendment to this administrative regulation updates statutory citations, replaces a form previously incorporated by reference with a citation to the regulation that incorporates the form by reference, and aligns language with the drafting requirements of KRS Chapter 13A.

(b) The necessity of the amendment to this administrative regulation:

The amendment to this administrative regulation is necessary to update statutory citations, replace a form previously incorporated by reference with a citation to the regulation that incorporates the form by reference, and to align language with the drafting requirements of KRS Chapter 13A. (c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations that are consistent with and are necessary or proper in

order to carry out the provisions of KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3. authorizes an employee to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(c) How the amendment conforms to the content of the authorizing statutes:

No answer provided.

(d) How the amendment will assist in the effective administration of the statutes:

The amendment to this administrative regulation will assist in the effective administration of the statutes by updating statutory citations, replacing a form previously incorporated by reference with a citation to the regulation that incorporates the form by reference, and aligning language to the drafting requirements of KRS Chapter 13A.

(3) Does this administrative regulation or amendment implement legislation from the previous five years?: KRS 61.505 – Amended 2024 Ky. Acts ch. 55, sec. 1, effective July 15, 2024. -- Amended 2023 Ky. Acts ch. 28, sec. 1, effective June 29, 2023. -- Amended 2022 Ky. Acts ch. 216, sec. 2, effective April 14, 2022. -- Amended 2021 Ky. Acts ch. 102, sec. 76, effective April 1, 2021. -- Created 2020 Ky. Acts ch. 79, sec. 2, effective April 1, 2021. KRS 61.552 - Amended 2024 Ky. Acts ch. 55, sec. 8, effective July 15, 2024. -- Amended 2022 Ky. Acts ch. 165, sec. 5, effective July 14, 2022. -- Repealed and reenacted 2021 Ky. Acts ch. 102, sec. 52, effective April 1, 2021. -- Amended 2020 Ky. Acts ch. 79, sec. 43, effective April 1, 2021.

(4) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

This administrative regulation affects the Kentucky Public Pensions Authority. There are approximately 433,461 participants in the retirement systems; this administrative regulation affects those participants who want to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment:

The regulated community will be minimally impacted because the administrative regulation is already being implemented as written. The amendments are primarily technical in nature.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4):

The cost of compliance with the amendment is minimal because the administrative regulation is already being implemented as written. The amendments are primarily technical in nature.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (4):

The regulated community will benefit from updates to statutory citations and language that aligns with the drafting requirements of KRS Chapter 13A.

(6) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

The cost of implementing the amendment is minimal because the administrative regulation is already being implemented as written.

(b) On a continuing basis:

The cost of implementing the amendment is minimal because the administrative regulation is already being implemented as written.

(7) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation or this amendment:

Administrative expenses of the Kentucky Public Pensions Authority are paid from the Retirement Allowance Account (trust and agency funds).

(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

No, an increase in funding will not be necessary to implement this amendment.

(9) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

No, this administrative regulation does not establish any fees or directly or indirectly increase any fees.

(10) TIERING: Is tiering applied?

No, tiering is not applied. All participants who wish to purchase service credit by rollover or transfer of funds from a retirement plan or deferred compensation arrangement must follow the same process and procedures.

FISCAL IMPACT STATEMENT

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation:

. KRS 61.505(1)(g) authorizes the Board of Trustees of the Kentucky Public Pensions Authority to promulgate all administrative regulations that are consistent with and are necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 and 61.505 to 61.705. KRS 61.552(9)(a)3. authorizes an employee to purchase service credit in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act:

KRS 61.505(1)(g)

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions:

The Kentucky Public Pensions Authority is the promulgating agency. There are no other affected state units, parts, or divisions.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year:None.

For subsequent years:None.

2. Revenues:

For the first year:None.

For subsequent years:None.

3. Cost Savings:

For the first year:None.

For subsequent years:None.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts):

There are no other affected entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year:None.

For subsequent years:None.

2. Revenues:

For the first year:None.

For subsequent years:None.

3. Cost Savings:

For the first year:None.

For subsequent years:None.

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a):

There are no additional regulated entities.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year:None.

For subsequent years:None.

2. Revenues:

For the first year:None.

For subsequent years:None.

3. Cost Savings:

For the first year:None.

For subsequent years:None.

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a)

(a) Fiscal impact of this administrative regulation:

This administrative will have minimal fiscal impact. It is already being administered as written.

(b) Methodology and resources used to reach this conclusion:

The agency reviewed its processes and procedures related to purchasing service credit in the County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(14):

No, this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13). It is already being administered as written.

(b) The methodology and resources used to reach this conclusion:

The agency reviewed its processes and procedures related to purchasing service credit in the County Employees Retirement System, Kentucky Employees Retirement System, and State Police Retirement System by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code.