

FINANCE AND ADMINISTRATION CABINET
Kentucky Public Pensions Authority
(Amendment)

105 KAR 1:430. General compliance with federal tax laws.

RELATES TO: KRS 16.505-16.652, 61.510-61.705, 78.510-78.852, 26 U.S.C. 134, 401(a)(7), (8), (25), 414(d),(p),(u), 503(b)~~[, Pub.L. 110-245]~~

STATUTORY AUTHORITY: KRS 61.505(1)(g), 61.645(9)(e), 78.782(9)(d).

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 Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. KRS 61.645(9)(e) and 78.782(9)(d) require the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852~~[requires the Board of Trustees of the Kentucky Retirement Systems to promulgate administrative regulations necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 and]~~ to conform with~~[to]~~ federal statutes and regulations and meet the qualification requirements under 26 U.S.C. 401(a). This administrative regulation establishes County Employees Retirement System and Kentucky Retirement Systems' compliance with 26 U.S.C. 134, 401(a), 414, and 503(b)~~[26 U.S.C. 414, Pub.L. No. 110-245, and 26 U.S.C. 503(b)]~~ in order for Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System to maintain their tax qualified status as public defined benefits plans.

Section 1. Compliance with 26 U.S.C. 401(a)(7) and 401(a)(8) for Vesting and Forfeitures.

(1) A plan member shall be 100 percent vested in the member's accumulated contributions at all times.

(2) In conformity with 26 U.S.C. 401(a)(8), any forfeitures of benefits by members or former members of the plan shall:

(a) Not ~~[not]~~ be used to pay benefit increases; and

(b) Be ~~[. However, these forfeitures shall be]~~ used to reduce employer contributions.

(3) Upon termination or partial termination of an affected retirement system, or the complete discontinuance of contributions, a member shall have a nonforfeitable interest in their~~[his]~~ accrued benefit to the extent funded except as provided by KRS 16.652, 61.692, and 78.852.

Section 2. Compliance with 26 U.S.C. 414(p) for Qualified Domestic Relations Orders. If benefits are payable pursuant to a qualified domestic relations order that meets the requirements of a domestic relations order as defined in 26 U.S.C. 414(p), then the agency shall follow the applicable requirements of 26 U.S.C. 414(p)~~[shall be followed by the retirement system]~~.

Section 3. Compliance with 26 U.S.C. 134, 401(a)(37, and 414(u)~~[, 26 U.S.C. 401(a)(37), and Pub.L. No. 110-245]~~ for Reemployed Veterans.

(1) Effective December 12, 1994, notwithstanding any other provision of the retirement system law; contributions, benefits, and service credit with respect to qualified military service shall be governed by 26 U.S.C. 414(u),~~[and]~~ the Uniformed Services Employment and Reemployment Rights Act of 1994, and the Heroes Earnings Assistance and Relief Tax Act of 2008.

(2) For deaths~~[occurring]~~ on or after January 1, 2007~~[,]~~ that occur while a member is performing qualified military service as defined by 38 U.S.C. 43~~[(as defined in 38 U.S.C. 43)]~~, to the extent required by 26 U.S.C. 401(a)(37), survivors of a member in a state or local retirement or pension system shall be~~[are]~~ entitled to any additional benefits that the system would provide if the member had resumed employment and then died, including~~[such as]~~ accelerated vesting or survivor benefits that are contingent on the member's qualified military service shall be counted for vesting purposes.

(3) Beginning January 1, 2009, to the extent required by 26 U.S.C. 414(u)(12), an individual receiving differential wage payments as defined in 26 U.S.C. 3401(h)(2) from an employer shall be treated as employed by that employer, and the differential wage payment shall be treated as compensation for purposes of applying the limits on annual additions under 26 U.S.C. 415(c). This provision shall be applied to all similarly situated individuals in a reasonably equivalent manner.

Section 4. Compliance with 26 U.S.C. 503(b) for Prohibited Transactions. Effective as of July 1, 1989, the board shall not engage in a transaction prohibited by 26 U.S.C. 503(b).

Section 5. Compliance with 26 U.S.C. 401(a)(25) for Actuarial Assumptions.

(1) Kentucky Public Pensions Authority~~[Retirement Systems]~~ shall determine the amount of any benefit that is determined on the basis of actuarial assumptions using assumptions adopted by the board by rule; and

(2) Benefits established in this section ~~[these benefits]~~ shall not be subject to employer discretion.

Section 6.

(1) In addition to any other vesting provisions under state law, except as provided in KRS 61.535 and 78.540, the normal retirement benefit of a member with nonhazardous service in the Kentucky Employees Retirement System or the County Employees Retirement System shall be nonforfeitable upon the later of:

(a) Attaining the normal retirement age ~~[The attainment]~~ of age sixty-five (65) years~~[, which is the normal retirement age]~~;

(b) For a member whose membership date is on or before August 31, 2008, the completion of four (4) years of service; or

(c) For a member whose membership date is on or after September 1, 2008, five (5) years of service earned pursuant to KRS 16.543(1), 61.543(1), or 78.615(1).

(2) In addition to any other vesting provisions under state law, except as provided in KRS 61.535 and 78.540, the normal retirement benefit of a member of the State Police Retirement System and a member with hazardous service in the Kentucky Employees Retirement System or the County Employees Retirement System shall be nonforfeitable upon the later of:

(a) For a member whose membership date is on or before August 31, 2008:

1. Attaining the normal retirement age of ~~[Attainment of age]~~ fifty-five (55) years~~[, which is the normal retirement age]~~; or

2. The completion of five (5) years of service; or

(b) For a member whose membership date is on or after September 1, 2008:

1. Attaining the normal retirement age of ~~[Attainment of age]~~ sixty (60) years~~[, which is the normal retirement age]~~; or

2. The completion of five (5) years of service earned pursuant to KRS 16.543(1), 61.543(1), or 78.615(1).

RYAN BARROW, Executive Director

APPROVED BY AGENCY: December 10, 2025

FILED WITH LRC: January 9, 2026 AT 10:45 a.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on March 23, 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. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through March 31, 2026 and shall receive the same consideration as verbal comments. Send written notification of intent to be heard at the public hearing, or written comments on the proposed administrative regulation, to the contact person. KPPA shall file a response with the Regulations Compiler to any public comments received, whether at the public comment hearing or in writing, via a Statement of Consideration no later than the 15th day of the month following the end of the public comment period, or upon filing a written request for extension, no later than the 15th day of the second month following the end of the public comment period.

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 County Employees Retirement System and Kentucky Retirement Systems' compliance with 26 U.S.C. 134, 401(a), 414, and 503(b) in order for Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System to maintain their tax qualified status as public defined benefits plans.

(b) The necessity of this administrative regulation:

This administrative regulation is necessary for Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System to maintain their tax qualified status as public defined benefits plans.

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

KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. KRS 61.645(9)(e) and 78.782(9)(d) require the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 to conform with federal statutes and regulations and meet the qualification requirements under 26 U.S.C. 401(a). This administrative regulation establishes County Employees Retirement System and Kentucky Retirement Systems' compliance with 26 U.S.C. 134, 401(a), 414, and 503(b) in order for Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System to maintain their tax qualified status as public defined benefits plans.

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

This administrative regulation establishes County Employees Retirement System and Kentucky Retirement Systems' compliance with 26 U.S.C. 134, 401(a), 414, and 503(b) in order for Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System to maintain their tax qualified status as public defined benefits plans.

(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 is primarily technical in nature. It corrects and updates federal and state statutory references, and amends language to comply with KRS Chapter 13A drafting requirements.

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

The amendment to this administrative regulation is necessary to correct and update federal and state statutory references, and amend language to comply with KRS Chapter 13A drafting requirements so that Kentucky Employees Retirement System,

State Police Retirement System, and County Employees Retirement System maintain their tax qualified status as public defined benefits plans. (c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 61.505(1)(g) authorizes the Kentucky Public Pensions Authority on behalf of Kentucky Retirement Systems and County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary or proper to carry out the provisions of KRS 16.505 to 16.652, 61.505 to 61.705, and 78.510 to 78.852. KRS 61.645(9)(e) and 78.782(9)(d) require the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 to conform with federal statutes and regulations and meet the qualification requirements under 26 U.S.C. 401(a). This administrative regulation establishes County Employees Retirement System and Kentucky Retirement Systems' compliance with 26 U.S.C. 134, 401(a), 414, and 503(b) in order for Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System to maintain their tax qualified status as public defined benefits plans.

(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 correcting and updating federal and state statutory references, and amending language to comply with KRS Chapter 13A drafting requirements, so that Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System maintain their tax qualified status as public defined benefits plans.

(3) Does this administrative regulation or amendment implement legislation from the previous five years?(If yes, provide the year of the legislation and either the bill number or Ky Acts chapter number being implemented.) 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 61.645 - Amended 2024 Ky. Acts ch. 55, sec. 13, effective July 15, 2024. -- Amended 2023 Ky. Acts ch. 94, sec. 3, effective June 29, 2023. -- Amended 2022 Ky. Acts ch. 216, sec. 12, effective April 14, 2022. -- Amended 2021 Ky. Acts ch. 102, sec. 66, effective April 1, 2021. -- Amended 2020 Ky. Acts ch. 79, sec. 4, effective April 1, 2021. KRS 78.782 - Amended 2024 Ky. Acts ch. 55, sec. 26, effective July 15, 2024. -- Amended 2023 Ky. Acts ch. 94, sec. 5, effective June 29, 2023. -- Amended 2022 Ky. Acts ch. 216, sec. 25, effective April 14, 2022. -- Amended 2021 Ky. Acts ch. 102, sec. 29, effective April 1, 2021. -- Created 2020 Ky. Acts ch. 79, sec. 3, 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 approximately 433,461 participants in the Kentucky Employees Retirement System, the State Police Retirement System, and the County Employees Retirement System.

(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):

There will be no additional costs to comply with the amendment because it is already being implemented as written. The amendment is primarily technical in nature.

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

The regulated community benefit from Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System maintaining their tax qualified status as public defined benefits plans.

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

(a) Initially:

There will be no additional costs because the regulation is already being implemented as written.

(b) On a continuing basis:

There will be no additional costs because the 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 fees or funding will not be necessary.

(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?

Yes, tiering is applied to the extent that different types of service are subject to different federal requirements.

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), 61.645(9)(e), and 78.782(9)(d), 26 U.S.C. 134, 401(a), 414, and 503(b)

(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), 61.645(9)(e), and 78.782(9)(d)

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

The promulgating agency is the Kentucky Public Pensions Authority. 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):

(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 affected local entities.

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

1. Expenditures:

For the first year:N/A

For subsequent years:N/A

2. Revenues:

For the first year:N/A

For subsequent years:N/A

3. Cost Savings:

For the first year:N/A

For subsequent years:N/A

(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:N/A

For subsequent years:N/A

2. Revenues:

For the first year:N/A

For subsequent years:N/A

3. Cost Savings:

For the first year:N/A

For subsequent years:N/A

(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 regulation has minimal fiscal impact. It is already being implemented as written.

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

The agency analyzed costs and procedures for conforming with federal statutes and regulations and meeting the qualification requirements under 26 U.S.C. 401(a).

(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(14).

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

The agency analyzed costs and procedures for conforming with federal statutes and regulations and meeting the qualification requirements under 26 U.S.C. 401(a).

FEDERAL MANDATE ANALYSIS COMPARISON

(1) Federal statute or regulation constituting the federal mandate.

26 U.S.C. 134, 401(a), 414, and 503(b)

(2) State compliance standards.

KRS 61.645(9)(e) and 78.782(9)(d)

(3) Minimum or uniform standards contained in the federal mandate.

Compliance with 26 U.S.C. 134, 401(a), 414, and 503(b) regarding vesting and forfeitures of benefits, Qualified Domestic Relations Orders, reemployed veterans, actuarial assumptions, and prohibited transactions in order for Kentucky Employees Retirement System, State Police Retirement System, and County Employees Retirement System to maintain their tax qualified status as public defined benefits plans.

(4) Will this administrative regulation impose stricter requirements, or additional or different responsibilities or requirements, than those required by the federal mandate?

No, this administrative regulation does not impose stricter requirements or additional or different responsibilities than those required by the federal mandate.

(5) Justification for the imposition of the stricter standard, or additional or different responsibilities or requirements.

this administrative regulation does not impose stricter requirements or additional or different responsibilities than those required by the federal mandate.