

KENTUCKY PUBLIC PENSION AUTHORITY
Accounts, Financials, and Federal Taxation
(Amendment)

105 KAR 2:340. Rollovers and transfers of contributions in other plans.

RELATES TO: KRS 16.505 – 16.652, 61.505, 61.552, 78.510 – 78.852, 26 U.S.C. secs. 401(a)(31), 402(c), 408(d)(3)

STATUTORY AUTHORITY: KRS 61.505(1)(g)

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. authorizes an eligible 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. 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.

Section 1.

(1)

(a) An eligible employee may purchase service credit under KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 by:

1. Transferring funds through a direct trustee-to-trustee transfer pursuant to applicable sections of the Internal Revenue Code and associated regulations or rulings;
2. Direct rollover pursuant to 26 U.S.C. sec. 401(a)(31) and associated regulations or rulings; or
3. Rollover of funds pursuant to 26 U.S.C. sec. 402(c) or 408(d)(3).

(b) The Kentucky Public Pensions Authority shall accept the transfer or rollover to the extent permitted by law pursuant to applicable provisions of the Internal Revenue Code and associated regulations and rulings.

(2) The agency 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.

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.

(3) The completed Form 4170 shall be filed at the agency 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, 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 the payment pursuant to subsection 1 or 2 of this section for the additional cost due to the agency, the agency 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 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.:

- (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 by the purchase due date or within sixty (60) days of termination of the installment purchase agreement, the agency 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 paid by the employee toward the service purchase; and
- (2) Second, to the financial institution responsible for the employee's account in the retirement plan or deferred compensation arrangement.

(105 KAR 001:340. 28 Ky.R. 1007; 1355; eff. 12-19-2001; 29 Ky.R. 782; 1256; eff. 11-12-2002; TAm eff. 3-5-2019; Crt eff. 3-5-2019; 52 Ky.R. 1009; eff. 6-2-2026; Recodified to 105 KAR 002:340; eff. 8-5-2026.)