

FINANCE AND ADMINISTRATION CABINET
Kentucky Public Pensions Authority
(Amendment)

105 KAR 1:365. Hybrid cash balance plan.

RELATES TO: KRS 16.505, 16.543, 16.577, 16.578, 16.583, 61.505, 61.510, 61.542, 61.543, 61.552, 61.559, 61.565, 61.592, 61.5955, 61.597, 61.615, 61.625, 61.637, 61.640, 61.680, 61.702, 78.510, 78.545, 78.5510, 78.5512, 78.5514, 78.5516, 78.5520, 78.5528, 78.5532, 78.5536, 78.5540, 78.5542, 78.615, 78.635, 38 U.S.C. 4301-4335, 26 U.S.C. 414(u)

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 Kentucky Retirement Systems and the County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary and proper to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. KRS 16.583, 61.597, 78.5512, and 78.5516 create a hybrid cash balance plan tier for members of the State Police Retirement System, Kentucky Employees Retirement System, and County Employees Retirement System with participation dates on or after January 1, 2014, or members making an election pursuant to KRS 61.5955 and 78.545. This administrative regulation establishes the procedures and requirements for the administration of the hybrid cash balance plan tier.

Section 1. Definitions.

(1) "Decompression service" means service purchased by a member for a period of time not to exceed ninety (90) days between the member's discharge from active-duty military service and the member's return to employment with a participating employer, if the member returned from military leave and did not immediately return to work, in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA), 38 U.S.C. 4301-4333.

(2) "Military omitted service" means service purchased by a member with a participation date on or after January 1, 2014, who was called to active-duty military in accordance with KRS 61.552(1) and 78.545.

(3) ~~[(1)]~~ "Nonvested member" means a member of the Systems who has less than five (5) years of service credited under KRS 16.543, 61.543, and 78.615 and who participates in the hybrid cash balance plan tier based on:

- (a) A participation date on or after January 1, 2014, or
- (b) Opting into the hybrid cash balance plan with a participation date between September 1, 2008 and December 31, 2013.

(4) ~~[(2)]~~ "Vested member" means a member of the Systems who has five (5) or more years of service credited under KRS 16.543, 61.543, and 78.615 and who participates in the hybrid cash balance plan tier based on:

- (a) A participation date on or after January 1, 2014, or
- (b) Opting into the hybrid cash balance plan with a participation date between September 1, 2008 and December 31, 2013.

Section 2. Military Service Credit.

(1)

~~[(a)] [Decompression service shall mean service purchased by a member for a period of time not to exceed ninety (90) days between the member's discharge from active-duty military service and the member's return to employment with a participating~~

~~employer, if the member returned from military leave and did not immediately return to work, in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA), 38 U.S.C. 4301-4333.]~~

(a) ~~[(b)]~~ Decompression service shall be credited to the member's account after the member has paid the employee contributions that would have been paid by the member for this period of time in accordance with KRS 16.543, 61.543, and 78.615.

(b) ~~[(c)]~~ The employer shall pay the employer contributions for the period of decompression service in accordance with KRS 61.565 and 78.635.

(2)

~~[(a)] [Military omitted service shall mean service purchased by a member with a participation date on or after January 1, 2014, who was called to active-duty military in accordance with KRS 61.552(1) and 78.545.]~~

(a) ~~[(b)]~~ Military omitted service shall be credited to the member's account only if the member has paid the employee contributions that would have been paid by the member for this period of time in accordance with KRS 16.543, 61.543, and 78.615.

(b) ~~[(c)]~~ The employer shall pay the employer contributions for the period of military omitted service in accordance with KRS 61.565 and 78.635.

Section 3. Application.

(1) Systems. This administrative regulation shall apply to:

(a) The ~~the~~ hybrid cash balance plan tier within each of the Systems; ~~and~~ ~~[-]~~

(b) ~~[(2)] [Members.]~~ Except as provided in subsections (2) and (3) ~~and (4)]~~ of this section, ~~[this administrative regulation shall apply]~~ solely to members who begin participating in the Systems on or after January 1, 2014, and who do not have a participation date in any other state-administered retirement system that is prior to January 1, 2014.

(2) ~~[(3)]~~ Irrevocable Election. This subsection shall apply only to members with a participation date in the Systems between September 1, 2008 and December 31, 2013, who have not received a retirement benefit from the Systems.

(a) Pursuant to KRS 61.5955 and 78.545, a member with a participation date in the Systems between September 1, 2008 and December 31, 2013, may make a one-time, irrevocable election to receive the benefits and rights provided under the hybrid cash balance plan tier as established ~~defined~~ in KRS 16.583, 61.597, 78.5512, and 78.5516 in lieu of benefits he or she is currently eligible to receive from the Systems.

1. A member with a participation date ~~based on service in the Systems or service~~ in another state-administered retirement system prior to September 1, 2008 shall not be eligible to make ~~the~~ ~~this~~ one-time, irrevocable election established in paragraph (a) of this subsection upon separation of accounts in accordance with KRS 61.680, 78.5542, and 105 KAR 1:020.

2. A member with a participation date in the Systems between September 1, 2008 and December 31, 2013 who also has service in another state-administered retirement system between September 1, 2008 and December 31, 2013 shall be eligible to make ~~the~~ ~~this~~ one-time, irrevocable election established in paragraph (a) of this subsection only upon separation of the member's account in the Systems from the member's account in the other state-administered retirement system as established in Section 6(6) of this administrative regulation and in accordance with KRS 61.680, 78.5542, and 105 KAR 1:020.

(b)

1. Eligible members who make the one-time, irrevocable election established ~~as described~~ in paragraph (a) of this subsection shall only be entitled to retain purchased service that is recontribution of a refund, omitted, omitted with interest, decompression, or service purchased in accordance with the USERRA. ~~Uniformed~~

~~Services Employment and Reemployment Rights Act (USERRA);~~ ~~The~~~~[the]~~ agency shall remove any other purchased service from total months of service credit and refund the cost of that service~~[back]~~, plus interest, to the source of the purchase.

2. Eligible members who make the one-time, irrevocable election established~~[as described]~~ in paragraph (a) of this subsection shall not retain any active duty military service pursuant to KRS 61.552(1) and 78.545, unless the eligible member is currently participating in one (1) of the systems and pays the military omitted service.

(c) Members eligible to make the one-time, irrevocable election established~~[as described]~~ in paragraph (a) of this subsection shall be provided information detailing the potential results of that election via Member Self Service on the agency's website~~[Web site maintained by the agency]~~, which shall reflect service credit purchases retained and refunded as established~~[described]~~ in paragraph (b) of this subsection, and may receive additional information from the agency~~[agency's counselors]~~ upon request.

(d) The agency shall provide Form 2013, Hybrid Cash Balance Plan Opt-In Election, on which the member can make a one-time, irrevocable election as established~~[described]~~ in paragraph (a) of this subsection, on the agency's website~~[available to the member via Member Self Service on the Web site maintained by the agency]~~.

(e) The agency shall not process an eligible member's one-time, irrevocable election as established~~[described]~~ in paragraph (a) of this subsection until a valid~~[complete and correct]~~ Form 2013~~[, Hybrid Cash Balance Plan Opt-In Election,]~~ is filed at the agency~~[on file at the retirement office]~~.

(f) The effective date of the eligible member's one-time, irrevocable election as established~~[described]~~ in paragraph (a) of this subsection shall be the date on which the completed Form 2013~~[, Hybrid Cash Balance Plan Opt-In Election,]~~ is filed~~[received]~~ at the agency~~[retirement office]~~.

~~(3)~~ ~~[(4)]~~ Prior Participation that has been refunded. This subsection shall apply to a member with a participation date with the Systems prior to January 1, 2014, who terminates employment, and who takes a refund of accumulated contributions pursuant to KRS 61.625 and 78.545.

(a) If the member~~[that person]~~ is reemployed on or after January 1, 2014, in a regular full-time position required to participate in one of the Systems and does not have a participation date with any other state-administered retirement plan prior to January 1, 2014, he or she~~[the person]~~ shall become a member of the hybrid cash balance plan tier.

(b) If the~~[that]~~ member purchases~~[his or her]~~ previously refunded service in accordance with KRS 61.552(3) and 78.545(7), the purchased service shall only be used to determine the member's years of service credited and shall not be used to determine the member's participation date.

~~(4)~~ The agency shall not process an accumulated account balance refund application made pursuant to this administrative regulation for a vested member who has been charged with a felony related to his or her employment until a final, appealable judgment has been entered by a court of competent jurisdiction.

Section 4. Construction of Administrative Regulation. KRS 16.505 to 16.652, KRS 61.510 to 61.705, KRS 78.510 to 78.852, and KAR Title 105 shall apply to the hybrid cash balance plan tier except if required by or as necessary for the administration of the hybrid cash balance plan tier pursuant to~~[under]~~ KRS 16.583, 61.597, 78.5512, and 78.5516.

Section 5. Trust Assets. All contributions made with respect to each System's~~[Systems']~~ hybrid cash balance plan tier shall be held in the trust for the respective System. Assets for

the hybrid cash balance plan tier shall not be segregated from the assets for other tiers for the respective System.

Section 6. Reciprocity.

(1) All service credit with other state-administered retirement systems, including the Judicial and Legislators' Plan and the Teachers' Retirement System, shall be used to determine~~[for determining]~~ a member's years of service credited for purposes of eligibility for annuitization, unless the member:

(a) Has ~~[The member has]~~ separated the member's account with another state-administered retirement systems by filing a complete Form 2022, Separation of Accounts, incorporated by reference in 105 KAR 1:020; or

(b) Previously ~~[The member previously]~~ retired based on the service with the other state-administered retirement system.

(2) Service credit in another state-administered retirement system shall not be used to determine~~[for determining]~~ whether a member who is not eligible to retire in the hybrid cash balance plan tier has the five (5) years of service required in order to receive a full accumulated account balance refund pursuant to~~[of his or her accumulated account balance under]~~ KRS 16.583(5)(b), 61.597(5)(b), 78.5512(5)(b), and 78.5516(5)(b).

(3) Service credit in the cash balance plan tier shall be counted as service for the other state-administered retirement systems and as service for hospital and medical insurance and managed care plan coverage pursuant to KRS 61.702 and 78.5536.

(4) The same service credit shall not be counted for benefit calculation purposes for more than one state-administered retirement system or tier under any circumstances.

(5) A member who is participating in the hybrid cash balance tier in more than one of the Systems shall ~~[have to]~~ retire at the same time and elect the same retirement benefit option in all applicable Systems, unless the member has requested that his or her accounts be separated in accordance with 105 KAR 1:020.

(6)

(a) A member with a participation date in the Systems between September 1, 2008 and December 31, 2013 may make a one-time, irrevocable election to have each system treat~~[his or her]~~ service credit in that system without regard to any other service credit, by filing a Form 2022, Separation of Accounts, incorporated by reference in 105 KAR 1:020, requesting that his or her accounts be separated in accordance with KRS 61.680 and 78.5542.~~[If so requested, "final compensation" shall be based on the creditable compensation earned under each system separately.]~~

(b) Notwithstanding any restriction established in 105 KAR 1:020 regarding when a member may file a Form 2022, a member eligible to elect a separation of accounts as established in paragraph (a) of this subsection:

1. May do so at any time after his or her membership date;

2. No later than the first day of the month in which the member receives his or her first retirement allowance payment; and

3. "Final compensation" shall then be based on the creditable compensation earned under each system separately.

(c) The agency shall:

1. ~~[(a)]~~ Provide members ~~[Members]~~ who are eligible and seeking to make the one-time, irrevocable election to separate accounts with~~[shall be provided]~~ information detailing the potential results of that election;~~[from the agency's counselors.]~~

2. ~~[(b)]~~ Provide ~~[The agency shall provide]~~ Form 2022, incorporated by reference in 105 KAR 1:020~~[Separation of Accounts]~~, on which the member can make the one-time, irrevocable election to separate accounts; and~~[.]~~

3. ~~[(c)]~~ Not ~~[The agency shall not]~~ process an eligible member's one-time, irrevocable election to separate accounts until the member has received the

information required by subparagraph 1. of this paragraph~~[(a) of this subsection]~~ and a valid~~[complete and correct]~~ Form 2022~~[- Separation of Accounts,]~~ is on file at the agency~~[retirement office]~~.

(d) The effective date of the eligible member's one-time, irrevocable election to separate accounts shall be the date on which the valid~~[completed]~~ Form 2022~~[- Separation of Accounts,]~~ is received at the agency~~[retirement office]~~.

Section 7. Lump-sum Distributions upon Termination of Employment or Death for Nonvested Members.

(1) Termination of Employment. A nonvested member eligible for a refund pursuant to KRS 61.625 and 78.545 shall only be refunded his or her accumulated contributions, and shall forfeit any accumulated employer credit.

(2) Death before Retirement. Upon the death of a nonvested member, the beneficiary designated by the member pursuant to KRS 61.542(1)-(2) and 78.545(2), or~~[(or)]~~ if no designated beneficiary, the member's estate,~~)]~~ shall only be entitled to receive a lump-sum payment of the nonvested member's accumulated contributions, and shall not be entitled to receive payment of any accumulated employer credits.

(3) Rollovers. A nonvested member or the designated beneficiary of a nonvested member who receives a refund of accumulated contributions may elect to have the refunded accumulated contributions paid directly to an eligible retirement plan in accordance with 105 KAR 002:270 and 105 KAR 002:345.

Section 8. Lump-sum Distributions upon Termination or Distributions upon Death of Vested Members.

(1) Termination of Employment.

(a) Upon termination of employment with all employers participating in the same Systems in which the member has service credit, a vested member who is not otherwise eligible to retire may elect to take a refund of his or her accumulated account balance.

(b)

1. Upon termination of employment with all employers participating in one or more of the Systems, a vested member who is eligible for retirement may elect to take a refund of his or her accumulated account balance, in lieu of other retirement payment options established~~[provided]~~ in KRS 16.583(7), 61.597(7), 78.5512(7), and 78.5516(7).

2.

a. The member's election to take an~~[a refund of his or her]~~ accumulated account balance refund pursuant to~~[as described in]~~ subparagraph 1 of this paragraph shall be treated as a retirement and the member shall be a retired member ineligible to participate or accrue additional benefits in the Systems upon subsequent reemployment with any participating employer pursuant to KRS 61.637 and 78.5540.

b. ~~A~~ ~~[Additionally, the]~~ member who has made the election established~~[described]~~ in subparagraph 1 of this paragraph shall be subject to all requirements and restrictions for reemploying with a participating employer in KRS 61.637, 78.5540 and 105 KAR 5:390.

(2) Death before Retirement.

(a) Upon the death of a vested member participating in the Systems, the vested member's designated beneficiary, or~~[(or)]~~ if no designated beneficiary, the member's estate,~~)]~~ shall be entitled to a lump-sum distribution of the vested member's accumulated account balance in accordance with KRS 61.625(1)(a) and 78.545(5). The designated beneficiary may also be entitled to the other payment options available for a death before retirement pursuant to KRS 16.578, 61.640, and 78.5532.

(b) Upon the death of a vested member who is not participating in the Systems at the time of death and who has not taken a refund or retirement benefit, if the vested member has:

1. Fewer ~~[fewer]~~ than twelve (12) years of service credited, the vested member's designated beneficiary, ~~or~~ ~~[(or)]~~ if no designated beneficiary the member's estate, ~~]]~~ shall be entitled to a lump-sum distribution of the member's accumulated account balance in accordance with KRS 61.625(1)(a) and 78.545(5); ~~or~~ ~~[-]~~

2. Twelve ~~[If the vested member has twelve]~~ (12) or more years of service credited, the designated beneficiary may also be entitled to other payment options available for a death before retirement pursuant to KRS 16.578, 61.640, and 78.5532.

(3) Rollover. A vested member or the designated beneficiary of a vested member who takes a lump-sum distribution of the vested member's accumulated account balance under this section may elect to have the lump-sum distribution paid directly to an eligible retirement plan in accordance with 105 KAR 002:270 and 105 KAR 002:345.

Section 9. Eligibility for an Annuity.

(1) At Normal Retirement Age. Subject to Section 6 of this administrative regulation, a vested member who reaches normal retirement age under the applicable System's statutory provisions and who terminates employment with all participating employers shall be eligible to retire and may elect to annuitize ~~[his or her accumulated account balance]~~ or take a lump-sum distribution of his or her accumulated account balance as ~~established~~ ~~[provided]~~ in Section 8(1)(b) of this administrative regulation.

(2) Additional Eligibility for Annuitization for Members with Hazardous position Service. A member who has hazardous position service as ~~established~~ ~~[provided]~~ in KRS 16.505-16.652, 61.592 and 78.5520, who has twenty-five (25) ~~[25]~~ or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or any other Kentucky state-administered system, and who terminates employment with all employers participating in the Systems shall be eligible to retire and may elect to annuitize ~~[his or her accumulated account balance]~~ or take a lump-sum distribution of his or her accumulated account balance as ~~established~~ ~~[provided]~~ in Section 8(1)(b) of this administrative regulation.

(3) Additional Eligibility for Annuitization for Members with Service Only in a Nonhazardous Position. A member with exclusively nonhazardous position service who is at least age fifty-seven (57), who has an age plus years of service total of at least eighty-seven (87) years, and who terminates employment with all employers participating in the Systems shall be eligible to retire and may elect to annuitize ~~[his or her accumulated account balance]~~ or take a lump-sum distribution of his or her accumulated account balance as ~~established~~ ~~[provided]~~ in Section 8(1)(b) of this administrative regulation.

(4) Annuitization. A member who elects to annuitize his or her accumulated account balance may receive a retirement benefit determined in accordance with actuarial assumptions and actuarial methods adopted under subsection (6) of this section and in effect on the member's retirement date.

(5) Return of Contributions. If the retirement benefit payment option selected by the vested member includes a guaranteed return of contributions, ~~the~~ ~~[that retirement benefit payment option shall be interpreted to mean that]~~ guarantee shall apply ~~[applies]~~ to the accumulated account balance.

(6) Board Action with respect to Annuitization. The Board of Trustees of the Kentucky Retirement Systems and the Board of Trustees of the County Employees Retirement System shall adopt actuarial assumptions and methods that will apply to a specific fiscal year prior to the start of that fiscal year.

(7) Eligibility for Retiree Hospital and Medical Benefit. Only members who are ~~[a member who is]~~ receiving a monthly annuitized benefit shall be eligible for hospital and

medical insurance and managed care plan coverage. ~~Members who take~~~~[A member who takes]~~ a lump-sum refund or lump-sum retirement benefit shall not be eligible for hospital and medical insurance and managed care plan coverage.

Section 10. Disability retirement. A member participating in the hybrid cash balance plan tier in one or more of the Systems ~~and~~ whose disability retirement allowance is discontinued pursuant to KRS 61.615 ~~or~~~~[and]~~ 78.5528 shall begin receiving retirement benefits, if eligible, ~~pursuant to~~~~[under]~~ KRS 16.583(6), 61.597(6), 78.5512(6), or 78.5516(6), but shall not be eligible for early retirement benefits ~~pursuant to~~~~[under]~~ KRS 61.559, 78.5510, 78.5514, or 16.577.

Section 11. Purchase of Service Credit.

(1) Members participating in the hybrid cash balance plan tier shall only be eligible to purchase service credit that is recontribution of a refund, omitted service, omitted service with interest, military omitted service, decompression service, or service pursuant to ~~[under]~~ the Uniformed Services Employment and Reemployment Rights Act ~~(USERRA)~~, and shall not be eligible to make any other types of service purchases.

(2) Uniformed Services Employment and Reemployment Rights Act (USERRA) Service.

(a) Years of service credited shall be determined as established in~~[required by]~~ USERRA.

(b) In order to receive service credit for military omitted service, decompression service, or service pursuant to USERRA~~[under the Uniformed Services Employment and Reemployment Rights Act (USERRA)]~~, the member shall file the documentation established in 105 KAR 1:330 Section 5(2) and pay the member contributions in accordance with KRS 16.543, 61.543, and 78.615, as though the member was employed during the period of ~~this or her~~ active military duty or decompression.

(c) The employer shall pay all employer contributions owed in accordance with KRS 61.552, 61.565, 78.545, and 78.635.

(3) Repayment of Refunded Contributions Plus Interest Credits or Accumulated Account Balance.

(a) Upon reemployment with a participating employer in a regular full-time position required to participate in the Systems or participation in another state-administered retirement system, a nonvested member who took a refund of his or her member contributions plus interest credits may regain the refunded service credit by repaying, with interest at a rate determined by the board of the respective retirement system, the amount refunded with post-tax employee contributions or a rollover or transfer allowed under the Internal Revenue Code. ~~The~~~~[Although the]~~ repayments of refunded contributions plus interest credit shall be used to determine the member's service credited, but the repayment of the amount refunded shall not be used to determine a member's participation date.

(b) Upon reemployment with a participating employer in a regular full-time position required to participate in the Systems or participation in another state-administered retirement system, a vested member who was not eligible to retire and who took an accumulated account balance~~[a]~~ refund~~[of his or her accumulated account balance]~~ may regain the refunded service credit by repaying, with interest at a rate determined by the board of the respective retirement system, the amount refunded with post-tax employee contributions or a rollover or transfer allowed under the Internal Revenue Code. ~~The~~~~[Although the]~~ repayments of the refunded accumulated account balance shall be used to determine the member's service credited, but the repayment of the amount refunded shall not be used to determine a member's participation date.

(4) Omitted Service. Any person who is entitled to service credit in the hybrid cash balance plan tier that was not reported in accordance with KRS 16.543, 61.543, or 78.615 may pay the amount of member contributions that would have been due ~~for~~~~[on]~~ that

service~~[in order]~~ to receive credit for the service in the hybrid cash balance plan tier. ~~The[However, the]~~ service shall not be credited to the member's account until employer contributions for the service are received by the Systems. Once member and employer contributions have been received, accumulated employer credits shall be reflected in the member's account.

Section 12. Incorporation by Reference.

(1) The following material is incorporated by reference:

~~[(a)]~~ Form 2013, "Hybrid Cash Balance Plan Opt-In Election", September 2026, is incorporated by reference~~[February 2021; and]~~

~~[(b)]~~ ~~[Form 2022, "Separation of Accounts", September 2022].~~

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. This material is also available on the agency website~~[Kentucky Public Pensions Authority's Web site]~~ at kyret.ky.gov.

105 KAR 1:365 Hybrid cash plan balance is approved for filing.
RYAN BARROW, Executive Director

APPROVED BY AGENCY: September 25, 2026

FILED WITH LRC: September 29, 2026 at 8:50 a.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on December 21, 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 December 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, **Phone:** (502) 696-8679, **Email:** Legal.Non-Advocacy@kyret.ky.gov

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

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation establishes the procedures and requirements for the administration of the hybrid cash balance plan tier for members with participation dates on or after January 1, 2014, or members who elect the hybrid cash balance plan pursuant to KRS 61.5955 and 78.545.

(b) The necessity of this administrative regulation:

This administrative regulation is necessary to establish the procedures and requirements for the administration of the hybrid cash balance plan tier for members with participation dates on or after January 1, 2014, or members who elect the hybrid cash balance plan pursuant to KRS 61.5955 and 78.545.

(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 the Kentucky Retirement Systems and the County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary and proper to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. KRS 16.583, 61.597, 78.5512, and 78.5516 create a hybrid cash balance plan tier for members of the State Police Retirement System, Kentucky Employees Retirement System, and County Employees Retirement System with participation dates on or after January 1, 2014, or members making an election pursuant to KRS 61.5955 and 78.545.

(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 requirements for the administration of the hybrid cash balance plan tier for members with participation dates on or after January 1, 2014, or members who elect the hybrid cash balance plan pursuant to KRS 61.5955 and 78.545.

(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 regulations moves language defining "decompression service" and "military omitted service" to the Definitions section, adds language clarifying that an accumulated account balance refund application from a member charged with an employment-related felony will not be processed until a final, appealable court judgement is entered, removes Form 2022 (Separation of Accounts) from Materials Incorporated by Reference in favor of a citation to the regulation where the form is located, updates Form 2013 (Hybrid Cash Balance Plan Opt-In Election), and updates language to comply 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 move language that defines terms to the Definitions section, add language that delays processing refund applications for members charged with an employment-related felony until a court judgement is entered, remove Form 2022 from Materials Incorporated by Reference in favor of a citation to the regulation where the form is "housed" and update Form 2013, and to bring language into compliance 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 Kentucky Public Pensions Authority on behalf of the Kentucky Retirement Systems and the County Employees Retirement System to promulgate administrative regulations that are consistent with and necessary and proper to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. KRS 16.583, 61.597, 78.5512, and 78.5516 create a hybrid cash balance plan tier for members of the State Police Retirement System, Kentucky Employees Retirement System, and County Employees Retirement System with participation dates on or after January 1, 2014, or members making an election pursuant to KRS 61.5955 and 78.545.

(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 clarifying terms, adding language that delays processing refund applications for members charged with an employment-related felony until a court order is entered, reducing the number of documents incorporated by reference, and clarifying the procedures and requirements for the administration of the hybrid cash balance plan tier for members with participation dates on or after January 1, 2014, or members who elect the hybrid cash balance plan pursuant to KRS 61.5955 and 78.545.

(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 Kentucky Acts chapter number being implemented). Yes. 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 61.5955 - Repealed and reenacted 2021 Ky. Acts ch. 102, sec. 44, effective April 1, 2021. KRS 78.545 - Amended 2021 Ky. Acts ch. 102, sec. 20, effective April 1, 2021. -- Amended 2020 Ky. Acts ch. 79, sec. 40, effective April 1, 2021.

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

Approximately 161,168 members with participation dates on or after January 1, 2014, and those eligible members who elect the hybrid cash balance plan pursuant to KRS 61.5955 and 78.545.

(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 will benefit from clarified definitions, notice regarding the delay of a refund application if the member has been charged with an employment-related felony, and a reduced number of materials incorporated by reference.

(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?

No, tiering is not applied. The processes and procedures related to the hybrid cash balance plan are the same for all members who are Tier 3 state employees or those eligible members who elect the hybrid cash balance plan pursuant to KRS 61.5955 and 78.545.

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(g), 26 U.S.C. 414(u), 38 U.S.C. 4301-4335

(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(g)

(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):

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):

(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 being implemented as written.

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

The agency analyzed costs and procedures for administering the hybrid cash balance plan for state employees.

(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 its costs and procedures for administering the hybrid cash balance plan for state employees.

FEDERAL MANDATE ANALYSIS COMPARISON

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

26 U.S.C. 414(u), 38 U.S.C. 4301-4335

(2) State compliance standards.

KRS 61.505(g), 61.5955, and 78.545

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

26 U.S.C. 414(u) establishes special rules relating to veterans' reemployment rights under the Uniformed Services Employment and Reemployment Right Act of 1994 (USERRA). 38 U.S.C. 4301-4335 encourage military and uniformed service by minimizing disadvantages to civilian careers and employment which can result from military service.

(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 or requirements 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 standards, or additional or different responsibilities or requirements than those required by the federal mandate.