

1 AN ACT relating to legislators' retirement benefits.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS 6.500 TO 6.577 IS CREATED TO
4 READ AS FOLLOWS:

5 *Notwithstanding any other provision of KRS 6.500 to 6.577, 16.505 to 16.652, 21.345 to*
6 *21.580, 61.510 to 61.705, 78.510 to 78.852, or 161.220 to 161.716 to the contrary:*

7 *(1) On the effective date of this Act, the Legislators' Retirement Plan, as provided by*
8 *KRS 6.500 to 6.577, shall be closed to new members. A legislator who has not*
9 *contributed to the Legislators' Retirement Plan prior to the effective date of this*
10 *Act, shall not be eligible to participate in the Legislators' Retirement Plan for his*
11 *or her service as a member of the General Assembly, but shall instead participate*
12 *as a nonhazardous member of the Kentucky Employees Retirement System as*
13 *provided by KRS 61.510 to 61.705;*

14 *(2) On the effective date of this Act, any member who began participating in the*
15 *Legislators' Retirement Plan on or after January 1, 2014, but prior to the*
16 *effective date of this Act, who has an accumulated account balance in the hybrid*
17 *cash balance plan as provided by KRS 21.402 shall:*

18 *(a) Have his or her accumulated account balance as of the effective date of this*
19 *Act, transferred to the Kentucky Employees Retirement System's*
20 *nonhazardous hybrid cash balance plan as provided by KRS 61.597. Service*
21 *previously credited in the Legislators' Retirement Plan shall be credited in*
22 *the Kentucky Employees Retirement System nonhazardous plan;*

23 *(b) Participate as a nonhazardous member of the Kentucky Employees*
24 *Retirement System as provided by KRS 61.597 for any future service to the*
25 *General Assembly; and*

26 *(c) Have any previous service in the Legislators' Retirement Plan be credited in*
27 *the Kentucky Employees Retirement System nonhazardous plan;*

1 (3) On the effective date of this Act, any member of the Legislators' Retirement Plan
2 who began participating in the plan prior to January 1, 2014:

3 (a) Shall not accrue any additional benefits in the Legislators' Retirement Plan
4 on or after the effective date of this Act, for his or her service to the General
5 Assembly, except that he or she may finish paying off any service purchases
6 being made through a payment installment agreement with the plan that
7 was executed prior to the effective date of this Act; and

8 (b) Shall accrue service on or after the effective date of this Act, as a
9 nonhazardous member of the Kentucky Employees Retirement System,
10 subject to the limitations of KRS 61.510 to 61.705; and

11 (4) Any member with service in the Legislators' Retirement Plan prior the effective
12 date of this Act, who is not receiving a monthly benefit from his or her service to
13 the plan as of the effective date of this Act, shall, once he or she makes an
14 election to begin receiving monthly benefits from the plan:

15 (a) Not be eligible to use creditable compensation credited to the Kentucky
16 Employees Retirement System, the County Employees Retirement System,
17 the State Police Retirement System, the Judicial Retirement Plan, or the
18 Teachers' Retirement System for purposes of calculating the benefits
19 payable from the Legislators' Retirement Plan, except for any creditable
20 compensation accrued in the Kentucky Employees Retirement System for
21 service as a member of the General Assembly; and

22 (b) Be eligible to receive a monthly benefit from the Legislators' Retirement
23 Plan based solely upon the creditable compensation reported for his or her
24 service as a member of the General Assembly as provided by KRS
25 61.525(2)(a).

26 For purposes of this section, "nonhazardous" means the level of benefits applicable to
27 employees of the Kentucky Employees Retirement System who do not qualify for

1 **hazardous duty coverage under KRS 61.592.**

2 ➔Section 2. KRS 6.500 is amended to read as follows:

3 There hereby is created a retirement plan for the members of the General Assembly
4 (hereinafter "legislators"). Each legislator in office on July 1, 1980, and each legislator
5 thereafter taking office **prior to the effective date of this Act**, may acquire membership in
6 the plan in accordance with the provisions of KRS 6.505. **On the effective date of this**
7 **Act, membership in the plan shall cease for those individuals who began participating**
8 **in the Legislators' Retirement Plan on or after January 1, 2014, who will have their**
9 **accumulated account balance transferred to the Kentucky Employees Retirement**
10 **System nonhazardous hybrid cash balance plan as provided by subsection (2) of**
11 **Section 1 of this Act.**

12 ➔Section 3. KRS 6.505 is amended to read as follows:

13 (1) (a) Each legislator in office on July 1, 1980, may within thirty (30) days after that
14 date, and any legislator thereafter taking office **prior to the effective date of**
15 **this Act**, may within thirty (30) days after the date thereof, elect to make
16 monthly contributions to the Legislators' Retirement Plan, in an amount equal
17 to five percent (5%) of his monthly creditable compensation, as defined in
18 KRS 61.510(13), **or the amount specified in paragraph (d) of this**
19 **subsection**. The election shall be effective to establish membership in the plan
20 as of July 1, 1980, or as of the date from which the thirty (30) day period is
21 measured, as the case may be. Provided, however, that any legislator who was
22 in office on July 1, 1980, and who is in office at the time he makes the
23 election may, after the expiration of the thirty (30) day period and until May 1,
24 1982, make the election, in which event he shall pay to the Legislators'
25 Retirement Plan, for the months between July 1, 1980, and the date of his
26 election such sum as, when added to any member's contribution by him that is
27 transferred from another retirement system under KRS 6.535, will equal the

1 member's contribution required by this section. If the member makes his
2 election after February 1, 1981, he shall in addition pay to the plan interest on
3 the foregoing sum, at six percent (6%) per annum, calculated as if the sum
4 consisted of equal monthly payments, one (1) of which was due at the end of
5 each month between July 1, 1980, and the date the election was made. The
6 election shall be addressed to and filed with the secretary of the Finance and
7 Administration Cabinet and shall constitute an authorization to the secretary
8 to thereafter cause to be deducted from the member's monthly creditable
9 compensation an amount equal to five percent (5%) thereof, as a voluntarily
10 elected contribution by the member towards the funding of the Legislators'
11 Retirement Plan.

12 (b) 1. For a member who begins participating in the Legislators' Retirement
13 Plan prior to January 1, 2014, the election shall operate to create an
14 inviolable contract between such member and the Commonwealth,
15 guaranteeing to and vesting in the member the rights and benefits
16 provided for under KRS 6.515 to 6.530.

17 2. a. For members who begin participating in the Legislators'
18 Retirement Plan on or after January 1, 2014, the General Assembly
19 reserves the right to amend, suspend, or reduce the benefits and
20 rights provided under KRS 6.500 to 6.577 if, in its judgment, the
21 welfare of the Commonwealth so demands, except that the amount
22 of benefits the member has accrued at the time of amendment,
23 suspension, or reduction shall not be affected.

24 b. For purposes of this subparagraph, the amount of benefits the
25 member has accrued at the time of amendment, suspension, or
26 reduction shall be limited to the accumulated account balance the
27 member has accrued at the time of amendment, suspension, or

1 reduction.

2 c. The provisions of this subsection shall not be construed to limit the
3 General Assembly's authority to change any other benefit or right
4 specified by KRS 6.500 to 6.577, for members who begin
5 participating in the Legislators' Retirement Plan on or after January
6 1, 2014, except the benefits specified by subparagraph 2.b. of this
7 paragraph.

8 3. The provisions of this paragraph shall not be construed to limit the
9 General Assembly's authority to amend, reduce, or suspend the benefits
10 and rights of members of the Legislators' Retirement Plan as provided by
11 KRS 6.500 to 6.577 that the General Assembly had the authority to
12 amend, reduce, or suspend, prior to July 1, 2013.

13 (c) An election once made under this section either to participate or not to
14 participate in the Legislators' Retirement Plan~~]~~ shall be considered to apply
15 to all future service as a legislator, **except as provided in Section 1 of this Act,**
16 whether in the same or a different office as a legislator, and whether or not it
17 is in successive terms.

18 (d) Notwithstanding the provisions of this subsection:

19 1. A legislator who becomes a member of the Legislators' Retirement Plan
20 on or after September 1, 2008, but prior to January 1, 2014, shall make
21 monthly contributions to the Legislators' Retirement Plan in an amount
22 equal to six percent (6%) of his monthly creditable compensation, as
23 defined in KRS 61.510(13).

24 2. A legislator who becomes a member of the Legislators' Retirement Plan
25 on or after January 1, 2014, shall make monthly contributions to the
26 Legislators' Retirement Plan in an amount equal to six percent (6%) of
27 his or her monthly creditable compensation, as defined in KRS

1 61.510(13), of which:

2 a. Five percent (5%) of his or her monthly creditable compensation,
3 as defined in KRS 61.510(13), shall be used to provide funding for
4 benefits provided under KRS 21.402; and

5 b. One percent (1%) of his or her monthly creditable compensation,
6 as defined in KRS 61.510(13), shall be used exclusively to help
7 fund retiree health benefits as provided by KRS 6.577 and shall not
8 be refunded to the member if the member withdraws his or her
9 accumulated account balance as provided by KRS 21.460. The
10 amounts deducted under this subdivision shall be credited to an
11 account established pursuant to 26 U.S.C. sec. 401(h), within the
12 fund established by KRS 6.530.

13 (2) A legislator entitled to elect membership in the retirement system who failed to
14 elect membership within thirty (30) days after taking office may elect membership
15 not later than August 31, 2005. An election, upon being made pursuant to this
16 section, shall operate to create an inviolable contract between the member entitled
17 to elect membership under this subsection and the Commonwealth, guaranteeing to
18 and vesting in the member the rights and benefits provided for under the terms and
19 conditions of KRS 6.500 to 6.577.

20 (3) When any legislator makes a delayed election of membership in the Legislators'
21 Retirement Plan under subsection (2) of this section, his active membership in the
22 Kentucky Employees Retirement System shall terminate, as of the date his
23 membership in the Legislators' Retirement Plan becomes effective, and any credit in
24 the Kentucky Employees Retirement System, earned for service as a legislator,
25 which he then has or which he subsequently regains while being an active member
26 of the Legislators' Retirement Plan, shall be transferred to and counted as service
27 credit in the Legislators' Retirement Plan, and shall no longer constitute credit in the

1 Kentucky Employees Retirement System, except for the purpose of validating any
2 other credit in that system if the member pays the difference, if any, between the
3 amount transferred from the Kentucky Employees Retirement System and the
4 actuarial value of the transferred service. However, any credit he then has in the
5 Kentucky Employees Retirement System, earned for service in any capacity other
6 than a legislator, shall not be affected. No person may attain credit in more than one
7 (1) of the retirement plans or systems mentioned in this section for the same period
8 of service. When credit is transferred from the Kentucky Employees Retirement
9 System to the Legislators' Retirement Plan, the Kentucky Employees Retirement
10 System shall transfer to the Legislators' Retirement Fund an amount equal to the
11 employee's and employer's contributions attributable to that credit, together with
12 interest on the contributions from the date made to the date of transfer at the
13 actuarially assumed interest rate of the Kentucky Employees Retirement System in
14 effect at the time the contributions were made, compounded annually at that same
15 interest rate.

16 (4) The state shall, solely for the purpose of compliance with Section 414(h) of the
17 United States Internal Revenue Code, pick up the employee contributions required
18 by this section for all compensation earned after August 1, 1982, and the
19 contributions so picked up shall be treated as employer contributions in determining
20 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).
21 The picked-up employee contribution shall satisfy all obligations to the retirement
22 system satisfied prior to August 1, 1982, by the employee contribution, and the
23 picked-up employee contribution shall be in lieu of an employee contribution. The
24 state shall pay these picked-up employee contributions from the same source of
25 funds which is used to pay earnings to the employee. The employee shall have no
26 option to receive the contributed amounts directly instead of having them paid by
27 the employer to the system. Employee contributions picked up after August 1, 1982,

1 shall be treated for all purposes of KRS 6.500 to 6.535 in the same manner and to
2 the same extent as employee contributions made prior to August 1, 1982.

3 (5) When any legislator elects membership in the Legislators' Retirement Plan in
4 accordance with this section, his active membership in the Kentucky Employees
5 Retirement System, State Police Retirement System, County Employees Retirement
6 System, or Teachers' Retirement System shall terminate, as of the date his
7 membership in the Legislators' Retirement Plan becomes effective, and any credit in
8 such other system or systems, earned for service as a legislator, which he then has or
9 which he subsequently regains while being an active member of the Legislators'
10 Retirement Plan, shall be transferred to and counted as service credit in the
11 Legislators' Retirement Plan, and shall no longer constitute credit in such other
12 retirement system except for the purpose of validating any other credit in that
13 system. However, any credit he then has in such other retirement system, earned for
14 service in any capacity other than a legislator, shall not be affected. No person may
15 attain credit in more than one (1) of the retirement plans or systems mentioned in
16 this section, for the same period of service.

17 (6) A member of the Legislators' Retirement Plan who would be entitled, under KRS
18 61.552, to repurchase credit in the Kentucky Employees Retirement System, for
19 previous service as a legislator, which credit had been lost by refund of
20 contributions, may pay the amount required by KRS 61.552 directly to the
21 Legislators' Retirement Plan and thereby obtain credit in that plan for such service,
22 rather than making payment to the Kentucky Employees Retirement System for
23 credit which would be transferred to the Legislators' Retirement Plan. In such event,
24 the Kentucky Employees Retirement System shall transfer to the Legislators'
25 Retirement Plan an amount equal to the employer's contributions that originally
26 were made to the Kentucky Employees Retirement System for the regained service
27 credit, with interest as provided in KRS 6.535. Six (6) months' current service shall

1 be required in the Legislators' Retirement Plan in order for the repurchased credit to
2 remain in force, the same as provided in KRS 61.552. Service purchased under this
3 subsection on or after January 1, 2014, shall not be used to determine the member's
4 participation date in the Legislators' Retirement Plan.

5 ➔Section 4. KRS 6.515 is amended to read as follows:

6 (1) *As limited by Section 1 of this Act,* service credit in the Legislators' Retirement
7 Plan shall be acquired only by service as a legislator after July 1, 1980, while a
8 member of the plan, by transfer of credit as provided in KRS 6.505, or by purchase
9 or transfer of credit as provided in this section.

10 (2) (a) 1. Any active member who began participating in the Legislators'
11 Retirement Plan prior to January 1, 2014, who has at least five (5) years
12 of service credit in the Legislators' Retirement Plan, or his beneficiary
13 acting in his place if the member dies prior to retirement, shall receive
14 service credit for a maximum of four (4) years for his period of service
15 in the Armed Forces of the United States, if his discharge therefrom is
16 honorable and he has not been credited with the service by any other
17 retirement system administered by the Commonwealth of Kentucky, by
18 paying the retirement system thirty-five percent (35%) of the actuarial
19 cost of the service as determined by the board of trustees, based on
20 assumptions used in the most recent biennial evaluation. The service
21 credit shall be awarded and the cost shall be determined in conformity
22 with the rate which applies to the legislator in question under KRS
23 6.520. Service credit awarded under this subsection shall be equivalent,
24 for all purposes of the Legislators' Retirement Plan, to other service
25 credit earned in the plan.

26 2. Any active member who began participating in the Legislators'
27 Retirement Plan prior to January 1, 2014, who has at least five (5) years

1 of service credit in the Legislators' Retirement Plan may purchase and
2 receive service credit for one (1) month of service for each six (6)
3 months of service in the reserves or the National Guard by paying the
4 retirement system one hundred percent (100%) of the actuarial cost of
5 the service as determined by the board of trustees, based on the
6 assumptions used in the most recent biennial evaluation. The service
7 credit shall be awarded and the cost shall be determined in conformity
8 with the rate that applies to the legislator in question under KRS 6.520.
9 Service credit awarded as provided in this subsection shall be
10 equivalent, for all purposes of the Legislators' Retirement Plan, to other
11 service credit earned in the plan. The service in the military reserves or
12 the National Guard shall be treated as service earned prior to
13 participation in the plan. The purchase can be made by the member by
14 transfer, if authorized under subsection (7)(d) of this section, or in a
15 lump-sum payment or by installment payments, as set forth in paragraph
16 (b) of this subsection. The payment shall not be picked up by the
17 employer as provided in KRS 6.505(4).

- 18 (b) The member, if the member began participating in the Legislators' Retirement
19 Plan prior to January 1, 2014, may purchase all of his military service credit at
20 one (1) time, or in increments of no less than one (1) year, unless there is a
21 fraction remaining after all full years have been paid for. Payment of the total
22 or the increment may be made by lump-sum or by monthly installments
23 through payroll deduction. If the member chooses to pay by installment, the
24 cost of the service credit shall be computed in the same manner as for a lump-
25 sum payment, which shall be the principal. Interest, at the annual actuarial rate
26 in effect at the time each payment is made, shall be added to each monthly
27 payment at the rate of one-twelfth (1/12) of the annual interest rate applied to

1 the declining principal amount. Installment purchases shall be for no less than
2 twelve (12) nor more than sixty (60) months. If the member leaves office
3 before completing his installment payments, he may satisfy his contract by a
4 lump-sum payment of the remaining principal amount, but no further
5 installment payments shall be accepted thereafter. In this case, the member
6 shall be credited with the military service credit for which he has paid, in
7 years or months but no fraction less than a full month, and any payment
8 remaining after credit for full months has been awarded shall be returned to
9 the member.

10 (c) The payments made under this section shall be considered accumulated
11 contributions of the member and shall not be picked up by the employer under
12 KRS 6.505(4).

13 (3) In the event of divorce, rights to benefits shall be considered marital property
14 subject to the provisions of KRS 403.190.

15 (4) A member who began participating in the Legislators' Retirement Plan prior to
16 January 1, 2014, who has qualified for benefits under KRS 6.525(1) may transfer to
17 the Legislators' Retirement Plan up to ten (10) years of service credit which he has
18 earned in a retirement system administered by Kentucky Retirement Systems. If the
19 member elects to transfer his service credit, the system from which the transfer is
20 made shall transfer to the legislators' retirement fund an amount equal to the
21 employee's and employer's contributions attributable to that credit, together with
22 interest on the contributions from the date made to date of transfer at the actuarially
23 assumed interest rate of the system from which the transfer is made in effect at the
24 time the contributions were made, compounded annually at that same interest rate.
25 The member shall be entitled to the transferred service credit, at the rate at which he
26 qualifies under KRS 6.520, when he pays the total difference between the amount of
27 the funds transferred and the cost of the credit to the Legislators' Retirement Plan, as

1 determined by the actuary for the Legislators' Retirement Plan. The member may
2 pay by transfer, if authorized under subsection (7)(d) of this section, by lump sum,
3 or by increments, as provided for in this section. The payments made under this
4 section shall be considered accumulated contributions of the member and shall not
5 be picked up by the employer under KRS 6.505(4).

6 (5) (a) Any active member who began participating in the Legislators Retirement
7 Plan prior to January 1, 2014, who is vested in the Legislators Retirement Plan
8 under KRS 6.525 shall receive service credit for a maximum of four (4) years
9 each for his period of service as a Domestic Relations Commissioner, a
10 Master Commissioner, or a District Court Trial Commissioner of the
11 Commonwealth of Kentucky, or a combination thereof, if the service has not
12 been credited to the member's account with any other public defined benefit
13 plan, by paying the retirement system one hundred percent (100%) of the
14 actuarial cost of the service as determined by the board of trustees, based on
15 assumptions used in the most recent biennial evaluation. The period of service
16 to be purchased shall be certified to the board of trustees by the custodian of
17 the records. The service credit shall be awarded and the cost shall be
18 determined in conformity with the rate that applies to the member in question
19 under KRS 6.520. Service credit awarded under this subsection shall be
20 equivalent, for all purposes of the Legislators Retirement Plan, to other
21 service credit earned in the plan. The member may pay by transfer, by lump
22 sum, or by increments as set forth in this section. The payments made under
23 this section shall be considered accumulated contributions of the member and
24 shall not be picked up by the employer under KRS 6.505(4).

25 (b) Any active member who began participating in the Legislators Retirement
26 Plan prior to January 1, 2014, who is vested in the Legislators Retirement Plan
27 under KRS 6.525, shall receive service credit for his period of service to the

1 United States Government, other than service in the Armed Forces, if the
2 service has not been credited to the member's account with any other public
3 defined benefit plan, by paying the retirement system one hundred percent
4 (100%) of the actuarial cost of the service as determined by the board of
5 trustees, based on assumptions used in the most recent biennial evaluation.
6 The period of service to be purchased shall be certified to the board of trustees
7 by the custodian of the records. The service credit shall be awarded and the
8 cost shall be determined in conformity with the rate that applies to the
9 member in question under KRS 6.520. Service credit awarded under this
10 subsection shall be equivalent, for all purposes of the Legislators Retirement
11 Plan, to other service credit earned in the plan. The member may pay by
12 transfer, by lump sum, or by increments as set forth in this section. The
13 payments made under this section shall be considered accumulated
14 contributions of the member and shall not be picked up by the employer under
15 KRS 6.505(4).

16 (c) Any member who began participating in the Legislators Retirement Plan prior
17 to January 1, 2014, who was in office on June 21, 2001, and who was in active
18 contributing status to the applicable retirement plan on June 21, 2001, and
19 who has at least one hundred eighty (180) months of service credit may
20 purchase a combined maximum total of five (5) years of retirement service
21 credit that is not otherwise purchasable, by paying the retirement system one
22 hundred percent (100%) of the actuarial cost of the service as determined by
23 the board of trustees, based on assumptions used in the most recent biennial
24 evaluation. The member shall be entitled to the service credit at the rate at
25 which he qualifies under KRS 6.520. Service credit awarded under this
26 subsection shall be equivalent, for all purposes of the Legislators Retirement
27 Plan, to other service credit earned in the plan, except that the service

1 purchased under this subsection shall not be used in determining a retirement
2 allowance until the member has accrued at least two hundred forty (240)
3 months of service, excluding service purchased under this subsection. If the
4 member does not accrue at least two hundred forty (240) months of service,
5 excluding service purchased under this subsection, then upon retirement,
6 death, or written request following termination, the payment shall be refunded.
7 The member may pay by transfer, by lump sum, or by increments as set forth
8 in this section. The payments made under this section shall be considered
9 accumulated contributions of the member and shall not be picked up by the
10 employer under KRS 6.505(4).

11 (d) A member who began participating in the Legislators Retirement Plan prior to
12 January 1, 2014, may purchase service credit under the provisions of this
13 section by transferring funds through a direct trustee-to-trustee transfer as
14 permitted under the applicable sections of the Internal Revenue Code and any
15 regulations or rulings issued thereunder or through a direct rollover as
16 contemplated by and permitted under 26 U.S.C. sec. 401(a)(31) and any
17 regulations or rulings issued thereunder. Service credit may also be purchased
18 by a rollover of funds pursuant to and permitted under the rules specified in 26
19 U.S.C. sec. 402(c) and 26 U.S.C. sec. 408(d)(3). The Legislators Retirement
20 Fund shall accept the transfer or rollover to the extent permitted under the
21 rules specified in the applicable provisions of the Internal Revenue Code and
22 any regulations and rulings issued thereunder. The amount shall be credited to
23 the individual member's account and shall be considered accumulated
24 contributions of the member and shall not be picked up by the employer under
25 KRS 6.505(4).

26 ➔Section 5. KRS 6.520 is amended to read as follows:

27 (1) A member of the Legislators' Retirement Plan who retires on or after his normal

1 retirement date shall receive a service retirement allowance, payable monthly during
2 his lifetime, in an amount per month equal to three and fifty one-hundredths percent
3 (3.50%) of his final compensation multiplied by the number of years of his service,
4 but in no event to exceed one hundred percent (100%) of final compensation or the
5 amount specified in subsection (3) of Section 1 of this Act. For this purpose, "final
6 compensation" means the average monthly creditable compensation as determined
7 in KRS 61.510(13) of the member for services as a legislator for the three (3) years
8 during which the member had the highest creditable legislative compensation.

9 (2) A member shall have rights, with respect to retirement before reaching normal
10 retirement date in the Legislators' Retirement Plan, identical in terms with those
11 rights provided in KRS 21.400(2) and (3) in the Judicial Retirement Plan for
12 members of that plan, except that the reduction in a legislators' service retirement
13 allowance for early retirement shall be at the rate of five percent (5%) of the
14 allowance for each year that retirement precedes the normal retirement date.

15 (3) Subsections (1) and (2) of this section to the contrary notwithstanding, each
16 legislator in office on July 1, 1982, that is a member of the Legislators' Retirement
17 Plan, who retires on or after his normal retirement date, shall receive a service
18 retirement allowance, payable monthly, on a formula equal to that of a justice or
19 judge of the Court of Justice with an equivalent service entrance date, but in no
20 event less than that specified in subsection (1) of this section, of his final
21 compensation multiplied by the number of years of his service, but in no event to
22 exceed one hundred percent (100%) of his final compensation or the amount
23 specified in subsection (3) of Section 1 of this Act. For this purpose, "final
24 compensation" means the average monthly creditable compensation as determined
25 in KRS 61.510(13) of the three (3) years during which the member had the highest
26 creditable legislative compensation.

27 (4) Subsections (1) and (2) of this section to the contrary notwithstanding, a member of

1 the Legislators' Retirement Plan with a service entrance date after July 1, 1982 but
2 prior to January 1, 2014, who retires on or after his normal retirement date, shall
3 receive a service retirement allowance, payable monthly during his lifetime, in an
4 amount per month equal to two and seventy-five one-hundredths percent (2.75%) of
5 his final compensation multiplied by the number of years of his service, but in no
6 event to exceed one hundred percent (100%) of final compensation **or the amount**
7 **specified in subsection (3) of Section 1 of this Act.** For this purpose, "final
8 compensation" means the average monthly creditable compensation as determined
9 in KRS 61.510(13) of the member for services as a legislator for the three (3) years
10 during which the member had the highest creditable legislative compensation.

11 (5) Subsections (1) to (4) of this section shall not apply to members who begin
12 participating in the Legislators' Retirement Plan on or after January 1, 2014.

13 ➔Section 6. KRS 6.525 is amended to read as follows:

14 The Legislators' Retirement Plan shall be governed by KRS 21.560 and by provisions
15 identical in terms with those provided in KRS 21.345(1), 21.345(3) to (6), 21.357,
16 21.360(1), 21.370 to 21.410, 21.374, 21.420, 21.425, 21.450, 21.460, 21.470, 21.480,
17 21.525, 21.540, and 61.552 for the Judicial Retirement Plan, except that:

18 (1) Five (5) years of service as a legislator will be sufficient for vesting; and

19 (2) (a) A member of the Legislators' Retirement Plan may combine his service credit
20 with his service credit in the Teachers' Retirement System, Kentucky
21 Employees Retirement System, County Employees Retirement System, and
22 State Police Retirement System at the time of his retirement, according to the
23 procedure of KRS 61.680(2)(a), except that the salary used to determine final
24 compensation, if applicable, shall be based on the creditable compensation in
25 KRS 61.510(13) for service while a member of the General Assembly whether
26 or not a member of the Legislators' Retirement Plan.

27 (b) For members contributing on or after June 20, 2005, but **who retire prior to**

1 *the effective date of this Act*~~[prior to January 1, 2014]~~: Upon retirement, a
2 member's accounts under the Legislators' Retirement Plan, State Police
3 Retirement System, Kentucky Employees Retirement System, County
4 Employees Retirement System, and Teachers' Retirement System shall be
5 consolidated for the purpose of determining eligibility and amount of benefits
6 as provided in KRS 61.680(2)(a) and in the same manner as for the other
7 retirement systems using the highest salary regardless of the system in which
8 it was earned. For purposes of this paragraph, "retirement" means the month
9 in which the member elects to begin receiving benefits or benefits become
10 payable due to the member's death.

11 (c) A member who has an account in the Legislators' Retirement Plan and the
12 Judicial Retirement Plan may combine his service in both plans for purposes
13 of determining:

- 14 1. Eligibility and the amount of benefits; and
- 15 2. Final compensation, provided the member *retires prior to the effective*
16 *date of this Act*~~[began participating in the Legislators' Retirement Plan~~
17 ~~prior to January 1, 2014]~~.

18 (d) A member who began participating in the Legislators' Retirement Plan prior to
19 January 1, 2014, may retire at the completion of twenty-seven (27) or more
20 years of combined service credit, so long as at least fifteen (15) years of such
21 credit were earned after January 1, 1960, and there shall be no reduction in the
22 retirement allowance because of retirement before the age of sixty-five (65).

23 (e) For the purposes of this section, any reference in the KRS sections listed
24 above to the Judicial Retirement Plan shall also be read as a reference to the
25 Legislators' Retirement Plan, and any reference to the Legislators' Retirement
26 Plan shall also be read as a reference to the Judicial Retirement Plan.

27 (3) Any other statute to the contrary notwithstanding, *except as provided in Section 1*

1 of this Act, a member of any state-administered retirement system who has ceased
2 to qualify for membership but subsequently returns to a qualified status, shall, for
3 the purposes of determining the date of entry into the state-administered retirement
4 system for the subsequent period or periods of service, be deemed to have never left
5 the retirement system.

6 ➔Section 7. KRS 61.510 is amended to read as follows:

7 As used in KRS 61.510 to 61.705, unless the context otherwise requires:

- 8 (1) "System" means the Kentucky Employees Retirement System created by KRS
9 61.510 to 61.705;
- 10 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 11 (3) "Department" means any state department or board or agency participating in the
12 system in accordance with appropriate executive order, as provided in KRS 61.520.
13 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
14 General Assembly and any other body, entity, or instrumentality designated by
15 executive order by the Governor, shall be deemed to be a department,
16 notwithstanding whether said body, entity, or instrumentality is an integral part of
17 state government;
- 18 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 19 (5) "Employee" means the members, officers, and employees of the General Assembly
20 and every regular full-time, appointed or elective officer or employee of a
21 participating department, including the Department of Military Affairs. The term
22 does not include persons engaged as independent contractors, seasonal, emergency,
23 temporary, interim, and part-time workers. In case of any doubt, the board shall
24 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 25 (6) "Employer" means a department or any authority of a department having the power
26 to appoint or select an employee in the department, including the Senate and the
27 House of Representatives, or any other entity, the employees of which are eligible

- 1 for membership in the system pursuant to KRS 61.525;
- 2 (7) "State" means the Commonwealth of Kentucky;
- 3 (8) "Member" means any employee who is included in the membership of the system or
4 any former employee whose membership has not been terminated under KRS
5 61.535;
- 6 (9) "Service" means the total of current service and prior service as defined in this
7 section;
- 8 (10) "Current service" means the number of years and months of employment as an
9 employee, on and after July 1, 1956, except that for members, officers, and
10 employees of the General Assembly this date shall be January 1, 1960, for which
11 creditable compensation is paid and employee contributions deducted, except as
12 otherwise provided, and each member, officer, and employee of the General
13 Assembly shall be credited with a month of current service for each month he
14 serves in the position;
- 15 (11) "Prior service" means the number of years and completed months, expressed as a
16 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
17 creditable compensation was paid; except that for members, officers, and employees
18 of the General Assembly, this date shall be January 1, 1960. An employee shall be
19 credited with one (1) month of prior service only in those months he received
20 compensation for at least one hundred (100) hours of work; provided, however, that
21 each member, officer, and employee of the General Assembly shall be credited with
22 a month of prior service for each month he served in the position prior to January 1,
23 1960. Twelve (12) months of current service in the system are required to validate
24 prior service;
- 25 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
26 from the compensation of a member and credited to his individual account in the
27 members' account, including employee contributions picked up after August 1,

1 1982, pursuant to KRS 61.560(4), together with interest credited on such amounts
2 and any other amounts the member shall have contributed thereto, including interest
3 credited thereon. For members who begin participating on or after September 1,
4 2008, "accumulated contributions" shall not include employee contributions that are
5 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
6 funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS
7 61.702(2)(b);

8 (13) "Creditable compensation":

9 (a) Means all salary, wages, tips to the extent the tips are reported for income tax
10 purposes, and fees, including payments for compensatory time, paid to the
11 employee as a result of services performed for the employer or for time during
12 which the member is on paid leave, which are includable on the member's
13 federal form W-2 wage and tax statement under the heading "wages, tips,
14 other compensation," including employee contributions picked up after
15 August 1, 1982, pursuant to KRS 61.560(4). For members of the General
16 Assembly, it shall mean all amounts which are includable on the member's
17 federal form W-2 wage and tax statement under the heading "wages, tips,
18 other compensation," including employee contributions picked up after
19 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);

20 (b) Includes:

- 21 1. Lump-sum bonuses, severance pay, or employer-provided payments for
22 purchase of service credit, which shall be averaged over the employee's
23 total service with the system in which it is recorded if it is equal to or
24 greater than one thousand dollars (\$1,000);
- 25 2. Cases where compensation includes maintenance and other perquisites,
26 but the board shall fix the value of that part of the compensation not paid
27 in money;

- 1 3. Lump-sum payments for creditable compensation paid as a result of an
2 order of a court of competent jurisdiction, the Personnel Board, or the
3 Commission on Human Rights, or for any creditable compensation paid
4 in anticipation of settlement of an action before a court of competent
5 jurisdiction, the Personnel Board, or the Commission on Human Rights,
6 including notices of violations of state or federal wage and hour statutes
7 or violations of state or federal discrimination statutes, which shall be
8 credited to the fiscal year during which the wages were earned or should
9 have been paid by the employer. This subparagraph shall also include
10 lump-sum payments for reinstated wages pursuant to KRS 61.569,
11 which shall be credited to the period during which the wages were
12 earned or should have been paid by the employer;
- 13 4. Amounts which are not includable in the member's gross income by
14 virtue of the member having taken a voluntary salary reduction provided
15 for under applicable provisions of the Internal Revenue Code; and
- 16 5. Elective amounts for qualified transportation fringes paid or made
17 available on or after January 1, 2001, for calendar years on or after
18 January 1, 2001, that are not includable in the gross income of the
19 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 20 (c) Excludes:
- 21 1. Living allowances, expense reimbursements, lump-sum payments for
22 accrued vacation leave, and other items determined by the board;
- 23 2. For employees who begin participating on or after September 1, 2008,
24 lump-sum payments for compensatory time; and
- 25 3. For employees who begin participating on or after August 1, 2016,
26 nominal fees paid for services as a volunteer;

27 (14) "Final compensation" of a member means:

- 1 (a) For a member who begins participating before September 1, 2008, who is
2 ~~[not]~~ employed in a nonhazardous~~[hazardous]~~ position~~[, as provided in KRS~~
3 ~~61.592]~~, the creditable compensation of the member during the five (5) fiscal
4 years he was paid at the highest average monthly rate divided by the number
5 of months of service credit during that five (5) year period multiplied by
6 twelve (12). The five (5) years may be fractional and need not be consecutive.
7 If the number of months of service credit during the five (5) year period is less
8 than forty-eight (48), one (1) or more additional fiscal years shall be used;
- 9 (b) For a member who is ~~[not]~~ employed in a nonhazardous~~[hazardous]~~
10 position~~[, as provided in KRS 61.592]~~, whose effective retirement date is
11 between August 1, 2001, and January 1, 2009, and whose total service credit
12 is at least twenty-seven (27) years and whose age and years of service total at
13 least seventy-five (75), final compensation means the creditable compensation
14 of the member during the three (3) fiscal years the member was paid at the
15 highest average monthly rate divided by the number of months of service
16 credit during that three (3) years period multiplied by twelve (12). The three
17 (3) years may be fractional and need not be consecutive. If the number of
18 months of service credit during the three (3) year period is less than twenty-
19 four (24), one (1) or more additional fiscal years shall be used.
20 Notwithstanding the provision of KRS 61.565, the funding for this paragraph
21 shall be provided from existing funds of the retirement allowance;
- 22 (c) For a member who begins participating before September 1, 2008, who is
23 employed in a hazardous position, as provided in KRS 61.592, the creditable
24 compensation of the member during the three (3) fiscal years he was paid at
25 the highest average monthly rate divided by the number of months of service
26 credit during that three (3) year period multiplied by twelve (12). The three (3)
27 years may be fractional and need not be consecutive. If the number of months

1 of service credit during the three (3) year period is less than twenty-four (24),
2 one (1) or more additional fiscal years shall be used;

3 (d) For a member who begins participating on or after September 1, 2008, but
4 prior to January 1, 2014, who is ~~not~~ employed in a
5 nonhazardous~~hazardous~~ position~~, as provided in KRS 61.592~~, the
6 creditable compensation of the member during the five (5) complete fiscal
7 years immediately preceding retirement divided by five (5). Each fiscal year
8 used to determine final compensation must contain twelve (12) months of
9 service credit. If the member does not have five (5) complete fiscal years that
10 each contain twelve (12) months of service credit, then one (1) or more
11 additional fiscal years, which may contain less than twelve (12) months of
12 service credit, shall be added until the number of months in the final
13 compensation calculation is at least sixty (60) months;~~or~~

14 (e) For a member who begins participating on or after September 1, 2008, but
15 prior to January 1, 2014, who is employed in a hazardous position, as
16 provided in KRS 61.592, the creditable compensation of the member during
17 the three (3) complete fiscal years he was paid at the highest average monthly
18 rate divided by three (3). Each fiscal year used to determine final
19 compensation must contain twelve (12) months of service credit. If the
20 member does not have three (3) complete fiscal years that each contain twelve
21 (12) months of service credit, then one (1) or more additional fiscal years,
22 which may contain less than twelve (12) months of service credit, shall be
23 added until the number of months in the final compensation calculation is at
24 least thirty-six (36) months; or

25 (f) 1. For a member of the General Assembly for purposes of calculating
26 benefits for any service accrued on or after the effective date of this
27 Act, as a member of the General Assembly, the creditable

1 compensation of the member during all fiscal years of service accrued
2 as a member of the General Assembly on or after the effective date of
3 this Act, divided by the number of years of service as a member of the
4 General Assembly on or after the effective date of this Act.

5 2. Subparagraph 1. of this paragraph shall apply notwithstanding
6 paragraphs (a) to (e) of this subsection;

7 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
8 calculated during the twelve (12) month period immediately preceding the
9 member's effective retirement date, including employee contributions picked up
10 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
11 system by the employer and the following equivalents shall be used to convert the
12 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
13 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
14 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
15 one (1) year;

16 (16) "Retirement allowance" means the retirement payments to which a member is
17 entitled;

18 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
19 basis of the actuarial tables that are adopted by the board. In cases of disability
20 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
21 (10) years to the age of the member, unless the member has chosen the Social
22 Security adjustment option as provided for in KRS 61.635(8), in which case the
23 member's actual age shall be used. For members who began participating in the
24 system prior to January 1, 2014, no disability retirement option shall be less than the
25 same option computed under early retirement;

26 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
27 otherwise provided in KRS 61.510 to 61.705;

- 1 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
2 following June 30, which shall also be the plan year. The "fiscal year" shall be the
3 limitation year used to determine contribution and benefit limits as established by
4 26 U.S.C. sec. 415;
- 5 (20) "Officers and employees of the General Assembly" means the occupants of those
6 positions enumerated in KRS 6.150. The term shall also apply to assistants who
7 were employed by the General Assembly for at least one (1) regular legislative
8 session prior to July 13, 2004, who elect to participate in the retirement system, and
9 who serve for at least six (6) regular legislative sessions. Assistants hired after July
10 13, 2004, shall be designated as interim employees;
- 11 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
12 all positions that average one hundred (100) or more hours per month determined by
13 using the number of months actually worked within a calendar or fiscal year,
14 including all positions except:
- 15 (a) Seasonal positions, which although temporary in duration, are positions which
16 coincide in duration with a particular season or seasons of the year and which
17 may recur regularly from year to year, the period of time shall not exceed nine
18 (9) months;
- 19 (b) Emergency positions which are positions which do not exceed thirty (30)
20 working days and are nonrenewable;
- 21 (c) Temporary positions which are positions of employment with a participating
22 department for a period of time not to exceed nine (9) months and are
23 nonrenewable;
- 24 (d) Part-time positions which are positions which may be permanent in duration,
25 but which require less than a calendar or fiscal year average of one hundred
26 (100) hours of work per month, determined by using the number of months
27 actually worked within a calendar or fiscal year, in the performance of duty;

1 and

2 (e) Interim positions which are positions established for a one-time or recurring
3 need not to exceed nine (9) months;

4 (22) "Delayed contribution payment" means an amount paid by an employee for
5 purchase of current service. The amount shall be determined using the same formula
6 in KRS 61.5525, and the payment shall not be picked up by the employer. A
7 delayed contribution payment shall be deposited to the member's account and
8 considered as accumulated contributions of the individual member. In determining
9 payments under this subsection, the formula found in this subsection shall prevail
10 over the one found in KRS 212.434;

11 (23) "Parted employer" means a department, portion of a department, board, or agency,
12 such as Outwood Hospital and School, which previously participated in the system,
13 but due to lease or other contractual arrangement is now operated by a publicly held
14 corporation or other similar organization, and therefore is no longer participating in
15 the system. The term "parted employer" shall not include a department, board, or
16 agency that ceased participation in the system pursuant to KRS 61.522;

17 (24) "Retired member" means any former member receiving a retirement allowance or
18 any former member who has filed the necessary documents for retirement benefits
19 and is no longer contributing to the retirement system;

20 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
21 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
22 pay. The rate shall be certified by the employer;

23 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
24 the member in accordance with KRS 61.542 or 61.705 to receive any available
25 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
26 does not mean an estate, trust, or trustee;

27 (27) "Recipient" means the retired member or the person or persons designated as

1 beneficiary by the member and drawing a retirement allowance as a result of the
2 member's death or a dependent child drawing a retirement allowance. An alternate
3 payee of a qualified domestic relations order shall not be considered a recipient,
4 except for purposes of KRS 61.623;

5 (28) "Level-percentage-of-payroll amortization method" means a method of determining
6 the annual amortization payment on the unfunded actuarial accrued liability as
7 expressed as a percentage of payroll over a set period of years. Under this method,
8 the percentage of payroll shall be projected to remain constant for all years
9 remaining in the set period and the unfunded actuarially accrued liability shall be
10 projected to be fully amortized at the conclusion of the set period;

11 (29) "Increment" means twelve (12) months of service credit which are purchased. The
12 twelve (12) months need not be consecutive. The final increment may be less than
13 twelve (12) months;

14 (30) "Person" means a natural person;

15 (31) "Retirement office" means the Kentucky Retirement Systems office building in
16 Frankfort;

17 (32) "Last day of paid employment" means the last date employer and employee
18 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
19 78.615 to the retirement office in order for the employee to receive current service
20 credit for the month. Last day of paid employment does not mean a date the
21 employee receives payment for accrued leave, whether by lump sum or otherwise, if
22 that date occurs twenty-four (24) or more months after previous contributions;

23 (33) "Objective medical evidence" means reports of examinations or treatments; medical
24 signs which are anatomical, physiological, or psychological abnormalities that can
25 be observed; psychiatric signs which are medically demonstrable phenomena
26 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
27 or contact with reality; or laboratory findings which are anatomical, physiological,

1 or psychological phenomena that can be shown by medically acceptable laboratory
2 diagnostic techniques, including but not limited to chemical tests,
3 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

4 (34) "Participating" means an employee is currently earning service credit in the system
5 as provided in KRS 61.543;

6 (35) "Month" means a calendar month;

7 (36) "Membership date" means:

8 (a) The date upon which the member began participating in the system as
9 provided in KRS 61.543;~~[-or]~~

10 (b) For a member electing to participate in the system pursuant to KRS
11 196.167(4) who has not previously participated in the system or the Kentucky
12 Teachers' Retirement System, the date the member began participating in a
13 defined contribution plan that meets the requirements of 26 U.S.C. sec.
14 403(b); or

15 (c) For a member of the General Assembly whose participation in the
16 Legislators' Retirement Plan will cease and who will accrue benefits on or
17 after the effective date of this Act, in the Kentucky Employees Retirement
18 System, as provided by subsection (3) of Section 1 of this Act, the date upon
19 which the member began participating in the Kentucky Employees
20 Retirement System, the County Employees Retirement System, the State
21 Police Retirement System, the Teachers' Retirement System, the Legislators'
22 Retirement Plan, or the Judicial Retirement Plan;

23 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
24 retired member, as defined by subsection (24) of this section;

25 (38) "Qualified domestic relations order" means any judgment, decree, or order,
26 including approval of a property settlement agreement, that:

27 (a) Is issued by a court or administrative agency; and

- 1 (b) Relates to the provision of child support, alimony payments, or marital
2 property rights to an alternate payee;
- 3 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
4 participant, who is designated to be paid retirement benefits in a qualified domestic
5 relations order;
- 6 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
7 member's account and interest credited on such amounts as provided by KRS
8 16.583 and 61.597;
- 9 (41) "Accumulated account balance" means:
- 10 (a) For members who began participating in the system prior to January 1, 2014,
11 the member's accumulated contributions; or
- 12 (b) For members who began participating in the system on or after January 1,
13 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
14 the combined sum of the member's accumulated contributions and the
15 member's accumulated employer credit;
- 16 (42) "Volunteer" means an individual who:
- 17 (a) Freely and without pressure or coercion performs hours of service for an
18 employer participating in one (1) of the systems administered by Kentucky
19 Retirement Systems without receipt of compensation for services rendered,
20 except for reimbursement of actual expenses, payment of a nominal fee to
21 offset the costs of performing the voluntary services, or both; and
- 22 (b) If a retired member, does not become an employee, leased employee, or
23 independent contractor of the employer for which he or she is performing
24 volunteer services for a period of at least twenty-four (24) months following
25 the retired member's most recent retirement date;~~and~~
- 26 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
27 exceed five hundred dollars (\$500) per month. Compensation earned for services as

1 a volunteer from more than one (1) participating employer during a month shall be
2 aggregated to determine whether the compensation exceeds the five hundred dollars
3 (\$500) per month maximum provided by this subsection; **and**
4 **(44) "Nonhazardous position" means a position that does not meet the requirements**
5 **of KRS 61.592 and has not been approved by the board as a hazardous position.**