

1 AN ACT relating to retirement.

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

3 ➔Section 1. KRS 6.505 is amended to read as follows:

4 (1) (a) Each legislator in office on July 1, 1980, may within thirty (30) days after that  
5 date, and any legislator thereafter taking office may within thirty (30) days  
6 after the date thereof, elect to make monthly contributions to the Legislators'  
7 Retirement Plan, in an amount equal to five percent (5%) of his monthly  
8 creditable compensation, as defined in KRS 61.510(13), **or the amount**  
9 **specified by paragraph (d) of this subsection.** The election shall be effective  
10 to establish membership in the plan as of July 1, 1980, or as of the date from  
11 which the thirty (30) day period is measured, as the case may be. Provided,  
12 however, that any legislator who was in office on July 1, 1980, and who is in  
13 office at the time he makes the election may, after the expiration of the thirty  
14 (30) day period and until May 1, 1982, make the election, in which event he  
15 shall pay to the Legislators' Retirement Plan, for the months between July 1,  
16 1980, and the date of his election such sum as, when added to any member's  
17 contribution by him that is transferred from another retirement system under  
18 KRS 6.535, will equal the member's contribution required by this section. If  
19 the member makes his election after February 1, 1981, he shall in addition pay  
20 to the plan interest on the foregoing sum, at six percent (6%) per annum,  
21 calculated as if the sum consisted of equal monthly payments, one (1) of  
22 which was due at the end of each month between July 1, 1980, and the date  
23 the election was made. The election shall be addressed to and filed with the  
24 secretary of the Finance and Administration Cabinet and shall constitute an  
25 authorization to the secretary to thereafter cause to be deducted from the  
26 member's monthly creditable compensation an amount equal to five percent  
27 (5%) thereof, as a voluntarily elected contribution by the member towards the

1 funding of the Legislators' Retirement Plan.

2 (b) 1. For a member who begins participating in the Legislators' Retirement  
3 Plan prior to January 1, 2014, the election shall operate to create an  
4 inviolable contract between such member and the Commonwealth,  
5 guaranteeing to and vesting in the member the rights and benefits  
6 provided for under KRS 6.515 to 6.530, except that the General  
7 Assembly reserves the right to amend, reduce, or suspend any  
8 legislative changes to the provisions of KRS 6.500 to 6.577 that  
9 become effective on or after July 1, 2018.

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

17 b. For purposes of this subparagraph, the amount of benefits the  
18 member has accrued at the time of amendment, suspension, or  
19 reduction shall be limited to the accumulated account balance the  
20 member has accrued at the time of amendment, suspension, or  
21 reduction.

22 c. The provisions of this subsection shall not be construed to limit the  
23 General Assembly's authority to change any other benefit or right  
24 specified by KRS 6.500 to 6.577, for members who begin  
25 participating in the Legislators' Retirement Plan on or after January  
26 1, 2014, except the benefits specified by subparagraph 2.b. of this  
27 paragraph.

- 1           3. The provisions of this paragraph shall not be construed to limit the  
2           General Assembly's authority to amend, reduce, or suspend the benefits  
3           and rights of members of the Legislators' Retirement Plan as provided by  
4           KRS 6.500 to 6.577 that the General Assembly had the authority to  
5           amend, reduce, or suspend, prior to July 1, 2013.
- 6           (c) An election once made under this section either to participate or not to  
7           participate in the Legislators' Retirement Plan, shall be considered to apply to  
8           all future service as a legislator **except as provided by Section 7 of this Act,**  
9           whether in the same or a different office as a legislator, and whether or not it  
10          is in successive terms.
- 11          (d) Notwithstanding the provisions of this subsection:
- 12           1. A legislator who becomes a member of the Legislators' Retirement Plan  
13           on or after September 1, 2008, but prior to January 1, 2014, shall make  
14           monthly contributions to the Legislators' Retirement Plan in an amount  
15           equal to six percent (6%) of his monthly creditable compensation, as  
16           defined in KRS 61.510(13);~~[-]~~
- 17           2. A legislator who becomes a member of the Legislators' Retirement Plan  
18           on or after January 1, 2014, shall make monthly contributions to the  
19           Legislators' Retirement Plan in an amount equal to six percent (6%) of  
20           his or her monthly creditable compensation, as defined in KRS  
21           61.510(13), of which:
- 22           a. Five percent (5%) of his or her monthly creditable compensation,  
23           as defined in KRS 61.510(13), shall be used to provide funding for  
24           benefits provided under KRS 21.402; and
- 25           b. One percent (1%) of his or her monthly creditable compensation,  
26           as defined in KRS 61.510(13), shall be used exclusively to help  
27           fund retiree health benefits as provided by KRS 6.577 and shall not

1 be refunded to the member if the member withdraws his or her  
2 accumulated account balance as provided by KRS 21.460. The  
3 amounts deducted under this subdivision shall be credited to an  
4 account established pursuant to 26 U.S.C. sec. 401(h), within the  
5 fund established by KRS 6.530.

6 (2) A legislator entitled to elect membership in the retirement system who failed to  
7 elect membership within thirty (30) days after taking office may elect membership  
8 not later than August 31, 2005. An election, upon being made pursuant to this  
9 section, shall operate to create an inviolable contract between the member entitled  
10 to elect membership under this subsection and the Commonwealth, guaranteeing to  
11 and vesting in the member the rights and benefits provided for under the terms and  
12 conditions of KRS 6.500 to 6.577, *except that the General Assembly reserves the*  
13 *right to amend, reduce, or suspend any legislative changes to the provisions of*  
14 *KRS 6.500 to 6.577 that become effective on or after July 1, 2018.*

15 (3) When any legislator makes a delayed election of membership in the Legislators'  
16 Retirement Plan under subsection (2) of this section, his active membership in the  
17 Kentucky Employees Retirement System shall terminate, as of the date his  
18 membership in the Legislators' Retirement Plan becomes effective, and any credit in  
19 the Kentucky Employees Retirement System, earned for service as a legislator,  
20 which he then has or which he subsequently regains while being an active member  
21 of the Legislators' Retirement Plan, shall be transferred to and counted as service  
22 credit in the Legislators' Retirement Plan, and shall no longer constitute credit in the  
23 Kentucky Employees Retirement System, except for the purpose of validating any  
24 other credit in that system if the member pays the difference, if any, between the  
25 amount transferred from the Kentucky Employees Retirement System and the  
26 actuarial value of the transferred service. However, any credit he then has in the  
27 Kentucky Employees Retirement System, earned for service in any capacity other

1 than a legislator, shall not be affected. No person may attain credit in more than one  
2 (1) of the retirement plans or systems mentioned in this section for the same period  
3 of service. When credit is transferred from the Kentucky Employees Retirement  
4 System to the Legislators' Retirement Plan, the Kentucky Employees Retirement  
5 System shall transfer to the Legislators' Retirement Fund an amount equal to the  
6 employee's and employer's contributions attributable to that credit, together with  
7 interest on the contributions from the date made to the date of transfer at the  
8 actuarially assumed interest rate of the Kentucky Employees Retirement System in  
9 effect at the time the contributions were made, compounded annually at that same  
10 interest rate.

11 (4) The state shall, solely for the purpose of compliance with Section 414(h) of the  
12 United States Internal Revenue Code, pick up the employee contributions required  
13 by this section for all compensation earned after August 1, 1982, and the  
14 contributions so picked up shall be treated as employer contributions in determining  
15 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).  
16 The picked-up employee contribution shall satisfy all obligations to the retirement  
17 system satisfied prior to August 1, 1982, by the employee contribution, and the  
18 picked-up employee contribution shall be in lieu of an employee contribution. The  
19 state shall pay these picked-up employee contributions from the same source of  
20 funds which is used to pay earnings to the employee. The employee shall have no  
21 option to receive the contributed amounts directly instead of having them paid by  
22 the employer to the system. Employee contributions picked up after August 1, 1982,  
23 shall be treated for all purposes of KRS 6.500 to 6.535 in the same manner and to  
24 the same extent as employee contributions made prior to August 1, 1982.

25 (5) When any legislator elects membership in the Legislators' Retirement Plan in  
26 accordance with this section, his active membership in the Kentucky Employees  
27 Retirement System, State Police Retirement System, County Employees Retirement

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

12 (6) A member of the Legislators' Retirement Plan who would be entitled, under KRS  
13 61.552, to repurchase credit in the Kentucky Employees Retirement System, for  
14 previous service as a legislator, which credit had been lost by refund of  
15 contributions, may pay the amount required by KRS 61.552 directly to the  
16 Legislators' Retirement Plan and thereby obtain credit in that plan for such service,  
17 rather than making payment to the Kentucky Employees Retirement System for  
18 credit which would be transferred to the Legislators' Retirement Plan. In such event,  
19 the Kentucky Employees Retirement System shall transfer to the Legislators'  
20 Retirement Plan an amount equal to the employer's contributions that originally  
21 were made to the Kentucky Employees Retirement System for the regained service  
22 credit, with interest as provided in KRS 6.535. Six (6) months' current service shall  
23 be required in the Legislators' Retirement Plan in order for the repurchased credit to  
24 remain in force, the same as provided in KRS 61.552. Service purchased under this  
25 subsection on or after January 1, 2014, shall not be used to determine the member's  
26 participation date in the Legislators' Retirement Plan.

27 ➔Section 2. KRS 6.518 is amended to read as follows:

- 1 (1) For purposes of this section, "bona fide promotion or career advancement":
- 2 (a) Means a professional advancement in substantially the same line of work held
- 3 by the member in the four (4) years immediately prior to the final five (5)
- 4 annual years preceding retirement or a change in employment position based
- 5 on the training, skills, education, or expertise of the member that imposes a
- 6 significant change in job duties and responsibilities to clearly justify the
- 7 increased compensation to the member; and
- 8 (b) Does not include any circumstance in which a legislator participating in the
- 9 Legislators' Retirement Plan takes a position of employment with an employer
- 10 participating in any of the other state-administered retirement systems.
- 11 (2) (a) For members retiring on or after January 1, 2018, the plan shall, for each of
- 12 the retiring member's last five (5) annual years of service in the General
- 13 Assembly or with any employer participating in any of the state-administered
- 14 retirement systems, identify any annual year in which the creditable
- 15 compensation used to calculate benefits in the Legislators' Retirement Plan
- 16 increased at a rate of ten percent (10%) or more annually over the immediately
- 17 preceding annual year's creditable compensation.
- 18 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
- 19 amount of increase in creditable compensation for an annual year identified
- 20 under paragraph (a) of this subsection that exceeds ten percent (10%) more
- 21 than the member's creditable compensation from the immediately preceding
- 22 annual year shall not be included in the creditable compensation used to
- 23 calculate the member's monthly pension benefits. If the creditable
- 24 compensation for a specific annual year identified under paragraph (a) of this
- 25 subsection as exceeding the ten percent (10%) increase limitation is not used
- 26 to calculate the retiring member's monthly pension benefits, then no reduction
- 27 in creditable compensation shall occur for that annual year. Reductions to

1           creditable compensation as provided by this paragraph shall include any  
2           creditable compensation used to calculate the retiring member's benefits,  
3           including creditable compensation earned in another state-administered  
4           retirement system.

5           (c) If the creditable compensation of the retiring member is reduced as provided  
6           by paragraph (b) of this subsection, the retirement system shall,  
7           notwithstanding KRS 21.460 and as applicable, refund the member  
8           contributions attributable to the reduction in creditable compensation.

9           (3) In order to ensure the prospective application of the limitations on increases in  
10          creditable compensation contained in subsection (2) of this section, only the  
11          creditable compensation earned by the retiring member on or after July 1, 2017,  
12          shall be subject to reduction under subsection (2) of this section. Creditable  
13          compensation earned by the retiring member prior to July 1, 2017, shall not be  
14          subject to reduction under subsection (2) of this section.

15          (4) Subsections (2) and (3) of this section shall not apply to increases that are the direct  
16          result of a bona fide promotion or career advancement.

17          (5) The Judicial Form Retirement System board of trustees shall determine whether  
18          increases in creditable compensation during the last five (5) annual years of  
19          employment prior to retirement constitute a bona fide promotion or career  
20          advancement and may promulgate administrative regulations in accordance with  
21          KRS Chapter 13A to administer this section. All state-administered retirement  
22          systems shall cooperate to implement this section.

23          (6) This section shall not apply to:

24                (a) Employees participating in the hybrid cash balance ~~plans~~~~[plan]~~ as provided by  
25                KRS 21.402 or Section 19 of this Act; or

26                (b) Service earned in the 401(a) money purchase plan as provided by Section 12  
27                of this Act.



1       ➔Section 3. KRS 6.520 is amended to read as follows:

- 2       (1) A member of the Legislators' Retirement Plan who retires on or after his normal  
3       retirement date shall receive a service retirement allowance, payable monthly during  
4       his lifetime, in an amount per month equal to three and fifty one-hundredths percent  
5       (3.50%) of his final compensation multiplied by the number of years of his service,  
6       but in no event to exceed one hundred percent (100%) of final compensation. For  
7       this purpose, "final compensation" means the average monthly creditable  
8       compensation as determined in KRS 61.510(13) of the member for services as a  
9       legislator for the three (3) years during which the member had the highest creditable  
10      legislative compensation.
- 11      (2) A member shall have rights, with respect to retirement before reaching normal  
12      retirement date in the Legislators' Retirement Plan, identical in terms with those  
13      rights provided in KRS 21.400(2) and (3) in the Judicial Retirement Plan for  
14      members of that plan, except that the reduction in a legislators' service retirement  
15      allowance for early retirement shall be at the rate of five percent (5%) of the  
16      allowance for each year that retirement precedes the normal retirement date.
- 17      (3) Subsections (1) and (2) of this section notwithstanding, each  
18      legislator in office on July 1, 1982, that is a member of the Legislators' Retirement  
19      Plan, who retires on or after his normal retirement date, shall receive a service  
20      retirement allowance, payable monthly, on a formula equal to that of a justice or  
21      judge of the Court of Justice with an equivalent service entrance date, but in no  
22      event less than that specified in subsection (1) of this section, of his final  
23      compensation multiplied by the number of years of his service, but in no event to  
24      exceed one hundred percent (100%) of his final compensation. For this purpose,  
25      "final compensation" means the average monthly creditable compensation as  
26      determined in KRS 61.510(13) of the three (3) years during which the member had  
27      the highest creditable legislative compensation.

1 (4) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to  
 2 21.580~~[Subsections (1) and (2) of this section]~~ to the contrary~~[notwithstanding]~~, a  
 3 member of the Legislators' Retirement Plan with a service entrance date after July 1,  
 4 1982 but prior to January 1, 2014, who retires on or after his normal retirement date,  
 5 shall receive a service retirement allowance, payable monthly during his lifetime, in  
 6 an amount per month equal to:

7 (a) Two and seventy-five one-hundredths percent (2.75%) of his final  
 8 compensation multiplied by the number of years of his service *accrued prior*  
 9 *to January 1, 2019; and*

10 (b) *One and ninety-seven one-hundredths percent (1.97%) of his or her final*  
 11 *compensation multiplied by the number of years of his or her service*  
 12 *accrued on or after January 1, 2019;*~~[, but ]~~

13 In no event *shall the benefit provided by this subsection*~~[to]~~ exceed one hundred  
 14 percent (100%) of final compensation. For this purpose, "final compensation"  
 15 means the average monthly creditable compensation as determined in KRS  
 16 61.510(13) of the member for services as a legislator for the three (3) years during  
 17 which the member had the highest creditable legislative compensation.

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

20 ➔Section 4. KRS 6.525 is amended to read as follows:

21 The Legislators' Retirement Plan shall be governed by KRS 21.560 and by provisions  
 22 identical in terms with those provided in KRS 21.345(1), 21.345(3) to (6), 21.357,  
 23 21.360(1), 21.370 to 21.410, 21.374, 21.420, 21.425, 21.450, 21.460, 21.470, 21.480,  
 24 21.525, 21.540, and 61.552 for the Judicial Retirement Plan, except that:

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

26 (2) (a) A member of the Legislators' Retirement Plan may combine his service credit  
 27 with his service credit in the Teachers' Retirement System, Kentucky

1 Employees Retirement System, County Employees Retirement System, and  
2 State Police Retirement System at the time of his retirement, according to the  
3 procedure of KRS 61.680(2)(a), except that the salary used to determine final  
4 compensation, if applicable, shall be based on the creditable compensation in  
5 KRS 61.510(13) for service while a member of the General Assembly whether  
6 or not a member of the Legislators' Retirement Plan.

7 (b) For members contributing on or after June 20, 2005 but prior to January 1,  
8 2014, who retire prior to January 1, 2019: Upon retirement, a member's  
9 accounts under the Legislators' Retirement Plan, State Police Retirement  
10 System, Kentucky Employees Retirement System, County Employees  
11 Retirement System, and Teachers' Retirement System shall be consolidated  
12 for the purpose of determining eligibility and amount of benefits as provided  
13 in KRS 61.680(2)(a) and in the same manner as for the other retirement  
14 systems using the highest salary regardless of the system in which it was  
15 earned, but only for benefits paid prior to January 1, 2019. Effective  
16 January 1, 2019, notwithstanding any other provision of KRS 6.500 to 6.577  
17 or 21.345 to 21.580 to the contrary, members whose retirement occurred  
18 prior to January 1, 2019, who upon retirement were subject to the  
19 provisions of this paragraph shall have their retirement allowance  
20 recalculated in accordance with paragraph (a) of this subsection so that the  
21 amount of benefits payable on or after January 1, 2019, shall be based upon  
22 a final compensation that only includes creditable compensation earned for  
23 service while a member of the General Assembly. For purposes of this  
24 paragraph, "retirement" means the month in which the member elects to begin  
25 receiving benefits or benefits become payable due to the member's death.

26 (c) A member who has an account in the Legislators' Retirement Plan and the  
27 Judicial Retirement Plan may combine his service in both plans for purposes

1 of determining:

- 2 1. Eligibility and the amount of benefits; and
- 3 2. Final compensation, provided the member began participating in the
- 4 Legislators' Retirement Plan prior to January 1, 2014, and only for
- 5 benefits payable prior to January 1, 2019. Effective January 1, 2019,
- 6 members whose retirement occurred prior to January 1, 2019, who
- 7 were subject to the provisions of this paragraph shall have their
- 8 retirement allowance recalculated so that the amount of benefits
- 9 payable from the Legislators' Retirement Plan on or after January 1,
- 10 2019, shall be based upon a final compensation that only includes
- 11 creditable compensation earned for service while a member of the
- 12 General Assembly.

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

18 (e) For the purposes of this section, any reference in the KRS sections listed  
 19 above to the Judicial Retirement Plan shall also be read as a reference to the  
 20 Legislators' Retirement Plan, and any reference to the Legislators' Retirement  
 21 Plan shall also be read as a reference to the Judicial Retirement Plan.

22 (3) Any other statute to the contrary notwithstanding, a member of any state-  
 23 administered retirement system who has ceased to qualify for membership but  
 24 subsequently returns to a qualified status, shall, for the purposes of determining the  
 25 date of entry into the state-administered retirement system for the subsequent period  
 26 or periods of service, be deemed to have never left the retirement system.

27 ➔Section 5. KRS 21.360 is amended to read as follows:

- 1 (1) (a) Each Judge of the District Court in office on July 1, 1978, may within thirty  
2 (30) days after that date, and any judge or justice of any court entitled to be a  
3 member thereafter taking office may within thirty (30) days after taking office,  
4 elect to make monthly contributions to the retirement system in an amount  
5 equal to:
- 6 1. Five percent (5%) of his or her monthly official salary, if the judge or  
7 justice became a member of the Kentucky Judicial Retirement Plan prior  
8 to September 1, 2008;
  - 9 2. Six percent (6%) of his or her monthly official salary, if the judge or  
10 justice became a member of the Kentucky Judicial Retirement Plan on  
11 or after September 1, 2008, but prior to January 1, 2014; or
  - 12 3. Six percent (6%) of his or her monthly official salary, if the judge or  
13 justice who becomes a member of the Kentucky Judicial Retirement  
14 Plan on or after January 1, 2014, which shall be used to fund benefits as  
15 follows:
    - 16 a. Five percent (5%) of the monthly official salary shall be used to  
17 provide funding for benefits provided under KRS 21.402; and
    - 18 b. One percent (1%) of the monthly official salary to be used  
19 exclusively to help fund retiree health benefits as provided by KRS  
20 21.427 and which shall not be refunded to the member if the  
21 member withdraws his or her accumulated account balance as  
22 provided by KRS 21.460. The deducted amounts under this  
23 subdivision shall be credited to an account established pursuant to  
24 26 U.S.C. sec. 401(h), within the fund established by KRS 21.347.
- 25 (b) The election shall be effective to establish membership in the system as of  
26 July 1, 1978, or as of the date the judge or justice took office, as the case may  
27 be. The election shall be addressed to and filed with the secretary of the

1 Finance and Administration Cabinet, and shall constitute an authorization by  
2 the member, to the secretary, to thereafter cause to be deducted from the  
3 member's official salary, each month, the amount required by paragraph (a) of  
4 this subsection, as a voluntary contribution by the member towards the  
5 funding of the retirement system. For a member who began contributing to the  
6 Judicial Retirement Plan prior to January 1, 2014, the contribution shall  
7 continue until the judge or justice is vested in a service retirement allowance  
8 equal to one hundred percent (100%) of final compensation. Thereafter  
9 employee contributions shall be discontinued but continued service and  
10 retirement benefits shall not be affected thereby.

11 (2) A judge or justice entitled to elect membership in the retirement system who failed  
12 to elect membership within thirty (30) days after taking office in 1980 or who  
13 elected membership in the Kentucky Employees Retirement System may elect  
14 membership not later than August 31, 2005. An election, upon being made pursuant  
15 to this section, shall operate to create an inviolable contract between the member  
16 entitled to elect membership under this subsection and the Commonwealth,  
17 guaranteeing to and vesting in the member the rights and benefits provided for  
18 under the terms and conditions of KRS 21.350 to 21.510, **except that the General**  
19 **Assembly reserves the right to amend, reduce, or suspend any legislative changes**  
20 **to the provisions of KRS 21.345 to 21.580 that become effective on or after July 1,**  
21 **2018.**

22 (3) (a) When any judge makes a delayed election of membership in the Judicial  
23 Retirement Plan under subsection (2) of this section, his active membership in  
24 the Kentucky Employees Retirement System shall terminate, as of the date his  
25 membership in the Judicial Retirement Plan becomes effective, and any credit  
26 in the Kentucky Employees Retirement System, earned for service as a judge,  
27 which he then has or which he subsequently regains while being an active

1 member of the Judicial Retirement Plan, shall be transferred to and counted as  
2 service credit in the Judicial Retirement Plan, and shall no longer constitute  
3 credit in the Kentucky Employees Retirement System, except for the purpose  
4 of validating any other credit in that system, if the member pays the  
5 difference, if any, between the amount transferred from the Kentucky  
6 Employees Retirement System and the actuarial value of the transferred  
7 service.

8 (b) Any credit he then has in the Kentucky Employees Retirement System, earned  
9 for service in any capacity other than a judge, shall not be affected.  
10 Notwithstanding any provisions of KRS 61.680 to the contrary, final  
11 compensation used to determine benefits for any service credit remaining in  
12 the Kentucky Employees Retirement System shall be based on the highest  
13 years of compensation as a judge whether the years occur before or after the  
14 judge elects membership in the Judicial Retirement Plan.

15 (c) No person may attain credit in more than one (1) of the retirement plans or  
16 systems mentioned in this section for the same period of service. When credit  
17 is transferred from the Kentucky Employees Retirement System to the Judicial  
18 Retirement Plan, the Kentucky Employees Retirement System shall transfer to  
19 the Judicial Retirement Fund an amount equal to the employee's and  
20 employer's contributions attributable to that credit, together with interest on  
21 the contributions from the date made to the date of transfer at the actuarially-  
22 assumed interest rate of the Kentucky Employees Retirement System in effect  
23 at the time the contributions were made, compounded annually at that same  
24 interest rate.

25 (4) Membership and benefit rights for judges and justices (other than Judges of the  
26 District Court), and for the commissioners and administrative director, who took  
27 office prior to July 1, 1978, shall be dependent upon valid elections having been

1 made under this section (and KRS 21.355 and 21.365) prior to the 1978 amendment  
2 to this section. The terms of such elections, including the contribution rate, shall  
3 continue to govern for the duration of the member's service.

4 (5) When any Judge of the District Court in office on July 1, 1978, elects membership  
5 in the Judicial Retirement ~~Plan~~~~System~~ in accordance with this section, his  
6 membership in the Kentucky Employees Retirement System shall terminate as of  
7 July 1, 1978, and any credit in that system he earned for service as a Judge of the  
8 District Court shall be nullified; provided that the effect of such service to validate  
9 any other service credit in that system shall not be nullified.

10 (6) The state shall, solely for the purpose of compliance with Section 414(h) of the  
11 United States Internal Revenue Code, pick up the employee contributions required  
12 by this section for all compensation earned after August 1, 1982, and the  
13 contributions so picked up shall be treated as employer contributions in determining  
14 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).  
15 The picked-up employee contribution shall satisfy all obligations to the retirement  
16 system satisfied prior to August 1, 1982, by the employee contribution, and the  
17 picked-up employee contribution shall be in lieu of an employee contribution. The  
18 state shall pay these picked-up employee contributions from the same source of  
19 funds which is used to pay earnings to the employee. The employee shall have no  
20 option to receive the contributed amounts directly instead of having them paid by  
21 the employer to the system. Employee contributions picked up after August 1, 1982,  
22 shall be treated for all purposes of KRS 21.345 to 21.570 in the same manner and to  
23 the same extent as employee contributions made prior to August 1, 1982.

24 (7) An election once made under this section, either to participate or not to participate  
25 in the Judicial Retirement Plan, shall be considered to apply, to all future service in  
26 any office covered by the plan, **except as provided by Section 7 of this Act**, whether  
27 such service is in the same or a different office, and whether or not it is continuous.



1           ➔Section 6. KRS 21.372 is amended to read as follows:

2       (1) For purposes of this section:

3           (a) "Bona fide promotion or career advancement":

4               1. Means a professional advancement in substantially the same line of  
5               work held by the member in the four (4) years immediately prior to the  
6               final sixty (60) months preceding retirement or a change in employment  
7               position based on the training, skills, education, or expertise of the  
8               member that imposes a significant change in job duties and  
9               responsibilities to clearly justify the increased compensation to the  
10              member, including any circumstance when a member is elected or  
11              appointed to another court within the Court of Justice; and

12              2. Does not include any circumstance where a judge or justice participating  
13              in the Judicial Retirement Plan takes a position of employment with an  
14              employer participating in any of the other state-administered retirement  
15              systems; and

16           (b) "Year" has the same meaning as in KRS 21.345(3).

17       (2) (a) For members retiring on or after January 1, 2018, the plan shall identify any  
18              consecutive year utilized in determining the member's final compensation in  
19              which the member's compensation increased at a rate of ten percent (10%) or  
20              more over the member's compensation in the immediately preceding year.

21           (b) Except as limited or excluded by subsections (3) and (4) of this section, any  
22              amount of increase in compensation for a year identified under paragraph (a)  
23              of this subsection that exceeds ten percent (10%) more than the member's  
24              compensation from the immediately preceding year shall not be used in the  
25              calculation of the member's final compensation for the purposes of  
26              determining the member's monthly pension benefit under KRS 21.400.

27           (c) If the member's final compensation is reduced for the purposes of determining

1 the member's pension benefit under KRS 21.400 as provided by paragraph (b)  
 2 of this subsection, the retirement system shall, notwithstanding KRS 21.460  
 3 and as applicable, refund the member contributions attributable to the  
 4 reduction in creditable compensation.

5 (3) In order to ensure the prospective application of the potential reduction in pension  
 6 benefits as provided in subsection (2) of this section, only the compensation earned  
 7 by the retiring member on or after July 1, 2017, shall be subject to reduction under  
 8 subsection (2) of this section. Compensation earned by the retiring member prior to  
 9 July 1, 2017, shall not be subject to reduction under subsection (2) of this section.

10 (4) Subsections (2) and (3) of this section shall not apply to increases that are the direct  
 11 result of a bona fide promotion or career advancement or to compensation used in  
 12 accordance with KRS 61.680(7) in which the member does not have sixty (60)  
 13 months of service in the Judicial Retirement Plan.

14 (5) The ~~Judicial Form Retirement System~~ board of trustees shall determine whether  
 15 increases in compensation during the final sixty (60) months preceding retirement  
 16 constitute a bona fide promotion or career advancement and may promulgate  
 17 administrative regulations in accordance with KRS Chapter 13A to administer this  
 18 section. All state-administered retirement systems shall cooperate to implement this  
 19 section.

20 (6) This section shall not apply to:

21 (a) Employees participating in the hybrid cash balance ~~plans~~~~plan~~ as provided by  
 22 KRS 21.402 or Section 19 of this Act; or

23 (b) Service earned in the 401(a) money purchase plan as provided by Section 12  
 24 of this Act.

25 ➔Section 7. KRS 21.374 is amended to read as follows:

26 Notwithstanding KRS 6.500 to 6.577 and 21.345 to 21.580:

27 (1) Subject to the provisions of this section, any member who began participating in the

1 Legislators' Retirement Plan or the Judicial Retirement Plan prior to January 1,  
 2 2019~~[January 1, 2014]~~, may ~~[in lieu of the benefits he or she is currently eligible to~~  
 3 ~~receive under the plans, ]elect to cease participating in the Legislators' Retirement~~  
 4 ~~Plan or the Judicial Retirement Plan and participate prospectively in the~~  
 5 ~~Kentucky Employees Retirement System as a nonhazardous employee for any~~  
 6 ~~future service as a legislator, judge, or justice and be provided the following~~  
 7 ~~benefits in lieu of the benefits provided by KRS 6.500 to 6.577 and 21.345 to~~  
 8 ~~21.580:~~

9 (a) Participation in the 401(a) money purchase plan provided by Section 12 of  
 10 this Act. Members making an election shall not accrue service credit in the  
 11 Kentucky Employees Retirement System for purposes of determining  
 12 retirement benefits under the provisions of subsection (14) of Section 14 of  
 13 this Act or Section 19 or 27 of this Act~~[receive the benefits and rights~~  
 14 ~~provided to members who began participating in the Legislators' Retirement~~  
 15 ~~Plan or the Judicial Retirement Plan on or after January 1, 2014, including~~  
 16 ~~participating in the hybrid cash balance plan created pursuant to KRS 21.402];~~  
 17 and

18 (b) Any other benefits the person would be eligible for in the Kentucky  
 19 Employees Retirement System based upon the election provided by this  
 20 section or his or her membership date in the state-administered retirement  
 21 systems.

22 (2) The election provided by this section shall be made in writing and on a form  
 23 prescribed by the Judicial Form Retirement System board;

24 (3) For each member who makes an election provided by this section, ~~[~~

25 ~~(a) ]any service credit, final compensation, or other benefits the member has~~  
 26 ~~accrued prior to the member's effective election date~~~~[January 1, 2014]~~, in the  
 27 Judicial Retirement Plan or Legislators' Retirement Plan, shall remain, but

- 1           *the member shall not accrue any additional service, final compensation, or*  
2           *any other benefits in the Judicial Retirement Plan or the Legislators'*  
3           *Retirement Plan on or after the effective election date* ~~shall be considered as~~  
4           ~~service credit earned on or after January 1, 2014, for purposes of determining~~  
5           ~~benefits under KRS 6.500 to 6.577 and 21.345 to 21.580;~~
- 6           ~~(b) On the member's effective election date, the value of the member's~~  
7           ~~accumulated contributions, less any interest, shall be deposited into the~~  
8           ~~member's hybrid cash balance account as provided by KRS 21.402 and~~  
9           ~~considered part of the member's accumulated account balance;~~
- 10          ~~(c) On the member's effective election date, an employer pay credit as provided~~  
11          ~~by KRS 21.402 shall be added to the member's accumulated account balance~~  
12          ~~for each month the member contributed to the Legislators' Retirement Plan or~~  
13          ~~the Judicial Retirement Plan prior to his or her effective election date; and~~
- 14          ~~(d) Interest credits as provided by KRS 21.402 shall only be applied for periods~~  
15          ~~occurring on or after the member's effective election date];~~
- 16          (4) Before accepting an election provided by this section, the Judicial Form Retirement  
17          System board shall provide the member with information detailing the potential  
18          results of the member's election;
- 19          (5) An election made pursuant to this section shall be irrevocable; and
- 20          (6) (a) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan  
21          shall not be eligible to make an election prescribed by this section until the  
22          Judicial Form Retirement System receives a favorable private letter ruling  
23          from the Internal Revenue Service regarding this section.
- 24          (b) If the Internal Revenue Service denies the request for a private letter ruling as  
25          provided by paragraph (a) of this subsection, this section shall be void.
- 26          (c) The Judicial Form Retirement System may promulgate administrative  
27          regulations under KRS Chapter 13A in order to carry out this section.

1       ➔Section 8. KRS 21.385 is amended to read as follows:

2       (1) In a situation in which, by reason of federal tax law, the failure to commence the  
3       payment of retirement benefits to a vested member of the Kentucky Judicial  
4       Retirement Plan, by a specified date after the member reaches a specified age, as  
5       designated by the federal tax law, will result in the imposition of a special excise  
6       tax, the member, without retiring, shall be entitled, as of the specified date, to  
7       commence drawing from the plan the monthly benefit he would have been entitled  
8       to had he retired on that date. Notwithstanding the provisions of KRS 21.360 and  
9       61.680, a member who began participating in the Judicial Retirement Plan prior to  
10      January 1, 2014, may, at his option, continue to be a participating member of the  
11      plan thereafter until he retires, or, may elect to cease to be a participating member of  
12      the plan, in which latter event he shall not be required to become a participating  
13      member of the Kentucky Employees Retirement System.

14      (2) A member drawing benefits from the Kentucky Judicial Retirement Plan pursuant  
15      to subsection (1) of this section who elects to continue as a participating member of  
16      the plan, or a person drawing benefits from the plan by reason of having retired,  
17      who by reason of reemployment again becomes a participating member of the plan,  
18      shall continue to draw the benefits until he retires, and accrue additional benefits,  
19      but in the calculation of the additional benefits only the years of service after he  
20      commenced drawing the initial benefits shall be counted, and the monthly  
21      additional benefit shall not exceed such amount as, when added to the initial  
22      monthly benefit, will equal the final compensation on which the additional benefit  
23      was calculated. The member's surviving spouse, if married to the member at the  
24      time of his ultimate retirement, shall be considered to be the surviving spouse with  
25      respect to both the additional and the initial benefits.

26      **(3) Notwithstanding the provisions of this section, the provisions of subsection (18)**  
27      **of Section 28 of this Act shall apply to a member who retires on or after January**

1        *1, 2019, and is reemployed with an employer participating in a state-administered*  
2        *retirement system.*

3        ➔Section 9. KRS 21.402 is amended to read as follows:

4        (1) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan,  
5        whose participation in the Legislators' Retirement Plan or the Judicial Retirement  
6        Plan begins on or after January 1, 2014~~, or a member making an election pursuant~~  
7        ~~to KRS 21.374],~~ shall receive the retirement benefits provided by this section in lieu  
8        of the retirement benefits provided under KRS 6.520 and 21.400. The retirement  
9        benefit provided by this section shall be known as the hybrid cash balance plan and  
10       shall operate as another benefit tier within the Legislators' Retirement Plan and the  
11       Judicial Retirement Plan.

12       (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
13       member's accumulated account balance, which shall include:

14       (a) Contributions made by the member as provided by KRS 6.500 to 6.577 and  
15       21.345 to 21.580, except for employee contributions prescribed by KRS  
16       6.505(1)(d)2.b. and 21.360(1)(a)3.b.;

17       (b) An employer pay credit of four percent (4%) of the creditable compensation  
18       earned by the employee for each month the employee is contributing to the  
19       hybrid cash balance plan provided by this section; and

20       (c) Interest credits added annually to the member's accumulated account balance  
21       as provided by this section.

22       (3) (a) Member contributions and employer pay credits as provided by subsection  
23       (2)(a) and (b) of this section shall be credited to the member's account  
24       monthly as contributions are reported and posted to the plan.

25       (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
26       credited to the member's account annually on June 30 of each fiscal year, as  
27       determined by subsection (4) of this section.

- 1 (4) (a) On June 30 of each fiscal year, the plan shall determine if the member  
 2 contributed to the hybrid cash balance plan established by this section, or  
 3 another state-administered retirement system during the fiscal year.
- 4 (b) If the member contributed to the hybrid cash balance plan established by this  
 5 section or another state-administered retirement system during the fiscal  
 6 year, the interest credit added to the member's account for that fiscal year shall  
 7 be determined by multiplying the member's accumulated account balance on  
 8 June 30 of the preceding fiscal year by a percentage increase equal to eighty-  
 9 five percent (85%)[-:  
 10 1. Four percent (4%); plus  
 11 2. ~~Seventy five percent (75%)~~] of the plan's geometric average net  
 12 investment return[- in excess of a four percent (4%) rate of return].
- 13 (c) If the member did not contribute to the hybrid cash balance plan established  
 14 by this section or another state-administered retirement system during the  
 15 fiscal year, then no[the] interest credit shall be added to the member's account  
 16 for that fiscal year[- shall be determined by multiplying the member's  
 17 accumulated account balance on June 30 of the preceding fiscal year by four  
 18 percent (4%)].
- 19 (d) For purposes of this subsection, "plan's geometric average net investment  
 20 return":
- 21 1. Means the annual average geometric investment return, net of  
 22 administrative and investment fees and expenses, over the last five (5)  
 23 fiscal years as of the date the interest is credited to the member's  
 24 account; and
- 25 2. Shall be expressed as a percentage and based upon the plan in which the  
 26 member has an account.
- 27 (5) (a) Upon termination of employment, a member who has less than five (5) years

1 of service credited under the Legislators' Retirement Plan or the Judicial  
2 Retirement Plan, who elects to take a refund of his or her accumulated account  
3 balance as provided by KRS 21.460, shall forfeit the accumulated employer  
4 credit, and shall only receive a refund of his or her accumulated contributions.

5 (b) Upon termination of employment, a member who has five (5) or more years of  
6 service credited under the Legislators' Retirement Plan or the Judicial  
7 Retirement Plan, who elects to take a refund of his or her accumulated account  
8 balance as provided by KRS 21.460, shall receive a full refund of his or her  
9 accumulated account balance.

10 (6) A member participating in the hybrid cash balance plan provided by this section  
11 may retire:

12 (a) Upon reaching normal retirement age, provided he or she has earned five (5)  
13 or more years of service credited under the Legislators' Retirement Plan or the  
14 Judicial Retirement Plan, or another state-administered retirement system; or

15 (b) If the member is at least age fifty-seven (57) and has an age and years of  
16 service total of at least eighty-seven (87) years. The years of service used to  
17 determine eligibility for retirement under this paragraph shall only include  
18 years of service credited under the Legislators' Retirement Plan or the Judicial  
19 Retirement Plan, or another state-administered retirement system.

20 (7) A member eligible to retire under subsection (6) of this section may elect to:

21 (a) Receive a monthly retirement allowance payable for life by having his or her  
22 accumulated account balance annuitized by the retirement plan in accordance  
23 with the actuarial assumptions and actuarial methods adopted by the board  
24 and in effect on the member's retirement date;

25 (b) Receive the actuarial equivalent of his or her retirement allowance calculated  
26 under paragraph (a) of this subsection payable under one (1) of the options set  
27 forth in KRS 21.420(8)(b); or



1 (c) Take a refund of his or her accumulated account balance as provided by KRS  
2 21.460.

3 (8) The board of the Judicial Form Retirement System shall establish individual  
4 members' accounts for each member participating in the hybrid cash balance plan as  
5 provided by this section. The Judicial Form Retirement System may promulgate  
6 administrative regulations in accordance with KRS Chapter 13A to administer the  
7 provisions of this section.

8 (9) The provisions of this section shall not apply to members who began participating  
9 in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to January  
10 1, 2014~~[, except for those members making an election pursuant to KRS 21.374].~~

11 ➔Section 10. KRS 21.460 is amended to read as follows:

12 (1) (a) For members who began participating in the Judicial Retirement Plan prior to  
13 January 1, 2014: If any member of the plan ceases, other than by death or by  
14 disability retirement under KRS 21.410, to hold an office qualifying him for  
15 membership in the plan established by KRS 21.350 to 21.480, without having  
16 met the requirements for vesting, he shall be refunded on demand the amount  
17 of his accumulated contributions and any service credit he had in the plan  
18 shall be nullified.

19 (b) A member who begins participating in the Judicial Retirement Plan on or after  
20 January 1, 2014, may, if the member ceases to hold an office qualifying him or  
21 her for membership in the plan established by KRS 21.345 to 21.580, elect to  
22 take a refund of his or her accumulated account balance subject to the  
23 limitations provided by KRS 21.402.

24 (2) The member may elect to leave his contributions in the plan, in which event the  
25 service credit he had in the plan shall be considered to be service credit for vesting  
26 purposes as provided in KRS 21.375 and for service retirement eligibility as  
27 provided in KRS 61.680(7), and, in the event he again becomes a member of the

1 Judicial Retirement Plan, shall be counted toward his total service credit in that  
2 plan.

3 (3) (a) If a person who has been refunded his accumulated contributions or  
4 accumulated account balance in accordance with subsection (1) of this section  
5 subsequently becomes a member of the Legislators' Retirement Plan, the  
6 Kentucky Employees Retirement System, County Employees Retirement  
7 System, State Police Retirement System, or Teachers' Retirement System, he  
8 may while holding such membership repurchase the service credit he  
9 previously had in the Judicial Retirement Plan by repaying to that plan the  
10 amount that was refunded to him with interest at six percent (6%) per annum,  
11 in which event such service credit shall have operative effect to the same  
12 limited extent as provided in subsection (2) of this section. Service purchased  
13 under this subsection on or after January 1, 2014, shall not be used to  
14 determine the member's participation date in the Judicial Retirement Plan.

15 **(b) Members or persons participating in the 401(a) money purchase plan as**  
16 **provided by Section 12 of this Act, shall not be eligible to purchase service**  
17 **under the provisions of this section.**

18 (4) If a person who has been refunded his accumulated contribution or accumulated  
19 account balance in accordance with subsection (1) of this section thereafter becomes  
20 again the holder of an office qualifying him for membership in the Judicial  
21 Retirement Plan, he shall not be entitled to credit for his prior period of service  
22 unless he has previously repaid his refunded contributions in accordance with  
23 subsection (3) of this section or unless within thirty (30) days after again assuming  
24 office he repays to the plan the amount that was refunded to him with interest at six  
25 percent (6%) per annum. Service purchased under this subsection on or after  
26 January 1, 2014, shall not be used to determine the member's participation date in  
27 the Judicial Retirement Plan. **Members or persons participating in the 401(a)**

1       money purchase plan as provided by Section 12 of this Act, shall not be eligible to  
2       purchase service under the provisions of this section.

3       (5) If the taking of a refund of contributions by a member of the Kentucky Judicial  
4       Retirement Plan, when first entitled thereto, would subject the member to a federal  
5       excise tax, by reason of the refund's being made before the member has reached an  
6       age designated by the federal taxing act, and the member has elected, pursuant to  
7       subsection (2) of this section, to defer taking a refund, so much of the contributions  
8       as would have been subject to the excise tax shall accrue interest at the rate of six  
9       percent (6%) per annum, from the date the member first could have taken a refund  
10      until the date the refund is taken or the date as of which the federal excise tax no  
11      longer would apply to a refund, whichever is sooner, the interest to be paid by the  
12      plan at the time of the refund. The provisions of this subsection shall not apply to  
13      members who begin participating in the Judicial Retirement Plan on or after January  
14      1, 2014.

15      ➔Section 11. KRS 21.480 is amended to read as follows:

16      (1) For members who begin participating in the Judicial Retirement Plan prior to  
17      January 1, 2014, it is hereby declared that in consideration of the contributions by  
18      the members, and in further consideration of benefits received by the state through  
19      the inducement of qualified and experienced judges and commissioners to continue  
20      in service, KRS 21.350 to 21.510, except as provided in KRS 6.696, shall constitute  
21      an inviolable contract of the Commonwealth, and the rights and benefits provided  
22      therein shall, ~~[except as provided in KRS 6.696,]~~ not be subject to reduction or  
23      impairment by alteration, amendment or repeal, except:

24      (a) As provided in KRS 6.696; and

25      (b) The General Assembly reserves the right to amend, reduce, or suspend any  
26      legislative changes to the provisions of KRS 21.345 to 21.580 that become  
27      effective on or after July 1, 2018.

- 1 (2) (a) For members who begin participating in the Judicial Retirement Plan on or  
2 after January 1, 2014, the General Assembly reserves the right to amend,  
3 suspend, or reduce the benefits and rights provided under KRS 21.345 to  
4 21.580 if, in its judgment, the welfare of the Commonwealth so demands,  
5 except that the amount of benefits the member has accrued at the time of  
6 amendment, suspension, or reduction shall not be affected.
- 7 (b) For purposes of this subsection, the amount of benefits the member has  
8 accrued at the time of amendment, suspension, or reduction shall be limited to  
9 the accumulated account balance the member has accrued at the time of  
10 amendment, suspension, or reduction.
- 11 (c) The provisions of this subsection shall not be construed to limit the General  
12 Assembly's authority to change any other benefit or right specified by KRS  
13 21.345 to 21.580, for members who begin participating in the Judicial  
14 Retirement Plan on or after January 1, 2014, except the benefits specified by  
15 paragraph (b) of this subsection.
- 16 (3) The provisions of this section shall not be construed to limit the General Assembly's  
17 authority to amend, reduce, or suspend the benefits and rights of members of the  
18 Judicial Retirement Plan as provided by KRS 21.345 to 21.580 that the General  
19 Assembly had the authority to amend, reduce, or suspend, prior to July 1, 2013.

20 ➔SECTION 12. A NEW SECTION OF KRS 61.510 TO 61.705 IS CREATED  
21 TO READ AS FOLLOWS:

- 22 **(1) (a) The retirement benefit provided by this section shall be known as the 401(a)**  
23 **money purchase plan and shall operate as an optional benefit tier within**  
24 **the Kentucky Employees Retirement System or the County Employees**  
25 **Retirement System, as applicable, for members in a nonhazardous position.**
- 26 **(b) A member participating in a nonhazardous position in the Kentucky**  
27 **Employees Retirement System or the County Employees Retirement System**

1 whose participation in the systems begins on or after January 1, 2019, may  
2 elect within ninety (90) days of his or her membership date to receive the  
3 retirement benefits provided by this section in lieu of the hybrid cash  
4 balance retirement benefits provided under Section 19 of this Act. An  
5 election to participate in the 401(a) money purchase plan shall be  
6 irrevocable and shall apply to any future service as a nonhazardous  
7 member participating in the Kentucky Employees Retirement System or the  
8 County Employees Retirement System.

9 (c) Any member or person who makes an election as prescribed by Section 7  
10 shall accrue the retirement benefits provided by this section in lieu of  
11 accruing additional benefits under KRS 21.345 to 21.580, subsection (14) of  
12 Section 14 of this Act, or Section 19 or 27 of this Act.

13 (d) Any member who makes an election as prescribed by Section 38 of this Act  
14 shall accrue the retirement benefits provided by this section in lieu of  
15 accruing additional final compensation and retirement benefits under  
16 subsection (14) of Section 14 of this Act, subsection (14) of Section 15 of  
17 this Act, or Section 19 or 27 of this Act.

18 (2) The 401(a) money purchase plan shall be a mandatory defined contribution plan  
19 and shall provide a retirement benefit based upon the member's accumulated  
20 account balance, which shall include:

21 (a) Contributions made by the member as provided by KRS 61.510 to 61.705  
22 and 78.510 to 78.852, except for employee contributions prescribed by KRS  
23 61.702(2)(b);

24 (b) An employer contribution of four percent (4%) of the creditable  
25 compensation earned by the employee for each month the employee is  
26 contributing to the 401(a) money purchase plan provided by this section;  
27 and

1        (c) Investment returns on employee and employer contributions.

2        (3) (a) Member contributions and employer contributions as provided by  
3        subsection (2)(a) and (b) of this section shall be credited to the member's  
4        account monthly as contributions are reported and posted to the system in  
5        accordance with KRS 61.675 or 78.625.

6        (b) Investment returns shall be determined based upon the investment program  
7        established by the board, which may include but not be limited to a program  
8        that invests in system assets or asset classes, a program that provides  
9        investment options selected or authorized by the board internally or through  
10       an external vendor, or investment options provided through an agreement  
11       with the Kentucky Employees Deferred Compensation Authority.

12       (4) (a) Upon termination of employment, a member who has less than five (5)  
13       years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), or  
14       another state-administered retirement system who elects to take a refund of  
15       his or her accumulated account balance as provided by KRS 61.625, shall  
16       forfeit the accumulated employer contribution, and shall only receive a  
17       refund of his or her accumulated contributions.

18       (b) Upon termination of employment, a member who has five (5) or more years  
19       of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), or  
20       another state-administered retirement system who elects to take a refund of  
21       his or her accumulated account balance as provided by KRS 61.625, shall  
22       receive a full refund of his or her accumulated account balance.

23       (5) A member participating in the 401(a) money purchase plan provided by this  
24       section may retire:

25       (a) At his or her normal retirement date, if he or she has earned five (5) or  
26       more years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or  
27       another state-administered retirement system; or

- 1        (b) If the member is at least age fifty-seven (57) and has an age and years of  
2        service total of at least eighty-seven (87) years. The years of service used to  
3        determine eligibility for retirement under this paragraph shall only include  
4        years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or  
5        another state-administered retirement system; or
- 6        (c) Immediately for those members electing to participate in the 401(a) money  
7        purchase plan as described by subsection (1)(c) to (d) of this section if he or  
8        she is otherwise eligible to retire from the systems administered by Kentucky  
9        Retirement Systems.
- 10      (6) A member eligible to retire under subsection (5) of this section may elect to:
- 11      (a) Receive a monthly retirement allowance payable for life by having his or  
12      her accumulated account balance in the 401(a) defined contribution plan  
13      annuitized by the retirement systems in accordance with the actuarial  
14      assumptions and actuarial methods adopted by the board and in effect on  
15      the member's retirement date;
- 16      (b) Receive the actuarial equivalent of his or her retirement allowance  
17      calculated under paragraph (a) of this subsection payable under one (1) of  
18      the options set forth in KRS 61.635, except for the option provided by KRS  
19      61.635(11); or
- 20      (c) Take a refund of his or her account balance as provided by KRS 61.625.
- 21      (7) Members who are participating in the 401(a) defined contribution plan as  
22      described by subsection (1)(c) to (d) of this section upon retirement may:
- 23      (a) Elect to annuitize only the portion of their accumulated account balance  
24      that was accrued in the 401(a) money purchase plan; or
- 25      (b) Elect to take a refund of his or her account balance accrued solely while  
26      participating in the 401(a) money purchase plan. The provisions of this  
27      paragraph shall not prohibit a member from receiving a monthly benefit

1                   under the provisions of Section 27 of this Act for service accrued in the  
2                   systems prior to participating in the 401(a) money purchase plan.

3                   (8) The provisions of this section shall not apply to members who began participating  
4                   in the systems or plans administered by Kentucky Retirement Systems prior to  
5                   January 1, 2019, unless the member makes an election as provided by Section 7  
6                   or 38 of this Act.

7                   ➔Section 13. KRS 16.505 is amended to read as follows:

8                   As used in KRS 16.505 to 16.652, unless the context otherwise requires:

- 9                   (1) "System" means the State Police Retirement System created by KRS 16.505 to  
10                   16.652;
- 11                   (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 12                   (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its  
13                   successor;
- 14                   (4) "Current service" means the number of years and completed months of employment  
15                   as an employee subsequent to July 1, 1958, for which creditable compensation was  
16                   paid by the employer and employee contributions deducted except as otherwise  
17                   provided;
- 18                   (5) "Prior service" means the number of years and completed months of employment as  
19                   an employee prior to July 1, 1958, for which creditable compensation was paid to  
20                   the employee by the Commonwealth. Twelve (12) months of current service in the  
21                   system are required to validate prior service;
- 22                   (6) "Service" means the total of current service and prior service;
- 23                   (7) "Accumulated contributions" at any time means the sum of all amounts deducted  
24                   from the compensation of a member and credited to his individual account in the  
25                   member's account, including employee contributions picked up after August 1,  
26                   1982, pursuant to KRS 16.545(4), together with interest credited on such amounts  
27                   as provided in KRS 16.505 to 16.652, and any other amounts the member shall have



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

6 (8) "Creditable compensation":

7 (a) Except as provided by paragraph (b) or (c) of this subsection, means all  
8 salary and wages, including payments for compensatory time, paid to the  
9 employee as a result of services performed for the employer or for time during  
10 which the member is on paid leave, which are includable on the member's  
11 federal form W-2 wage and tax statement under the heading "wages, tips,  
12 other compensation," including employee contributions picked up after  
13 August 1, 1982, pursuant to KRS 16.545(4);

14 (b) Includes:

- 15 1. Lump-sum bonuses, severance pay, or employer-provided payments for  
16 purchase of service credit, which shall be averaged over the employee's  
17 total service with the system in which it is recorded if it is equal to or  
18 greater than one thousand dollars (\$1,000);
- 19 2. Lump-sum payments for creditable compensation paid as a result of an  
20 order of a court of competent jurisdiction, the Personnel Board, or the  
21 Commission on Human Rights, or for any creditable compensation paid  
22 in anticipation of settlement of an action before a court of competent  
23 jurisdiction, the Personnel Board, or the Commission on Human Rights,  
24 including notices of violations of state or federal wage and hour statutes  
25 or violations of state or federal discrimination statutes, which shall be  
26 credited to the fiscal year during which the wages were earned or should  
27 have been paid by the employer. This subparagraph shall also include

- 1 lump-sum payments for reinstated wages pursuant to KRS 61.569,  
2 which shall be credited to the period during which the wages were  
3 earned or should have been paid by the employer;
- 4 3. Amounts which are not includable in the member's gross income by  
5 virtue of the member having taken a voluntary salary reduction provided  
6 for under applicable provisions of the Internal Revenue Code; and  
7 4. Elective amounts for qualified transportation fringes paid or made  
8 available on or after January 1, 2001, for calendar years on or after  
9 January 1, 2001, that are not includable in the gross income of the  
10 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 11 (c) Excludes:
- 12 1. Living allowances, expense reimbursements, uniform and equipment  
13 allowances paid on or after January 1, 2019, lump-sum payments for  
14 accrued vacation leave, and other items determined by the board; and  
15 2. For employees who begin participating on or after September 1, 2008,  
16 lump-sum payments for compensatory time;
- 17 (9) "Final compensation" means:
- 18 (a) For a member who begins participating prior to~~before~~ September 1, 2008,  
19 who retires prior to January 1, 2019, the creditable compensation of a  
20 member during the three (3) fiscal years he was paid at the highest average  
21 monthly rate divided by the number of months of service credit during the  
22 three (3) year period, multiplied by twelve (12); the three (3) years may be  
23 fractional and need not be consecutive. If the number of months of service  
24 credit during the three (3) year period is less than twenty-four (24), one (1) or  
25 more additional fiscal years shall be used; or
- 26 (b) For a member who begins participating on or after September 1, 2008, but  
27 prior to January 1, 2014, or for a member who begins participating prior to

1           September 1, 2008, who retires on or after January 1, 2019, the creditable  
2           compensation of the member during the three (3) complete fiscal years he or  
3           she was paid at the highest average monthly rate divided by three (3). Each  
4           fiscal year used to determine final compensation must contain twelve (12)  
5           months of service credit. If the member does not have three (3) complete  
6           fiscal years that each contain twelve (12) months of service credit, then one  
7           (1) or more additional fiscal years, which may contain less than twelve (12)  
8           months of service credit, shall be added until the number of months in the  
9           final compensation calculation is at least thirty-six (36) months;

10       (10) "Final rate of pay" means the actual rate upon which earnings of a member were  
11       calculated during the twelve (12) month period immediately preceding the  
12       member's effective retirement date, including employee contributions picked up  
13       after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the  
14       system by the employer and the following equivalents shall be used to convert the  
15       rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
16       workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-  
17       1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)  
18       months, or one (1) year;

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

22       (12) "Retirement allowance" means the retirement payments to which a retired member  
23       is entitled;

24       (13) "Actuarial equivalent" means a benefit of equal value when computed upon the  
25       basis of actuarial tables adopted by the board. In cases of disability retirement, the  
26       options authorized by KRS 61.635 shall be computed by adding ten (10) years to  
27       the age of the member, unless the member has chosen the Social Security

1 adjustment option as provided for in KRS 61.635(8), in which case the member's  
2 actual age shall be used. For members who began participating in the system prior  
3 to January 1, 2014, no disability retirement option shall be less than the same option  
4 computed under early retirement;

5 (14) "Authorized leave of absence" means any time during which a person is absent from  
6 employment but retained in the status of an employee in accordance with the  
7 personnel policy of the Department of Kentucky State Police;

8 (15) "Normal retirement date" means:

9 (a) For a member who begins participating before September 1, 2008, the first  
10 day of the month following a member's fifty-fifth birthday, except that for  
11 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,  
12 1959; or

13 (b) For a member who begins participating on or after September 1, 2008, the  
14 first day of the month following a member's sixtieth birthday;

15 (16) "Disability retirement date" means the first day of the month following the last day  
16 of paid employment;

17 (17) "Dependent child" means a child in the womb and a natural or legally adopted child  
18 of the member who has neither attained age eighteen (18) nor married or who is an  
19 unmarried full-time student who has not attained age twenty-two (22);

20 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member  
21 in lieu of all other benefits provided by KRS 16.505 to 16.652;

22 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined  
23 by the board, was required in the performance of the duties specified in KRS  
24 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of  
25 duty" shall mean an act occurring which was required in the performance of the  
26 principal duties of the position as defined by the job description;

27 (20) "Early retirement date" means:

- 1 (a) For a member who begins participating before September 1, 2008, the  
2 retirement date declared by a member who is not less than fifty (50) years of  
3 age and has fifteen (15) years of service; or
- 4 (b) For a member who begins participating on or after September 1, 2008, but  
5 prior to January 1, 2014, the retirement date declared by a member who is not  
6 less than fifty (50) years of age and has fifteen (15) years of service credited  
7 under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered  
8 retirement system;
- 9 (21) "Member" means any officer included in the membership of the system as provided  
10 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 11 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS  
12 16.010;
- 13 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which  
14 results in an employee's total incapacity to continue as an employee in a hazardous  
15 position, but the employee is not necessarily deemed to be totally and permanently  
16 disabled to engage in other occupations for remuneration or profit;
- 17 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
18 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
19 pay. The rate shall be certified by the employer;
- 20 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
21 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
22 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not  
23 mean an estate, trust, or trustee;
- 24 (26) "Recipient" means the retired member, the person or persons designated as  
25 beneficiary by the member and drawing a retirement allowance as a result of the  
26 member's death, or a dependent child drawing a retirement allowance. An alternate  
27 payee of a qualified domestic relations order shall not be considered a recipient,

- 1           except for purposes of KRS 61.623;
- 2   (27) "Person" means a natural person;
- 3   (28) "Retirement office" means the Kentucky Retirement Systems office building in  
4       Frankfort;
- 5   (29) "Delayed contribution payment" means an amount paid by an employee for  
6       purchase of current service. The amount shall be determined using the same formula  
7       in KRS 61.5525, and the payment shall not be picked up by the employer. A  
8       delayed contribution payment shall be deposited to the member's account and  
9       considered as accumulated contributions of the individual member;
- 10   (30) "Last day of paid employment" means the last date employer and employee  
11       contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
12       78.615 to the retirement office in order for the employee to receive current service  
13       credit for the month. Last day of paid employment does not mean a date the  
14       employee receives payment for accrued leave, whether by lump sum or otherwise, if  
15       that date occurs twenty-four (24) or more months after previous contributions;
- 16   (31) "Objective medical evidence" means reports of examinations or treatments; medical  
17       signs which are anatomical, physiological, or psychological abnormalities that can  
18       be observed; psychiatric signs which are medically demonstrable phenomena  
19       indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
20       or contact with reality; or laboratory findings which are anatomical, physiological,  
21       or psychological phenomena that can be shown by medically acceptable laboratory  
22       diagnostic techniques, including but not limited to chemical tests,  
23       electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 24   (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
25       following June 30, which shall also be the plan year. The "fiscal year" shall be the  
26       limitation year used to determine contribution and benefit limits established by 26  
27       U.S.C. sec. 415;

- 1 (33) "Participating" means an employee is currently earning service credit in the system  
2 as provided in KRS 16.543;
- 3 (34) "Month" means a calendar month;
- 4 (35) "Membership date" means the date upon which the member began participating in  
5 the system as provided by KRS 16.543;
- 6 (36) "Participant" means a member, as defined by subsection (21) of this section, or a  
7 retired member, as defined by subsection (11) of this section;
- 8 (37) "Qualified domestic relations order" means any judgment, decree, or order,  
9 including approval of a property settlement agreement, that:
- 10 (a) Is issued by a court or administrative agency; and
- 11 (b) Relates to the provision of child support, alimony payments, or marital  
12 property rights to an alternate payee;
- 13 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
14 participant, who is designated to be paid retirement benefits in a qualified domestic  
15 relations order;
- 16 (39) "Accumulated employer credit" means the employer pay credit deposited to the  
17 member's account and interest credited on such amounts as provided by KRS  
18 16.583; and
- 19 (40) "Accumulated account balance" means:
- 20 (a) For members who began participating in the system prior to January 1, 2014,  
21 the member's accumulated contributions; or
- 22 (b) For members who began participating in the system on or after January 1,  
23 2014, in the hybrid cash balance plan as provided by KRS 16.583, the  
24 combined sum of the member's accumulated contributions and the member's  
25 accumulated employer pay credit.

26 ➔Section 14. KRS 61.510 is amended to read as follows:

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

- 1 (1) "System" means the Kentucky Employees Retirement System created by KRS  
2 61.510 to 61.705;
- 3 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 4 (3) "Department" means any state department or board or agency participating in the  
5 system in accordance with appropriate executive order, as provided in KRS 61.520.  
6 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the  
7 General Assembly and any other body, entity, or instrumentality designated by  
8 executive order by the Governor, shall be deemed to be a department,  
9 notwithstanding whether said body, entity, or instrumentality is an integral part of  
10 state government;
- 11 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 12 (5) "Employee" means the members, officers, and employees of the General Assembly  
13 and every regular full-time, appointed or elective officer or employee of a  
14 participating department, including the Department of Military Affairs. The term  
15 does not include persons engaged as independent contractors, seasonal, emergency,  
16 temporary, interim, and part-time workers. In case of any doubt, the board shall  
17 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 18 (6) "Employer" means a department or any authority of a department having the power  
19 to appoint or select an employee in the department, including the Senate and the  
20 House of Representatives, or any other entity, the employees of which are eligible  
21 for membership in the system pursuant to KRS 61.525;
- 22 (7) "State" means the Commonwealth of Kentucky;
- 23 (8) "Member" means any employee who is included in the membership of the system or  
24 any former employee whose membership has not been terminated under KRS  
25 61.535;
- 26 (9) "Service" means the total of current service and prior service as defined in this  
27 section;



- 1 (10) "Current service" means the number of years and months of employment as an  
2 employee, on and after July 1, 1956, except that for members, officers, and  
3 employees of the General Assembly this date shall be January 1, 1960, for which  
4 creditable compensation is paid and employee contributions deducted, except as  
5 otherwise provided, and each member, officer, and employee of the General  
6 Assembly shall be credited with a month of current service for each month he  
7 serves in the position;
- 8 (11) "Prior service" means the number of years and completed months, expressed as a  
9 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
10 creditable compensation was paid; except that for members, officers, and employees  
11 of the General Assembly, this date shall be January 1, 1960. An employee shall be  
12 credited with one (1) month of prior service only in those months he received  
13 compensation for at least one hundred (100) hours of work; provided, however, that  
14 each member, officer, and employee of the General Assembly shall be credited with  
15 a month of prior service for each month he served in the position prior to January 1,  
16 1960. Twelve (12) months of current service in the system are required to validate  
17 prior service;
- 18 (12) "Accumulated contributions" at any time means the sum of all amounts deducted  
19 from the compensation of a member and credited to his individual account in the  
20 members' account, including employee contributions picked up after August 1,  
21 1982, pursuant to KRS 61.560(4), together with interest credited, or investment  
22 returns earned as provided by Section 12 of this Act, on such amounts and any  
23 other amounts the member shall have contributed thereto, including interest credited  
24 thereon or investment returns earned as provided by Section 12 of this Act. ~~For~~  
25 ~~members who begin participating on or after September 1, 2008,~~ "Accumulated  
26 contributions" shall not include employee contributions that are deposited into  
27 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established

1 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

2 (13) "Creditable compensation":

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

15 (b) Includes:

- 16 1. Lump-sum bonuses, severance pay, or employer-provided payments for  
17 purchase of service credit, which shall be averaged over the employee's  
18 total service with the system in which it is recorded if it is equal to or  
19 greater than one thousand dollars (\$1,000);
- 20 2. Cases where compensation includes maintenance and other perquisites,  
21 but the board shall fix the value of that part of the compensation not paid  
22 in money;
- 23 3. Lump-sum payments for creditable compensation paid as a result of an  
24 order of a court of competent jurisdiction, the Personnel Board, or the  
25 Commission on Human Rights, or for any creditable compensation paid  
26 in anticipation of settlement of an action before a court of competent  
27 jurisdiction, the Personnel Board, or the Commission on Human Rights,

1 including notices of violations of state or federal wage and hour statutes  
2 or violations of state or federal discrimination statutes, which shall be  
3 credited to the fiscal year during which the wages were earned or should  
4 have been paid by the employer. This subparagraph shall also include  
5 lump-sum payments for reinstated wages pursuant to KRS 61.569,  
6 which shall be credited to the period during which the wages were  
7 earned or should have been paid by the employer;

8 4. Amounts which are not includable in the member's gross income by  
9 virtue of the member having taken a voluntary salary reduction provided  
10 for under applicable provisions of the Internal Revenue Code; and

11 5. Elective amounts for qualified transportation fringes paid or made  
12 available on or after January 1, 2001, for calendar years on or after  
13 January 1, 2001, that are not includable in the gross income of the  
14 employee by reason of 26 U.S.C. sec. 132(f)(4); and

15 (c) Excludes:

16 1. Living allowances, expense reimbursements, uniform and equipment  
17 allowances paid on or after January 1, 2019, lump-sum payments for  
18 accrued vacation leave, and other items determined by the board;

19 2. For employees who begin participating on or after September 1, 2008,  
20 lump-sum payments for compensatory time; ~~and~~

21 3. For employees participating in a nonhazardous position who began  
22 participating prior to September 1, 2008, and who retire after July 1,  
23 2023, lump-sum payments for compensatory time upon termination of  
24 employment; and

25 4. 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 except that for members retiring on or after January 1, 2019, the five (5)  
8 fiscal years shall be complete fiscal years. If the number of months of service  
9 credit during the five (5) year period is less than forty-eight (48) for members  
10 retiring prior to January 1, 2019, one (1) or more additional fiscal years shall  
11 be used. If a member retiring on or after January 1, 2019, does not have five  
12 (5) complete fiscal years that each contain twelve (12) months of service  
13 credit, then one (1) or more additional fiscal years, which may contain less  
14 than twelve (12) months of service credit, shall be added until the number of  
15 months in the final compensation calculation is at least sixty (60) months;  
16 (b) For a member who is ~~[not]~~ employed in a nonhazardous~~[hazardous]~~  
17 position~~[, as provided in KRS 61.592]~~, whose effective retirement date is  
18 between August 1, 2001, and January 1, 2009, and whose total service credit  
19 is at least twenty-seven (27) years and whose age and years of service total at  
20 least seventy-five (75), final compensation means the creditable compensation  
21 of the member during the three (3) fiscal years the member was paid at the  
22 highest average monthly rate divided by the number of months of service  
23 credit during that three (3) years period multiplied by twelve (12). The three  
24 (3) years may be fractional and need not be consecutive. If the number of  
25 months of service credit during the three (3) year period is less than twenty-  
26 four (24), one (1) or more additional fiscal years shall be used.  
27 Notwithstanding the provision of KRS 61.565, the funding for this paragraph

- 1 shall be provided from existing funds of the retirement allowance;
- 2 (c) For a member who begins participating before September 1, 2008, who is  
3 employed in a hazardous position, as provided in KRS 61.592, **and who**  
4 **retired prior to January 1, 2019,** the creditable compensation of the member  
5 during the three (3) fiscal years he was paid at the highest average monthly  
6 rate divided by the number of months of service credit during that three (3)  
7 year period multiplied by twelve (12). The three (3) years may be fractional  
8 and need not be consecutive. If the number of months of service credit during  
9 the three (3) year period is less than twenty-four (24), one (1) or more  
10 additional fiscal years shall be used;
- 11 (d) For a member who begins participating on or after September 1, 2008, but  
12 prior to January 1, 2014, who is ~~not~~ employed in a  
13 **nonhazardous**~~[hazardous]~~ position~~[, as provided in KRS 61.592]~~, the  
14 creditable compensation of the member during the five (5) complete fiscal  
15 years immediately preceding retirement divided by five (5). Each fiscal year  
16 used to determine final compensation must contain twelve (12) months of  
17 service credit. If the member does not have five (5) complete fiscal years that  
18 each contain twelve (12) months of service credit, then one (1) or more  
19 additional fiscal years, which may contain less than twelve (12) months of  
20 service credit, shall be added until the number of months in the final  
21 compensation calculation is at least sixty (60) months; or
- 22 (e) For a member who begins participating on or after September 1, 2008, but  
23 prior to January 1, 2014, who is employed in a hazardous position~~[,]~~ as  
24 provided in KRS 61.592, **or for a member who begins participating prior to**  
25 **September 1, 2008, who is employed in a hazardous position as provided in**  
26 **KRS 61.592, who retires on or after January 1, 2019,** the creditable  
27 compensation of the member during the three (3) complete fiscal years he was

1           paid at the highest average monthly rate divided by three (3). Each fiscal year  
2           used to determine final compensation must contain twelve (12) months of  
3           service credit. If the member does not have three (3) complete fiscal years that  
4           each contain twelve (12) months of service credit, then one (1) or more  
5           additional fiscal years, which may contain less than twelve (12) months of  
6           service credit, shall be added until the number of months in the final  
7           compensation calculation is at least thirty-six (36) months;

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

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

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

27   (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless

1 otherwise provided in KRS 61.510 to 61.705;

2 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
3 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
4 limitation year used to determine contribution and benefit limits as established by  
5 26 U.S.C. sec. 415;

6 (20) "Officers and employees of the General Assembly" means the occupants of those  
7 positions enumerated in KRS 6.150. The term shall also apply to assistants who  
8 were employed by the General Assembly for at least one (1) regular legislative  
9 session prior to July 13, 2004, who elect to participate in the retirement system, and  
10 who serve for at least six (6) regular legislative sessions. Assistants hired after July  
11 13, 2004, shall be designated as interim employees;

12 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean  
13 all positions that average one hundred (100) or more hours per month determined by  
14 using the number of months actually worked within a calendar or fiscal year,  
15 including all positions except:

16 (a) Seasonal positions, which although temporary in duration, are positions which  
17 coincide in duration with a particular season or seasons of the year and which  
18 may recur regularly from year to year, the period of time shall not exceed nine  
19 (9) months;

20 (b) Emergency positions which are positions which do not exceed thirty (30)  
21 working days and are nonrenewable;

22 (c) Temporary positions which are positions of employment with a participating  
23 department for a period of time not to exceed nine (9) months and are  
24 nonrenewable;

25 (d) Part-time positions which are positions which may be permanent in duration,  
26 but which require less than a calendar or fiscal year average of one hundred  
27 (100) hours of work per month, determined by using the number of months

1           actually worked within a calendar or fiscal year, in the performance of duty;  
2           and

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

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

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

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

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

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



- 1 (27) "Recipient" means the retired member or the person or persons designated as  
2 beneficiary by the member and drawing a retirement allowance as a result of the  
3 member's death or a dependent child drawing a retirement allowance. An alternate  
4 payee of a qualified domestic relations order shall not be considered a recipient,  
5 except for purposes of KRS 61.623;
- 6 (28) **"Level dollar amortization method"**~~["Level percentage of payroll amortization  
7 method"]~~ means a method of determining the annual amortization payment on the  
8 unfunded actuarial accrued liability **that is set as an equal dollar amount**~~as  
9 expressed as a percentage of payroll~~ over **the remaining amortization period as of**  
10 **the actuarial valuation date**~~[a set period of years]~~. Under this method, ~~the~~  
11 ~~percentage of payroll shall be projected to remain constant for all years remaining in~~  
12 ~~the set period and~~ the unfunded actuarially accrued liability shall be projected to be  
13 fully amortized at the conclusion of the **amortization period**~~[set period]~~;
- 14 (29) "Increment" means twelve (12) months of service credit which are purchased. The  
15 twelve (12) months need not be consecutive. The final increment may be less than  
16 twelve (12) months;
- 17 (30) "Person" means a natural person;
- 18 (31) "Retirement office" means the Kentucky Retirement Systems office building in  
19 Frankfort;
- 20 (32) "Last day of paid employment" means the last date employer and employee  
21 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
22 78.615 to the retirement office in order for the employee to receive current service  
23 credit for the month. Last day of paid employment does not mean a date the  
24 employee receives payment for accrued leave, whether by lump sum or otherwise, if  
25 that date occurs twenty-four (24) or more months after previous contributions;
- 26 (33) "Objective medical evidence" means reports of examinations or treatments; medical  
27 signs which are anatomical, physiological, or psychological abnormalities that can

- 1 be observed; psychiatric signs which are medically demonstrable phenomena  
2 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
3 or contact with reality; or laboratory findings which are anatomical, physiological,  
4 or psychological phenomena that can be shown by medically acceptable laboratory  
5 diagnostic techniques, including but not limited to chemical tests,  
6 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 7 (34) "Participating" means an employee is currently earning service credit in the system  
8 as provided in KRS 61.543;
- 9 (35) "Month" means a calendar month;
- 10 (36) "Membership date" means:
- 11 (a) The date upon which the member began participating in the system as  
12 provided in KRS 61.543; or
- 13 (b) For a member electing to participate in the system pursuant to KRS  
14 196.167(4) who has not previously participated in the system or the Kentucky  
15 Teachers' Retirement System, the date the member began participating in a  
16 defined contribution plan that meets the requirements of 26 U.S.C. sec.  
17 403(b);
- 18 (37) "Participant" means a member, as defined by subsection (8) of this section, or a  
19 retired member, as defined by subsection (24) of this section;
- 20 (38) "Qualified domestic relations order" means any judgment, decree, or order,  
21 including approval of a property settlement agreement, that:
- 22 (a) Is issued by a court or administrative agency; and
- 23 (b) Relates to the provision of child support, alimony payments, or marital  
24 property rights to an alternate payee;
- 25 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
26 participant, who is designated to be paid retirement benefits in a qualified domestic  
27 relations order;

- 1 (40) "Accumulated employer credit" mean the employer pay credit deposited to the  
2 member's account and interest credited on such amounts as provided by KRS  
3 16.583 and 61.597;
- 4 (41) "Accumulated account balance" means:
- 5 (a) For members who began participating in the system prior to January 1, 2014,  
6 the member's accumulated contributions;~~[-or]~~
- 7 (b) For members who began participating in the system on or after January 1,  
8 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,  
9 the combined sum of the member's accumulated contributions and the  
10 member's accumulated employer credit; or
- 11 (c) For nonhazardous members who are participating in the 401(a) money  
12 purchase plan as provided by Section 12 of this Act, the combined sum of  
13 the member's accumulated contribution and the member's accumulated  
14 employer contribution in the 401(a) money purchase plan;
- 15 (42) "Volunteer" means an individual who:
- 16 (a) Freely and without pressure or coercion performs hours of service for an  
17 employer participating in one (1) of the systems administered by Kentucky  
18 Retirement Systems without receipt of compensation for services rendered,  
19 except for reimbursement of actual expenses, payment of a nominal fee to  
20 offset the costs of performing the voluntary services, or both; and
- 21 (b) If a retired member, does not become an employee, leased employee, or  
22 independent contractor of the employer for which he or she is performing  
23 volunteer services for a period of at least twenty-four (24) months following  
24 the retired member's most recent retirement date;~~[-and]~~
- 25 (43) "Nominal fee" means compensation earned for services as a volunteer that does not  
26 exceed five hundred dollars (\$500) per month. Compensation earned for services as  
27 a volunteer from more than one (1) participating employer during a month shall be

1 aggregated to determine whether the compensation exceeds the five hundred dollars  
 2 (\$500) per month maximum provided by this subsection;

3 **(44) "Nonhazardous position" means a position that does not meet the requirements**  
 4 **of KRS 61.592 or has not been approved by the board as a hazardous position;**  
 5 **and**

6 **(45) "Accumulated employer contribution" means the employer contribution**  
 7 **deposited to the member's account and any investment returns on such amounts**  
 8 **as provided by Section 12 of this Act.**

9 ➔Section 15. KRS 78.510 is amended to read as follows:

10 As used in KRS 78.510 to 78.852, unless the context otherwise requires:

- 11 (1) "System" means the County Employees Retirement System;
- 12 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- 13 (3) "County" means any county, or nonprofit organization created and governed by a  
 14 county, counties, or elected county officers, sheriff and his employees, county clerk  
 15 and his employees, circuit clerk and his deputies, former circuit clerks or former  
 16 circuit clerk deputies, or political subdivision or instrumentality, including school  
 17 boards, charter county government, or urban-county government participating in the  
 18 system by order appropriate to its governmental structure, as provided in KRS  
 19 78.530, and if the board is willing to accept the agency, organization, or  
 20 corporation, the board being hereby granted the authority to determine the eligibility  
 21 of the agency to participate;
- 22 (4) "School board" means any board of education participating in the system by order  
 23 appropriate to its governmental structure, as provided in KRS 78.530, and if the  
 24 board is willing to accept the agency or corporation, the board being hereby granted  
 25 the authority to determine the eligibility of the agency to participate;
- 26 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 27 (6) "Employee" means every regular full-time appointed or elective officer or employee

1 of a participating county and the coroner of a participating county, whether or not he  
2 qualifies as a regular full-time officer. The term shall not include persons engaged  
3 as independent contractors, seasonal, emergency, temporary, and part-time workers.  
4 In case of any doubt, the board shall determine if a person is an employee within the  
5 meaning of KRS 78.510 to 78.852;

6 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
7 officials of a county, or any authority of the county having the power to appoint or  
8 elect an employee to office or employment in the county;

9 (8) "Member" means any employee who is included in the membership of the system or  
10 any former employee whose membership has not been terminated under KRS  
11 61.535;

12 (9) "Service" means the total of current service and prior service as defined in this  
13 section;

14 (10) "Current service" means the number of years and months of employment as an  
15 employee, on and after July 1, 1958, for which creditable compensation is paid and  
16 employee contributions deducted, except as otherwise provided;

17 (11) "Prior service" means the number of years and completed months, expressed as a  
18 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
19 creditable compensation was paid. An employee shall be credited with one (1)  
20 month of prior service only in those months he received compensation for at least  
21 one hundred (100) hours of work. Twelve (12) months of current service in the  
22 system shall be required to validate prior service;

23 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
24 compensation of a member and credited to his individual account in the members'  
25 account, including employee contributions picked up after August 1, 1982, pursuant  
26 to KRS 78.610(4), together with interest credited, *or investment returns earned as*  
27 *provided by Section 12 of this Act,* on the amounts, and any other amounts the

1 member shall have contributed thereto, including interest credited thereon or  
2 investment returns earned as provided by Section 12 of this Act. ~~[For members~~  
3 ~~who begin participating on or after September 1, 2008, ]~~ "Accumulated  
4 contributions" shall not include employee contributions that are deposited into  
5 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established  
6 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

7 (13) "Creditable compensation":

8 (a) Except as provided by paragraph (b) or (c) of this subsection, means all  
9 salary, wages, and fees, including payments for compensatory time, paid to the  
10 employee as a result of services performed for the employer or for time during  
11 which the member is on paid leave, which are includable on the member's  
12 federal form W-2 wage and tax statement under the heading "wages, tips,  
13 other compensation", including employee contributions picked up after  
14 August 1, 1982, pursuant to KRS 78.610(4);

15 (b) Includes:

- 16 1. Lump-sum bonuses, severance pay, or employer-provided payments for  
17 purchase of service credit, which shall be averaged over the employee's  
18 service with the system in which it is recorded if it is equal to or greater  
19 than one thousand dollars (\$1,000);
- 20 2. Cases where compensation includes maintenance and other perquisites,  
21 but the board shall fix the value of that part of the compensation not paid  
22 in money;
- 23 3. Lump-sum payments for creditable compensation paid as a result of an  
24 order of a court of competent jurisdiction, the Personnel Board, or the  
25 Commission on Human Rights, or for any creditable compensation paid  
26 in anticipation of settlement of an action before a court of competent  
27 jurisdiction, the Personnel Board, or the Commission on Human Rights,

1 including notices of violations of state or federal wage and hour statutes  
 2 or violations of state or federal discrimination statutes, which shall be  
 3 credited to the fiscal year during which the wages were earned or should  
 4 have been paid by the employer. This subparagraph shall also include  
 5 lump-sum payments for reinstated wages pursuant to KRS 61.569,  
 6 which shall be credited to the period during which the wages were  
 7 earned or should have been paid by the employer;

- 8 4. Amounts which are not includable in the member's gross income by  
 9 virtue of the member having taken a voluntary salary reduction provided  
 10 for under applicable provisions of the Internal Revenue Code; and
- 11 5. Elective amounts for qualified transportation fringes paid or made  
 12 available on or after January 1, 2001, for calendar years on or after  
 13 January 1, 2001, that are not includable in the gross income of the  
 14 employee by reason of 26 U.S.C. sec. 132(f)(4); and

15 (c) Excludes:

- 16 1. Living allowances, expense reimbursements, uniform and equipment  
 17 allowances paid on or after January 1, 2019, lump-sum payments for  
 18 accrued vacation leave, sick leave except as provided in KRS 78.616(5),  
 19 and other items determined by the board;
- 20 2. For employees who begin participating on or after September 1, 2008,  
 21 lump-sum payments for compensatory time; ~~and~~
- 22 3. Training incentive payments for city officers paid as set out in KRS  
 23 64.5277 to 64.5279; ~~and~~
- 24 4. For employees who begin participating on or after August 1, 2016,  
 25 ~~creditable compensation shall exclude~~ nominal fees paid for services  
 26 as a volunteer; and
- 27 5. For employees who are employed in a nonhazardous position, who

1                   *began participating prior to September 1, 2008, and who retire after*  
2                   *July 1, 2023, lump-sum payments for compensatory time upon*  
3                   *termination of employment;*

4 (14) "Final compensation" means:

5           (a) For a member who begins participating before September 1, 2008, who is  
6           ~~[not]~~ employed in a *nonhazardous*~~[hazardous]~~ position~~[, as provided in KRS~~  
7           ~~61.592]~~, the creditable compensation of the member during the five (5) fiscal  
8           years he was paid at the highest average monthly rate divided by the number  
9           of months of service credit during that five (5) year period multiplied by  
10           twelve (12). The five (5) years may be fractional and need not be consecutive,  
11           *except that for members retiring on or after January 1, 2019, the five (5)*  
12           *fiscal years shall be complete fiscal years.* If the number of months of service  
13           credit during the five (5) year period is less than forty-eight (48) *for members*  
14           *retiring prior to January 1, 2019,* one (1) or more additional fiscal years shall  
15           be used. *If a member retiring on or after January 1, 2019, does not have five*  
16           *(5) complete fiscal years that each contain twelve (12) months of service*  
17           *credit, then one (1) or more additional fiscal years, which may contain less*  
18           *than twelve (12) months of service credit, shall be added until the number of*  
19           *months in the final compensation calculation is at least sixty (60) months;*

20           (b) For a member who is ~~[not]~~ employed in a *nonhazardous*~~[hazardous]~~  
21           position~~[, as provided in KRS 61.592]~~, whose effective retirement date is  
22           between August 1, 2001, and January 1, 2009, and whose total service credit  
23           is at least twenty-seven (27) years and whose age and years of service total at  
24           least seventy-five (75), final compensation means the creditable compensation  
25           of the member during the three (3) fiscal years the member was paid at the  
26           highest average monthly rate divided by the number of months of service  
27           credit during that three (3) year period multiplied by twelve (12). The three (3)



1 years may be fractional and need not be consecutive. If the number of months  
2 of service credit during the three (3) year period is less than twenty-four (24),  
3 one (1) or more additional fiscal years shall be used. Notwithstanding the  
4 provision of KRS 61.565, the funding for this paragraph shall be provided  
5 from existing funds of the retirement allowance;

6 (c) For a member who begins participating before September 1, 2008, who is  
7 employed in a hazardous position, as provided in KRS 61.592, **and who**  
8 **retired prior to January 1, 2019,** the creditable compensation of the member  
9 during the three (3) fiscal years he was paid at the highest average monthly  
10 rate divided by the number of months of service credit during that three (3)  
11 year period multiplied by twelve (12). The three (3) years may be fractional  
12 and need not be consecutive. If the number of months of service credit during  
13 the three (3) year period is less than twenty-four (24), one (1) or more  
14 additional fiscal years, which may contain less than twelve (12) months of  
15 service credit, shall be used;

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

27 (e) For a member who begins participating on or after September 1, 2008, but

1 prior to January 1, 2014, who is employed in a hazardous position<sup>[,]</sup> as  
2 provided in KRS 61.592, or for a member who begins participating prior to  
3 September 1, 2008, who is employed in a hazardous position as provided in  
4 KRS 61.592, who retires on or after January 1, 2019, the creditable  
5 compensation of the member during the three (3) complete fiscal years he was  
6 paid at the highest average monthly rate divided by three (3). Each fiscal year  
7 used to determine final compensation must contain twelve (12) months of  
8 service credit. If the member does not have three (3) complete fiscal years that  
9 each contain twelve (12) months of service credit, then one (1) or more  
10 additional fiscal years, which may contain less than twelve (12) months of  
11 service credit, shall be added until the number of months in the final  
12 compensation calculation is at least thirty-six (36) months;

13 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
14 calculated during the twelve (12) month period immediately preceding the  
15 member's effective retirement date, and shall include employee contributions picked  
16 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to  
17 the system by the employer and the following equivalents shall be used to convert  
18 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
19 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half  
20 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve  
21 (12) months, one (1) year;

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

24 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
25 basis of the actuarial tables adopted by the board. In cases of disability retirement,  
26 the options authorized by KRS 61.635 shall be computed by adding ten (10) years  
27 to the age of the member, unless the member has chosen the Social Security

1 adjustment option as provided for in KRS 61.635(8), in which case the member's  
2 actual age shall be used. For members who begin participating in the system prior to  
3 January 1, 2014, no disability retirement option shall be less than the same option  
4 computed under early retirement;

5 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless  
6 otherwise provided in KRS 78.510 to 78.852;

7 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
8 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
9 limitation year used to determine contribution and benefits limits as set out in 26  
10 U.S.C. sec. 415;

11 (20) "Agency reporting official" means the person designated by the participating agency  
12 who shall be responsible for forwarding all employer and employee contributions  
13 and a record of the contributions to the system and for performing other  
14 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;

15 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
16 all positions that average one hundred (100) or more hours per month, determined  
17 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
18 (80) or more hours per month in the case of noncertified employees of school  
19 boards, determined by using the number of hours actually worked in a calendar or  
20 school year, unless otherwise specified, except:

21 (a) Seasonal positions, which although temporary in duration, are positions which  
22 coincide in duration with a particular season or seasons of the year and that  
23 may recur regularly from year to year, in which case the period of time shall  
24 not exceed nine (9) months, except for employees of school boards, in which  
25 case the period of time shall not exceed six (6) months;

26 (b) Emergency positions that are positions that do not exceed thirty (30) working  
27 days and are nonrenewable;

- 1 (c) Temporary positions that are positions of employment with a participating  
2 agency for a period of time not to exceed twelve (12) months and not  
3 renewable;
- 4 (d) Probationary positions which are positions of employment with a participating  
5 employer that do not exceed twelve (12) months and that are used uniformly  
6 by the participating agency on new employees who would otherwise be  
7 eligible for participation in the system. Probationary positions shall not be  
8 renewable by the participating employer for the same employee, unless the  
9 employee has not been employed with the participating employer for a period  
10 of at least twelve (12) months; or
- 11 (e) Part-time positions that are positions that may be permanent in duration, but  
12 that require less than a calendar or fiscal year average of one hundred (100)  
13 hours of work per month, determined by using the number of months actually  
14 worked within a calendar or fiscal year, in the performance of duty, except in  
15 case of noncertified employees of school boards, the school term average shall  
16 be eighty (80) hours of work per month, determined by using the number of  
17 months actually worked in a calendar or school year, in the performance of  
18 duty;
- 19 (22) "Alternate participation plan" means a method of participation in the system as  
20 provided for by KRS 78.530(3);
- 21 (23) "Retired member" means any former member receiving a retirement allowance or  
22 any former member who has on file at the retirement office the necessary  
23 documents for retirement benefits and is no longer contributing to the system;
- 24 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
25 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
26 pay. The rate shall be certified by the employer;
- 27 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the

- 1 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
2 in the event of the member's death. As used in KRS 61.702, beneficiary shall not  
3 mean an estate, trust, or trustee;
- 4 (26) "Recipient" means the retired member, the person or persons designated as  
5 beneficiary by the member and drawing a retirement allowance as a result of the  
6 member's death, or a dependent child drawing a retirement allowance. An alternate  
7 payee of a qualified domestic relations order shall not be considered a recipient,  
8 except for purposes of KRS 61.623;
- 9 (27) "Person" means a natural person;
- 10 (28) "School term or year" means the twelve (12) months from July 1 through the  
11 following June 30;
- 12 (29) "Retirement office" means the Kentucky Retirement Systems office building in  
13 Frankfort;
- 14 (30) "Delayed contribution payment" means an amount paid by an employee for current  
15 service obtained under KRS 61.552. The amount shall be determined using the  
16 same formula in KRS 61.5525, except the determination of the actuarial cost for  
17 classified employees of a school board shall be based on their final compensation,  
18 and the payment shall not be picked up by the employer. A delayed contribution  
19 payment shall be deposited to the member's account and considered as accumulated  
20 contributions of the individual member. In determining payments under this  
21 subsection, the formula found in this subsection shall prevail over the one found in  
22 KRS 212.434;
- 23 (31) "Participating" means an employee is currently earning service credit in the system  
24 as provided in KRS 78.615;
- 25 (32) "Month" means a calendar month;
- 26 (33) "Membership date" means the date upon which the member began participating in  
27 the system as provided in KRS 78.615;

- 1 (34) "Participant" means a member, as defined by subsection (8) of this section, or a  
2 retired member, as defined by subsection (23) of this section;
- 3 (35) "Qualified domestic relations order" means any judgment, decree, or order,  
4 including approval of a property settlement agreement, that:
- 5 (a) Is issued by a court or administrative agency; and  
6 (b) Relates to the provision of child support, alimony payments, or marital  
7 property rights to an alternate payee;
- 8 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
9 participant, who is designated to be paid retirement benefits in a qualified domestic  
10 relations order;
- 11 (37) "Accumulated employer credit" means the employer pay credit deposited to the  
12 member's account and interest credited on such amounts as provided by KRS  
13 16.583 and 61.597;
- 14 (38) "Accumulated account balance" means:
- 15 (a) For members who began participating in the system prior to January 1, 2014,  
16 the member's accumulated contributions;~~[-or]~~
- 17 (b) For members who began participating in the system on or after January 1,  
18 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,  
19 the combined sum of the member's accumulated contributions and the  
20 member's accumulated employer credit; or
- 21 (c) For nonhazardous members who are participating in the 401(a) money  
22 purchase plan as provided by Section 12 of this Act, the combined sum of  
23 the member's accumulated contributions and the member's accumulated  
24 employer contributions in the 401(a) money purchase plan;
- 25 (39) "Volunteer" means an individual who:
- 26 (a) Freely and without pressure or coercion performs hours of service for an  
27 employer participating in one (1) of the systems administered by Kentucky

1 Retirement Systems without receipt of compensation for services rendered,  
 2 except for reimbursement of actual expenses, payment of a nominal fee to  
 3 offset the costs of performing the voluntary services, or both; and

4 (b) If a retired member, does not become an employee, leased employee, or  
 5 independent contractor of the employer for which he or she is performing  
 6 volunteer services for a period of at least twenty-four (24) months following  
 7 the retired member's most recent retirement date;~~and~~

8 (40) "Nominal fee" means compensation earned for services as a volunteer that does not  
 9 exceed five hundred dollars (\$500) per month. Compensation earned for services as  
 10 a volunteer from more than one (1) participating employer during a month shall be  
 11 aggregated to determine whether the compensation exceeds the five hundred dollars  
 12 (\$500) per month maximum provided by this subsection;

13 **(41) "Nonhazardous position" means a position that does not meet the requirements**  
 14 **of KRS 61.592 or has not been approved by the board as a hazardous position;**  
 15 **and**

16 **(42) "Accumulated employer contribution" means the employer contribution**  
 17 **deposited to the member's account and any investment returns on such amounts**  
 18 **as provided by Section 12 of this Act.**

19 ➔Section 16. KRS 61.546 is amended to read as follows:

20 (1) Any member of the Kentucky Employees Retirement System or the State Police  
 21 Retirement System whose retirement date is July 14, 1984, or thereafter, shall  
 22 receive credit for unused sick leave accrued while contributing to the retirement  
 23 system from which the retirement benefit is to be paid in accordance with this  
 24 section.

25 (2) **(a) Each employer shall certify the following to the system for purposes of this**  
 26 **section:**

27 **1.** Upon the member's notification of retirement as prescribed in KRS

1 16.576 or 61.590, ~~[the employer shall certify]~~ the retiring member's  
 2 unused, accumulated sick leave balance; **and** ~~[to the system]~~

3 **2. Each member's unused, accumulated sick leave balance as of July 31,**  
 4 **2018, except for those members who began participating in the**  
 5 **systems on or after January 1, 2014.**

6 **(b) Except as provided by subsection (3) of this section,** the member's sick leave  
 7 balance, expressed in days, shall be divided by the average number of working  
 8 days per month in the state service and rounded to the nearest number of  
 9 whole months. **Except as provided by subsection (3) of this section, all of** the  
 10 member's sick leave balance, expressed in months, shall **upon retirement** be  
 11 added to his service credit for the purpose of determining his annual  
 12 retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705 and for  
 13 the purpose of determining whether the member is eligible to receive a  
 14 retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705~~;~~  
 15 ~~except as provided by subsection (3) of this section. Accumulated sick leave~~  
 16 ~~in excess of six (6) months shall be added to the member's service credit, and~~  
 17 ~~the last participating Kentucky Employees Retirement Systems employer shall~~  
 18 ~~pay to the retirement system the value of the additional service credit based on~~  
 19 ~~the formula adopted by the board, except as provided by subsection (3) of this~~  
 20 ~~section. All of a state policeman's sick leave balance, expressed in months,~~  
 21 ~~except as provided by subsection (3) of this section, shall be added to his~~  
 22 ~~service credit for the purposes of determining his annual retirement allowance~~  
 23 ~~and whether the member is eligible to receive a retirement allowance under~~  
 24 ~~KRS 16.505 to 16.652].~~

25 (3) **Effective August 1, 2018,** for a member who **retires from** ~~[begins participating in]~~  
 26 the Kentucky Employees Retirement System or the State Police Retirement System  
 27 on or after **August 1, 2018** ~~[September 1, 2008]:~~



- 1 (a) The member shall receive no more service credit for accumulated sick leave  
 2 under this section than the lesser of the following:  
 3 1. The amount of service credit based upon the member's accumulated  
 4 sick leave upon retirement as certified in accordance with subsection  
 5 (2)(a)1. of this section; or  
 6 2. For members retiring on or after August 1, 2018, the amount of  
 7 service credit based upon the member's accumulated sick leave  
 8 balance as of July 31, 2018, as certified in accordance with subsection  
 9 (2)(a)2. of this section.  
 10 For those members who began participating in the Kentucky Employees  
 11 Retirement System or the State Police Retirement System on or after  
 12 September 1, 2008, but prior to January 1, 2014, the amount of service  
 13 credit provided under this paragraph shall not exceed twelve (12) months~~]~~  
 14 ~~of service credit upon retirement for accumulated unused sick leave accrued~~  
 15 ~~while contributing to the retirement system or systems from which the~~  
 16 ~~retirement benefit is to be paid];~~  
 17 (b) The service credited for accumulated unused sick leave as limited by this  
 18 section and added to the member's service credit shall be used for purposes of  
 19 determining the member's annual retirement allowance under KRS 16.505 to  
 20 16.652 and 61.510 to 61.705; and  
 21 (c) For members who began participating in the systems on or after September  
 22 1, 2008, and for those members retiring on or after August 1, 2018, the  
 23 service credited for accumulated unused sick leave and added to the member's  
 24 service credit shall not be used to determine whether a member is eligible to  
 25 receive a retirement allowance under any of the provisions of KRS 16.505 to  
 26 16.652 and 61.510 to 61.705~~]; and~~  
 27 (d) ~~Except as provided by subsection (4) of this section, the value of any~~

1           ~~accumulated unused sick leave in excess of six (6) months that is added to the~~  
2           ~~member's service credit in the Kentucky Employees Retirement System shall~~  
3           ~~be paid to the retirement system by the last participating Kentucky Employees~~  
4           ~~Retirement System employer based upon the formula adopted by the board].~~

5       (4) Notwithstanding any other provision of this section to the contrary, the value of any  
6       accumulated sick leave that is added to the member's service credit in the Kentucky  
7       Employees Retirement System or the State Police Retirement System on or after  
8       July 1, 2010, shall be paid to the retirement system by the last participating  
9       Kentucky Employees Retirement System or State Police Retirement System  
10      employer based upon a formula adopted by the board.

11     (5) The provisions of this section shall not apply to a participating agency whose  
12     employees are not employed by the Commonwealth until the agency certifies to the  
13     system that a sick leave program has been formally adopted and is universally  
14     administered within the agency, except that any agency participating in the  
15     Kentucky Employees Retirement System who has not adopted a sick leave  
16     program prior to August 1, 2018, shall not be eligible to adopt a sick leave  
17     program under this section.

18     (6) This section shall not apply to members who begin participating in the systems  
19     administered by Kentucky Retirement Systems on or after January 1, 2014.

20     ➔Section 17. KRS 78.616 is amended to read as follows:

21     (1) Any agency participating in the County Employees Retirement System which has  
22     formally adopted a sick-leave program that is universally administered to its  
23     employees may purchase service credit with the retirement system for up to six (6)  
24     months of unused sick leave for each retiring employee, subject to the limitations  
25     of subsection (8) of this section.

26     (2) Participation under this section shall be at the option of each participating employer.  
27     The election to participate shall be made by the governing authority of the

1 participating employer and shall be certified in writing to the system on forms  
 2 prescribed by the board. The certification shall provide for equal treatment of all  
 3 employees participating under this section. **Any employer in the County Employees**  
 4 **Retirement System who has not elected to participate in a sick leave program**  
 5 **established by this section prior to August 1, 2018, shall not be eligible to elect to**  
 6 **participate in a sick leave program established by this section.**

- 7 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,  
 8 the employer shall certify the retiring employee's unused, accumulated sick-  
 9 leave balance to the system. The member's sick-leave balance, expressed in  
 10 days, shall be divided by the average number of working days per month in  
 11 county service and rounded to the nearest number of whole months. A  
 12 maximum of six (6) months of the member's sick-leave balance **or the**  
 13 **amount specified by subsection (8) of this section**, expressed in months, shall  
 14 be added to his service credit for the purpose of determining his annual  
 15 retirement allowance under KRS 78.510 to 78.852 and for the purpose of  
 16 determining whether the member is eligible to receive a retirement allowance  
 17 under KRS 78.510 to 78.852, except as provided by ~~paragraphs~~[paragraph]  
 18 (d) **and (e)** of this subsection. **Except as limited by subsection (8) of this**  
 19 **section**, accumulated sick-leave in excess of six (6) months shall be added to  
 20 the member's service credit if the member or employer pays to the retirement  
 21 system the value of the additional service credit based on the formula adopted  
 22 by the board, subject to the restrictions provided by paragraph (d) of this  
 23 subsection.
- 24 (b) **Except as limited by subsection (8) of this section**, the employer may elect to  
 25 pay fifty percent (50%) of the cost of the sick leave in excess of six (6)  
 26 months on behalf of its employees. The employee shall pay the remaining fifty  
 27 percent (50%). The payment by the employer shall not be deposited to the

1 member's account. Service credit shall not be credited to the member's account  
2 until both the employer's and employee's payments are received by the  
3 retirement system.

4 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on behalf  
5 of its employees, it shall continue to pay the same portion of the cost.

6 (d) For a member who begins participating in the retirement system on or after  
7 September 1, 2008, but prior to January 1, 2014, whose employer has  
8 established a sick-leave program under subsections (1) to (4) and (6) of this  
9 section:

- 10 1. **Upon retirement,** the member shall receive no more than twelve (12)  
11 months of service credit **or the amount determined by subsection (8) of**  
12 **this section** ~~[upon retirement]~~ for accumulated unused sick leave  
13 accrued while contributing to the retirement system from which the  
14 retirement benefit is to be paid;
- 15 2. The service added to the member's service credit shall be used for  
16 purposes of determining the member's annual retirement allowance  
17 under KRS 78.510 to 78.852;
- 18 3. The service added to the member's service credit shall not be used to  
19 determine whether a member is eligible to receive a retirement  
20 allowance under KRS 78.510 to 78.852; and
- 21 4. The cost of the service provided by this paragraph shall be paid by the  
22 employer.

23 **(e) Effective August 1, 2018, for members retiring on or after August 1, 2018,**  
24 **any service added for accumulated sick leave to the member's service credit**  
25 **shall not be used to determine whether a member is eligible to receive a**  
26 **retirement allowance under KRS 78.510 to 78.852.**

27 (4) The system shall compute the cost of the sick-leave credit of each retiring employee

1 and bill each employer with whom the employee accrued sick leave accordingly.

2 The employer shall remit payment within thirty (30) days from receipt of the bill.

3 (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any  
4 agency participating in the County Employees Retirement System which has  
5 formally adopted a sick-leave program that is universally administered to its  
6 employees, or administered to a majority of eligible employees in accordance  
7 with subsection (6) of this section, shall, at the time of termination, or as  
8 authorized by~~provided in~~ KRS 161.155 in the case of school boards,  
9 compensate the employee for unused sick-leave days the employee has  
10 accumulated which it is the uniform policy of the agency to allow.

11 (b) The rate of compensation for each unused sick-leave day shall be based on the  
12 daily salary rate calculated from the employee's current rate of pay. Payment  
13 for unused sick-leave days shall be incorporated into the employee's final  
14 compensation if the employee and employer make the regular employee and  
15 employer contributions, respectively, on the sick-leave payment.

16 (c) The number of sick-leave days for which the employee is compensated shall  
17 be divided by the average number of working days per month in county  
18 service and rounded to the nearest number of whole months. This number of  
19 months, not to exceed the amount specified by subsection (8) of this section,  
20 shall be added to the employee's total service credit and to the number of  
21 months used to determine creditable compensation, pursuant to KRS 78.510,  
22 but no more than sixty (60) months shall be used to determine final  
23 compensation. For an employee who begins participating on or after  
24 September 1, 2008, but prior to January 1, 2014, the number of months added  
25 to the employee's total service credit under this paragraph shall not exceed  
26 twelve (12) months, or the amount specified by subsection (8) of this section,  
27 and the additional service shall not be used to determine whether a member is

1 eligible to receive a retirement allowance under KRS 78.510 to 78.852.

2 (d) Effective August 1, 2018, any service added for accumulated sick leave to  
3 the member's service credit shall not be used to determine whether a  
4 member is eligible to receive a retirement allowance under KRS 78.510 to  
5 78.852.

6 (6) Except as limited by subsection (8) of this section, any city of the first class that  
7 has two (2) or more sick-leave programs for its employees may purchase service  
8 credit with the retirement system for up to six (6) months of unused sick leave for  
9 each retiring employee who participates in the sick-leave program administered to a  
10 majority of the eligible employees of the city. An employee participating in a sick-  
11 leave program administered to a minority of the eligible employees shall become  
12 eligible for the purchase of service credit under this subsection when the employee  
13 commences participating in the sick-leave program that is administered to a  
14 majority of the eligible employees of the city.

15 (7) The provisions of this section shall not apply to employees who begin participating  
16 in the system on or after January 1, 2014, and no service credit shall be provided for  
17 accumulated sick leave balances of those employees who begin participating in the  
18 system on or after January 1, 2014.

19 (8) (a) Each employer who has adopted a sick leave program prior to August 1,  
20 2018, shall on or after August 1, 2018, certify each member's unused,  
21 accumulated sick leave balance as of July 31, 2018, except for those  
22 members who began participating in the systems on or after January 1,  
23 2014.

24 (b) Notwithstanding any other provision of this section, the member shall  
25 receive no more service credit for accumulated sick leave under this section  
26 than the lesser of the following:

27 1. The amount of service credit based upon the member's accumulated

1                   sick leave upon retirement as certified in accordance with subsections  
 2                   (1) to (7) of this section and based upon the employer's adopted sick  
 3                   leave program; or

4                   2. For members retiring on or after August 1, 2018, the amount of  
 5                   service credit based upon the member's accumulated sick leave  
 6                   balance as of July 31, 2018, as certified in accordance with paragraph  
 7                   (a) of this subsection.

8                   For those members who began participating in the system on or after  
 9                   September 1, 2008, but prior to January 1, 2014, the amount of service  
 10                   credit provided for accumulated sick leave under this paragraph shall not  
 11                   exceed twelve (12) months.

12                   ➔Section 18. KRS 61.565 is amended to read as follows:

13                   (1) (a) Each employer participating in the State Police Retirement System as  
 14                   provided for in KRS 16.505 to 16.652, ~~each employer participating in~~ the  
 15                   County Employees Retirement System as provided for in KRS 78.510 to  
 16                   78.852, and ~~each employer participating in~~ the Kentucky Employees  
 17                   Retirement System as provided for in KRS 61.510 to 61.705 shall contribute  
 18                   annually to the respective retirement system an amount determined by the  
 19                   actuarial valuation completed in accordance with KRS 61.670 and as  
 20                   specified by this section. Employer contributions for each respective  
 21                   retirement system shall be equal to the sum of ~~percent, as computed under~~  
 22                   ~~subsection (2) of this section, of the creditable compensation of its employees~~  
 23                   ~~to be known as~~ the "normal cost contribution~~contributions,~~" and ~~an~~  
 24                   ~~additional amount to be known as~~ the "actuarially accrued liability  
 25                   contribution."

26                   (b) For purposes of this section, the normal cost contribution shall be  
 27                   computed as a percentage of pay and shall be an annual amount that is

1 sufficient when combined with employee contributions to fund benefits  
 2 earned during the year in the respective system or plan, including costs for  
 3 those members who elect to participate in the 401(a) money purchase plan.  
 4 The amount shall be paid as a percentage of creditable compensation  
 5 reported for each employee participating in the system or plan and accruing  
 6 benefits.

7 (c) For purposes of this section, the actuarially accrued liability  
 8 contribution~~[which]~~ shall be an annual dollar amount that is sufficient to  
 9 amortize~~[computed by amortizing]~~ the total unfunded actuarially accrued  
 10 liability of each system over a closed period of thirty (30) years using the  
 11 level-dollar~~[level percentage of payroll]~~ amortization method. This method  
 12 shall be used beginning with the 2019~~[2007]~~ actuarial valuation, and  
 13 employer costs for the actuarially accrued liability contribution shall be  
 14 prorated to each employer as provided by paragraph (f) of this subsection~~[-~~  
 15 ~~The initial thirty (30) year amortization period shall begin with the 2007~~  
 16 ~~actuarial valuation, except as provided by paragraph (b) of this subsection].~~

17 (d) The employer contributions computed under this section shall be  
 18 determined using:

- 19 1. The entry age normal cost funding method;
- 20 2. An asset smoothing method that smooths investment gains and losses  
 21 over a five (5) year period; and
- 22 3. Other funding methods and assumptions established by the board in  
 23 accordance with KRS 61.670.

24 (e)~~(b)~~ Effective with the 2013 actuarial valuation, the amortization period for  
 25 the Kentucky Employees Retirement System, the County Employees  
 26 Retirement System, and the State Police Retirement System shall be reset to a  
 27 new thirty (30) year closed period for purposes of calculating the actuarially



1 accrued liability contribution prescribed by this subsection.

2 **(f) The dollar value of the actuarially accrued liability contribution specified by**  
 3 **paragraph (c) of this subsection payable by each individual system employer**  
 4 **based upon the 2019 actuarial valuation shall be prorated based upon the**  
 5 **individual employer's average percentage of the total creditable**  
 6 **compensation reported by all employers in the specific system in fiscal year**  
 7 **2014-2015, 2015-2016, and 2016-2017, except that the amount shall:**

- 8 **1. Not apply to any employer who ceases participation and pays the full**  
 9 **actuarial cost of ceasing participation as provided by KRS 61.522; and**  
 10 **2. Be adjusted for each remaining employer of a system to reflect any**  
 11 **employer who ceases participation and who pays the full actuarial cost**  
 12 **of ceasing participation as provided by KRS 61.522.**

13 ~~{(c) Any significant increase in the actuarially accrued liability due to benefit~~  
 14 ~~improvements after the 2007 valuation shall be amortized using the level-~~  
 15 ~~percentage of payroll amortization method over a separate thirty (30) year~~  
 16 ~~period commencing in the year of the actuarial valuation in which the benefit~~  
 17 ~~improvements are first reflected.}~~

18 (2) ~~{The normal contribution rate shall be determined by the entry age normal cost~~  
 19 ~~funding method. The actuarially accrued liability shall be determined by actuarial~~  
 20 ~~method consistent with the methods prescribed for determining the normal~~  
 21 ~~contribution rate. Normal contributions and the actuarially accrued liability~~  
 22 ~~contribution shall be determined on actuarial bases adopted by the board.~~

23 ~~(3) (a)~~ Normal **cost** contribution **rates** and the actuarially accrued liability  
 24 contribution~~[rates]~~ shall be determined by the board on the basis of the annual  
 25 actuarial valuation last preceding the July 1 of a new biennium.

26 (b) The board may amend contribution rates as of July 1 of the second year of a  
 27 biennium~~[ for the County Employees Retirement System]~~, if it is determined

1 on the basis of a subsequent actuarial valuation that amended contribution  
 2 rates are necessary to satisfy the requirements of ~~subsections (1) and (2) of~~  
 3 ~~this section.~~

4 (c) Effective for employer contribution rates payable on or after July 1, 2014,  
 5 **through June 30, 2020,** the board shall not have the authority to amend  
 6 contribution rates as of July 1 of the second year of the biennium for the  
 7 Kentucky Employees Retirement System and the State Police Retirement  
 8 System.

9 ~~(3)~~~~(4)~~ The system shall advise each employer prior to the beginning of each  
 10 biennium, or prior to July 1 of the second year of a biennium for employers  
 11 participating in the County Employees Retirement System, of any change in the  
 12 employer contribution rate. Based on the employer contribution rate, each employer  
 13 shall include in the budget sufficient funds to pay the employer contributions as  
 14 determined by the board under ~~subsections (1) to (3) of~~ this section.

15 ~~(4)~~~~(5)~~ The General Assembly shall pay the full actuarially required contribution rate,  
 16 as prescribed by this section, to the Kentucky Employees Retirement System and  
 17 the State Police Retirement System in fiscal years occurring on or after July 1, 2014.

18 ~~(5)~~~~(6)~~ Notwithstanding any other provision of KRS Chapter 61 to the contrary, the  
 19 board shall establish employer contribution rates for the County Employees  
 20 Retirement System that will phase in to the full actuarially required contribution for  
 21 the health insurance fund over a ten (10) year period using the 2007-2008 fiscal year  
 22 employer contribution for the health insurance fund as a base employer rate and  
 23 incrementally increasing the employer rate from fiscal year 2008-2009 through  
 24 fiscal year 2017-2018.

25 ➔Section 19. KRS 61.597 is amended to read as follows:

26 (1) A member of the Kentucky Employees Retirement System or County Employees  
 27 Retirement System who is ~~not~~ participating in a **nonhazardous**~~hazardous-duty~~

1 position~~[as provided by KRS 61.592]~~, whose participation in the systems begins on  
2 or after January 1, 2014, except for those members~~[or a member]~~ making an  
3 election pursuant to KRS 61.5955 or Section 12 of this Act, shall receive the  
4 retirement benefits provided by this section in lieu of the retirement benefits  
5 provided under KRS 61.559 and 61.595. The retirement benefit provided by this  
6 section shall be known as the hybrid cash balance plan and shall operate as another  
7 benefit tier within the Kentucky Employees Retirement System and the County  
8 Employees Retirement System.

9 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
10 member's accumulated account balance, which shall include:

11 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,  
12 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions  
13 prescribed by KRS 61.702(2)(b);

14 (b) An employer pay credit of four percent (4%) of the creditable compensation  
15 earned by the employee for each month the employee is contributing to the  
16 hybrid cash balance plan provided by this section; and

17 (c) Interest credits added annually to the member's accumulated account balance  
18 as provided by this section.

19 (3) (a) Member contributions and employer pay credits as provided by subsection  
20 (2)(a) and (b) of this section shall be credited to the member's account  
21 monthly as contributions are reported and posted to the system in accordance  
22 with KRS 61.675 and 78.625.

23 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
24 credited to the member's account annually on June 30 of each fiscal year, as  
25 determined by subsection (4) of this section.

26 (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
27 contributed to the hybrid cash balance plan or another state-administered

1            retirement system during the fiscal year.

2            (b) If the member contributed to the hybrid cash balance plan or another state-  
 3            administered retirement system during the fiscal year, the interest credit  
 4            added to the member's account for that fiscal year shall be determined by  
 5            multiplying the member's accumulated account balance on June 30 of the  
 6            preceding fiscal year by a percentage increase equal to eighty-five percent  
 7            (85%)[-:

8            1. — Four percent (4%); plus

9            2. — ~~seventy five percent (75%)~~] of the system's geometric average net  
 10            investment return in excess of a zero percent (0%)[~~four percent (4%)~~]  
 11            rate of return.

12            (c) If the member did not contribute to the hybrid cash balance plan or another  
 13            state-administered retirement system during the fiscal year, then no[~~the~~]  
 14            interest credit shall be added to the member's account for that fiscal year[  
 15            ~~shall be determined by multiplying the member's accumulated account balance~~  
 16            ~~on June 30 of the preceding fiscal year by four percent (4%)~~].

17            (d) For purposes of this subsection, "system's geometric average net investment  
 18            return":

19            1. Means the annual average geometric investment return, net of  
 20            administrative and investment fees and expenses, over the last ten  
 21            (10)[~~five (5)~~] fiscal years as of the date the interest is credited to the  
 22            member's account; and

23            2. Shall be expressed as a percentage and based upon the system in which  
 24            the member has an account.

25            (e) No employer pay credits or interest credits shall be provided to a member who  
 26            has taken a refund of contributions as provided by KRS 61.625 or who has  
 27            retired and annuitized his or her accumulated account balance as prescribed by

1           this section.

2   (5)   (a)   Upon termination of employment, a member who has less than five (5) years  
3           of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who  
4           elects to take a refund of his or her accumulated account balance as provided  
5           by KRS 61.625, shall forfeit the accumulated employer credit, and shall only  
6           receive a refund of his or her accumulated contributions.

7           (b)   Upon termination of employment, a member who has five (5) or more years of  
8           service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to  
9           take a refund of his or her accumulated account balance as provided by KRS  
10          61.625, shall receive a full refund of his or her accumulated account balance.

11   (6)   A member participating in the hybrid cash balance plan provided by this section  
12          may retire:

13          (a)   At his or her normal retirement date, provided he or she has earned five (5) or  
14          more years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or  
15          another state-administered retirement system; or

16          (b)   If the member is at least age fifty-seven (57) and has an age and years of  
17          service total of at least eighty-seven (87) years. The years of service used to  
18          determine eligibility for retirement under this paragraph shall only include  
19          years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or  
20          another state-administered retirement system.

21   (7)   A member eligible to retire under subsection (6) of this section may elect to:

22          (a)   Receive a monthly retirement allowance payable for life by having his or her  
23          accumulated account balance annuitized by the retirement systems in  
24          accordance with the actuarial assumptions and actuarial methods adopted by  
25          the board and in effect on the member's retirement date;

26          (b)   Receive the actuarial equivalent of his or her retirement allowance calculated  
27          under paragraph (a) of this subsection payable under one (1) of the options set

1           forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

2           (c) Take a refund of his or her account balance as provided by KRS 61.625.

3 (8) The provisions of this section shall not apply to members who began participating  
4 in the Kentucky Employees Retirement System or the County Employees  
5 Retirement System prior to January 1, 2014~~], except for those members making an~~  
6 ~~election pursuant to KRS 61.5955].~~

7           ➔Section 20. KRS 61.575 is amended to read as follows:

8 (1) The members' account shall be the account to which:

9           (a) All members' contributions, or contributions picked up by the employer after  
10 August 1, 1982, and interest allowances ***or investment returns*** as provided in  
11 KRS 61.510 to 61.692 shall be credited, except as provided by KRS  
12 61.702(2)(b); ~~and~~

13           (b) For members who begin participating in the system on or after January 1,  
14 2014, ***who are participating in the hybrid cash balance plan***, the employer  
15 pay credit and interest credited on such amounts as provided by KRS 16.583  
16 and 61.597 shall be credited; ***and***

17           ***(c) For members who elect to participate in the 401(a) money purchase plan as***  
18 ***provided by Section 7, 12, or 38 of this Act, the employer contribution and***  
19 ***investment return on such amounts as provided by Section 12 of this Act.***

20 Only funds from this account shall be used to return the accumulated contributions  
21 or accumulated account balances of a member when required by reason of any  
22 provision of KRS 61.510 to 61.705. Prior to the member's retirement, death, or  
23 refund in accordance with KRS 61.625, no funds shall be made available from the  
24 member account.

25 (2) Each member's contribution or contribution picked up by the employer shall be  
26 credited to the individual account of the contributing member, except as provided  
27 by KRS 61.702(2)(b).

- 1 (3) **Except for the portion of the member's account balance in the 401(a) money**  
2 **purchase plan as provided by Section 12 of this Act:**
- 3 (a) Each member shall have his individual account credited with interest on June  
4 30 of each fiscal year.
- 5 (b) For a member who begins participating before September 1, 2008, interest  
6 shall be credited to his individual account at a rate determined by the board  
7 but not less than two percent (2%) per annum on the accumulated account  
8 balance of the member on June 30 of the preceding fiscal year.
- 9 (c) For a member who begins participating on or after September 1, 2008, but  
10 prior to January 1, 2014, interest shall be credited to his individual account at  
11 a rate of two and one-half percent (2.5%) per annum on the accumulated  
12 account balance of the member on June 30 of the preceding fiscal year.
- 13 (d) For a member who begins participating on or after January 1, 2014, in the  
14 hybrid cash balance plan, interest shall be credited in accordance with KRS  
15 16.583 and 61.597.
- 16 (e) The amounts of interest credited to a member's account under this subsection  
17 shall be transferred from the retirement allowance account.
- 18 (4) (a) Upon the retirement of a member who began participating in the system prior  
19 to January 1, 2014, his or her accumulated account balance shall be  
20 transferred from the members' account to the retirement allowance account.
- 21 (b) Upon the retirement of a member who began participating in the system on or  
22 after January 1, 2014, **or who elects to participate in the 401(a) money**  
23 **purchase plan,** who elects to annuitize his or her accumulated account  
24 balance **in the hybrid cash balance plan or 401(a) money purchase plan** as  
25 prescribed by KRS 16.583(7)(a) or (b), ~~or~~ 61.597(7)(a) or (b), **or subsection**  
26 **(6)(a) or (b) of Section 12 of this Act,** the member's accumulated account  
27 balance shall be transferred to the retirement allowance account.

1       ➔Section 21. KRS 78.640 is amended to read as follows:

2       (1) The members' account shall be the account to which:

3           (a) All members' contributions, or contributions picked up by the employer after  
4           August 1, 1982, and interest allowances or investment returns as provided in  
5           KRS 78.510 to 78.852 shall be credited, except as provided by KRS  
6           61.702(2)(b);~~and~~

7           (b) For members who begin participating in the system on or after January 1,  
8           2014, who are participating in the hybrid cash balance plan, the employer  
9           pay credit and interest credited on such amounts as provided by KRS 16.583  
10          and 61.597 shall be credited; and

11          (c) For members who elect to participate in the 401(a) money purchase plan  
12          provided by Section 7, 12, or 38 of this Act, the employer contribution and  
13          investment return on such amounts as provided by Section 12 of this Act.

14          Only funds from this account shall be used to return the accumulated contributions  
15          or accumulated account balances of a member when required to be returned to him  
16          by reason of any provision of KRS 78.510 to 78.852. Prior to the member's  
17          retirement, death, or refund in accordance with KRS 61.625, no funds shall be made  
18          available from the member account.

19       (2) Each member's contribution or contribution picked up by the employer shall be  
20       credited to the individual account of the contributing member, except as provided  
21       by KRS 61.702(2)(b).

22       (3) Except for the portion of the member's account balance in the 401(a) money  
23       purchase plan as provided by Section 12 of this Act:

24           (a) Each member shall have his individual account credited with interest on June  
25           30 of each year.

26           (b) For a member who begins participating before September 1, 2008, interest  
27           shall be credited to his individual account at a rate determined by the board



1 but not less than two percent (2%) per annum on the accumulated account  
2 balance of the member on June 30 of the preceding fiscal year.

3 (c) For a member who begins participating on or after September 1, 2008, but  
4 prior to January 1, 2014, interest shall be credited to his or her individual  
5 account at a rate of two and one-half percent (2.5%) per annum on the  
6 accumulated contributions of the member on June 30 of the preceding fiscal  
7 year.

8 (d) For a member who begins participating on or after January 1, 2014, in the  
9 hybrid cash balance plan, interest shall be credited in accordance with KRS  
10 16.583 and 61.597.

11 (e) The amounts of interest credited to a member's account under this subsection  
12 shall be transferred from the retirement allowance account.

13 (4) (a) Upon the retirement of a member who began participating in the system prior  
14 to January 1, 2014, his accumulated account balance shall be transferred from  
15 the members' account to the retirement allowance account.

16 (b) Upon the retirement of a member who began participating in the system on or  
17 after January 1, 2014, or who elects to participate in the 401(a) money  
18 purchase plan, who elects to annuitize his or her accumulated account  
19 balance in the hybrid cash balance plan or 401(a) money purchase plan as  
20 prescribed by KRS 16.583(7)(a) or (b), ~~or~~ 61.597(7)(a) or (b), or subsection  
21 (6)(a) or (b) of Section 12 of this Act, the member's accumulated account  
22 balance shall be transferred to the retirement allowance account.

23 ➔Section 22. KRS 61.580 is amended to read as follows:

24 The retirement allowance account shall be the account in which shall be accumulated all  
25 employer contributions and amounts transferred from the members' account, and to which  
26 all income from the invested assets of the system shall be credited. From this account  
27 shall be paid the expenses of the system and the board incurred in administration of the

1 system, retirement allowances, and any other benefits payable after a member's retirement  
2 and from this account shall be transferred to the members' account:

3 (1) The employer pay credit added monthly to each member's individual accounts as  
4 provided by KRS 16.583 and 61.597;~~and~~

5 (2) **The employer contribution for the 401(a) money purchase plan as provided by**  
6 **Section 12 of this Act; and**

7 **(3)** The interest credited annually to ~~a~~each member's individual account as provided  
8 by KRS 61.510 to 61.705.

9 ➔Section 23. KRS 78.650 is amended to read as follows:

10 The retirement allowance account shall be the account in which shall be accumulated all  
11 employer contributions and amounts transferred from the members' account, and to which  
12 all income from the invested assets of the system shall be credited. From this account  
13 shall be paid the expenses of the system and the board in administration of the system,  
14 retirement allowances, and any other benefits payable after a member's retirement and  
15 from this account shall be transferred to the members' account:

16 (1) The employer pay credit added monthly to each member's individual accounts as  
17 provided by KRS 16.583 and 61.597;~~and~~

18 (2) **The employer contribution for the 401(a) money purchase plan as provided by**  
19 **Section 12 of this Act; and**

20 **(3)** The interest credited annually to ~~a~~each member's individual account as provided  
21 by KRS 78.510 to 78.852.

22 ➔Section 24. KRS 16.601 is amended to read as follows:

23 (1) If ~~the death of~~ a member **dies** ~~in service occurs on or after August 1, 1992,~~ as a  
24 direct result of an ~~act~~ **as defined in subsection (19) of Section**  
25 **13 of this Act and is survived by a spouse;**~~and the member has on file in the~~  
26 ~~retirement office at the time of his or her death a written designation of only one (1)~~  
27 ~~beneficiary, who is his or her spouse, the beneficiary }~~

- 1        (a) The surviving spouse shall be the beneficiary, and this shall supersede the  
2        designation of all previous beneficiaries of the deceased member's  
3        retirement account; and
- 4        (b) The surviving spouse may elect to receive a lump-sum payment of ten  
5        thousand dollars (\$10,000) and a monthly payment equal to twenty-five  
6        percent (25%) of the member's monthly final rate of pay beginning in the  
7        month following the member's death and continuing each month until death.
- 8        (2) If ~~the death of~~ a member dies~~in service occurs on or after July 1, 1968,~~ as a  
9        direct result of an ~~act in line of duty~~ as defined in subsection (19) of Section  
10       13 of this Act and the member has on file in the retirement office at the time of his  
11       or her death a written designation of only one (1) beneficiary other than his or her  
12       spouse who has not been superseded by the surviving spouse as provided by  
13       subsection (1)(a) of this section and~~,~~ who is a dependent receiving at least one-  
14       half (1/2) of his or her support from the deceased member, the beneficiary may elect  
15       to receive a lump-sum payment of ten thousand dollars (\$10,000).
- 16       (3) In the period of time following a member's death during which dependent children  
17       survive, monthly payments shall be made for each dependent child who is alive,  
18       equal to ten percent (10%) of the deceased member's monthly final rate of pay;  
19       however, total maximum dependent children's benefits shall not be greater than  
20       forty percent (40%) of the deceased member's monthly final rate of pay at the time  
21       any particular payment is due. The payments shall commence in the month  
22       following the date of death of the member and shall be payable to the beneficiaries,  
23       or to a legally appointed guardian or as directed by the system. Benefits shall be  
24       payable under this subsection notwithstanding an election by a surviving spouse or  
25       beneficiary to withdraw the deceased member's accumulated account balance as  
26       provided in KRS 61.625 or benefits under any other provisions of KRS 16.510 to  
27       16.652.

- 1 (4) A surviving spouse or beneficiary eligible for benefits under subsection (1) or (2) of  
2 this section who is also eligible for benefits under any other provisions of KRS  
3 16.510 to 16.652 may elect benefits under this section or any other section of KRS  
4 16.510 to 16.652 but cannot elect to receive both.
- 5 (5) (a) A surviving spouse or beneficiary applying for benefits under subsection (1)  
6 or (2) of this section who is also eligible for benefits under KRS 16.578 may  
7 elect to receive benefits under KRS 16.578(2)(a) or (b) while the application  
8 for benefits under subsection (1) or (2) of this section is pending.
- 9 (b) If a final determination results in a finding of eligibility for benefits under  
10 subsection (1) or (2) of this section, the system shall recalculate the benefits  
11 due the surviving spouse or beneficiary in accordance with this subsection.
- 12 (c) If the surviving spouse or beneficiary has been paid less than the amount of  
13 benefits to which the beneficiary was entitled to receive under this section, the  
14 system shall pay the additional funds due to the surviving spouse or  
15 beneficiary.
- 16 (d) If the surviving spouse or beneficiary has been paid more than the amount of  
17 benefits to which the surviving spouse or beneficiary was entitled to receive  
18 under this section, the system shall deduct the amount overpaid to the  
19 surviving spouse or beneficiary from the ten thousand dollars (\$10,000)  
20 lump-sum payment and from the monthly retirement allowance payments until  
21 the amount owed to the systems has been recovered.
- 22 ➔Section 25. KRS 61.552 is amended to read as follows:
- 23 (1) (a) Any employee participating in one (1) of the state-administered retirement  
24 systems who has been refunded his accumulated account balance under the  
25 provisions of KRS 16.645(21), 61.625, or 78.545(15), thereby losing service  
26 credit, may regain the credit by paying to the system from which he received  
27 the refund or refunds the amount or amounts refunded with interest at a rate

1           determined by the board of the respective retirement system.

2           (b) Service purchased under this subsection shall not be used in determining a  
3           retirement allowance until the member has accrued at least six (6) months of  
4           service credit in a state-administered retirement system, excluding the service  
5           purchased under this subsection. If the member does not accrue at least six (6)  
6           months of service credit in a state-administered retirement system, excluding  
7           service purchased under this subsection, then the payment plus interest as  
8           provided in KRS 61.575 shall be refunded upon retirement, death, or written  
9           request following termination of employment. The service requirement shall  
10          be waived if the member dies or becomes disabled as provided for by KRS  
11          16.582, 61.600, or 61.621.

12          (c) Service purchased under this subsection on or after January 1, 2014, shall not  
13          be used to determine the member's participation date in the system. **Members**  
14          **participating in the 401(a) money purchase plan as provided by Section 12**  
15          **of this Act shall not be eligible to purchase service under this subsection.**

16          (2) Any employee participating in one (1) of the retirement systems administered by  
17          Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
18          age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
19          (65) in the systems administered by the Kentucky Retirement Systems, and who did  
20          not elect membership in the County Employees Retirement System, as provided in  
21          KRS 78.540(2), may purchase service credit in the County Employees Retirement  
22          System for the service he would have received had he elected membership.

23          (3) Any employee participating in one (1) of the retirement systems administered by  
24          Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
25          age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
26          (65) in the systems administered by the Kentucky Retirement Systems, and who did  
27          not elect membership in the Kentucky Employees Retirement System, as provided

1 in KRS 61.525(2), may purchase service credit in the Kentucky Employees  
2 Retirement System for the service he would have received had he elected  
3 membership.

4 (4) An employee participating in one (1) of the retirement systems administered by  
5 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
6 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
7 (65) in the systems administered by the Kentucky Retirement Systems, may  
8 purchase service credit in the Kentucky Employees Retirement System for service  
9 between July 1, 1956, and the effective date of participation of his department.

10 (5) (a) An employee participating in one (1) of the retirement systems administered  
11 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
12 service if age sixty-five (65) or at least sixty (60) months of service if under  
13 age sixty-five (65) in the systems administered by the Kentucky Retirement  
14 Systems, may purchase service credit in the County Employees Retirement  
15 System for service between July 1, 1958, and the effective date of  
16 participation of his county.

17 (b) An employee participating in one (1) of the retirement systems administered  
18 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
19 service if age sixty-five (65) or at least sixty (60) months of service if under  
20 age sixty-five (65) in the systems administered by Kentucky Retirement  
21 Systems may purchase service credit for the period of his service with an area  
22 development district created pursuant to KRS 147A.050 or with a business  
23 development corporation created pursuant to KRS 155.001 to 155.230 if that  
24 service was not covered by a state-administered retirement system. The  
25 employee may obtain credit for employment with a business development  
26 corporation only if the Kentucky Retirement Systems receives a favorable  
27 private letter ruling from the United States Internal Revenue Service or a

1 favorable opinion letter from the United States Department of Labor.

2 (6) The member shall not receive service credit for the same period of time in which  
3 the member has service credit in one (1) of the systems administered by Kentucky  
4 Retirement Systems or another public defined benefit retirement fund.

5 (7) Any employee participating in one (1) of the retirement systems administered by  
6 Kentucky Retirement Systems who has at least forty-eight (48) months' service if  
7 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)  
8 in the retirement systems administered by the Kentucky Retirement Systems, who  
9 formerly worked for a state university in a nonteaching position which would have  
10 qualified as a regular full-time position had the university been a participating  
11 department, and who did not participate in a defined benefit retirement program at  
12 the university, may purchase service credit in any of the systems administered by  
13 Kentucky Retirement Systems in which the employee is a member for the service he  
14 would have received had his period of university employment been covered by the  
15 County Employees Retirement System, Kentucky Employees Retirement System, or  
16 State Police Retirement System.

17 (8) (a) Effective August 1, 1980, any county participating in the County Employees  
18 Retirement System may purchase current service, between July 1, 1958, and  
19 participation date of the county, for present employees of the county who have  
20 obtained coverage under KRS 78.540(2).

21 (b) Effective July 1, 1973, any department participating in the Kentucky  
22 Employees Retirement System may purchase current service between July 1,  
23 1956, and participation date of the department, for present employees of the  
24 department who were employees on the participation date of the department  
25 and elected coverage under KRS 61.525(2).

26 (c) Cost of the service credit purchased under this subsection shall be determined  
27 by computing the discounted value of the additional service credit based on an

1 actuarial formula recommended by the board's consulting actuary and  
2 approved by the board. A department shall make payment for the service  
3 credit within the same fiscal year in which the option is elected. The county  
4 shall establish a payment schedule subject to approval by the board for  
5 payment of the service credit. The maximum period allowed in a payment  
6 schedule shall be ten (10) years with interest at the rate actuarially assumed by  
7 the board; however, a shorter period is desirable and the board may approve  
8 any schedule provided it is not longer than a ten (10) year period.

9 (d) If a county or department elects the provisions of this subsection, any present  
10 employee who would be eligible to receive service credit under the provisions  
11 of this subsection and has purchased service credit under subsection (4) or (5)  
12 of this section shall have his payment for the service credit refunded with  
13 interest at the rate paid under KRS 61.575 or 78.640.

14 (e) Any payments made by a county or department under this subsection shall be  
15 deposited to the retirement allowance account of the proper retirement system  
16 and these funds shall not be considered accumulated contributions of the  
17 individual members.

18 (9) Interest paid by a member of the Kentucky Employees Retirement System, County  
19 Employees Retirement System, or State Police Retirement System under this  
20 section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705, or  
21 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual  
22 member's account in the appropriate retirement system and considered as  
23 accumulated contributions of the member.

24 (10) Employees who served as assistants to officers and employees of the General  
25 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)  
26 or at least sixty (60) months of service if under age sixty-five (65) in the systems  
27 administered by Kentucky Retirement Systems and who were unable to acquire



1 service under KRS 61.510(20) may purchase credit for the service performed after  
2 January 1, 1960.

3 (11) (a) Effective August 1, 1988, any employee participating in one (1) of the  
4 retirement systems administered by Kentucky Retirement Systems who has at  
5 least forty-eight (48) months of service if age sixty-five (65) or at least sixty  
6 (60) months of service if under age sixty-five (65) in the systems administered  
7 by Kentucky Retirement Systems may purchase service credit for interim,  
8 seasonal, emergency, temporary, probationary, or part-time employment  
9 averaging one hundred (100) or more hours of work per month on a calendar  
10 or fiscal year basis. If the average number of hours of work is less than one  
11 hundred (100) per month, the member shall be allowed credit only for those  
12 months he receives creditable compensation for one hundred (100) or more  
13 hours of work.

14 (b) Any noncertified employee of a school board who has at least forty-eight (48)  
15 months of service if age sixty-five (65) or at least sixty (60) months of service  
16 if under age sixty-five (65) in the systems administered by Kentucky  
17 Retirement Systems may purchase service credit in the County Employees  
18 Retirement System for part-time employment prior to the 1990-91 school year  
19 which averaged eighty (80) or more hours of work per month on a calendar or  
20 fiscal year basis. If the average number of hours of work is less than eighty  
21 (80) per month, the noncertified employee of a school board shall be allowed  
22 to purchase service credit only for those months he received creditable  
23 compensation for eighty (80) or more hours of work.

24 (12) Any employee participating in one (1) of the systems administered by Kentucky  
25 Retirement Systems who has at least forty-eight (48) months of service if age sixty-  
26 five (65) or at least sixty (60) months of service if under age sixty-five (65) in the  
27 systems administered by Kentucky Retirement Systems may purchase service credit

1 for any period of approved educational leave, or for agency-approved leave to work  
2 for a work-related labor organization if the agency subsequently participated in the  
3 County Employees Retirement System. The employee may also purchase service  
4 credit for agency-approved leave to work for a work-related labor organization if  
5 the agency subsequently participated in the County Employees Retirement System,  
6 but only if the Kentucky Retirement Systems receives a favorable private letter  
7 ruling from the United States Internal Revenue Service or a favorable opinion letter  
8 from the United States Department of Labor.

9 (13) Any employee participating in one (1) of the retirement systems administered by  
10 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
11 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
12 (65) in the systems administered by Kentucky Retirement Systems may purchase  
13 service credit for any period of authorized maternity leave, unpaid leave authorized  
14 under the Federal Family and Medical Leave Act, or for any period of authorized  
15 sick leave without pay.

16 (14) (a) Any employee participating in one (1) of the retirement systems administered  
17 by Kentucky Retirement Systems may purchase service credit under any of the  
18 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852,  
19 or as otherwise required by 38 U.S.C. ch. 43, by:

20 1. Making a lump-sum payment on a before-tax basis as provided in  
21 subparagraph 3. of this paragraph, or on an after-tax basis if the  
22 employee is purchasing service credit under subsection (1) or (20) of this  
23 section, service available pursuant to 38 U.S.C. ch. 43 not otherwise  
24 provided for in this section, or grandfathered service as defined in  
25 paragraph (b) of this subsection;

26 2. Entering into an agreement to purchase service credit through an  
27 installment purchase of service agreement with the systems as provided

- 1 by paragraph (c) of this subsection:
- 2 a. On a before-tax basis in which the service is purchased pursuant to
- 3 the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or
- 4 b. On an after-tax basis if the employee is purchasing service credit
- 5 under subsection (1) or (20) of this section, service available
- 6 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
- 7 section, or grandfathered service as defined in paragraph (b) of this
- 8 subsection; or
- 9 3. Transferring funds to the systems through a direct trustee-to-trustee
- 10 transfer as permitted under the applicable sections of the Internal
- 11 Revenue Code and any regulations or rulings issued thereunder, through
- 12 a direct rollover as contemplated by and permitted under 26 U.S.C. sec.
- 13 401(a)(31) and any regulations or rulings issued thereunder, or through a
- 14 rollover of funds pursuant to and permitted under the rules specified in
- 15 26 U.S.C. secs. 402(c) and 408(d)(3). The Kentucky Retirement Systems
- 16 shall accept the transfer or rollover to the extent permitted under the
- 17 rules specified in the applicable provisions of the Internal Revenue Code
- 18 and any regulations and rulings issued thereunder.
- 19 (b) For purposes of this subsection, "grandfathered service" means service
- 20 purchases for which a member, whose membership date in the system is prior
- 21 to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to
- 22 61.705, or 78.510 to 78.852, that were available for all members of the system
- 23 to purchase on August 5, 1997.
- 24 (c) 1. For service purchased under a before-tax or after-tax installment
- 25 purchase of service agreement as provided by paragraph (a)2. of this
- 26 subsection, the cost of the service shall be computed in the same manner
- 27 as for a lump-sum payment which shall be the principal, except that

- 1 interest compounded annually at the actuarial rate in effect at the time  
2 the member elects to make the purchase shall be added for the period  
3 that the installments are to be made.
- 4 2. Multiple service purchases may be combined under a single installment  
5 agreement, except that no employee may make more than one (1)  
6 installment purchase at the same time.
- 7 3. For after-tax installment purchase of service agreements, the employee  
8 may elect to stop the installment payments by notifying the retirement  
9 system; may have the installment purchase recalculated to add one (1) or  
10 more additional service purchases; or may pay by lump sum the  
11 remaining principal or a portion of the remaining principal.
- 12 4. Before-tax installment purchase of service agreements shall be  
13 irrevocable, and the employee shall not be able to stop installment  
14 payments or to pay off the remaining balance of the purchase of service  
15 agreement, except upon termination of employment or death.
- 16 5. One (1) year of installment payments shall be made for each one  
17 thousand dollars (\$1,000) or any part thereof of the total cost, except that  
18 the total period allowed for installments shall not be less than one (1)  
19 year and shall not exceed five (5) years.
- 20 6. The employee shall pay the installments by payroll deduction for after-  
21 tax purchase of service agreements, and the employer shall pick up  
22 installments for before-tax purchase of service agreements. Upon  
23 notification by the retirement system, the employer shall report the  
24 installment payments either monthly or semimonthly continuously over  
25 each twelve (12) month period at the same time as, but separate from,  
26 regular employee contributions on the forms or by the computer format  
27 specified by the board.

- 1           7. The retirement system shall determine how much of the total cost  
2           represents payment for one (1) month of the service to be purchased and  
3           shall credit one (1) month of service to the member's account each time  
4           this amount has been paid. The first service credited shall represent the  
5           first calendar month of the service to be purchased and each succeeding  
6           month of service credit shall represent the succeeding months of that  
7           service.
- 8           8. If the employee utilizing an installment purchase of service agreement  
9           dies, retires, does not continue employment in a position required to  
10          participate in the retirement system, or elects to stop an after-tax  
11          installment purchase of service agreement, the member, or in the case of  
12          death, the beneficiary, shall have sixty (60) days to pay the remaining  
13          principal or a portion of the remaining principal of the installment  
14          purchase of service agreement by lump sum, subject to the restrictions of  
15          paragraph (a)1. of this subsection, or by transfer of funds under  
16          paragraph (a)3. of this subsection, except that payment by the member  
17          shall be filed with the system prior to the member's effective retirement  
18          date. If the member or beneficiary does not pay the remaining cost, the  
19          retirement system shall refund to the member or the beneficiary the  
20          payment, payments, or portion of a payment that does not represent a  
21          full month of service purchased, except as provided by subsection (22)  
22          of this section.
- 23          9. If the employer does not report installment payments on an employee for  
24          sixty (60) days for an after-tax installment purchase of service  
25          agreement, except in the case of employees on military leave or sick  
26          leave without pay, the installment purchase shall cease and the  
27          retirement system shall refund to the employee the payment, payments,

1 or portion of a payment that does not represent a full month of service  
2 purchased.

3 10. Installment payments of employees on military leave or sick leave  
4 without pay shall be suspended during the period of leave and shall  
5 resume without recalculation upon the employee's return from leave.

6 11. If payments have ceased under subparagraph 8. or 9. of this paragraph  
7 and the member later becomes a participating employee in one (1) of the  
8 three (3) systems administered by Kentucky Retirement Systems, the  
9 employee may complete the adjusted original installment purchase by  
10 lump sum or installment payments, subject to the restrictions of this  
11 subsection. If the employee elects to renew the installment purchase, the  
12 cost of the remaining service shall be recalculated in accordance with  
13 paragraph (a) of this subsection.

14 (d) Except as provided by paragraph (a)2.a. of this subsection, the cost of  
15 purchasing service shall not be picked up, as described in KRS 16.545(4),  
16 61.560(4), or 78.610(4), by the employer.

17 (e) The cost of purchasing service credit under any provision of this section,  
18 except as provided by subsections (1) and (20) of this section, shall be  
19 determined by the delayed contribution method as provided by KRS 61.5525.

20 (f) Member payments, including interest, properly received pursuant to this  
21 subsection shall be deposited to the member's account and considered as  
22 accumulated contributions of the individual member.

23 (15) After August 1, 1998, any employee participating in one (1) of the retirement  
24 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or  
25 older and has forty-eight (48) months of service credit or, if younger, who has sixty  
26 (60) months of service credit in systems administered by Kentucky Retirement  
27 Systems may purchase service credit in the system in which the employee has the

1 service credit for up to ten (10) years service in a regular full-time position that was  
2 credited to a state or local government-administered public defined benefit plan in  
3 another state other than a defined benefit plan for teachers. The employee shall  
4 provide proof that he is not eligible for a retirement benefit for the period of service  
5 from the other state's plan.

6 (16) After August 1, 1998, any employee participating in one (1) of the retirement  
7 systems administered by Kentucky Retirement Systems, who has sixty (60) or more  
8 months of service in the State Police Retirement System or in a hazardous position  
9 in the Kentucky Employees Retirement System or the County Employees  
10 Retirement System, may purchase service credit in the system in which the  
11 employee has the sixty (60) months of service credit for up to ten (10) years of  
12 service in a regular full-time position that was credited to a defined benefit  
13 retirement plan administered by a state or local government in another state, if the  
14 service could be certified as hazardous pursuant to KRS 61.592. The employee shall  
15 provide proof that he is not eligible for a retirement benefit for the period of service  
16 from the other unit of government's plan.

17 (17) Any employee participating in one (1) of the retirement systems administered by  
18 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
19 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
20 (65) in the systems administered by Kentucky Retirement Systems and who has  
21 completed service as a volunteer in the Kentucky Peace Corps, created by KRS  
22 154.1-720, may purchase service credit for the time served in the corps.

23 (18) An employee participating in any retirement system administered by Kentucky  
24 Retirement Systems who has at least forty-eight (48) months of service if age sixty-  
25 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the  
26 systems administered by Kentucky Retirement Systems, and who was formerly  
27 employed in a regional community services program for mental health and

1 individuals with an intellectual disability, organized and operated under the  
2 provisions of KRS 210.370 to 210.480, which does not participate in a state-  
3 administered retirement system may purchase service credit for the period of his  
4 service in the regional community program for mental health and individuals with  
5 an intellectual disability.

6 (19) An employee participating in one (1) of the retirement systems administered by  
7 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
8 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
9 (65) in the systems administered by the Kentucky Retirement Systems, who was  
10 employed by a vocational technical school in a noncertified part-time position  
11 averaging eighty (80) or more hours per month, determined by using the number of  
12 months actually worked within a calendar or fiscal year, may purchase service credit  
13 in the Kentucky Employees Retirement System.

14 (20) (a) Any person who is entitled to service credit for employment which was not  
15 reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit  
16 for the service by paying the employee contributions due within six (6)  
17 months of notification by the system. No interest shall be added to the  
18 contributions. The service credit shall not be credited to the member's account  
19 until the employer contributions are received. If a retired member makes the  
20 payment within six (6) months, the retired member's retirement allowance  
21 shall be adjusted to reflect the added service after the employer contributions  
22 and any interest or penalties on the delinquent employer contributions are  
23 received by the retirement system.

24 (b) Any employee participating in one (1) of the state-administered retirement  
25 systems who is entitled to service credit under paragraph (a) of this subsection  
26 and who has not repaid the employee contributions due within six (6) months  
27 of notification by the system may regain the credit after the six (6) months by



1           paying to the system the employee contributions plus interest at the actuarially  
2           assumed rate from the date of initial notification under paragraph (a) of this  
3           subsection. Service credit shall not be credited to the member's account until  
4           the employer contributions and any interest or penalties on the delinquent  
5           employer contributions are received by the retirement system.

6           (c) Service purchased under this subsection by employees who begin participating  
7           on or after September 1, 2008, shall be considered service credited under KRS  
8           16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for  
9           retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and  
10          78.510 to 78.852.

11          (d) Employees who begin participating on or after January 1, 2014, in the hybrid  
12          cash balance plan provided by KRS 16.583 and 61.597 shall, upon payment of  
13          the employee and employer contributions due under this subsection, have their  
14          accumulated account balance increased by the employee contributions,  
15          employer pay credits, and interest credits that would have been credited to  
16          their member's account if the contributions had been paid on time.

17          (e) An employee participating in the 401(a) money purchase plan as provided  
18          by Section 12 of this Act shall, upon payment of the employee and employer  
19          contributions due under this subsection, have his or her accumulated  
20          account balance increased by the employee contributions and employer  
21          contributions that would have been credited to his or her member account if  
22          the contributions had been paid on time.

23          ~~(f)(e)~~ Employer contributions payable under this subsection shall be  
24          considered delinquent and the employer shall be required to pay interest and  
25          any other penalties on the delinquent contributions in accordance with KRS  
26          61.675(3)(b) and 78.625(2)(a) from the date the employee should have been  
27          reported and received service credit in accordance with KRS 16.543, 61.543,

1                   and 78.615.

2   (21) Any employee participating in one (1) of the retirement systems administered by  
3       Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
4       age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
5       (65) in the systems administered by the Kentucky Retirement Systems may  
6       purchase service credit for employment with a public agency that would have been  
7       eligible to participate under KRS 61.520 but which did not participate in the  
8       Kentucky Employees Retirement System or a political subdivision that would have  
9       been eligible to participate under KRS 78.530 but which did not participate in the  
10      County Employees Retirement System if the former public agency or political  
11      subdivision has merged with or been taken over by a participating department or  
12      county.

13   (22) Any employee participating in one (1) of the retirement systems administered by the  
14      Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-  
15      eight (48) months of service if age sixty-five (65) or at least sixty (60) months of  
16      service if under age sixty-five (65) in the systems administered by the Kentucky  
17      Retirement Systems and who has total service in all state-administered retirement  
18      systems of at least one hundred eighty (180) months of service credit may purchase  
19      a combined maximum total of five (5) years of retirement service credit which is  
20      not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652,  
21      61.510 to 61.705, and 78.510 to 78.852. The purchase shall be made in any of the  
22      systems administered by Kentucky Retirement Systems in which the employee is a  
23      member. The service purchased under this subsection shall not be used in  
24      determining a retirement allowance until the member has accrued at least two  
25      hundred forty (240) months of service, excluding service purchased under this  
26      subsection. If the member does not accrue at least two hundred forty (240) months  
27      of service, excluding service purchased under this subsection, upon retirement,

1 death, or written request following termination, the payment, plus interest as  
2 provided in KRS 61.575, shall be refunded.

3 (23) An employee participating in one (1) of the retirement systems administered by  
4 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
5 age sixty-five (65), or at least sixty (60) months of service if under age sixty-five  
6 (65), in the systems administered by Kentucky Retirement Systems, may obtain  
7 credit in the County Employees Retirement System for the period of that employee's  
8 service with a community action agency created under KRS 273.405 to 273.453 if  
9 that service was not covered by a state-administered retirement system.

10 (24) An employee may obtain credit for regular full-time service with an agency prior to  
11 August 1, 1998, for which the employee did not receive credit due to KRS  
12 61.637(1). Service credit obtained under this subsection shall not be used in  
13 determining benefits under KRS 61.702. The employee may purchase credit for  
14 service prior to August 1, 1998, if:

15 (a) The employee retired from one (1) of the retirement systems administered by  
16 the Kentucky Retirement Systems and was reemployed prior to August 1,  
17 1998, earning less than the maximum permissible earnings under the Federal  
18 Social Security Act;

19 (b) The employee elected to participate in a second retirement account effective  
20 August 1, 1998, in accordance with KRS 61.637(7); and

21 (c) The employee has at least forty-eight (48) months of service if age sixty-five  
22 (65), or at least sixty (60) months of service if under age sixty-five (65), in a  
23 second account in the systems administered by Kentucky Retirement Systems.

24 (25) An employee participating in one (1) of the retirement systems administered by the  
25 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
26 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
27 (65) in the systems administered by the Kentucky Retirement Systems, may obtain

1 credit for the service in a regular full-time position otherwise creditable under the  
2 Kentucky Employees Retirement System, the County Employees Retirement  
3 System, or the State Police Retirement System for service in the United States  
4 government, other than service in the Armed Forces, for which service is not  
5 otherwise given.

6 (26) An employee participating in a hazardous position in one (1) of the retirement  
7 systems administered by the Kentucky Retirement Systems, who has at least forty-  
8 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of  
9 service if under age sixty-five (65) in the systems administered by the Kentucky  
10 Retirement Systems, may obtain credit for service in a regular full-time position in  
11 an urban-county government that would qualify for hazardous duty coverage under  
12 KRS 61.592.

13 (27) Subsections (2) to (5), (7) to (13), (15) to (19), and (21) to (26) of this section shall  
14 not apply to members who begin participating in the systems administered by  
15 Kentucky Retirement Systems on or after January 1, 2014, *or to members who*  
16 *make an election as provided by Section 7, 12, or 38 of this Act.*

17 (28) Service purchases made pursuant to subsections (2) to (5), (7), (10) to (13), (15) to  
18 (19), (21) to (23), (25), and (26) of this section shall be purchased by the entire  
19 amount of service available pursuant to that subsection or by increments. Service  
20 purchases made pursuant to subsections (1), (20), and (24) of this section shall be  
21 purchased by the entire amount of service available.

22 ➔Section 26. KRS 61.555 is amended to read as follows:

23 (1) (a) After August 1, 1998, any employee entering the Armed Forces of the United  
24 States after he first participates in the system, who joins the Armed Forces  
25 within three (3) months of the last day of paid employment, being on leave of  
26 absence from service and not withdrawing his accumulated account balance,  
27 shall be credited for retirement purposes with service credit and creditable

1 compensation as provided in 38 U.S.C. sec. 4318 for his period of active  
2 military duty in the Armed Forces of the United States, not to exceed six (6)  
3 years, if:

- 4 1. The member's military service was terminated in a manner other than as  
5 described in 38 U.S.C. sec. 4304; and
- 6 2. The member returns to work with an employer participating in one (1) of  
7 the retirement systems administered by the Kentucky Retirement  
8 Systems within two (2) years after completion of the period of active  
9 military duty, or upon the subsequent termination of any total disability  
10 which existed at the expiration of the two (2) years after discharge.

11 (b) A member eligible for the benefit prescribed by this subsection who  
12 participates in the hybrid cash balance plan as provided by KRS 16.583 and  
13 61.597 shall also have his or her member account credited with employee  
14 contributions, employer pay credits, and interest credits, as provided by KRS  
15 16.583 and 61.597, as though the member were employed during the  
16 member's period of active military duty described by this subsection.

17 (c) A member eligible for the benefit prescribed by this subsection who  
18 participates in the 401(a) money purchase plan as provided by Section 12 of  
19 this Act shall also have his or her member account credited with employee  
20 and employer contributions, as provided by Section 12 of this Act, as though  
21 the member were employed during the member's period of active military  
22 duty described by this subsection.

23 (d) The employer shall remit to the retirement systems the employer contributions  
24 that would have been due under KRS 61.565 and 61.702 for periods of service  
25 credited under this subsection.

26 (2) (a) After August 1, 1998, any employee who, prior to the date he first participated  
27 in the system, terminated his employment with an agency participating in one

1 (1) of the systems administered by the Kentucky Retirement Systems and  
2 within three (3) months entered the Armed Forces of the United States and  
3 who returns to work with an employer participating in one (1) of the  
4 retirement systems administered by the Kentucky Retirement Systems within  
5 two (2) years after completion of the period of active military duty, or upon  
6 the subsequent termination of any total disability which existed at the  
7 expiration of the two (2) years after discharge, shall be credited for retirement  
8 purposes with service credit and creditable compensation as provided in 38  
9 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces,  
10 not to exceed six (6) years if his military service was terminated in a manner  
11 other than as described in 38 U.S.C. sec. 4304.

12 (b) A member eligible for the benefit prescribed by this subsection who  
13 participates in the hybrid cash balance plan as provided by KRS 16.583 and  
14 61.597 shall also have his or her member account credited with employee  
15 contributions, employer pay credits, and interest credits, as provided by KRS  
16 16.583 and 61.597, as though the member were employed during the  
17 member's period of active military duty described by this subsection.

18 (c) A member eligible for the benefit prescribed by this subsection who  
19 participates in the 401(a) money purchase plan as provided by Section 12 of  
20 this Act shall also have his or her member account credited with employee  
21 and employer contributions, as provided by Section 12 of this Act, as though  
22 the member were employed during the member's period of active military  
23 duty described by this subsection.

24 (d) The employer shall remit to the retirement systems the employer contributions  
25 that would have been due under KRS 61.565 and 61.702 for periods of service  
26 credited under this subsection.

27 (3) Any National Guard technician involuntarily serving on active military duty during

1 the period between January 26, 1968, and January 1, 1970, who completes his eight  
2 (8) years' service while on military duty during this period, shall have that portion of  
3 his active military duty, necessary to the completion of eight (8) years' current  
4 service, credited to his account, as current service without having to meet the  
5 reemployment criteria.

6 (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee  
7 upon completion of five (5) years of service shall receive current service credit for a  
8 maximum of four (4) years for his period of active military duty in the Armed  
9 Forces of the United States, if his military service was terminated in a manner other  
10 than as described in 38 U.S.C. sec. 4304 and he has not been credited with the  
11 service under subsections (1) to (3) of this section if he pays thirty-five percent  
12 (35%) of the cost of the service based on the formula adopted by the board. The  
13 payment by the member shall not be picked up by the employer, as described in  
14 KRS 61.560(4), and shall be deposited to his individual member's account. The  
15 remaining sixty-five percent (65%) shall be paid by the state from funds  
16 appropriated specifically for the purpose and these payments shall be deposited to  
17 the respective retirement allowance accounts. If no funds are available in the special  
18 appropriation account, the system shall not accept employee payments until funds  
19 are available in the account.

20 (5) Any employee participating in one (1) of the retirement systems administered by  
21 Kentucky Retirement Systems eligible to purchase military service credit under  
22 subsection (4) of this section shall receive current service credit for active military  
23 duty as provided under subsection (4) of this section without payment of the current  
24 employee contribution ratio if the member was taken prisoner by a hostile power at  
25 any time during active military service.

26 (6) Any employee participating in one (1) of the retirement systems administered by  
27 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)

1 months of service, at least twelve (12) of which are current service, or if younger  
2 who has sixty (60) months of service, at least twelve (12) of which are current  
3 service shall receive current service for his period of active military duty in the  
4 Armed Forces of the United States, if his military service was terminated in a  
5 manner other than as described in 38 U.S.C. sec. 4304 and he has not been credited  
6 with the service under subsections (1) to (4) of this section, by paying the retirement  
7 system a delayed contribution payment in accordance with the payment options and  
8 restrictions established by KRS 61.552(14). Service purchases made pursuant to this  
9 subsection shall be purchased by the entire amount of service available pursuant to  
10 this subsection or by increments.

11 (7) Any employee participating in one (1) of the retirement systems administered by the  
12 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)  
13 months of service, at least twelve (12) of which are current service, or if younger  
14 who has sixty (60) months of service, at least twelve (12) of which are current  
15 service, shall receive one (1) month of current service for each six (6) months of  
16 service in the National Guard or the military reserves of the United States, by  
17 paying the retirement system a delayed contribution payment in accordance with the  
18 payment options and restrictions established by KRS 61.552(14). The service shall  
19 be treated as service earned prior to participation in the system and shall not be  
20 included in the member's final compensation. Service purchases made pursuant to  
21 this subsection shall be purchased by the entire amount of service available pursuant  
22 to this subsection or by increments.

23 (8) For members who begin participating in the systems administered by Kentucky  
24 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan  
25 prescribed by KRS 16.583 and 61.597, **and for members who make an election to**  
26 **participate in the 401(a) money purchase plan as provided by Section 7, 12, or 38**  
27 **of this Act**, the provisions of subsections (4) to (7) of this section shall not apply.



1           ➔Section 27. KRS 61.595 is amended to read as follows:

2           **Except as limited by Section 12 or 38 of this Act:**

- 3           (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent  
4           thereto, a member may receive an annual retirement allowance, payable monthly  
5           during his lifetime, which shall consist of an amount equal to two and two-tenths  
6           percent (2.2%) for the County Employees Retirement System and one and ninety-  
7           seven hundredths percent (1.97%) for the Kentucky Employees Retirement System  
8           of final compensation multiplied by the number of years of service credit, except  
9           that:
- 10          (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement  
11           System who was participating in one (1) of the state-administered retirement  
12           systems as of January 1, 1998, and continues to participate through January 1,  
13           1999, shall receive an annual retirement allowance, payable monthly during  
14           his lifetime, which shall consist of an amount equal to two percent (2%) of  
15           final compensation multiplied by the number of years of service credit. Any  
16           Kentucky Employees Retirement System member whose effective date of  
17           retirement is between February 1, 1999, and January 31, 2009, and who has at  
18           least twenty (20) years of service credit in one (1) of the state-administered  
19           retirement systems and who was participating in one (1) of the state-  
20           administered retirement systems as of January 1, 1998, and continues to  
21           participate through January 1, 1999, shall receive an annual retirement  
22           allowance, payable monthly during his lifetime, which shall consist of an  
23           amount equal to two and two-tenths percent (2.2%) of final compensation  
24           multiplied by the number of years of service credit. Notwithstanding the  
25           provisions of KRS 61.565, the funding for this paragraph shall be provided  
26           from existing funds of the retirement allowance account;
- 27          (b) For a member of the County Employees Retirement System whose

1 participation begins on or after August 1, 2004, the annual retirement  
2 allowance upon retirement at normal retirement date or later shall be equal to  
3 two percent (2%) of final compensation multiplied by the number of years of  
4 service credit and shall be payable monthly during his lifetime;

5 (c) The annual normal retirement allowance for members of the General  
6 Assembly, who serve during the 1974 or 1976 General Assembly, and will  
7 have eight (8) years or more of total legislative service as of January 6, 1978,  
8 shall not be less than two hundred forty dollars (\$240) multiplied by the  
9 number of years of service as a member of the General Assembly;

10 (d) For a member of the Kentucky Employees Retirement System or the County  
11 Employees Retirement System who begins participating on or after September  
12 1, 2008, the annual retirement allowance upon retirement shall be equal to:

13 1. a. One and one-tenth percent (1.1%) of final compensation for each  
14 year of service if the member has earned ten (10) or less years of  
15 service at retirement;

16 b. One and three-tenths percent (1.3%) of final compensation for  
17 each year of service if the member has earned greater than ten (10)  
18 but no more than twenty (20) years of service at retirement;

19 c. One and one-half percent (1.5%) of final compensation for each  
20 year of service if the member has earned greater than twenty (20)  
21 but no more than twenty-six (26) years of service at retirement; or

22 d. One and three-quarters percent (1.75%) of final compensation for  
23 each year of service if the member has earned greater than twenty-  
24 six (26) but no more than thirty (30) years of service at retirement;  
25 and

26 2. Two percent (2.0%) of final compensation for each year of service  
27 earned in excess of thirty (30) years of service at retirement;

1 (e) The annual normal retirement allowance for members of the General  
2 Assembly who will have fewer than eight (8) years of service as of December  
3 31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the  
4 1972 General Assembly for legislative service prior to January 1, 1974;

5 (f) Former members of the General Assembly who have eight (8) or more years  
6 of legislative service prior to the 1976 Regular Session are eligible for an  
7 increased retirement allowance of two hundred forty dollars (\$240) times the  
8 years of legislative service, if the member pays to the Kentucky Employees  
9 Retirement System thirty-five percent (35%) of the actuarial cost of the higher  
10 benefit, as determined by the system, except that a former member with  
11 sixteen (16) or more years of legislative service, or his beneficiary, who is  
12 receiving a retirement allowance, also is eligible under this section and may  
13 apply for a recomputation of his retirement allowance. The employer's share  
14 of sixty-five percent (65%) of the computed actuarial cost shall be paid from  
15 the State Treasury to the Kentucky Employees Retirement System upon  
16 presentation of a properly documented claim to the Finance and  
17 Administration Cabinet. If any member with sixteen (16) or more years of  
18 legislative service previously applied for and is receiving a retirement  
19 allowance, he may reapply and his retirement allowance shall be recomputed  
20 in accordance with this paragraph, and he shall thereafter be paid in  
21 accordance with the option selected by him at the time of the reapplication;  
22 and

23 (g) The annual normal retirement allowance for a member with ten (10) or more  
24 years of service, in the Kentucky Employees Retirement System, at least one  
25 (1) of which is current service, shall not be less than five hundred twelve  
26 dollars (\$512).

27 (2) (a) Upon service retirement prior to normal retirement date, a member may

1 receive an annual retirement allowance payable monthly during his lifetime  
2 which shall be determined in the same manner as for retirement at his normal  
3 retirement date with years of service and final compensation being determined  
4 as of the date of his actual retirement, but the amount of the retirement  
5 allowance so determined shall be reduced at an amount determined by the  
6 board's actuary to reflect the earlier commencement of benefits.

7 (b) A member of the Kentucky Employees Retirement System or the County  
8 Employees Retirement System who begins participating before September 1,  
9 2008, who has twenty-seven (27) or more years of service credit, at least  
10 fifteen (15) of which are current service, may retire with no reduction in the  
11 retirement allowance. A member who begins participating before September  
12 1, 2008, who has earned vested service credit in a retirement system, other  
13 than the Teachers' Retirement System, sponsored by a Kentucky institution of  
14 higher education, the Council on Postsecondary Education, or the Higher  
15 Education Assistance Authority, may count the vested service toward attaining  
16 the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)  
17 to qualify for a retirement allowance. The credit from a Kentucky institution  
18 of higher education, the Council on Postsecondary Education, or the Higher  
19 Education Assistance Authority shall not be used toward the minimum fifteen  
20 (15) years of current service required by KRS 61.559(2)(c) and (d) or to  
21 calculate his retirement allowance pursuant to this section. The provisions of  
22 this paragraph shall not be construed to limit the use of Teachers' Retirement  
23 System credit pursuant to KRS 61.680(2)(a).

24 (c) A member of the Kentucky Employees Retirement System or the County  
25 Employees Retirement System who begins participating on or after September  
26 1, 2008, may retire with no reduction in benefits if the member is fifty-seven  
27 (57) years of age or older and has an age and years of service total of at least

1           eighty-seven (87) years. The years of service used to determine eligibility for  
2           an unreduced retirement allowance under this paragraph shall only include  
3           years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or  
4           another state-administered retirement system.

5       (3) Subsections (1) and (2) of this section shall not apply to members who begin  
6       participating in the system on or after January 1, 2014. Members who begin  
7       participating in the system on or after January 1, 2014, shall receive the retirement  
8       benefits prescribed by KRS 61.597 or Section 12 of this Act, as applicable.

9       ➔Section 28. KRS 61.637 is amended to read as follows:

10      (1) A retired member who is receiving monthly retirement payments under any of the  
11      provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed  
12      as an employee by a participating agency prior to August 1, 1998, shall have his  
13      retirement payments suspended for the duration of reemployment. Monthly  
14      payments shall not be suspended for a retired member who is reemployed if he  
15      anticipates that he will receive less than the maximum permissible earnings as  
16      provided by the Federal Social Security Act in compensation as a result of  
17      reemployment during the calendar year. The payments shall be suspended at the  
18      beginning of the month in which the reemployment occurs.

19      (2) Employer and employee contributions shall be made as provided in KRS 61.510 to  
20      61.705 and 78.510 to 78.852 on the compensation paid during reemployment,  
21      except where monthly payments were not suspended as provided in subsection (1)  
22      of this section or would not increase the retired member's last monthly retirement  
23      allowance by at least one dollar (\$1), and the member shall be credited with  
24      additional service credit.

25      (3) In the month following the termination of reemployment, retirement allowance  
26      payments shall be reinstated under the plan under which the member was receiving  
27      payments prior to reemployment.

- 1 (4) (a) Notwithstanding the provisions of this section, the payments suspended in  
2 accordance with subsection (1) of this section shall be paid retroactively to the  
3 retired member, or his estate, if he does not receive more than the maximum  
4 permissible earnings as provided by the Federal Social Security Act in  
5 compensation from participating agencies during any calendar year of  
6 reemployment.
- 7 (b) If the retired member is paid suspended payments retroactively in accordance  
8 with this section, employee contributions deducted during his period of  
9 reemployment, if any, shall be refunded to the retired employee, and no  
10 service credit shall be earned for the period of reemployment.
- 11 (c) If the retired member is not eligible to be paid suspended payments for his  
12 period of reemployment as an employee, his retirement allowance shall be  
13 recomputed under the plan under which the member was receiving payments  
14 prior to reemployment as follows:
- 15 1. The retired member's final compensation shall be recomputed using  
16 creditable compensation for his period of reemployment; however, the  
17 final compensation resulting from the recalculation shall not be less than  
18 that of the member when his retirement allowance was last determined;
  - 19 2. If the retired member initially retired on or subsequent to his normal  
20 retirement date, his retirement allowance shall be recomputed by using  
21 the formula in KRS 61.595(1);
  - 22 3. If the retired member initially retired prior to his normal retirement date,  
23 his retirement allowance shall be recomputed using the formula in KRS  
24 61.595(2), except that the member's age used in computing benefits shall  
25 be his age at the time of his initial retirement increased by the number of  
26 months of service credit earned for service performed during  
27 reemployment;

- 1           4. The retirement allowance payments resulting from the recomputation  
2           under this subsection shall be payable in the month following the  
3           termination of reemployment in lieu of payments under subparagraph 3.  
4           The member shall not receive less in benefits as a result of the  
5           recomputation than he was receiving prior to reemployment or would  
6           receive as determined under KRS 61.691; and
- 7           5. Any retired member who was reemployed prior to March 26, 1974, shall  
8           begin making contributions to the system in accordance with the  
9           provisions of this section on the first day of the month following March  
10          26, 1974.
- 11 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of  
12       payments which are not suspended in accordance with subsection (1) of this section  
13       if the member received more than the maximum permissible earnings as provided  
14       by the Federal Social Security Act in compensation from participating agencies  
15       during any calendar year of reemployment, except the retired member or his estate  
16       may repay the lesser of the total amount of payments which were not suspended or  
17       fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings  
18       during reemployment if under age sixty-five (65), or one dollar (\$1) for every three  
19       dollars (\$3) earned if over age sixty-five (65).
- 20 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a  
21       retired member who has been ordered reinstated by the Personnel Board under  
22       authority of KRS 18A.095.
- 23       (b) A retired member who has been ordered reinstated by the Personnel Board  
24       under authority of KRS 18A.095 or by court order or by order of the Human  
25       Rights Commission and accepts employment by an agency participating in the  
26       Kentucky Employees Retirement System or County Employees Retirement  
27       System shall void his retirement by reimbursing the system in the full amount

1 of his retirement allowance payments received.

2 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this  
3 section shall no longer apply to a retired member who is reemployed in a  
4 position covered by the same retirement system from which the member  
5 retired. Reemployed retired members shall be treated as new members upon  
6 reemployment. Any retired member whose reemployment date preceded  
7 August 1, 1998, who does not elect, within sixty (60) days of notification by  
8 the retirement systems, to remain under the provisions of subsections (1) to  
9 (4) of this section shall be deemed to have elected to participate under this  
10 subsection.

11 (b) A retired member whose disability retirement was discontinued pursuant to  
12 KRS 61.615 and who is reemployed in one (1) of the systems administered by  
13 the Kentucky Retirement Systems prior to his or her normal retirement date  
14 shall have his or her accounts combined upon termination for determining  
15 eligibility for benefits. If the member is eligible for retirement, the member's  
16 service and creditable compensation earned as a result of his or her  
17 reemployment shall be used in the calculation of benefits, except that the  
18 member's final compensation shall not be less than the final compensation last  
19 used in determining his or her retirement allowance. The member shall not  
20 change beneficiary or payment option designations. This provision shall apply  
21 to members reemployed on or after August 1, 1998.

22 (8) A retired member or his employer shall notify the retirement system if he has  
23 accepted employment or is serving as a volunteer with an employer that participates  
24 in the retirement system from which the member retired. The retired member and  
25 the participating employer shall submit the information required or requested by the  
26 systems to confirm the individual's employment or volunteer status.

27 (9) If the retired member is under a contract, the member shall submit a copy of that



1 contract to the retirement system, and the retirement system shall determine if the  
2 member is an independent contractor for purposes of retirement benefits. The  
3 retired member and the participating employer shall submit the information required  
4 or requested by the systems to confirm the individual's employment or volunteer  
5 status.

6 (10) If a member is receiving a retirement allowance, or has filed the forms required for  
7 a retirement allowance, and is employed within one (1) month of the member's  
8 initial retirement date in a position that is required to participate in the same  
9 retirement system from which the member retired, the member's retirement shall be  
10 voided and the member shall repay to the retirement system all benefits received.  
11 The member shall contribute to the member account established for him prior to his  
12 voided retirement. The retirement allowance for which the member shall be eligible  
13 upon retirement shall be determined by total service and creditable compensation.

14 (11) (a) If a member of the Kentucky Employees Retirement System retires from a  
15 department which participates in more than one (1) retirement system and is  
16 reemployed within one (1) month of his initial retirement date by the same  
17 department in a position participating in another retirement system, the retired  
18 member's retirement allowance shall be suspended for the first month of his  
19 retirement and the member shall repay to the retirement system all benefits  
20 received for the month.

21 (b) A retired member of the County Employees Retirement System who after  
22 initial retirement is hired by the county from which the member retired shall  
23 be considered to have been hired by the same employer.

24 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a  
25 nonhazardous member who retired prior to age sixty-five (65), is reemployed  
26 within six (6) months of the member's termination by the same employer, the  
27 member shall obtain from his previous and current employers a copy of the

1           job description established by the employers for the position and a statement  
2           of the duties performed by the member for the position from which he retired  
3           and for the position in which he has been reemployed.

4           (b) The job descriptions and statements of duties shall be filed with the retirement  
5           office.

6   (13) If the retirement system determines that the retired member has been employed in a  
7       position with the same principal duties as the position from which the member  
8       retired:

9           (a) The member's retirement allowance shall be suspended during the period that  
10          begins on the month in which the member is reemployed and ends six (6)  
11          months after the member's termination;

12          (b) The retired member shall repay to the retirement system all benefits paid from  
13          systems administered by Kentucky Retirement Systems under reciprocity,  
14          including medical insurance benefits, that the member received after  
15          reemployment began;

16          (c) Upon termination, or subsequent to expiration of the six (6) month period  
17          from the date of termination, the retired member's retirement allowance based  
18          on his initial retirement account shall no longer be suspended and the member  
19          shall receive the amount to which he is entitled, including an increase as  
20          provided by KRS 61.691;

21          (d) Except as provided in subsection (7) of this section, if the position in which a  
22          retired member is employed after initial retirement is a regular full-time  
23          position, the retired member shall contribute to a second member account  
24          established for him in the retirement system. Service credit gained after the  
25          member's date of reemployment shall be credited to the second member  
26          account; and

27          (e) Upon termination, the retired member shall be entitled to benefits payable

1 from his second retirement account.

2 (14) (a) If the retirement system determines that the retired member has not been  
3 reemployed in a position with the same principal duties as the position from  
4 which he retired, the retired member shall continue to receive his retirement  
5 allowance.

6 (b) If the position is a regular full-time position, the member shall contribute to a  
7 second member account in the retirement system.

8 (15) (a) If a retired member is reemployed at least one (1) month after initial  
9 retirement in a different position, or at least six (6) months after initial  
10 retirement in the same position, and prior to normal retirement age, the retired  
11 member shall contribute to a second member account in the retirement system  
12 and continue to receive a retirement allowance from the first member account.

13 (b) Service credit gained after reemployment shall be credited to the second  
14 member account. Upon termination, the retired member shall be entitled to  
15 benefits payable from the second member account.

16 (16) A retired member who is reemployed and contributing to a second member account  
17 shall not be eligible to purchase service credit under any of the provisions of KRS  
18 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he was eligible to  
19 purchase prior to his initial retirement.

20 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this  
21 section, the following shall apply to retired members **who retired prior to January**  
22 **1, 2019, and** who are reemployed by an agency participating in one (1) of the  
23 systems administered by Kentucky Retirement Systems on or after September 1,  
24 2008:

25 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member is  
26 receiving a retirement allowance from one (1) of the systems administered by  
27 Kentucky Retirement Systems, or has filed the forms required to receive a

1 retirement allowance from one (1) of the systems administered by Kentucky  
2 Retirement Systems, and is employed in a regular full-time position required  
3 to participate in one (1) of the systems administered by Kentucky Retirement  
4 Systems or is employed in a position that is not considered regular full-time  
5 with an agency participating in one (1) of the systems administered by  
6 Kentucky Retirement Systems within three (3) months following the member's  
7 initial retirement date, the member's retirement shall be voided, and the  
8 member shall repay to the retirement system all benefits received, including  
9 any health insurance benefits. If the member is returning to work in a regular  
10 full-time position required to participate in one (1) of the systems  
11 administered by Kentucky Retirement Systems:

- 12 1. The member shall contribute to a member account established for him or  
13 her in one (1) of the systems administered by Kentucky Retirement  
14 Systems, and employer contributions shall be paid on behalf of the  
15 member by the participating employer; and
- 16 2. Upon subsequent retirement, the member shall be eligible for a  
17 retirement allowance based upon total service and creditable  
18 compensation, including any additional service or creditable  
19 compensation earned after his or her initial retirement was voided;

20 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is  
21 receiving a retirement allowance from one (1) of the systems administered by  
22 Kentucky Retirement Systems and is employed in a regular full-time position  
23 required to participate in one (1) of the systems administered by Kentucky  
24 Retirement Systems after a three (3) month period following the member's  
25 initial retirement date, the member may continue to receive his or her  
26 retirement allowance during the period of reemployment subject to the  
27 following provisions:

- 1           1. Both the employee and participating agency shall certify in writing on a  
2           form prescribed by the board that no prearranged agreement existed  
3           between the employee and agency prior to the employee's retirement for  
4           the employee to return to work with the participating agency. If an  
5           elected official is reelected to a new term of office in the same position  
6           and retires following the election but prior to taking the new term of  
7           office, he or she shall be deemed by the system as having a prearranged  
8           agreement under the provisions of this subparagraph and shall have his  
9           or her retirement voided. If the participating agency or employer fail to  
10          complete the certification, the member's retirement shall be voided and  
11          the provisions of paragraph (a) of this subsection shall apply to the  
12          member and the employer;
- 13          2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to  
14          the contrary, the member shall not contribute to the systems and shall  
15          not earn any additional benefits for any work performed during the  
16          period of reemployment;
- 17          3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer  
18          shall pay employer contributions as specified by KRS 61.565 and 61.702  
19          on all creditable compensation earned by the employee during the period  
20          of reemployment. The additional contributions paid shall be used to  
21          reduce the unfunded actuarial liability of the systems; and
- 22          4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer  
23          shall be required to reimburse the systems for the cost of the health  
24          insurance premium paid by the systems to provide coverage for the  
25          retiree, not to exceed the cost of the single premium. Effective July 1,  
26          2015, local school boards shall not be required to pay the reimbursement  
27          required by this subparagraph for retirees employed by the board for

1                   eighty (80) days or less during the fiscal year;

2           (c) If a member is receiving a retirement allowance from the State Police  
3           Retirement System or from hazardous duty retirement coverage with the  
4           Kentucky Employees Retirement System or the County Employees Retirement  
5           System, or has filed the forms required to receive a retirement allowance from  
6           the State Police Retirement System or from hazardous duty retirement  
7           coverage with the Kentucky Employees Retirement System or the County  
8           Employees Retirement System, and is employed in a regular full-time position  
9           required to participate in the State Police Retirement System or in a hazardous  
10          duty position with the Kentucky Employees Retirement System or the County  
11          Employees Retirement System within one (1) month following the member's  
12          initial retirement date, the member's retirement shall be voided, and the  
13          member shall repay to the retirement system all benefits received, including  
14          any health insurance benefits. If the member is returning to work in a regular  
15          full-time position required to participate in one (1) of the systems  
16          administered by Kentucky Retirement Systems:

17               1. The member shall contribute to a member account established for him or  
18               her in one (1) of the systems administered by Kentucky Retirement  
19               Systems, and employer contributions shall be paid on behalf of the  
20               member by the participating employer; and

21               2. Upon subsequent retirement, the member shall be eligible for a  
22               retirement allowance based upon total service and creditable  
23               compensation, including any additional service or creditable  
24               compensation earned after his or her initial retirement was voided;

25          (d) If a member is receiving a retirement allowance from the State Police  
26          Retirement System or from hazardous duty retirement coverage with the  
27          Kentucky Employees Retirement System or the County Employees Retirement

1 System and is employed in a regular full-time position required to participate  
2 in the State Police Retirement System or in a hazardous duty position with the  
3 Kentucky Employees Retirement System or the County Employees Retirement  
4 System after a one (1) month period following the member's initial retirement  
5 date, the member may continue to receive his or her retirement allowance  
6 during the period of reemployment subject to the following provisions:

- 7 1. Both the employee and participating agency shall certify in writing on a  
8 form prescribed by the board that no prearranged agreement existed  
9 between the employee and agency prior to the employee's retirement for  
10 the employee to return to work with the participating agency. If an  
11 elected official is reelected to a new term of office in the same position  
12 and retires following the election but prior to taking the new term of  
13 office, he or she shall be deemed by the system as having a prearranged  
14 agreement under the provisions of this subparagraph and shall have his  
15 or her retirement voided. If the participating agency or employer fail to  
16 complete the certification, the member's retirement shall be voided and  
17 the provisions of paragraph (c) of this subsection shall apply to the  
18 member and the employer;
- 19 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to  
20 the contrary, the member shall not contribute to the systems and shall  
21 not earn any additional benefits for any work performed during the  
22 period of reemployment;
- 23 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer  
24 shall pay employer contributions as specified by KRS 61.565 and 61.702  
25 on all creditable compensation earned by the employee during the period  
26 of reemployment. The additional contributions paid shall be used to  
27 reduce the unfunded actuarial liability of the systems; and

- 1           4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer  
2           shall be required to reimburse the systems for the cost of the health  
3           insurance premium paid by the systems to provide coverage for the  
4           retiree, not to exceed the cost of the single premium;
- 5           (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member  
6           who qualifies as a volunteer for an employer participating in one (1) of the  
7           systems administered by Kentucky Retirement Systems and who is receiving  
8           reimbursement of actual expenses, a nominal fee for his or her volunteer  
9           services, or both, shall not be considered an employee of the participating  
10          employer and shall not be subject to paragraphs (a) to (d) of this subsection if:
- 11          1. Prior to the retired member's most recent retirement date, he or she did  
12          not receive creditable compensation from the participating employer in  
13          which the retired member is performing volunteer services;
- 14          2. Any reimbursement or nominal fee received prior to the retired  
15          member's most recent retirement date has not been credited as creditable  
16          compensation to the member's account or utilized in the calculation of  
17          the retired member's benefits;
- 18          3. The retired member has not purchased or received service credit under  
19          any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for  
20          service with the participating employer for which the retired member is  
21          performing volunteer services; and
- 22          4. Other than the status of volunteer, the retired member does not become  
23          an employee, leased employee, or independent contractor of the  
24          employer for which he or she is performing volunteer services for a  
25          period of at least twenty-four (24) months following the retired  
26          member's most recent retirement date.

27          If a retired member, who provided volunteer services with a participating



1 employer under this paragraph violates any provision of this paragraph, then  
2 he or she shall be deemed an employee of the participating employer as of the  
3 date he or she began providing volunteer services and both the retired member  
4 and the participating employer shall be subject to paragraphs (a) to (d) of this  
5 subsection for the period of volunteer service; and

6 (f) Notwithstanding any provision of this section, any mayor or member of a city  
7 legislative body who has not participated in the County Employees Retirement  
8 System prior to retirement, but who is otherwise eligible to retire from the  
9 Kentucky Employees Retirement System or the State Police Retirement  
10 System, shall not be:

- 11 1. Required to resign from his or her position as mayor or as a member of  
12 the city legislative body in order to begin drawing benefits from the  
13 Kentucky Employees Retirement System or the State Police Retirement  
14 System; or
- 15 2. Subject to any provision of this section as it relates solely to his or her  
16 service as a mayor or member of the city legislative body.

17 **(18) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (17) of this**  
18 **section, or any provision of KRS Chapter 6, 16, 21, 61, 78, or 161 to the contrary,**  
19 **the following shall apply to retired members, retirees, or annuitants of the**  
20 **systems or plans administered by the Kentucky Retirement Systems, the Judicial**  
21 **Form Retirement System, and the Teachers' Retirement System, who retire and**  
22 **begin drawing a retirement allowance on or after January 1, 2019, and are**  
23 **reemployed on or after January 1, 2019, by an agency participating in the systems**  
24 **or plans administered by the Kentucky Retirement Systems, the Judicial Form**  
25 **Retirement System, or the Teachers' Retirement System:**

26 **(a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired**  
27 **member, annuitant, or retiree is receiving a retirement allowance from the**

1 systems or plans administered by the Kentucky Retirement Systems, the  
2 Judicial Form Retirement System, or the Teachers' Retirement System, and  
3 is reemployed in or elected to any position with an agency participating in  
4 any of the systems or plans administered by the Kentucky Retirement  
5 Systems, the Judicial Form Retirement System, or the Teachers' Retirement  
6 System, regardless of whether or not the position is considered regular full-  
7 time or full-time under KRS 61.510(21), 78.510(21), 161.220(21), or  
8 paragraph (g) of this subsection, within a three (3) month period following  
9 the member's initial retirement date from the system or plan, the member's  
10 retirement shall be voided and the member shall repay to the system or plan  
11 all benefits received, including any health insurance benefits. If the  
12 member's retirement is voided as provided by this paragraph and the  
13 member has returned to work in a position that qualifies for participation in  
14 the plans administered by the Judicial Form Retirement System or in a  
15 position that is considered a regular full-time position in the systems  
16 administered by Kentucky Retirement Systems or the Teachers' Retirement  
17 System as defined in KRS 61.510(21), 78.510(21), or 161.220(21), as  
18 applicable:

- 19 1. The member shall contribute to a member account established for him  
20 or her in one (1) of the systems or plans administered by the Kentucky  
21 Retirement Systems, the Judicial Form Retirement System, or the  
22 Teachers' Retirement System;
- 23 2. Employer contributions required for a member described by  
24 subparagraph 1. of this paragraph shall be paid by the employer in the  
25 system or plan in which the member participates; and
- 26 3. Upon subsequent retirement, the member shall be eligible for a  
27 retirement allowance based upon total service, accumulated account

1           balance, and creditable compensation, including any additional  
2           service, creditable compensation, or accumulated account balance  
3           earned after his or her initial retirement was voided, subject to the  
4           limitations of Section 4, 7, 12, or 38 of this Act;

5           (b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired  
6           member, annuitant, or retiree is receiving a retirement allowance from the  
7           systems or plans administered by the Kentucky Retirement Systems, the  
8           Judicial Form Retirement System, or the Teachers' Retirement System, and  
9           is reemployed or elected to a position with an agency participating in the  
10           systems or plans administered by the Kentucky Retirement Systems, the  
11           Judicial Form Retirement System, or the Teachers' Retirement System,  
12           after a three (3) month period following the member's initial retirement date  
13           from the system or plan:

14           1. Both the employee and participating agency shall certify in writing on  
15           a form prescribed by the respective board that no prearranged  
16           agreement existed between the employee and agency prior to the  
17           employee's retirement for the employee to return to work with the  
18           participating agency. If an elected official is reelected to a new term of  
19           office in the same position and retires following the election but prior  
20           to taking the new term of office, he or she shall be deemed by the  
21           system as having a prearranged agreement under the provisions of  
22           this subparagraph and shall have his or her retirement voided. If the  
23           participating agency or employer fails to complete the certification, the  
24           member's retirement shall be voided and the provisions of paragraph  
25           (a) of this subsection shall apply to the member and the employer;

26           2. The member shall not contribute to the systems or plans and shall not  
27           earn any additional benefits for any work performed during the period

- 1                   of reemployment;
- 2           3. The retired member, annuitant, or retiree may continue to draw his or
- 3                   her retirement allowance during the period of reemployment if:
- 4                   a. The period of reemployment is not considered regular full-time
- 5                           as defined by paragraph (g) of this subsection; or
- 6                   b. The period of reemployment is considered regular full-time but
- 7                           the member has not returned to reemployment for at least a
- 8                           twelve (12) month period following his or her initial retirement.
- 9                           If the member returns to reemployment in a regular full-time
- 10                           position after a three (3) month but prior to a twelve (12) month
- 11                           period following his or her initial retirement, then the member's
- 12                           retirement allowance shall be suspended until twelve (12)
- 13                           months following his or her initial retirement; and
- 14           4. The employer shall pay the employer normal cost contributions as
- 15                   specified by subsection (1)(b) of Section 18 of this Act and Section 30
- 16                   of this Act, KRS 21.525, or as specified by Section 63 of this Act, on all
- 17                   creditable compensation or annual compensation earned by the
- 18                   employee during the period of regular full-time reemployment, based
- 19                   upon the system or plan in which the member is reemployed. The
- 20                   employer normal cost contributions shall be payable on the employee's
- 21                   behalf for the period of regular full-time reemployment and shall be
- 22                   used to pay down the unfunded liability of the systems or plans;
- 23           (c) If a member is receiving a retirement allowance from the State Police
- 24                   Retirement System or from hazardous duty retirement coverage with the
- 25                   Kentucky Employees Retirement System or the County Employees
- 26                   Retirement System or is a certified peace officer as provided in KRS
- 27                   Chapter 15, and is reemployed in any position with an agency participating

1 in the systems or plans administered by the Kentucky Retirement Systems,  
2 the Judicial Form Retirement System, or the Teachers' Retirement System,  
3 regardless of whether or not the position is considered regular full-time or  
4 full-time under KRS 61.510(21), 78.510(21), 161.220(21), or paragraph (g)  
5 of this subsection, within a one (1) month period following the member's  
6 initial retirement date from the system or plan, the member's retirement  
7 shall be voided and the member shall repay to the system or plan all benefits  
8 received, including any health insurance benefits. If the member's  
9 retirement is voided as provided by this paragraph and the member has  
10 returned to work in a position that qualifies for participation in the plans  
11 administered by the Judicial Form Retirement System or in a position that  
12 is considered a regular full-time position in the systems administered by  
13 Kentucky Retirement Systems or the Teachers' Retirement System as  
14 defined in KRS 61.510(21), 78.510(21), or 161.220(21), as applicable:

15 1. The member shall contribute to a member account established for him  
16 or her in one (1) of the systems or plans administered by the Kentucky  
17 Retirement Systems, the Judicial Form Retirement System, or the  
18 Teachers' Retirement System;

19 2. Employer contributions required for a member described by  
20 subparagraph 1. of this paragraph shall be paid by the employer in the  
21 system or plan in which the member participates; and

22 3. Upon subsequent retirement, the member shall be eligible for a  
23 retirement allowance based upon total service, accumulated account  
24 balance, and creditable compensation, including any additional  
25 service, creditable compensation, or accumulated account balance  
26 earned after his or her initial retirement was voided, subject to the  
27 limitations of Section 4, 7, 12, or 38 of this Act;

1        (d) If a member is receiving a retirement allowance from the State Police  
2        Retirement System or from hazardous duty retirement coverage with the  
3        Kentucky Employees Retirement System or the County Employees  
4        Retirement System or is a certified peace officer as provided in KRS  
5        Chapter 15, and is reemployed with an agency participating in the systems  
6        or plans administered by the Kentucky Retirement Systems or the Teachers'  
7        Retirement System after a one (1) month period following the member's  
8        initial retirement date from the system or plan, the member may continue to  
9        receive his or her retirement allowance during the period of reemployment  
10       subject to the following provisions:

11       1. Both the employee and participating agency shall certify in writing on  
12       a form prescribed by the board that no prearranged agreement existed  
13       between the employee and agency prior to the employee's retirement  
14       for the employee to return to work with the participating agency. If an  
15       elected official is reelected to a new term of office in the same position  
16       and retires following the election but prior to taking the new term of  
17       office, he or she shall be deemed by the system as having a  
18       prearranged agreement under the provisions of this subparagraph and  
19       shall have his or her retirement voided. If the participating agency or  
20       employer fails to complete the certification, the member's retirement  
21       shall be voided and the provisions of paragraph (c) of this subsection  
22       shall apply to the member and the employer;

23       2. The member shall not contribute to the systems or plans and shall not  
24       earn any additional benefits for any work performed during the period  
25       of reemployment; and

26       3. The employer shall pay the employer normal cost contributions as  
27       specified by subsection (1)(b) of Section 18 of this Act and Section 30

1 of this Act, KRS 21.525, or as specified by Section 63 of this Act, on all  
2 creditable compensation or annual compensation earned by the  
3 employee during the period of regular full-time reemployment, based  
4 upon the system or plan in which the member is reemployed. The  
5 employer normal cost contributions shall be payable on the employee's  
6 behalf for the period of regular full-time reemployment and shall be  
7 used to pay down the unfunded liability of the systems or plans;

8 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member  
9 who qualifies as a volunteer for an employer participating in one (1) of the  
10 systems administered by Kentucky Retirement Systems and who is receiving  
11 reimbursement of actual expenses, a nominal fee for his or her volunteer  
12 services, or both, shall not be considered an employee of the participating  
13 employer and shall not be subject to paragraphs (a) to (d) of this subsection  
14 if:

15 1. Prior to the retired member's most recent retirement date, he or she  
16 did not receive creditable compensation from the participating  
17 employer for which the retired member is performing volunteer  
18 services;

19 2. Any reimbursement or nominal fee received prior to the retired  
20 member's most recent retirement date has not been credited as  
21 creditable compensation to the member's account or utilized in the  
22 calculation of the retired member's benefits;

23 3. The retired member has not purchased or received service credit under  
24 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for  
25 service with the participating employer for which the retired member  
26 is performing volunteer services; and

27 4. Other than the status of volunteer, the retired member does not

1           become an employee, leased employee, or independent contractor of  
2           the employer for which he or she is performing volunteer services for  
3           a period of at least twenty-four (24) months following the retired  
4           member's most recent retirement date.

5           If a retired member, who provided volunteer services with a participating  
6           employer under this paragraph violates any provision of this paragraph,  
7           then he or she shall be deemed an employee of the participating employer as  
8           of the date he or she began providing volunteer services, and both the  
9           retired member and the participating employer shall be subject to  
10          paragraphs (a) to (d) of this subsection for the period of volunteer service;

11          (f) Notwithstanding any provision of this section, any mayor or member of a  
12          city legislative body who has not participated in the County Employees  
13          Retirement System prior to retirement, but who is otherwise eligible to retire  
14          from the Kentucky Employees Retirement System or the State Police  
15          Retirement System, shall not be:

16          1. Required to resign from his or her position as mayor or as a member  
17          of the city legislative body in order to begin drawing benefits from the  
18          Kentucky Employees Retirement System or the State Police Retirement  
19          System; or

20          2. Subject to any provision of this section as it relates solely to his or her  
21          service as a mayor or member of the city legislative body; and

22          (g) For purposes of this subsection, "regular full-time" shall mean any  
23          position that requires an average of one hundred (100) or more hours per  
24          month over a calendar or fiscal year basis, except that in the case of  
25          classified or certified school board employees it shall be more than one  
26          hundred (100) days of work during the fiscal year. Interim, temporary, or  
27          seasonal positions as defined and time limited by subsection (21) of Section



1                    **14 of this Act or subsection (21) of Section 15 of this Act shall not be**  
 2                    **considered regular full-time.**

3                    ➔Section 29. KRS 61.680 is amended to read as follows:

4                    **Except as limited by Section 4, 7, 12, or 38 of this Act:**

- 5                    (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to  
 6                    any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to  
 7                    16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.  
 8                    Thereafter, employee contributions shall be picked up by the employer pursuant to  
 9                    KRS 61.560(4).
- 10                  (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to  
 11                  16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:
- 12                  1. Upon death, disability, or service retirement, a member's accounts under  
 13                  the Legislators' Retirement Plan, State Police Retirement System,  
 14                  Kentucky Employees Retirement System, County Employees Retirement  
 15                  System, and Teachers' Retirement System, except for service prohibited  
 16                  by KRS 161.623(2), shall be consolidated for the purpose of determining  
 17                  eligibility and amount of benefits, including those members who  
 18                  participate in the hybrid cash balance plan **or 401(a) money purchase**  
 19                  **plans** within the Kentucky Employees Retirement System, the County  
 20                  Employees Retirement System, ~~and~~ the State Police Retirement  
 21                  System, **or the Teachers' Retirement System** ~~on or after January 1,~~  
 22                  ~~2014~~};
- 23                  2. Vested service credit in a retirement system, other than the Teachers'  
 24                  Retirement System, sponsored by a Kentucky institution of higher  
 25                  education and accepted by the Kentucky Employees Retirement System  
 26                  or the County Employees Retirement System, may be used to determine  
 27                  eligibility for twenty-seven (27) year retirement for an employee who

- 1 begins participating before September 1, 2008, but not the amount of  
2 benefits;
- 3 3. The computation of benefits shall be based on the applicable formula in  
4 each system and service credit in each system, but the final  
5 compensation, excluding compensation earned under KRS 161.155(10),  
6 shall be determined as if all service were in one (1) system;
- 7 4. If the member has prior service in more than one (1) system  
8 administered by Kentucky Retirement Systems, he shall obtain at least  
9 twelve (12) months' current service in each system in which he has prior  
10 service in order to validate the prior service in each system for purposes  
11 of determining consolidated benefits under this subsection; and
- 12 5. Upon the determination of benefits, each system shall pay the applicable  
13 amount of benefits due the member.
- 14 (b) The provisions of paragraph (a) of this subsection shall be waived if the  
15 member:
- 16 1. Notifies the system of his desire to maintain separate retirement  
17 accounts in the State Police Retirement System, Kentucky Employees  
18 Retirement System, or County Employees Retirement System; or
- 19 2. Fails to simultaneously retire from all state-administered retirement  
20 systems in which the member has an account or fails to retire from any  
21 other systems not administered by Kentucky Retirement Systems within  
22 one (1) month of the member's effective retirement date in the systems  
23 administered by Kentucky Retirement Systems.
- 24 (c) If the member has not contributed at least one (1) year in a system in which he  
25 has prior service, his current service in the system shall be valid for purposes  
26 of determining eligibility and in computation of benefits on a consolidated  
27 basis.

- 1 (3) (a) A member with service credit in the Kentucky Employees Retirement System,  
2 State Police Retirement System, or the County Employees Retirement System  
3 who becomes the holder of an office entitling him to membership in the  
4 Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not  
5 elect within thirty (30) days after taking office in such service to participate in  
6 the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have  
7 elected to retain membership in the system in which he is a member, either the  
8 Kentucky Employees Retirement System, State Police Retirement System, or  
9 the County Employees Retirement System. In that event, the agency  
10 employing the member shall withhold employee contributions, or picked-up  
11 employee contributions after August 2, 1982, make employer contributions  
12 and remit these contributions to the system in which the member retained his  
13 membership.
- 14 (b) Any person entitled to membership in the Judicial Retirement Plan or the  
15 Legislators' Retirement Plan, who does not elect within thirty (30) days after  
16 taking office to participate in the plan, in accordance with KRS 6.505 or  
17 21.360, and who at the time of taking office is not a contributing member of,  
18 or does not have service credit in, any of the retirement systems mentioned in  
19 this section, or the Teachers' Retirement System, shall participate in the  
20 Kentucky Employees Retirement System.
- 21 (c) A member of one (1) of the state-administered retirement plans who ceases to  
22 contribute to the plan as provided in KRS 21.360 and who is employed in a  
23 nonelected position by an agency participating in the Kentucky Retirement  
24 Systems or Kentucky Teachers' Retirement System shall be deemed to have  
25 elected membership in the system in which the employer of the nonelected  
26 position participates. A member of one (1) of the state-administered  
27 retirement plans who ceases to contribute to the plan as provided in KRS

1           21.360 and who is not employed in a nonelected position by an agency  
2           participating in the Kentucky Retirement Systems shall be deemed to have  
3           elected membership in the Kentucky Employees Retirement System.

4       (4) (a) Prior to July 1, 1976, a person entering the service of an employer  
5           participating in the Kentucky Employees Retirement System or the County  
6           Employees Retirement System with service credit in the Teachers' Retirement  
7           System and who desires to retain membership in the Teachers' Retirement  
8           System, and who is permitted by that system to continue, shall be exempt  
9           from participating in the Kentucky Employees Retirement System or the  
10          County Employees Retirement System.

11       (b) Any person who has elected to retain membership in the Teachers' Retirement  
12          System as provided in paragraph (a) of this subsection may cancel his election  
13          and participate in the system under which his position would normally  
14          participate, if he elects to cancel his option prior to January 1, 1977.

15       (c) Any member of the General Assembly who upon election is a contributing  
16          member of the Teachers' Retirement System and who does not elect within  
17          thirty (30) days after taking office to participate in the Legislators' Retirement  
18          Plan, in accordance with KRS 6.505, shall during his term of office participate  
19          in the Kentucky Employees Retirement System unless an election to retain  
20          membership in the Teachers' Retirement System is filed in writing within  
21          ninety (90) days after his term of office begins. No contributions may be made  
22          to the Teachers' Retirement System for the same period of service under the  
23          Legislators' Retirement Plan or the Kentucky Employees Retirement System  
24          as a member of the General Assembly, but contributions made to the Teachers'  
25          Retirement System while a member of the General Assembly shall be  
26          transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,  
27          when the member elects to join the Legislators' Retirement Plan, and service

1 credit in the Legislators' Retirement Plan shall be granted as provided for in  
2 KRS 6.505(5).

3 (5) Any member of the Kentucky Employees Retirement System or County Employees  
4 Retirement System who is working in a position covered by one (1) of these  
5 retirement systems and his employee contributions, service credit and employer  
6 contributions made on his behalf are being transferred to the other retirement  
7 system shall contribute to the system in which his employer participates, or after  
8 August 1, 1982, the employer shall pick up the employee contributions, and no  
9 further contributions or service credit shall be transferred to the system in which he  
10 elected to retain membership, as subsection (2) of this section eliminates the  
11 necessity of the transfers.

12 (6) Any member of the Kentucky Employees Retirement System or County Employees  
13 Retirement System who is working in more than one (1) position covered by the  
14 same retirement system, shall have his wages and contributions consolidated and his  
15 retirement account administered as a single account. If part-time positions are  
16 involved, an accumulation of all hours worked within the same retirement system  
17 shall be used to determine eligibility under KRS 61.510(21).

18 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who  
19 does not have the amount of service required for service retirement in the  
20 State Police Retirement System, Kentucky Employees Retirement System,  
21 County Employees Retirement System, Legislators' Retirement Plan, or  
22 Teachers' Retirement System, but who is a member of one (1) of the systems  
23 or is a former member of one (1) or more of the systems with valid service  
24 credit therein, shall become eligible for service retirement benefits attributable  
25 to the amount of his actual service credit in each system in which he has  
26 service credit when his combined service credit in all the systems, plus any  
27 service credit he has in the Judicial Retirement Plan, is equal to that required

1 for service retirement in each respective system. The computation of benefits  
2 shall be based on the applicable formula in each system and service credit in  
3 each system, except that total service in all systems, unless prohibited by KRS  
4 161.623(2), shall be used to determine the reduction for early retirement, if  
5 any. Except as provided in KRS 21.360, the final compensation shall be  
6 determined by using the creditable compensation reported to the State Police  
7 Retirement System, Kentucky Employees Retirement System, County  
8 Employees Retirement System, Legislators' Retirement Plan, or Teachers'  
9 Retirement System and only as much of the compensation earned in the  
10 Judicial Retirement Plan as is needed to satisfy the final compensation  
11 requirement applicable in the respective retirement systems.

12 (b) Paragraph (a) of this subsection shall be waived if the member fails to  
13 simultaneously retire from all state-administered retirement systems in which  
14 the member has an account or fails to retire from any other systems not  
15 administered by Kentucky Retirement Systems within one (1) month of the  
16 member's effective retirement date in the systems administered by the  
17 Kentucky Retirement Systems.

18 (8) Each retirement system from which the member retires shall pay a retirement  
19 allowance upon receipt of required forms and documents, except that no retirement  
20 system shall pay a retirement allowance or annuity until all forms and documents  
21 are filed at all retirement systems in compliance with each system's requirements.

22 ➔Section 30. KRS 61.702 is amended to read as follows:

23 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by  
24 appropriate contract or on a self-insured basis to provide a group  
25 hospital and medical insurance plan for present and future recipients of a  
26 retirement allowance from the Kentucky Employees Retirement System,  
27 County Employees Retirement System, and State Police Retirement

1 System, except as provided in subsection (8) of this section. The board  
2 shall also arrange to provide health care coverage through an insurer  
3 licensed pursuant to Subtitle 38 of KRS Chapter 304 and offering a  
4 managed care plan as defined in KRS 304.17A-500, as an alternative to  
5 group hospital and medical insurance for any person eligible for hospital  
6 and medical benefits under this section.

7 2. Any person who chooses coverage under a hospital and medical  
8 insurance plan shall pay, by payroll deduction from the retirement  
9 allowance or by another method, the difference in premium between the  
10 cost of the hospital and medical insurance plan coverage and the benefits  
11 to which he would be entitled under this section.

12 3. For purposes of this section, "hospital and medical insurance plan" may  
13 include, at the board's discretion, any one (1) or more of the following:

14 a. Any hospital and medical expense policy or certificate, provider-  
15 sponsored integrated health delivery network, self-insured medical  
16 plan, health maintenance organization contract, or other health  
17 benefit plan;

18 b. Any health savings account as permitted by 26 U.S.C. sec. 223 or  
19 health reimbursement arrangement or a similar account as may be  
20 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or  
21 account, in the board's discretion, may reimburse any medical  
22 expense permissible under 26 U.S.C. sec. 213; or

23 c. A medical insurance reimbursement program established by the  
24 board through the promulgation of administrative regulation under  
25 which members purchase individual health insurance coverage  
26 through a health insurance exchange established under 42 U.S.C.  
27 sec. 18031 or 18041.

- 1 (b) The board may authorize present and future recipients of a retirement  
2 allowance from any of the three (3) retirement systems to be included in the  
3 state employees' group for hospital and medical insurance and shall provide  
4 benefits for recipients equal to those provided to state employees having the  
5 same Medicare hospital and medical insurance eligibility status, except as  
6 provided in subsection (8) of this section. Notwithstanding the provisions of  
7 any other statute, recipients shall be included in the same class as current state  
8 employees in determining medical insurance policies and premiums.
- 9 (c) For recipients of a retirement allowance who are not eligible for the same  
10 level of hospital and medical benefits as recipients living in Kentucky having  
11 the same Medicare hospital and medical insurance eligibility status, the board  
12 shall provide a medical insurance reimbursement plan as described in  
13 subsection (7) of this section.
- 14 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of  
15 trustees, in its discretion, may take necessary steps to ensure compliance with  
16 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving  
17 contributions and premiums from, and providing benefits pursuant to this  
18 section to, persons entitled to continuation coverage under 42 U.S.C. secs.  
19 300bb-1 et seq., regardless of whether such persons are recipients of a  
20 retirement allowance.
- 21 (2) (a) Each employer participating in the State Police Retirement System as  
22 provided for in KRS 16.505 to 16.652, each employer participating in the  
23 County Employees Retirement System as provided in KRS 78.510 to 78.852,  
24 and each employer participating in the Kentucky Employees Retirement  
25 System as provided for in KRS 61.510 to 61.705 shall contribute to the  
26 Kentucky Retirement Systems insurance trust fund the amount necessary to  
27 provide hospital and medical insurance as provided for under this section.



1 Such employer contribution rate shall be developed by appropriate actuarial  
 2 method as a part of the determination of each respective employer  
 3 contribution rate to each respective retirement system determined under KRS  
 4 61.565.

5 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct  
 6 from the creditable compensation of each member;

7 a. Having a membership date on or after September 1, 2008, an  
 8 amount equal to one percent (1%) of the member's creditable  
 9 compensation; and

10 b. *Effective January 1, 2019, having a membership date on or after*  
 11 *July 1, 2003, but prior to September 1, 2008, an amount equal to*  
 12 *the lesser of three percent (3%) of the member's creditable*  
 13 *compensation or the normal cost of the benefit as separately*  
 14 *determined for these members based upon the system in which*  
 15 *they participate. The contribution provided by this subdivision of*  
 16 *this subparagraph shall be phased-in over a three (3) year period*  
 17 *and may be adjusted by the board annually after the three (3)*  
 18 *year period by increments of one-quarter of one percent (0.25%)*  
 19 *if the normal cost increases or decreases, but in no case shall it*  
 20 *exceed three percent (3%) of the member's creditable*  
 21 *compensation.*

22 The deducted amounts shall be credited to accounts established pursuant  
 23 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510,  
 24 61.515, and 78.520.

25 2. The employer shall file the contributions as provided by subparagraph 1.  
 26 of this paragraph at the retirement office in accordance with KRS 61.675  
 27 and 78.625. Any interest or penalties paid on any delinquent

1 contributions shall be credited to accounts established pursuant to 26  
2 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515,  
3 and 78.520. Notwithstanding any minimum compensation requirements  
4 provided by law, the deductions provided by this paragraph shall be  
5 made, and the compensation of the member shall be reduced  
6 accordingly.

7 3. Each employer shall submit payroll reports, contributions lists, and other  
8 data as may be required by administrative regulation promulgated by the  
9 board of trustees pursuant to KRS Chapter 13A.

10 4. Every member shall be deemed to consent and agree to the deductions  
11 made pursuant to this paragraph, and the payment of salary or  
12 compensation less the deductions shall be a full and complete discharge  
13 of all claims for services rendered by the person during the period  
14 covered by the payment, except as to any benefits provided by KRS  
15 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member  
16 may elect whether to participate in, or choose the contribution amount to  
17 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
18 established in KRS 16.510, 61.515, and 78.520. The member shall have  
19 no option to receive the contribution required by this paragraph directly  
20 instead of having the contribution paid to accounts established pursuant  
21 to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,  
22 61.515, and 78.520. No member may receive a rebate or refund of  
23 contributions. If a member establishes a membership date prior to  
24 September 1, 2008, pursuant to KRS 61.552(1) or 61.552(20), then this  
25 paragraph shall not apply to the member and all contributions previously  
26 deducted in accordance with this paragraph shall be refunded to the  
27 member without interest. The contribution made pursuant to this

1 paragraph shall not act as a reduction or offset to any other contribution  
2 required of a member or recipient under KRS 16.505 to 16.652, 61.510  
3 to 61.705, and 78.510 to 78.852.

4 5. The board of trustees, at its discretion, may direct that the contributions  
5 required by this paragraph be accounted for within accounts established  
6 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
7 16.510, 61.515, and 78.520 through the use of separate accounts.

8 (3) (a) The premium required to provide hospital and medical benefits under this  
9 section shall be paid:

10 1. Wholly or partly from funds contributed by the recipient of a retirement  
11 allowance, by payroll deduction, or otherwise;

12 2. Wholly or partly from funds contributed by the Kentucky Retirement  
13 Systems insurance trust fund;

14 3. Wholly or partly from funds contributed to accounts established  
15 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
16 16.510, 61.515, and 78.520;

17 4. Wholly or partly from funds contributed by another state-administered  
18 retirement system under a reciprocal arrangement, except that any  
19 portion of the premium paid from the Kentucky Retirement Systems  
20 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
21 401(h) within the funds established in KRS 16.510, 61.515, and 78.520  
22 under a reciprocal agreement shall not exceed the amount that would be  
23 payable under this section if all the member's service were in one (1) of  
24 the systems administered by the Kentucky Retirement Systems;

25 5. Partly from subparagraphs 1. to 4. of this paragraph, except that any  
26 premium for hospital and medical insurance over the amount contributed  
27 by the Kentucky Retirement Systems insurance trust fund; accounts

1 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
2 established in KRS 16.510, 61.515, and 78.520; or another state-  
3 administered retirement system under a reciprocal agreement shall be  
4 paid by the recipient by an automatic electronic transfer of funds. If the  
5 board provides for cross-referencing of insurance premiums, the  
6 employer's contribution for the working member or spouse shall be  
7 applied toward the premium, and the Kentucky Retirement Systems  
8 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
9 401(h) within the funds established in KRS 16.510, 61.515, and 78.520  
10 shall pay the balance, not to exceed the monthly contribution; or

11 6. In full from the Kentucky Retirement Systems insurance trust fund or  
12 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
13 established in KRS 16.510, 61.515, and 78.520 for all recipients of a  
14 retirement allowance from any of the three (3) retirement systems where  
15 such recipient is a retired former member of one (1) or more of the three  
16 (3) retirement systems (not a beneficiary or dependent child receiving  
17 benefits) and had two hundred and forty (240) months or more of service  
18 upon retirement. Should such recipient have less than two hundred forty  
19 (240) months of service but have at least one hundred eighty (180)  
20 months of service, seventy-five percent (75%) of such premium shall be  
21 paid from the insurance trust fund or accounts established pursuant to 26  
22 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
23 and 78.520, provided such recipient agrees to pay the remaining twenty-  
24 five percent (25%) by payroll deduction from his retirement allowance  
25 or by another method. Should such recipient have less than one hundred  
26 eighty (180) months of service but have at least one hundred twenty  
27 (120) months of service, fifty percent (50%) of such premium shall be

1           paid from the insurance trust fund or accounts established pursuant to 26  
2           U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
3           and 78.520, provided such recipient agrees to pay the remaining fifty  
4           percent (50%) by payroll deduction from his retirement allowance or by  
5           another method. Should such recipient have less than one hundred  
6           twenty (120) months of service but have at least forty-eight (48) months  
7           of service, twenty-five percent (25%) of such premium shall be paid  
8           from the insurance trust fund or accounts established pursuant to 26  
9           U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
10          and 78.520, provided such recipient agrees to pay the remaining seventy-  
11          five percent (75%) by payroll deduction from his retirement allowance  
12          or by another method. Notwithstanding the foregoing provisions of this  
13          subsection, an employee participating in one (1) of the retirement  
14          systems administered by the Kentucky Retirement Systems who  
15          becomes disabled in the line of duty as defined in KRS 16.505(19) or  
16          61.621, shall have his premium paid in full as if he had two hundred  
17          forty (240) months or more of service. Further, an employee  
18          participating in one (1) of the retirement systems administered by the  
19          Kentucky Retirement Systems who is killed in the line of duty as  
20          defined in KRS 16.505(19) or 61.621, shall have the premium for the  
21          beneficiary, if the beneficiary is the member's spouse, and for each  
22          dependent child paid so long as they individually remain eligible for a  
23          monthly retirement benefit. "Months of service" as used in this section  
24          shall mean the total months of combined service used to determine  
25          benefits under any or all of the three (3) retirement systems, except  
26          service added to determine disability benefits shall not be counted as  
27          "months of service." For current and former employees of the Council

1 on Postsecondary Education who were employed prior to January 1,  
2 1993, and who earn at least fifteen (15) years of service credit in the  
3 Kentucky Employees Retirement System, "months of service" shall also  
4 include vested service in another retirement system other than the  
5 Kentucky Teachers' Retirement System sponsored by the Council on  
6 Postsecondary Education.

- 7 (b) 1. For a member electing insurance coverage through the Kentucky  
8 Retirement Systems, "months of service" shall include, in addition to  
9 service as described in paragraph (a) of this subsection, service credit in  
10 one (1) of the other state-administered retirement plans.
- 11 2. Effective August 1, 1998, the Kentucky Retirement Systems shall  
12 compute the member's combined service, including service credit in  
13 another state-administered retirement plan, and calculate the portion of  
14 the member's premium to be paid by the insurance trust fund accounts  
15 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
16 established in KRS 16.510, 61.515, and 78.520, according to the criteria  
17 established in paragraph (a) of this subsection. Each state-administered  
18 retirement plan annually shall pay to the insurance trust fund the  
19 percentage of the system's cost of the retiree's monthly contribution for  
20 single coverage for hospital and medical insurance which shall be equal  
21 to the percentage of the member's number of months of service in the  
22 other state-administered retirement plan divided by his total combined  
23 service. The amounts paid by the other state-administered retirement  
24 plans and the insurance trust fund or accounts established pursuant to 26  
25 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
26 and 78.520 shall not be more than one hundred percent (100%) of the  
27 monthly contribution adopted by the respective boards of trustees.

- 1           3. A member may not elect coverage for hospital and medical benefits  
2           under this subsection through more than one (1) of the state-  
3           administered retirement plans.
- 4           4. A state-administered retirement plan shall not pay any portion of a  
5           member's monthly contribution for medical insurance unless the member  
6           is a recipient or annuitant of the plan.
- 7           5. The premium paid by the Kentucky Retirement Systems insurance trust  
8           fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within  
9           the funds established in KRS 16.510, 61.515, and 78.520 shall not  
10          exceed one hundred percent (100%) of the monthly contribution rate  
11          toward hospital and medical insurance coverage approved by the board  
12          of trustees of the Kentucky Retirement Systems.
- 13 (4) (a) Group rates under the hospital and medical insurance plan shall be made  
14          available to the spouse, each dependent child, and each disabled child,  
15          regardless of the disabled child's age, of a recipient who is a former member  
16          or the beneficiary, if the premium for the hospital and medical insurance for  
17          the spouse, each dependent child, and each disabled child, or beneficiary is  
18          paid by payroll deduction from the retirement allowance or by another  
19          method. For purposes of this subsection only, a child shall be considered  
20          disabled if he has been determined to be eligible for federal Social Security  
21          disability benefits or meets the dependent disability standard established by  
22          the Department of Employee Insurance in the Personnel Cabinet.
- 23          (b) The other provisions of this section notwithstanding, the insurance trust fund  
24          or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
25          established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the  
26          monthly contribution for the spouse and for each dependent child of a  
27          recipient who was a member of the General Assembly and is receiving a

1 retirement allowance based on General Assembly service, of the Kentucky  
2 Employees Retirement System and determined to be in a hazardous position,  
3 of the County Employees Retirement System, and determined to be in a  
4 hazardous position or of the State Police Retirement System. The percentage  
5 of the monthly contribution paid for the spouse and each dependent child of a  
6 recipient who was in a hazardous position shall be based solely on the  
7 member's service with the State Police Retirement System or service in a  
8 hazardous position using the formula in subsection (3)(a) of this section,  
9 except that for any recipient of a retirement allowance from the County  
10 Employees Retirement System who was contributing to the system on January  
11 1, 1998, for service in a hazardous position, the percentage of the monthly  
12 contribution shall be based on the total of hazardous service and any  
13 nonhazardous service as a police or firefighter with the same agency, if that  
14 agency was participating in the County Employees Retirement System but did  
15 not offer hazardous duty coverage for its police and firefighters at the time of  
16 initial participation.

- 17 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
18 401(h) within the funds established in KRS 16.510, KRS 61.515, and 78.520  
19 shall continue the same level of coverage for a recipient who was a member of  
20 the County Employees Retirement System after the age of sixty-five (65) as  
21 before the age of sixty-five (65), if the recipient is not eligible for Medicare  
22 coverage. If the insurance trust fund or accounts established pursuant to 26  
23 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and  
24 78.520 provides coverage for the spouse or each dependent child of a former  
25 member of the County Employees Retirement System, the insurance trust fund  
26 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
27 established in KRS 16.510, 61.515, and 78.520 shall continue the same level



1 of coverage for the spouse or each dependent child after the age of sixty-five  
2 (65) as before the age of sixty-five (65), if the spouse or dependent child is not  
3 eligible for Medicare coverage.

4 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member  
5 who holds a judicial office but did not elect to participate in the Judicial Retirement  
6 Plan and is participating instead in the Kentucky Employees Retirement System, the  
7 County Employees Retirement System, or the State Police Retirement System, as  
8 provided in KRS 61.680, and who has at least twenty (20) years of total service,  
9 one-half (1/2) of which is in a judicial office, shall receive the same hospital and  
10 medical insurance benefits, including paid benefits for spouse and dependents, as  
11 provided to persons retiring under the provisions of KRS 21.427. The  
12 Administrative Office of the Courts shall pay the cost of the medical insurance  
13 benefits provided by this subsection.

14 (6) Premiums paid for hospital and medical insurance coverage procured under  
15 authority of this section shall be exempt from any premium tax which might  
16 otherwise be required under KRS Chapter 136. The payment of premiums by the  
17 insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)  
18 within the funds established in KRS 16.510, 61.515, and 78.520 shall not constitute  
19 taxable income to an insured recipient. No commission shall be paid for hospital  
20 and medical insurance procured under authority of this section.

21 (7) The board shall promulgate an administrative regulation to establish a medical  
22 insurance reimbursement plan to provide reimbursement for hospital and medical  
23 insurance premiums of recipients of a retirement allowance who are not eligible for  
24 the same level of hospital and medical benefits as recipients living in Kentucky and  
25 having the same Medicare hospital and medical insurance eligibility status. An  
26 eligible recipient shall file proof of payment for hospital and medical insurance at  
27 the retirement office. Reimbursement to eligible recipients shall be made on a

1       quarterly basis. The recipient shall be eligible for reimbursement of substantiated  
2       medical insurance premiums for an amount not to exceed the total monthly  
3       premium determined under subsection (3) of this section. The plan shall not be  
4       made available if all recipients are eligible for the same coverage as recipients  
5       living in Kentucky.

6       (8) (a) 1. For employees having a membership date on or after July 1, 2003, and  
7       before September 1, 2008, participation in the insurance benefits  
8       provided under this section shall not be allowed until the employee has  
9       earned at least one hundred twenty (120) months of service in the state-  
10       administered retirement systems.

11       2. For an employee having a membership date on or after September 1,  
12       2008, participation in the insurance benefits provided under this section  
13       shall not be allowed until the employee has earned at least one hundred  
14       eighty (180) months of service credited under KRS 16.543(1),  
15       61.543(1), or 78.615(1) or another state-administered retirement system.

16       (b) An employee who meets the minimum service requirements as provided by  
17       paragraph (a) of this subsection shall be eligible for benefits as follows:

18       1. For employees who are not in a hazardous position, a monthly insurance  
19       contribution of ten dollars (\$10) for each year of service as a  
20       participating employee.

21       2. For employees who are in a hazardous position or who participate in the  
22       State Police Retirement System, a monthly insurance contribution of  
23       fifteen dollars (\$15) for each year of service as a participating employee  
24       in a hazardous position or as a participating member of the State Police  
25       Retirement System. Upon the death of the retired member, the  
26       beneficiary, if the beneficiary is the member's spouse, shall be entitled to  
27       a monthly insurance contribution of ten dollars (\$10) for each year of

1 service the member attained as a participating employee in a hazardous  
2 position or as a participating member of the State Police Retirement  
3 System.

4 (c) 1. The minimum service requirement to participate in benefits as provided  
5 by paragraph (a) of this subsection shall be waived for a member who is  
6 disabled or killed in the line of duty as defined in KRS 16.505(19), and  
7 the member or his spouse and eligible dependents shall be entitled to the  
8 benefits payable under this subsection as though the member had twenty  
9 (20) years of service in a hazardous position.

10 2. The minimum service required to participate in benefits as provided by  
11 paragraph (a) of this subsection shall be waived for a member who is  
12 disabled in the line of duty as defined in KRS 61.621, and the member  
13 shall be entitled to the benefits payable under this subsection as though  
14 the member has twenty (20) years of service in a nonhazardous position.

15 3. The minimum service required to participate in benefits as provided by  
16 paragraph (a) of this subsection shall be waived for a member who is  
17 killed in the line of duty as described in KRS 61.621, and the member's  
18 spouse and eligible dependents shall be entitled to the benefits payable  
19 under this subsection as though the member has twenty (20) years of  
20 service in a hazardous position.

21 (d) The monthly insurance contribution amount shall be increased July 1 of each  
22 year by one and one-half percent (1.5%). The increase shall be cumulative and  
23 shall continue to accrue after the member's retirement for as long as a monthly  
24 insurance contribution is payable to the retired member or beneficiary.

25 (e) The benefits of this subsection provided to a member whose participation  
26 begins on or after July 1, 2003, shall not be considered as benefits protected  
27 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The

1 General Assembly reserves the right to suspend or reduce the benefits  
2 conferred in this subsection if in its judgment the welfare of the  
3 Commonwealth so demands.

4 (f) An employee whose membership date is on or after September 1, 2008, who  
5 retires and is reemployed in a regular full-time position required to participate  
6 in one (1) of the systems administered by Kentucky Retirement Systems shall  
7 not be eligible for health insurance coverage or benefits provided by this  
8 section and shall take coverage with his or her employing agency during the  
9 period of reemployment in a regular full-time position.

10 ➔Section 31. KRS 61.705 is amended to read as follows:

11 (1) Upon the death of a retired member of the Kentucky Employees Retirement System,  
12 County Employees Retirement System, or State Police Retirement System who was  
13 receiving a monthly retirement allowance based on a minimum of forty-eight (48)  
14 months of service or whose retirement allowance based on a minimum of forty-  
15 eight (48) months was suspended in accordance with KRS 61.637, a death benefit  
16 of five thousand dollars (\$5,000) shall be paid. If the retired member had more than  
17 one (1) account in the Kentucky Employees Retirement System, County Employees  
18 Retirement System, or State Police Retirement System, the system shall pay only  
19 one (1) five thousand dollar (\$5,000) death benefit. Application for the death benefit  
20 made to the Kentucky Retirement Systems shall include acceptable evidence of  
21 death and of the eligibility of the applicant to act on the deceased retired member's  
22 behalf.

23 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon  
24 retirement or any time thereafter, the retired member may designate on the form  
25 prescribed by the board, death benefit designation, a person, the retired member's  
26 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death  
27 benefit. The beneficiary for the death benefit may or may not be the same

1 beneficiary designated in accordance with KRS 61.590(1). If the beneficiary  
2 designated under this section is a person and that person dies prior to the member,  
3 or if the beneficiary was the retired member's spouse and they were divorced on the  
4 date of the retired member's death, then the retired member's estate shall become the  
5 beneficiary, unless the retired member has filed a subsequent death benefit  
6 designation. If a licensed funeral home is designated as beneficiary and the licensed  
7 funeral home cannot be reasonably identified or located by Kentucky Retirement  
8 Systems at the time of the retired member's death, then the retired member's estate  
9 shall become the beneficiary of the death benefit.

10 (3) If, at the time of the retired member's death, a debt to the Kentucky Retirement  
11 Systems remains on his or her account, the balance owed shall be deducted from the  
12 five thousand dollars (\$5,000) death benefit.

13 (4) Upon the death of a retired member, the death benefit provided pursuant to this  
14 section may be assigned by the designated beneficiary to a bank or licensed funeral  
15 home.

16 **(5) Effective January 1, 2019, this section does not apply to members who began**  
17 **participating in the systems administered by Kentucky Retirement Systems on or**  
18 **after January 1, 2014.**

19 ➔Section 32. KRS 16.652 is amended to read as follows:

20 (1) For members who begin participating in the State Police Retirement System prior to  
21 January 1, 2014, it is hereby declared that in consideration of the contributions by  
22 the member, and in further consideration of benefits received by the state from the  
23 member's employment, KRS 16.510 to 16.645~~[, except as provided in KRS 6.696~~  
24 ~~effective September 16, 1993,]~~ shall constitute an inviolable contract of the  
25 Commonwealth, and the benefits provided therein shall~~[, except as provided in~~  
26 ~~KRS 6.696,]~~ not be subject to reduction or impairment by alteration, amendment or  
27 repeal, **except:**

1        (a) As provided in KRS 6.696; and

2        (b) The General Assembly reserves the right to amend, reduce, or suspend any  
3        legislative changes to the provisions of KRS 16.505 to 16.652 that become  
4        effective on or after July 1, 2018.

5        (2) (a) For members who begin participating in the State Police Retirement System  
6                on or after January 1, 2014, the General Assembly reserves the right to amend,  
7                suspend, or reduce the benefits and rights provided under KRS 16.505 to  
8                16.652 if, in its judgment, the welfare of the Commonwealth so demands,  
9                except that the amount of benefits the member has accrued at the time of  
10               amendment, suspension, or reduction shall not be affected.

11        (b) For purposes of this subsection, the amount of benefits the member has  
12                accrued at the time of amendment, suspension, or reduction shall be limited to  
13                the accumulated account balance the member has accrued at the time of  
14                amendment, suspension, or reduction.

15        (c) The provisions of this subsection shall not be construed to limit the General  
16                Assembly's authority to change any other benefit or right specified by KRS  
17                16.505 to 16.652, for members who begin participating in the State Police  
18                Retirement System on or after January 1, 2014, except the benefits specified  
19                by paragraph (b) of this subsection.

20        (3) The provisions of this section shall not be construed to limit the General Assembly's  
21                authority to amend, reduce, or suspend the benefits and rights of members of the  
22                State Police Retirement System as provided by KRS 16.505 to 16.652 that the  
23                General Assembly had the authority to amend, reduce, or suspend, prior to July 1,  
24                2013.

25        ➔Section 33. KRS 61.692 is amended to read as follows:

26        (1) For members who begin participating in the Kentucky Employees Retirement  
27                System prior to January 1, 2014, it is hereby declared that in consideration of the

1 contributions by the members and in further consideration of benefits received by  
 2 the state from the member's employment, KRS 61.510 to 61.705 shall ~~except as~~  
 3 ~~provided in KRS 6.696 effective September 16, 1993,~~ constitute an inviolable  
 4 contract of the Commonwealth, and the benefits provided therein shall ~~except as~~  
 5 ~~provided in KRS 6.696,~~ not be subject to reduction or impairment by alteration,  
 6 amendment, or repeal, **except:**

7 **(a) As provided in KRS 6.696; and**

8 **(b) The General Assembly reserves the right to amend, reduce, or suspend any**  
 9 **legislative changes to the provisions of KRS 61.510 to 61.705 that become**  
 10 **effective on or after July 1, 2018.**

11 (2) (a) For members who begin participating in the Kentucky Employees Retirement  
 12 System on or after January 1, 2014, the General Assembly reserves the right to  
 13 amend, suspend, or reduce the benefits and rights provided under KRS 61.510  
 14 to 61.705 if, in its judgment, the welfare of the Commonwealth so demands,  
 15 except that the amount of benefits the member has accrued at the time of  
 16 amendment, suspension, or reduction shall not be affected.

17 (b) For purposes of this subsection, the amount of benefits the member has  
 18 accrued at the time of amendment, suspension, or reduction shall be limited to  
 19 the accumulated account balance the member has accrued at the time of  
 20 amendment, suspension, or reduction.

21 (c) The provisions of this subsection shall not be construed to limit the General  
 22 Assembly's authority to change any other benefit or right specified by KRS  
 23 61.510 to 61.705, except the benefits specified by paragraph (b) of this  
 24 subsection, for members who begin participating in the Kentucky Employees  
 25 Retirement System on or after January 1, 2014.

26 (3) The provisions of this section shall not be construed to limit the General Assembly's  
 27 authority to amend, reduce, or suspend the benefits and rights of members of the

1 Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that  
2 the General Assembly had the authority to amend, reduce, or suspend, prior to July  
3 1, 2013.

4 ➔Section 34. KRS 78.852 is amended to read as follows:

5 (1) For members who begin participating in the County Employees Retirement System  
6 prior to January 1, 2014, it is hereby declared that in consideration of the  
7 contributions by the members and in further consideration of benefits received by  
8 the county from the member's employment, KRS 78.510 to 78.852 shall~~[-, except as~~  
9 ~~provided in KRS 6.696 effective September 16, 1993,]~~ constitute an inviolable  
10 contract of the Commonwealth, and the benefits provided therein shall~~[-, except as~~  
11 ~~provided in KRS 6.696,]~~ not be subject to reduction or impairment by alteration,  
12 amendment, or repeal, except:

13 (a) As provided in KRS 6.696; and

14 (b) The General Assembly reserves the right to amend, reduce, or suspend any  
15 legislative changes to the provisions of KRS 78.510 to 78.852 that become  
16 effective on or after July 1, 2018.

17 (2) (a) For members who begin participating in the County Employees Retirement  
18 System on or after January 1, 2014, the General Assembly reserves the right to  
19 amend, suspend, or reduce the benefits and rights provided under KRS 78.510  
20 to 78.852 if, in its judgment, the welfare of the Commonwealth so demands,  
21 except that the amount of benefits the member has accrued at the time of  
22 amendment, suspension, or reduction shall not be affected.

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

27 (c) The provisions of this subsection shall not be construed to limit the General



1 Assembly's authority to change any other benefit or right specified by KRS  
2 78.510 to 78.852, except the benefits specified by paragraph (b) of this  
3 subsection, for members who begin participating in the County Employees  
4 Retirement System on or after January 1, 2014.

5 (3) The provisions of this section shall not be construed to limit the General Assembly's  
6 authority to amend, reduce, or suspend the benefits and rights of members of the  
7 County Employees Retirement System as provided by KRS 78.510 to 78.852 that  
8 the General Assembly had the authority to amend, reduce, or suspend, prior to July  
9 1, 2013.

10 ➔Section 35. KRS 61.605 is amended to read as follows:

11 (1) Upon disability retirement, *except as provided by subsection (2) of this section*, an  
12 employee may receive an annual retirement allowance payable monthly during his  
13 lifetime which shall be determined in the same manner as for retirement at his  
14 normal retirement date with years of service and final compensation being  
15 determined as of the date of his disability except that service credit shall be added to  
16 the person's total service beginning with his last date of paid employment and  
17 continuing to his sixty-fifth birthday; however, the maximum service credit added  
18 shall not exceed the total service the person had upon his last day of paid  
19 employment, and the maximum combined service credit for calculating his  
20 disability retirement allowance, including total service and added service shall not  
21 exceed twenty-five (25) years. If, however, a person has accumulated twenty-five  
22 (25) or more years of total service, he shall receive added service necessary to bring  
23 his combined service credit, including total and added service, to twenty-seven (27)  
24 years.

25 (2) (a) For a member whose participation begins on or after August 1, 2004, but prior  
26 to January 1, 2014, the disability retirement allowance shall be the higher of  
27 twenty percent (20%) of the member's monthly final rate of pay or the

1 retirement allowance determined in the same manner as for retirement at his  
 2 normal retirement date with years of service and final compensation being  
 3 determined as of the date of his disability.

4 (b) For a member who begins participating on or after January 1, 2014, in the  
 5 hybrid cash balance plan as provided by KRS 61.597 or who elects to  
 6 participate in the 401(a) money purchase plan as provided by Section 7, 12,  
 7 or 38 of this Act, the disability retirement allowance shall be the higher of  
 8 twenty percent (20%) of the member's monthly final rate of pay or the  
 9 retirement allowance determined in the same manner as for retirement at his  
 10 or her normal retirement date under KRS 61.597 or Section 12 of this Act, as  
 11 applicable.

12 ➔Section 36. KRS 61.640 is amended to read as follows:

13 (1) If a member dies prior to the first day of the month in which the member would  
 14 have received his or her first retirement allowance, the member's beneficiary shall  
 15 be eligible for the benefits provided by this section if the member had on file a  
 16 written designation of a beneficiary with the retirement office as provided by KRS  
 17 61.542 and the member met the following conditions at the date of his or her death:

18 (a) The member was eligible to retire under KRS 61.559(2) or (3), ~~or~~  
 19 61.597(6)(a) or (b), or subsection (5)(a) or (b) of Section 12 of this Act;

20 (b) The member was in active employment or on authorized leave of absence with  
 21 five (5) or more years of service credit and died prior to his or her normal  
 22 retirement date or was normal retirement age or older and had at least four (4)  
 23 years of service credit; or

24 (c) The member was not in active employment or on authorized leave of absence  
 25 with twelve (12) or more years of service credit and died prior to his or her  
 26 normal retirement date.

27 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is

1 a single person, then the beneficiary may elect to receive:

- 2 (a) A monthly benefit payable for the life of the beneficiary that is equal to the  
3 benefit that would have been paid had the member retired immediately prior  
4 to his or her date of death and elected to receive benefits payable under the  
5 survivorship one hundred percent (100%) option as provided in KRS  
6 61.635(2);
- 7 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary  
8 Social Security adjustment option as provided in KRS 61.635(9) that is the  
9 actuarial equivalent to the amount computed under paragraph (a) of this  
10 subsection;
- 11 (c) A monthly benefit payable for a period of sixty (60) months that is the  
12 actuarial equivalent to the amount computed under paragraph (a) of this  
13 subsection;
- 14 (d) A monthly benefit payable for a period of one hundred twenty (120) months  
15 that is the actuarial equivalent to the amount computed under paragraph (a) of  
16 this subsection;
- 17 (e) If the member began participating in the system prior to January 1, 2014, a  
18 monthly benefit payable for a period of one hundred twenty (120) months that  
19 is equivalent to the benefit the member would have been entitled to receive  
20 based on his or her years of service and final compensation at the date of his  
21 or her death reduced by the survivorship fifty percent (50%) factor as provided  
22 for in KRS 61.635(4), then reduced by fifty percent (50%), and that is the  
23 actuarial equivalent to the amount computed under paragraph (a) of this  
24 subsection; or
- 25 (f) The higher of a refund of the member's accumulated account balance as  
26 described in KRS 61.625(1) or one (1) time lump-sum payment which shall be  
27 the actuarial equivalent of the amount payable under paragraph (a) of this

1 subsection for a period of sixty (60) months.

2 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section  
3 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or  
4 the trustee may elect to receive the actuarial equivalent amounts payable under  
5 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the  
6 beneficiary's age is the same as the member's age.

7 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is  
8 the member's estate, then the beneficiary shall receive the higher of a refund of the  
9 member's accumulated account balance as described in KRS 61.625(1) or the one  
10 (1) time lump-sum payment payable under subsection (2)(f) of this section, using  
11 the assumption that the beneficiary's age is the same as the member's age.

12 (5) Payments of taxable distributions made pursuant to this section shall be subject to  
13 state and federal income tax as appropriate.

14 ➔Section 37. KRS 61.559 is amended to read as follows:

15 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 and 78.510 to 78.852,  
16 a member who begins participating before September 1, 2008, who has attained the  
17 age of sixty-five (65) and who has obtained at least one (1) month of service credit  
18 but no more than forty-seven (47) months of service may elect to receive an annual  
19 retirement allowance payable monthly or less frequently, as determined by the  
20 board, which shall be determined by multiplying his accumulated contributions by  
21 two (2) and converting this amount to an annual retirement allowance based on an  
22 annuity rate adopted by the board which would pay the actuarial equivalent of twice  
23 his accumulated contributions over the lifetime of the retired member.

24 (2) A member who begins participating before September 1, 2008, who is sixty-five  
25 (65) years of age or older is eligible for a retirement allowance determined under  
26 KRS 61.595 provided such member has forty-eight (48) months of service, at least  
27 twelve (12) of which are current service, or a retirement allowance determined

1 under KRS 61.595 prior to age sixty-five (65) provided:

2 (a) The member has attained age fifty-five (55) and has service of sixty (60)  
3 months at least twelve (12) of which are current service; or

4 (b) The member is a retired member of the State Police Retirement System, has  
5 attained age fifty-five (55), and has service of forty-eight (48) months at least  
6 twelve (12) of which are current service; or

7 (c) The member is less than age fifty-five (55) and has twenty-five (25) or more  
8 years of service, at least fifteen (15) of which are current service; or

9 (d) The member has thirty (30) or more years of service at least fifteen (15) of  
10 which are current service, or the member of the Kentucky Employees  
11 Retirement System or the County Employees Retirement System has twenty-  
12 seven (27) or more years of service, at least fifteen (15) of which are current  
13 service; or

14 (e) The member of the Kentucky Employees Retirement System has, at least,  
15 twenty-six (26) years of service credit, at least sixteen (16) of which are  
16 current consecutive years of service as a cabinet secretary or administrative  
17 head of one (1) of the three (3) branches of government; or

18 (f) The member has attained age fifty-five (55) and was an employee of a parted  
19 employer at the time his employer became ineligible to continue participation  
20 in the system, and his service in the system when added to his service with the  
21 parted employer subsequent to his separation from state government equals  
22 the early retirement service eligibility requirement of the system on the date  
23 his employer became ineligible to continue participation in the system.

24 (3) A member who begins participating on or after September 1, 2008, but prior to  
25 January 1, 2014, is eligible for a retirement allowance determined under KRS  
26 61.595 if:

27 (a) The member is sixty-five (65) years of age or older and has at least five (5)

1 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or  
2 another state-administered retirement system;

3 (b) The member is fifty-seven (57) years of age or older and has an age and years  
4 of service total of at least eighty-seven (87) years. The years of service used to  
5 determine eligibility for a retirement allowance under this paragraph shall only  
6 include years of service credited under KRS 16.543(1), 61.543(1), or  
7 78.615(1) or another state-administered retirement system; or

8 (c) The member is sixty (60) years of age or older and has at least ten (10) years  
9 of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another  
10 state-administered retirement system.

11 (4) Subsections (1) to (3) of this section shall not apply to members who begin  
12 participating in the system on or after January 1, 2014. Members who begin  
13 participating in the system on or after January 1, 2014, shall receive the retirement  
14 benefits prescribed by KRS 61.597 **or the 401(a) money purchase plan prescribed**  
15 **by Section 12 of this Act, as applicable.**

16 ➔Section 38. KRS 61.5955 is amended to read as follows:

17 Notwithstanding KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852:

18 (1) Subject to the provisions of this section, any **participating** member who began  
19 participating **in a nonhazardous position** in the Kentucky Employees Retirement  
20 System ~~or~~ the County Employees Retirement System~~, or the State Police~~  
21 ~~Retirement System~~ prior to **January 1, 2019**~~January 1, 2014~~, may ~~in lieu of the~~  
22 ~~benefits he or she is currently eligible to receive from the systems,~~ elect to **be**  
23 **provided the following benefits:**

24 **(a) Participation in the 401(a) money purchase plan provided by Section 12 of**  
25 **this Act in lieu of accruing any additional benefits provided by subsection**  
26 **(14) of Section 14 of this Act, subsection (14) of Section 15 of this Act, or**  
27 **Section 19 or 27 of this Act**~~receive the benefits and rights provided to~~

1 members who began participating in the systems on or after January 1, 2014,  
 2 including participating in the hybrid cash balance plan created pursuant to  
 3 KRS 61.597 for members in nonhazardous duty positions or pursuant to KRS  
 4 16.583 for members in hazardous duty positions, as applicable]; and

5 (b) Any other benefits the person would be eligible for in the Kentucky  
 6 Employees Retirement System or County Employees Retirement System  
 7 based upon the election provided by this section or his or her membership  
 8 date in the state-administered retirement systems.

9 (2) The election provided by this section shall be made in writing and on a form  
 10 prescribed by the Kentucky Retirement Systems board;

11 (3) For each member who makes an election provided by this section, ~~[-~~

12 ~~(a) ]~~any service credit, final compensation, or other benefits the member has  
 13 accrued prior to the effective election date~~[January 1, 2014]~~, shall remain but  
 14 the member shall not accrue any additional service, final compensation, or  
 15 any other benefits in a nonhazardous position in the Kentucky Employees  
 16 Retirement System or County Employees Retirement System on or after the  
 17 effective election date for purposes of determining benefits under subsection  
 18 (14) of Section 14 of this Act, subsection (14) of Section 15 of this Act, or  
 19 Section 19 or 27 of this Act~~[-~~ shall be considered as service credit earned on or

20 after January 1, 2014, for purposes of determining benefits under KRS 16.505  
 21 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;

22 ~~(b) On the member's effective election date, the value of the member's~~  
 23 ~~accumulated contributions, less any interest, shall be deposited into the~~  
 24 ~~member's hybrid cash balance account as provided by KRS 16.583[- or]~~  
 25 ~~61.597, as applicable, and considered part of the member's accumulated~~  
 26 ~~account balance;~~

27 ~~(c) On the member's effective election date, an employer pay credit as provided~~

1 by ~~KRS 16.583 or 61.597~~, as applicable, shall be added to the member's  
2 accumulated account balance for each month the member contributed to the  
3 Kentucky Employees Retirement System, the County Employees Retirement  
4 System, or the State Police Retirement System prior to his or her effective  
5 election date; and

6 ~~(d) Interest credits as provided by KRS 16.583 or 61.597, as applicable, shall only~~  
7 ~~be applied for periods occurring on or after the member's effective election~~  
8 ~~date];~~

9 (4) Before accepting an election provided by this section, the Kentucky Retirement  
10 Systems board shall provide the member with information detailing the potential  
11 results of the member's election;

12 (5) An election made pursuant to this section shall be irrevocable;

13 (6) (a) A member of the Kentucky Employees Retirement System ~~or~~ the County  
14 Employees Retirement System~~, or the State Police Retirement System~~ shall  
15 not be eligible to make an election prescribed by this section until the  
16 Kentucky Retirement Systems receive a favorable private letter ruling from  
17 the Internal Revenue Service regarding this section.

18 (b) If the Internal Revenue Service denies the request for a private letter ruling as  
19 provided by paragraph (a) of this subsection, this section shall be void.

20 (c) The Kentucky Retirement Systems may promulgate administrative regulations  
21 under KRS Chapter 13A in order to carry out this section; and

22 (7) This section shall not apply to retirees who were reemployed on or after September  
23 1, 2008, and who are not eligible to participate in the systems during reemployment.

24 ➔Section 39. KRS 61.655 is amended to read as follows:

25 (1) No trustee or employee of the Kentucky Retirement Systems board shall:

26 ~~(a)(1)~~ Have any interest, direct or indirect, in the gains or profits of any  
27 investment or ***any other legal, business, or financial*** transaction made by the



1 board, save insofar as any such trustee or employee may be a member,  
2 employee, or beneficiary of the retirement system;

3 ~~(b)~~~~(2)~~ Directly or indirectly, for himself or as an agent, use the assets of the  
4 retirement system, except to make current and necessary payments authorized  
5 by the board;

6 ~~(c)~~~~(3)~~ Become an indorser or surety or in any manner an obligor for moneys  
7 loaned by or borrowed from the board;

8 ~~(d)~~~~(4)~~ Have a contract or agreement with the retirement system, individually or  
9 through a business owned by the trustee or the employee;

10 ~~(e)~~~~(5)~~ Use his or her official position with the retirement system to obtain a  
11 financial gain or benefit or advantage for himself or herself or a family  
12 member;

13 ~~(f)~~~~(6)~~ Use confidential information acquired during his or her tenure with the  
14 retirement system to further his or her own economic interests or that of  
15 another person; or

16 ~~(g)~~~~(7)~~ Hold outside employment with, or accept compensation from, any  
17 person or business with which he or she has involvement as part of his or her  
18 official position with the retirement system. The provisions of this subsection  
19 shall not prohibit a trustee from serving as an employee of an agency  
20 participating in one (1) of the systems administered by Kentucky Retirement  
21 Systems.

22 **(2) No trustee or employee of the board of trustees, who has served as a trustee or**  
23 **employee of the board on or after July 1, 2017, shall have any interest, direct or**  
24 **indirect, in the gains or profits of any investment or any other legal, business, or**  
25 **financial transaction made by the board of trustees for a period of five (5) years**  
26 **following termination of his or her position, except that any such trustee or**  
27 **employee may be a member, employee, or beneficiary of the systems administered**

1 by Kentucky Retirement Systems.

2 (3) (a) No person who is serving as a member of the General Assembly or is a  
 3 public servant as defined by subsection (9) of Section 83 of this Act shall  
 4 have any interest, direct or indirect, in the gains or profits of any investment  
 5 or any other legal, business, or financial transaction made by the board of  
 6 trustees, except that any such trustee or public servant may be a member,  
 7 employee, or beneficiary of the systems administered by Kentucky  
 8 Retirement Systems.

9 (b) No person who was serving as a member of the General Assembly on or  
 10 after July 1, 2017, or was serving as a public servant as defined by  
 11 subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have  
 12 any interest, direct or indirect, in the gains or profits of any investment or  
 13 any other legal, business, or financial transaction made by the board of  
 14 trustees for a period of five (5) years following termination of his or her  
 15 position, except that any such member or public servant may be a member,  
 16 employee, or beneficiary of the systems administered by Kentucky  
 17 Retirement Systems.

18 ➔Section 40. KRS 16.583 is amended to read as follows:

19 (1) A member of the State Police Retirement System, a member of the Kentucky  
 20 Employees Retirement System in a hazardous duty position covered by this section,  
 21 or a member of the County Employees Retirement System in a hazardous duty  
 22 position covered by this section, whose participation begins on or after January 1,  
 23 2014, ~~for a member making an election pursuant to KRS 61.5955,~~ shall receive the  
 24 retirement benefits provided by this section in lieu of the retirement benefits  
 25 provided under KRS 16.576 and 16.577. The retirement benefit provided by this  
 26 section shall be known as the hybrid cash balance plan and shall operate as another  
 27 benefit tier within the State Police Retirement System, the Kentucky Employees

- 1 Retirement System, and the County Employees Retirement System.
- 2 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
3 member's accumulated account balance, which shall include:
- 4 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,  
5 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions  
6 prescribed by KRS 61.702(2)(b);
- 7 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable  
8 compensation earned by the employee for each month the employee is  
9 contributing to the hybrid cash balance plan provided by this section; and
- 10 (c) Interest credits added annually to the member's accumulated account balance  
11 as provided by this section.
- 12 (3) (a) Member contributions and employer pay credits as provided by subsection  
13 (2)(a) and (b) of this section shall be credited to the member's account  
14 monthly as contributions are reported and posted to the system in accordance  
15 with KRS 61.675 and 78.625.
- 16 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
17 credited to the member's account annually on June 30 of each fiscal year, as  
18 determined by subsection (4) of this section.
- 19 (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
20 contributed to the hybrid cash balance plan during the fiscal year.
- 21 (b) If the member contributed to the hybrid cash balance plan during the fiscal  
22 year, the interest credit added to the member's account for that fiscal year shall  
23 be determined by multiplying the member's accumulated account balance on  
24 June 30 of the preceding fiscal year by a percentage increase equal to:
- 25 1. Four percent (4%); plus
- 26 2. Seventy-five percent (75%) of the system's geometric average net  
27 investment return in excess of a four percent (4%) rate of return.

- 1 (c) If the member did not contribute to the hybrid cash balance plan during the  
2 fiscal year, the interest credit added to the member's account for that fiscal  
3 year shall be determined by multiplying the member's accumulated account  
4 balance on June 30 of the preceding fiscal year by four percent (4%).
- 5 (d) For purposes of this subsection, "system's geometric average net investment  
6 return":
- 7 1. Means the annual average geometric investment return, net of  
8 administrative and investment fees and expenses, over the last five (5)  
9 fiscal years as of the date the interest is credited to the member's  
10 account; and
  - 11 2. Shall be expressed as a percentage and based upon the system in which  
12 the member has an account.
- 13 (e) No employer pay credits or interest credits shall be provided to a member who  
14 has taken a refund of contributions as provided by KRS 61.625 or who has  
15 retired and annuitized his or her accumulated account balance as prescribed by  
16 this section.
- 17 (5) (a) Upon termination of employment, a member who has less than five (5) years  
18 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who  
19 elects to take a refund of his or her accumulated account balance as provided  
20 by KRS 61.625, shall forfeit the accumulated employer credit, and shall only  
21 receive a refund of his or her accumulated contributions.
- 22 (b) Upon termination of employment, a member who has five (5) or more years of  
23 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to  
24 take a refund of his or her accumulated account balance as provided by KRS  
25 61.625, shall receive a full refund of his or her accumulated account balance.
- 26 (6) A member participating in the hybrid cash balance plan provided by this section  
27 may retire:

- 1 (a) At his or her normal retirement date, provided he or she has earned five (5) or  
2 more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1),  
3 or another state-administered retirement system; or
- 4 (b) At any age, provided he or she has earned twenty-five (25) or more years of  
5 service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another  
6 state-administered retirement system.
- 7 (7) A member eligible to retire under subsection (6) of this section may elect to:
- 8 (a) Receive a monthly retirement allowance payable for life by having his or her  
9 accumulated account balance annuitized by the retirement systems in  
10 accordance with the actuarial assumptions and actuarial methods adopted by  
11 the board and in effect on the member's retirement date;
- 12 (b) Receive the actuarial equivalent of his or her retirement allowance calculated  
13 under paragraph (a) of this subsection payable under one (1) of the options set  
14 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or
- 15 (c) Take a refund of his or her account balance as provided by KRS 61.625.
- 16 (8) The provisions of this section shall not apply to members who began participating  
17 in the Kentucky Employees Retirement System, the County Employees Retirement  
18 System, or the State Police Retirement System prior to January 1, 2014~~], except for~~  
19 ~~those members making an election pursuant to KRS 61.5955].~~

20 ➔Section 41. KRS 16.645 is amended to read as follows:

21 The following subjects shall be administered in the same manner subject to the same  
22 limitations and requirements as provided for the Kentucky Employees Retirement System  
23 as follows:

- 24 (1) Cessation of membership, as provided for by KRS 61.535;
- 25 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 26 (3) Actuarial bases, as provided for by KRS 61.670;
- 27 (4) Duties of the employer, as provided for by KRS 61.675;

- 1 (5) Exemption of benefits of the system for taxation and qualified domestic relations  
2 orders, as provided for by KRS 61.690;
- 3 (6) Retirement allowance increase, as provided for by KRS 61.691;
- 4 (7) Calculation of retirement allowance, as provided for by KRS 61.599;
- 5 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS  
6 61.542;
- 7 (9) Year of service credit, as provided for by KRS 61.545;
- 8 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
- 9 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
- 10 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- 11 (13) Member's account, confidential, as provided for by KRS 61.661;
- 12 (14) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 13 (15) Correction of errors in records, as provided for by KRS 61.685;
- 14 (16) Maximum disability benefit, as provided for by KRS 61.607;
- 15 (17) Retirement application procedure, effective retirement date, as provided for by KRS  
16 61.590;
- 17 (18) Employer contributions, as provided for by KRS 61.565;
- 18 (19) Reinstatement of lost service credit, purchase of service credit, interest paid, and  
19 delayed contribution and installment payments, as provided for by KRS 61.552;
- 20 (20) Reciprocal arrangement between systems, as provided by KRS 61.680;
- 21 (21) Refund of contributions, conditions, as provided by KRS 61.625;
- 22 (22) Hospital and medical insurance plan, as provided by KRS 61.702;
- 23 (23) Death benefit, as provided by KRS 61.705;
- 24 (24) Disability retirement allowance, reduction, and discontinuance, as provided by KRS  
25 61.615;
- 26 (25) Service credit, Armed Forces, as provided by KRS 61.555;
- 27 (26) Reinstated employee, contributions on creditable compensation, as provided for by

- 1 KRS 61.569;
- 2 (27) Statement to be made under oath, good faith reliance, as provided for in KRS  
3 61.699;
- 4 (28) Retirement of persons in hazardous positions, as provided for by KRS 61.592;
- 5 (29) Direct deposit of recipient's retirement allowance as provided in KRS 61.623;
- 6 (30) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 7 (31) Payment of small amounts upon death of member, retiree, or recipient without  
8 formal administration of the estate as provided in KRS 61.703;
- 9 (32) Suspension of retirement payments on reemployment, reinstatement, recomputation  
10 of allowance, waiver of provisions in certain instances, reemployment in a different  
11 position, as provided for by KRS 61.637;
- 12 (33) Medical examination and financial review after disability retirement, staff review,  
13 as provided in KRS 61.610; and
- 14 (34) Employer payment of increases in creditable compensation and adjustments to  
15 creditable compensation during the last five (5) years of employment as provided by  
16 KRS 61.598; ~~and~~
- 17 ~~(35) Benefit election for members of the Kentucky Retirement Systems who began~~  
18 ~~participating prior to January 1, 2014, as provided by KRS 61.5955].~~

19 ➔Section 42. KRS 78.545 is amended to read as follows:

20 The following matters shall be administered in the same manner subject to the same  
21 limitations and requirements as provided for the Kentucky Employees Retirement System  
22 as follows:

- 23 (1) Cessation of membership, conditions, as provided for by KRS 61.535;
- 24 (2) Statement of member and employer, as provided for by KRS 61.540;
- 25 (3) Beneficiary to be designated by member, change, rights, as provided for by KRS  
26 61.542;
- 27 (4) Service credit determination, as provided for by KRS 61.545;

- 1 (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 2 (6) Service credit, Armed Forces, as provided for by KRS 61.555;
- 3 (7) Normal and early retirement eligibility requirements, as provided for by KRS
- 4 61.559;
- 5 (8) Retirement allowance increases as provided for by KRS 61.691;
- 6 (9) Retirement application procedure, effective retirement date, as provided for by KRS
- 7 61.590;
- 8 (10) Disability retirement, conditions, as provided for by KRS 61.600;
- 9 (11) Disability retirement, allowance, as provided for by KRS 61.605;
- 10 (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- 11 (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- 12 (14) Determination of retirement allowance, as provided for by KRS 61.595;
- 13 (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- 14 (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;
- 15 (17) Optional retirement plans, as provided for by KRS 61.635;
- 16 (18) Suspension of retirement payments on reemployment, reinstatement, as provided for
- 17 by KRS 61.637;
- 18 (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;
- 19 (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 20 (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 21 (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 22 (23) Actuarial bases, as provided for by KRS 61.670;
- 23 (24) Employer's administrative duties, as provided for by KRS 61.675;
- 24 (25) Correction of errors in records, as provided for by KRS 61.685;
- 25 (26) Exemptions of retirement allowances, and qualified domestic relations orders, as
- 26 provided for by KRS 61.690;
- 27 (27) Credit for service prior to membership date, as provided for by KRS 61.526;



- 1 (28) Creditable compensation of fee officers, as provided for by KRS 61.541;
- 2 (29) Members' account, confidential, as provided for by KRS 61.661;
- 3 (30) Retirement plan for employees determined to be in a hazardous position, as  
4 provided for by KRS 61.592;
- 5 (31) Maximum disability benefit, as provided for by KRS 61.607;
- 6 (32) Consent of employees to deductions and reciprocal arrangement between systems,  
7 as provided for by KRS 61.680;
- 8 (33) Employer contributions, as provided for by KRS 61.565;
- 9 (34) Recontribution and delayed contribution payments, purchase of service credit,  
10 interest, and installment payments, as provided for by KRS 61.552;
- 11 (35) Hospital and medical insurance plan, as provided by KRS 61.702;
- 12 (36) Death benefit, as provided by KRS 61.705;
- 13 (37) Reinstated employee, contributions on creditable compensation, as provided for by  
14 KRS 61.569;
- 15 (38) Statement to be made under oath, good faith reliance, as provided for in KRS  
16 61.699;
- 17 (39) Disability procedure for members in hazardous positions as provided for in KRS  
18 16.582;
- 19 (40) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
- 20 (41) Death or disability from a duty-related injury as provided in KRS 61.621;
- 21 (42) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 22 (43) Payment of small accounts upon death of member, retiree, or recipient without  
23 formal administration of the estate as provided in KRS 61.703;
- 24 (44) Hybrid cash balance plan and 401(a) money purchase plan provided to new  
25 members as provided by KRS 61.597 and Section 12 of this Act;
- 26 (45) Employer payment of increases in creditable compensation and adjustments to  
27 creditable compensation during the last five (5) years of employment as provided by

1 KRS 61.598;

2 (46) Calculation of retirement allowance, as provided by KRS 61.599;

3 (47) Voluntary and involuntary cessation of participation by a participating agency as  
4 provided by KRS 61.522; and

5 (48) Benefit election for members of the Kentucky Retirement Systems who began  
6 participating prior to January 1, 2019~~[January 1, 2014]~~, as provided by KRS  
7 61.5955.

8 ➔SECTION 43. A NEW SECTION OF KRS 161.220 TO 161.716 IS CREATED  
9 TO READ AS FOLLOWS:

10 **(1) An individual who becomes a member of the Teachers' Retirement System on or**  
11 **after January 1, 2019, shall receive the retirement benefits provided by this**  
12 **section in lieu of the retirement benefits provided under Sections 69 and 73 of**  
13 **this Act. The retirement benefits provided by this section shall be known as the**  
14 **hybrid cash balance plan and shall operate as another benefit tier within the**  
15 **Teachers' Retirement System.**

16 **(2) The hybrid cash balance plan shall provide a retirement benefit based upon the**  
17 **member's accumulated account balance, which shall include:**

18 **(a) Contributions made by the member as provided by KRS 161.220 to 161.716,**  
19 **except for employee contributions prescribed by subsection (1)(a)2., (1)(b)2.,**  
20 **or (1)(c) of Section 57 of this Act;**

21 **(b) An employer pay credit for:**

22 **1. Nonuniversity employees equal to eight percent (8%) of the**  
23 **compensation earned by the employee for each month the employee is**  
24 **contributing to the hybrid cash balance plan provided by this section;**  
25 **and**

26 **2. University employees equal to four percent (4%) of the compensation**  
27 **earned by the employee for each month the employee is contributing**

- 1 to the hybrid cash balance plan provided by this section; and
- 2 (c) Regular interest added annually to the member's accumulated account
- 3 balance as provided by this section.
- 4 (3) (a) Member contributions and employer pay credits as provided by subsection
- 5 (2)(a) and (b) of this section shall be credited to the member's account
- 6 monthly as contributions are reported and posted to the system in
- 7 accordance with KRS 161.560.
- 8 (b) Regular interest, as provided by subsection (2)(c) of this section, shall be
- 9 credited to the member's account annually on June 30 of each fiscal year,
- 10 as determined by subsection (4) of this section.
- 11 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
- 12 contributed to the hybrid cash balance plan or another state-administered
- 13 retirement system during the fiscal year.
- 14 (b) If the member contributed to the hybrid cash balance plan or another state-
- 15 administered retirement system during the fiscal year, the regular interest
- 16 added to the member's account for that fiscal year shall be determined by
- 17 multiplying the member's accumulated account balance on June 30 of the
- 18 preceding fiscal year by a percentage increase equal to eighty-five percent
- 19 (85%) of the system's geometric average net investment return, but in no
- 20 case shall be less than zero percent (0%).
- 21 (c) If the member did not contribute to the hybrid cash balance plan or another
- 22 state-administered retirement system during the fiscal year, the regular
- 23 interest added to the member's account for that fiscal year shall be zero
- 24 percent (0%).
- 25 (d) For purposes of this subsection, "system's geometric average net investment
- 26 return":
- 27 1. Means the annual average geometric investment return, net of

1                   administrative and investment fees and expenses, over the last ten (10)  
2                   fiscal years as of the date the regular interest is credited to the  
3                   member's account; and

4                   2. Shall be expressed as a percentage.

5                   (e) No employer pay credits or regular interest shall be provided to a member  
6                   who has taken a refund of his or her accumulated account balance as  
7                   provided by Section 49 of this Act or who has retired and annuitized his or  
8                   her accumulated account balance as prescribed by this section.

9                   (5) (a) Upon termination of employment, a member who has less than five (5)  
10                   years of service credited under Section 51 of this Act, who elects to take a  
11                   refund of his or her accumulated account balance as provided by Section 49  
12                   of this Act, shall forfeit the accumulated employer credit, and shall only  
13                   receive a refund of his or her accumulated contributions.

14                   (b) Upon termination of employment, a member who has five (5) or more years  
15                   of service credited under Section 51 of this Act, who elects to take a refund  
16                   of his or her accumulated account balance as provided by Section 49 of this  
17                   Act, shall receive a full refund of his or her accumulated account balance.

18                   (6) A member participating in the hybrid cash balance plan provided by this section  
19                   may qualify for service retirement by meeting one (1) of the following  
20                   requirements:

21                   (a) On or after age sixty-five (65), if he or she has earned five (5) or more years  
22                   of service credited under Section 51 of this Act, or another state-  
23                   administered retirement system; or

24                   (b) If the member is at least age fifty-seven (57) and has an age and years of  
25                   service total of at least eighty-seven (87) years. The years of service used to  
26                   determine eligibility for retirement under this paragraph shall only include  
27                   years of service credited under Section 51 of this Act, or another state-

1 administered retirement system.

2 (7) A member eligible to retire under subsection (6) of this section may elect to:

3 (a) Receive a monthly retirement allowance payable for life by having his or  
4 her accumulated account balance annuitized by the retirement system in  
5 accordance with the actuarial assumptions and actuarial methods adopted  
6 by the board and in effect on the member's retirement date;

7 (b) Receive the actuarial equivalent of his or her retirement allowance  
8 calculated under paragraph (a) of this subsection payable under one (1) of  
9 the options established by the board pursuant to Section 75 of this Act; or

10 (c) Take a refund of his or her account balance as provided by Section 49 of  
11 this Act.

12 (8) This section does not apply to members who began participating in the Teachers'  
13 Retirement System prior to January 1, 2019, except for those members who make  
14 an election as prescribed by subsection (9) of this section.

15 (9) (a) Subject to the provisions of this subsection, any contributing member who  
16 began participating in the Teachers' Retirement System prior to January 1,  
17 2019, who has less than five (5) years of service in the system may, in lieu of  
18 the benefits he or she is currently eligible to receive from the Teachers'  
19 Retirement System, elect to participate in the hybrid cash balance plan  
20 provided by this section and receive the other benefits and rights under KRS  
21 161.220 to 161.716 provided to members who began participating in the  
22 system on or after January 1, 2019. After such election, the member shall  
23 for purposes of KRS 161.220 to 161.716 be considered a member who began  
24 participating on or after January 1, 2019.

25 (b) The election provided by this subsection shall be made in writing and on a  
26 form prescribed by the Teachers' Retirement System board.

27 (c) For each member who makes an election provided by this subsection:

- 1           1. Any service credit the member has accrued prior to January 1, 2019,  
 2           shall be considered as service credit earned on or after January 1,  
 3           2019; and
- 4           2. On the member's effective election date, the value of the member's  
 5           accumulated contributions shall be deposited into the member's  
 6           hybrid cash balance plan account.
- 7           (d) Before accepting an election provided by this subsection, the Teachers'  
 8           Retirement System board shall provide the member with information  
 9           detailing the potential results of the member's election.
- 10          (e) An election made pursuant to this subsection shall be irrevocable.
- 11          (f) 1. A member of the Teachers' Retirement System shall not be eligible to  
 12          make an election prescribed by this subsection until the board receives  
 13          a favorable private letter ruling from the Internal Revenue Service  
 14          regarding this subsection.
- 15          2. If the Internal Revenue Service denies the request for a private letter  
 16          ruling as provided by subparagraph 1. of this paragraph, this  
 17          subsection shall be void.
- 18          3. The system may promulgate administrative regulations under KRS  
 19          Chapter 13A in order to carry out this subsection.
- 20          (g) This subsection does not apply to annuitants who retired on or after  
 21          January 1, 2019, and who were reemployed on or after January 1, 2019,  
 22          and who are not eligible to participate in the system during reemployment.

23          ➔Section 44. KRS 161.155 is amended to read as follows:

- 24          (1) As used in this section:
- 25                  (a) "Teacher" shall mean any person for whom certification is required as a basis  
 26                  of employment in the common schools of the state;
- 27                  (b) "Employee" shall mean any person, other than a teacher, employed in the

1 public schools, whether on a full or part-time basis;

2 (c) "Immediate family" shall mean the teacher's or employee's spouse, children  
3 including stepchildren and foster children, grandchildren, daughters-in-law  
4 and sons-in law, brothers and sisters, parents and spouse's parents, and  
5 grandparents and spouse's grandparents, without reference to the location or  
6 residence of said relative, and any other blood relative who resides in the  
7 teacher's or employee's home;

8 (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by  
9 teachers or employees for use by teachers or employees who have exhausted  
10 all sick leave and other available paid leave days; and

11 (e) "Assault" shall mean an act that intentionally causes injury so significant that  
12 the victim is determined to be, by certification of a physician or surgeon duly  
13 qualified under KRS Chapter 342, incapable of performing the duties of his or  
14 her job.

15 (2) Each district board of education shall allow to each teacher and full-time employee  
16 in its common school system not less than ten (10) days of sick leave during each  
17 school year, without deduction of salary. Sick leave shall be granted to a teacher or  
18 employee if he or she presents a personal affidavit or a certificate of a physician  
19 stating that the teacher or employee was ill, that the teacher or employee was absent  
20 for the purpose of attending to a member of his or her immediate family who was  
21 ill, or for the purpose of mourning a member of his or her immediate family. The  
22 ten (10) days of sick leave granted in this subsection may be taken by a teacher or  
23 employee on any ten (10) days of the school year and shall be granted in addition to  
24 accumulated sick leave days that have been credited to the teacher or employee  
25 under the provisions of subsection (4) of this section.

26 (3) A school district shall coordinate among the income and benefits from workers'  
27 compensation, temporary disability retirement, and district payroll and benefits so

1 that there is no loss of income or benefits to a teacher or employee for work time  
2 lost because of an assault while performing the teacher's or employee's assigned  
3 duties for a period of up to one (1) year after the assault. In the event a teacher or  
4 employee suffers an assault while performing his or her assigned duties that results  
5 in injuries that qualify the teacher or employee for workers' compensation benefits,  
6 the district shall provide leave to the teacher or employee for up to one (1) year after  
7 the assault with no loss of income or benefits under the following conditions:

8 (a) The district shall pay the salary of the teacher or employee between the time  
9 of the assault and the time the teacher's or employee's workers' compensation  
10 income benefits take effect, or the time the teacher or employee is certified to  
11 return to work by a physician or surgeon duly qualified under KRS Chapter  
12 342, whichever is sooner;

13 (b) The district shall pay, for up to one (1) year from the time of the assault, the  
14 difference between the salary of the teacher or employee and any workers'  
15 compensation income benefits received by the teacher or employee resulting  
16 from the assault. Payments by the district shall include payments for  
17 intermittent work time missed as a result of the assault during the one (1) year  
18 period. If the teacher's or employee's workers' compensation income benefits  
19 cease during the one (1) year period after the assault, the district shall also  
20 cease to make payments under this paragraph;

21 (c) The Commonwealth, through the Kentucky Department of Education, shall  
22 make the employer's health insurance contribution during the period that the  
23 district makes payments under paragraphs (a) and (b) of this subsection;

24 (d) The Commonwealth, through the Kentucky Department of Education, shall  
25 make the employer's contribution to the retirement system in which the  
26 teacher or employee is a member during the period that the district makes  
27 payments under paragraphs (a) and (b) of this subsection; and



- 1 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this  
2 subsection shall be coordinated with workers' compensation benefits under  
3 KRS Chapter 342, disability retirement benefits for teachers under KRS  
4 161.661 to 161.663, and disability retirement benefits for employees under  
5 KRS 61.600 to 61.621 and 78.545 so that the teacher or employee receives  
6 income equivalent to his or her full contracted salary, but in no event shall the  
7 combined payments exceed one hundred percent (100%) of the teacher's or  
8 employee's full contracted salary.
- 9 (4) Days of sick leave not taken by an employee or a teacher during any school year  
10 shall accumulate without limitation and be credited to that employee or teacher.  
11 Accumulated sick leave may be taken in any school year. Any district board of  
12 education may, in its discretion, allow employees or teachers in its common school  
13 system sick leave in excess of the number of days prescribed in this section and may  
14 allow school district employees and teachers to use up to three (3) days' sick leave  
15 per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated  
16 sick leave days credited to an employee or a teacher shall remain so credited in the  
17 event he or she transfers his or her place of employment from one (1) school district  
18 to another within the state or to the Kentucky Department of Education or transfers  
19 from the Department of Education to a school district.
- 20 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to  
21 the opening day of the school year, an affidavit or a certificate of a physician is  
22 presented to the district board of education, stating that the teacher or employee is  
23 unable to commence his or her duties on the opening day of the school year, but will  
24 be able to assume his or her duties within a period of time that the board determines  
25 to be reasonable.
- 26 (6) Any school teacher or employee may repurchase previously used sick leave days  
27 with the concurrence of the local school board by paying to the district an amount

1 equal to the total of all costs associated with the used sick leave.

2 (7) A district board of education may adopt a plan for a sick leave bank. The plan may  
3 include limitations upon the number of days a teacher or employee may annually  
4 contribute to the bank and limitations upon the number of days a teacher or  
5 employee may annually draw from the bank. Only those teachers or employees who  
6 contribute to the bank may draw upon the bank. Days contributed will be deducted  
7 from the days available to the contributing teacher or employee. The sick leave bank  
8 shall be administered in accordance with a policy adopted by the board of  
9 education.

10 (8) (a) A district board of education shall establish a sick leave donation program to  
11 permit teachers or employees to voluntarily contribute sick leave to teachers  
12 or employees in the same school district who are in need of an extended  
13 absence from school. A teacher or employee who has accrued more than  
14 fifteen (15) days' sick leave may request the board of education to transfer a  
15 designated amount of sick leave to another teacher or employee who is  
16 authorized to receive the sick leave donated. A teacher or employee may not  
17 request an amount of sick leave be donated that reduces his or her sick leave  
18 balance to less than fifteen (15) days.

19 (b) A teacher or employee may receive donations of sick leave if:

20 1. a. The teacher or employee or a member of his or her immediate  
21 family suffers from a medically certified illness, injury,  
22 impairment, or physical or mental condition that has caused or is  
23 likely to cause the teacher or employee to be absent for at least ten  
24 (10) days; or

25 b. The teacher or employee suffers from a catastrophic loss to his or  
26 her personal or real property, due to either a natural disaster or fire,  
27 that either has caused or will likely cause the employee to be

- 1 absent for at least ten (10) consecutive working days;
- 2 2. The teacher's or employee's need for the absence and use of leave are  
3 certified by a licensed physician for leave requested under subparagraph  
4 1.a. of this subsection;
- 5 3. The teacher or employee has exhausted his or her accumulated sick  
6 leave, personal leave, and any other leave granted by the school district;  
7 and
- 8 4. The teacher or employee has complied with the school district's policies  
9 governing the use of sick leave.
- 10 (c) While a teacher or employee is on sick leave provided by this section, he or  
11 she shall be considered a school district employee, and his or her salary,  
12 wages, and other employee benefits shall not be affected.
- 13 (d) Any sick leave that remains unused, is not needed by a teacher or employee,  
14 and will not be needed in the future shall be returned to the teacher or  
15 employee donating the sick leave.
- 16 (e) The board of education shall adopt policies and procedures necessary to  
17 implement the sick leave donation program.
- 18 (9) A teacher or employee may use up to thirty (30) days of sick leave following the  
19 birth or adoption of a child or children. Additional days may be used when the need  
20 is verified by a physician's statement.
- 21 (10) (a) After July 1, 1982, a district board of education may compensate, at the time  
22 of retirement or upon the death of a member in active contributing status at the  
23 time of death who was eligible to retire by reason of service, an employee or a  
24 teacher, or the estate of an employee or teacher, for each unused sick leave  
25 day. The rate of compensation for each unused sick leave day shall be based  
26 on a percentage of the daily salary rate calculated from the employee's or  
27 teacher's last annual salary, not to exceed thirty percent (30%). Payment for

1 unused sick leave days, not to exceed the amount based upon the unused  
 2 sick leave days accrued as of July 31, 2018, shall be incorporated into the  
 3 annual compensation~~[annual salary]~~ of the final year of service for inclusion  
 4 in the calculation of the employee's or teacher's retirement allowance only at  
 5 the time of his or her initial retirement; provided that the member makes the  
 6 regular retirement contribution for members on the sick leave payment. The  
 7 accumulation of these days includes unused sick leave days held by the  
 8 employee or teacher at the time of implementation of the program.

9 (b) For a teacher or employee who begins employment with a local school district  
 10 on or after July 1, 2008, the maximum amount of unused sick leave days a  
 11 district board of education may recognize in calculating the payment of  
 12 compensation to the teacher or employee under this subsection shall not  
 13 exceed three hundred (300) days.

14 (11) Any statute to the contrary notwithstanding, employees and teachers who  
 15 transferred from the Department of Education to a school district, from a school  
 16 district to the Department of Education, or from one (1) school district to another  
 17 school district after July 15, 1981, shall receive credit for any unused sick leave to  
 18 which the employee or teacher was entitled on the date of transfer. This credit shall  
 19 be for the purposes set forth in subsection (10) of this section.

20 (12) The death benefit provided in subsection (10) of this section may be cited as the  
 21 Baughn Benefit.

22 ➔Section 45. KRS 161.220 is amended to read as follows:

23 As used in KRS 161.220 to 161.716 and 161.990:

24 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to  
 25 161.716 and 161.990 for payment of allowances to members;

26 (2) "Retirement allowance" means the amount annually payable during the course of his  
 27 natural life to a member who has been retired by reason of service;

- 1 (3) "Disability allowance" means the amount annually payable to a member retired by  
2 reason of disability;
- 3 (4) "Member" means the commissioner of education, deputy commissioners, associate  
4 commissioners, and all division directors in the State Department of Education,  
5 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any  
6 full-time teacher or professional occupying a position requiring certification or  
7 graduation from a four (4) year college or university, as a condition of employment,  
8 and who is employed by public boards, institutions, or agencies as follows:
- 9 (a) Local boards of education;
- 10 (b) Eastern Kentucky University, Kentucky State University, Morehead State  
11 University, Murray State University, Western Kentucky University, and any  
12 community colleges established under the control of these universities;
- 13 (c) State-operated secondary area vocational education or area technology centers,  
14 Kentucky School for the Blind, and Kentucky School for the Deaf;
- 15 (d) The Education Professional Standards Board, other public education agencies  
16 as created by the General Assembly, and those members of the administrative  
17 staff of the Teachers' Retirement System of the State of Kentucky whom the  
18 board of trustees may designate by administrative regulation;
- 19 (e) Regional cooperative organizations formed by local boards of education or  
20 other public educational institutions listed in this subsection, for the purpose  
21 of providing educational services to the participating organizations;
- 22 (f) All full-time members of the staffs of the Kentucky Association of School  
23 Administrators, Kentucky Education Association, Kentucky Vocational  
24 Association, Kentucky High School Athletic Association, Kentucky Academic  
25 Association, and the Kentucky School Boards Association who were members  
26 of the Kentucky Teachers' Retirement System or were qualified for a position  
27 covered by the system at the time of employment by the association in the

1 event that the board of directors of the respective association petitions to be  
2 included. The board of trustees of the Kentucky Teachers' Retirement System  
3 may designate by resolution whether part-time employees of the petitioning  
4 association are to be included, ***except as limited by Section 71 of this Act***. The  
5 state shall make no contributions on account of these employees, either full-  
6 time or part-time. The association shall make the employer's contributions,  
7 including any contribution that is specified under KRS 161.550. The  
8 provisions of this paragraph shall be applicable to persons in the employ of  
9 the associations on or subsequent to July 1, 1972;

10 (g) Employees of the Council on Postsecondary Education who were employees  
11 of the Department for Adult Education and Literacy and who were members  
12 of the Kentucky Teachers' Retirement System at the time the department was  
13 transferred to the council pursuant to Executive Order 2003-600;

14 (h) The Office of Career and Technical Education, except that the executive  
15 director shall not be a member;

16 (i) The Office of Vocational Rehabilitation;

17 (j) The Kentucky Educational Collaborative for State Agency Children;

18 (k) The Governor's Scholars Program;

19 (l) Any person who is retired for service from the retirement system and is  
20 reemployed by an employer identified in this subsection in a position that the  
21 board of trustees deems to be a member, ***except that any person who retires***  
22 ***on or after January 1, 2019, shall upon reemployment after retirement not***  
23 ***earn a second retirement account and shall be subject to the provisions of***  
24 ***subsection (18) of Section 28 of this Act***;

25 (m) Employees of the former Cabinet for Workforce Development who are  
26 transferred to the Kentucky Community and Technical College System and  
27 who occupy positions covered by the Kentucky Teachers' Retirement System

1 shall remain in the Teachers' Retirement System. New employees occupying  
2 these positions, as well as newly created positions qualifying for Teachers'  
3 Retirement System coverage that would have previously been included in the  
4 former Cabinet for Workforce Development, shall be members of the  
5 Teachers' Retirement System;

6 (n) Effective January 1, 1998, employees of state community colleges who are  
7 transferred to the Kentucky Community and Technical College System shall  
8 continue to participate in federal old age, survivors, disability, and hospital  
9 insurance, and a retirement plan other than the Kentucky Teachers' Retirement  
10 System offered by Kentucky Community and Technical College System. New  
11 employees occupying positions in the Kentucky Community and Technical  
12 College System as referenced in KRS 164.5807(5) that would not have  
13 previously been included in the former Cabinet for Workforce Development,  
14 shall participate in federal old age, survivors, disability, and hospital insurance  
15 and have a choice at the time of employment of participating in a retirement  
16 plan provided by the Kentucky Community and Technical College System,  
17 including participation in the Kentucky Teachers' Retirement System, on the  
18 same basis as faculty of the state universities as provided in KRS 161.540,  
19 ~~and~~ 161.620, ***and Section 43 of this Act***;

20 (o) Employees of the Office of General Counsel, the Office of Budget and  
21 Administrative Services, and the Office of Quality and Human Resources  
22 within the Office of the Secretary of the former Cabinet for Workforce  
23 Development and the commissioners of the former Department for Adult  
24 Education and Literacy and the former Department for Technical Education  
25 who were contributing to the Kentucky Teachers' Retirement System as of  
26 July 15, 2000;

27 (p) Employees of the Kentucky Department of Education only who are graduates

- 1 of a four (4) year college or university, notwithstanding a substitution clause  
2 within a job classification, and who are serving in a professional job  
3 classification as defined by the department; and
- 4 (q) The Governor's School for Entrepreneurs Program.
- 5 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,  
6 and became a member of the retirement system created by 1938 (1st Extra. Sess.)  
7 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year  
8 after that date, and any teacher who was a member of a local teacher retirement  
9 system in the public elementary or secondary schools of the state on or before July  
10 1, 1940, and continued to be a member of the system until he, with the membership  
11 of the local retirement system, became a member of the state Teachers' Retirement  
12 System or who becomes a member under the provisions of KRS 161.470(4);
- 13 (6) "New teacher" means any member not a present teacher;
- 14 (7) "Prior service" means the number of years during which the member was a teacher  
15 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior  
16 service shall be allowed or credited to any teacher;
- 17 (8) "Subsequent service" means the number of years during which the teacher is a  
18 member of the Teachers' Retirement System after July 1, 1941;
- 19 (9) "Final average salary" means the average of the five (5) highest ***years of annual***  
20 ***compensation***~~[annual salaries]~~ which the member has received for service in a  
21 covered position and on which the member has made contributions, or on which the  
22 public board, institution, or agency has picked-up member contributions pursuant to  
23 KRS 161.540(2), or the average of the five (5) years of ***annual***  
24 ***compensation***~~[highest salaries]~~ as defined in KRS 61.680(2)(a), which shall include  
25 picked-up member contributions. ~~[Additionally,]~~ The board of trustees may approve  
26 a final average salary based upon the average of the three (3) highest ***years of***  
27 ***annual compensation***~~[salaries]~~ for members ***with twenty (20) or more years of***



1 service as of July 31, 2018, who are at least fifty-five (55) years of age and have a  
2 minimum of twenty-seven (27) years of Kentucky service credit. Additionally, the  
3 board of trustees may approve a final average salary based upon the average of  
4 the three (3) highest years of annual compensation for members who have less  
5 than twenty (20) years of service as of July 31, 2018, who are at least sixty (60)  
6 years of age and have thirty-five (35) or more years of Kentucky service credit.

7 However, if any of the five (5) or three (3) highest years of annual compensation  
8 ~~annual salaries~~ used to calculate the final average salary was paid within the three  
9 (3) years immediately prior to the date of the member's retirement, the amount of  
10 annual compensation ~~salary~~ to be included for each of those three (3) years for the  
11 purpose of calculating the final average salary shall be limited to the lesser of:

- 12 (a) The member's actual salary; or  
13 (b) The member's annual salary that was used for retirement purposes during each  
14 of the prior three (3) years, plus a percentage increase equal to the percentage  
15 increase received by all other members employed by the public board,  
16 institution, or agency, or for members of school districts, the highest  
17 percentage increase received by members on any one (1) rank and step of the  
18 salary schedule of the school district. The increase shall be computed on the  
19 salary that was used for retirement purposes.

20 This limitation shall not apply if the member receives an increase in salary in a  
21 percentage exceeding that received by the other members, and this increase was  
22 accompanied by a corresponding change in position or in length of employment.

23 This limitation shall also not apply to the payment to a member for accrued annual  
24 leave if the individual becomes a member before July 1, 2008, or accrued sick leave  
25 which is authorized by statute and which shall be included as part of a retiring  
26 member's annual compensation for the member's last year of active service, as  
27 limited by Section 44 of this Act;

1 (10) "Annual compensation" means the total salary received by a member as  
2 compensation for all services performed in employment covered by the retirement  
3 system during a fiscal year. Annual compensation shall not include payment for any  
4 benefit or salary adjustments made by the public board, institution, or agency to the  
5 member or on behalf of the member which is not available as a benefit or salary  
6 adjustment to other members employed by that public board, institution, or agency.  
7 Annual compensation shall not include the salary supplement received by a member  
8 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no  
9 circumstances shall annual compensation include compensation that is earned by a  
10 member while on assignment to an organization or agency that is not a public board,  
11 institution, or agency listed in subsection (4) of this section. In the event that federal  
12 law requires that a member continue membership in the retirement system even  
13 though the member is on assignment to an organization or agency that is not a  
14 public board, institution, or agency listed in subsection (4) of this section, the  
15 member's annual compensation for retirement purposes shall be deemed to be the  
16 annual compensation, as limited by subsection (9) of this section, last earned by the  
17 member while still employed solely by and providing services directly to a public  
18 board, institution, or agency listed in subsection (4) of this section. The board of  
19 trustees shall determine if any benefit or salary adjustment qualifies as annual  
20 compensation. For an individual who becomes a member on or after July 1, 2008,  
21 annual compensation shall not include lump-sum payments upon termination of  
22 employment for accumulated annual or compensatory leave;

23 (11) "Age of member" means the age attained on the first day of the month immediately  
24 following the birthdate of the member. This definition is limited to retirement  
25 eligibility and does not apply to tenure of members;

26 (12) "Employ," and derivatives thereof, means relationships under which an individual  
27 provides services to an employer as an employee, as an independent contractor, as

1 an employee of a third party, or under any other arrangement as long as the services  
2 provided to the employer are provided in a position that would otherwise be covered  
3 by the Kentucky Teachers' Retirement System and as long as the services are being  
4 provided to a public board, institution, or agency listed in subsection (4) of this  
5 section;

6 (13) "Regular interest" means interest at three percent (3%) per annum, except:

7 **(a)** For an individual who becomes a member on or after July 1, 2008, **but prior**  
8 **to January 1, 2019,** "regular interest" means interest at two and one-half  
9 percent (2.5%) per annum for purposes of crediting interest to the teacher  
10 savings account or any other contributions made by the employee that are  
11 refundable to the employee upon termination of employment; **and**

12 **(b)** **For an individual who becomes a member on or after January 1, 2019, who**  
13 **is participating in the hybrid cash balance plan, "regular interest" means**  
14 **the regular interest credited to the member's accumulated account balance**  
15 **as provided by Section 43 of this Act;**

16 (14) "Accumulated contributions" means the contributions of a member to the teachers'  
17 savings fund, including picked-up member contributions as described in KRS  
18 161.540(2), plus accrued regular interest;

19 (15) "Annuitant" means a person who receives a retirement allowance or a disability  
20 allowance;

21 (16) "Local retirement system" means any teacher retirement or annuity system created  
22 in any public school district in Kentucky in accordance with the laws of Kentucky;

23 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The  
24 retirement plan year is concurrent with this fiscal year. A contract for a member  
25 employed by a local board of education may not exceed two hundred sixty-one  
26 (261) days in the fiscal year;

27 (18) "Public schools" means the schools and other institutions mentioned in subsection

- 1 (4) of this section;
- 2 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was  
3 receiving, at the time of death of the member, at least one-half (1/2) of the support  
4 from the member for maintenance, including board, lodging, medical care, and  
5 related costs;
- 6 (20) "Active contributing member" means a member currently making contributions to  
7 the Teachers' Retirement System, who made contributions in the next preceding  
8 fiscal year, for whom picked-up member contributions are currently being made, or  
9 for whom these contributions were made in the next preceding fiscal year;
- 10 (21) "Full-time" means employment in a position that requires services on a continuing  
11 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year  
12 basis;
- 13 (22) "Full actuarial cost," when used to determine the payment that a member must pay  
14 for service credit means the actuarial value of all costs associated with the  
15 enhancement of a member's benefits or eligibility for benefit enhancements,  
16 including health insurance supplement payments made by the retirement system.  
17 The actuary for the retirement system shall determine the full actuarial value costs  
18 and actuarial cost factor tables as provided in KRS 161.400;
- 19 (23) "Last annual compensation" means the annual compensation, as defined by  
20 subsection (10) of this section and as limited by subsection (9) of this section,  
21 earned by the member during the most recent period of contributing service, either  
22 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)  
23 full year of service credit in the Kentucky Teachers' Retirement System, and which  
24 compensation is used in calculating the member's initial retirement allowance,  
25 excluding bonuses, retirement incentives, payments for accumulated sick, annual,  
26 personal and compensatory leave, and any other lump-sum payment. For an  
27 individual who becomes a member on or after July 1, 2008, payments for annual or

1           compensatory leave shall not be included in determining the member's last annual  
2           compensation;

3           (24) "Participant" means a member, as defined by subsection (4) of this section, or an  
4           annuitant, as defined by subsection (15) of this section;

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

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

8           (b) Relates to the provision of child support, alimony payments, or marital  
9           property rights to an alternate payee;~~and~~

10          (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
11          participant, who is designated to be paid retirement benefits in a qualified domestic  
12          relations order;

13          **(27) "University member" means an individual who becomes a member through**  
14          **employment with an employer specified in subsection (4)(b) and (n) of this**  
15          **section;**

16          **(28) "Nonuniversity member" means an individual who becomes a member through**  
17          **employment with an employer specified under subsection (4) of this section,**  
18          **except for those members employed by an employer specified in subsection (4)(b)**  
19          **and (n) of this section;**

20          **(29) "Accumulated employer credit" means the employer pay credit deposited to the**  
21          **member's account and regular interest credited on such amounts as provided by**  
22          **Section 43 of this Act; and**

23          **(30) "Accumulated account balance" means:**

24          **(a) For members who began participating in the system prior to January 1,**  
25          **2019, the member's accumulated contributions; or**

26          **(b) For members who began participating in the system on or after January 1,**  
27          **2019, in the hybrid cash balance plan as provided by Section 43 of this Act,**

1                   *the combined sum of the member's accumulated contributions and the*  
2                   *member's accumulated employer credit.*

3                   ➔Section 46. KRS 161.400 is amended to read as follows:

- 4                   (1) (a) The board of trustees shall designate as actuary a competent person who shall  
5                   be a fellow of the Conference of Consulting Actuaries or a member of the  
6                   American Academy of Actuaries. He shall be the technical adviser of the  
7                   board on matters regarding the operation of the funds of the system and shall  
8                   perform such other duties as are required in connection therewith.
- 9                   (b) At least once in each five (5) year period, the actuary shall make an actuarial  
10                  investigation into the actuarial assumptions and funding methods used,  
11                  including but not limited to mortality, investment rate of return, and service  
12                  and compensation of the members and beneficiaries of the retirement system,  
13                  relative to the actuarial assumptions and funding methods previously adopted  
14                  by the board. The actuarial investigation shall include at a minimum a  
15                  summary of the changes in actuarial assumptions and funding methods  
16                  recommended in the investigation and the projected impact of the  
17                  recommended changes on funding levels, unfunded liabilities, and actuarially  
18                  recommended contribution rates for employers over a twenty (20) year period.
- 19                  (c) At least annually the actuary shall make an actuarial valuation of the  
20                  retirement system. The valuation shall include:
- 21                        1. A description of the actuarial assumptions used, and the assumptions  
22                        shall be reasonably related to the experience of the system and represent  
23                        the actuary's best estimate of anticipated experience;
- 24                        2. A description of any funding methods utilized or required by state law in  
25                        the development of the actuarial valuation results;
- 26                        3. A description of any changes in actuarial assumptions and methods from  
27                        the previous year's actuarial valuation;

- 1           4. The actuarially recommended contribution rate for employers for the  
2           upcoming budget periods;
- 3           5. A twenty (20) year projection of the funding levels, unfunded liabilities,  
4           and actuarially recommended contribution rates for employers based  
5           upon the actuarial assumptions, funding methods, and experience of the  
6           system as of the valuation date; and
- 7           6. A sensitivity analysis that evaluates the impact of changes in system  
8           assumptions, including but not limited to the investment return  
9           assumption, payroll growth assumption, and medical inflation rates, on  
10          employer contribution rates, funding levels, and unfunded liabilities.
- 11         (d) On the basis of the results of the valuations, the board of trustees shall make  
12          necessary changes in the retirement system within the provisions of law and  
13          shall establish~~recommend~~ the contributions payable by employers and the  
14          state ~~within the limits~~ specified in KRS 161.550.
- 15         (e) For any change in actuarial assumptions, funding methods, retiree health  
16          insurance premiums and subsidies, or any other decisions made by the board  
17          that impact system liabilities and actuarially recommended contribution rates  
18          for employers and that are not made in conjunction with the actuarial  
19          investigation required by paragraph (b) of this subsection, an actuarial analysis  
20          shall be completed showing the projected impact of the changes on funding  
21          levels, unfunded liabilities, and actuarially recommended contribution rates  
22          for employers over a twenty (20) year period.
- 23         (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for  
24          all purposes shall be determined by the actuary of the retirement system and  
25          approved by the board of trustees by resolution and implemented without the  
26          necessity of an administrative regulation.~~The assets of the system shall be valued~~  
27          ~~at market value, or at a modified market value determined by the board to be a~~

1 ~~prudent measure of asset value.]~~

2 (3) A copy of each five (5) year actuarial investigation, actuarial analysis, and valuation  
3 required by subsection (1) of this section shall be forwarded electronically to the  
4 Legislative Research Commission no later than ten (10) days after receipt by the  
5 board, and the Legislative Research Commission shall distribute the information  
6 received to the committee staff and co-chairs of any committee that has jurisdiction  
7 over the Kentucky Teachers' Retirement System. The actuarial valuation required by  
8 subsection (1)(c) of this section shall be submitted no later than November 15  
9 following the close of the fiscal year.

10 ➔Section 47. KRS 161.420 is amended to read as follows:

11 All of the assets of the retirement system are for the exclusive purpose of providing  
12 benefits to members and annuitants and defraying reasonable expenses of administering  
13 the system. The board of trustees shall be the trustee of all funds of the system and shall  
14 have full power and responsibility for administering the funds. ~~[It is hereby declared that~~  
15 ~~the restrictions and rights provided herein shall not be subject to reduction or impairment~~  
16 ~~by alteration, amendment, or repeal.]~~All the assets of the retirement system shall be  
17 credited according to the purpose for which they are held to one (1) of the following  
18 funds:

19 (1) The expense fund shall consist of the funds set aside from year to year by the board  
20 of trustees to defray the expenses of the administration of the retirement system.  
21 Each fiscal year an amount not greater than four percent (4%) of the dividends and  
22 interest income earned from investments during the immediate past fiscal year shall  
23 be set aside into the expense fund or expended for the administration of the  
24 retirement system;

25 (2) (a) The teachers' savings fund shall consist of:

26 1. The contributions paid by members of the retirement system into this  
27 fund and regular interest assigned by the board of trustees from the



1           guarantee fund or established by Section 43 of this Act, as applicable;

2           and

3           2. For individuals who become members of the Teachers' Retirement  
 4           System on or after January 1, 2019, who are participating in the  
 5           hybrid cash balance plan, the employer pay credit and regular interest  
 6           to the hybrid cash balance plan as provided by Section 43 of this Act  
 7           that is assigned by the board of trustees from the guarantee fund.

8           **(b)** A member may not borrow any amount of his or her accumulated account  
 9           balance~~[contributions to]~~ in the teachers' savings~~[this]~~ fund, or any regular  
 10           interest earned thereon.

11           **(c)** The accumulated contributions or accumulated account balance of a member  
 12           which are returned to him upon his withdrawal or paid to his estate or  
 13           designated beneficiary in the event of his death shall be paid from the teachers'  
 14           savings fund.

15           **(d)** Any accumulated account balance~~[contributions]~~ in the teachers' savings  
 16           fund forfeited by a failure of a teacher or his estate to claim these  
 17           contributions shall be transferred from this~~[the teachers' savings]~~ fund to the  
 18           guarantee fund.

19           **(e)** For an individual who becomes a member of the Teachers' Retirement  
 20           System prior to January 1, 2019, the accumulated account  
 21           balance~~[contributions]~~ of a member in the teachers' savings fund shall be  
 22           transferred from this~~[the teachers' savings]~~ fund to the allowance reserve fund  
 23           in the event of retirement by reason of service or disability.

24           **(f)** For an individual who becomes a member of the Teachers' Retirement  
 25           System on or after January 1, 2019, who is participating in the hybrid cash  
 26           balance plan who elects to annuitize his or her accumulated account  
 27           balance as prescribed by subsection (7)(a) or (b) of Section 43 of this Act,

1                   *the member's accumulated account balance shall be transferred to the*  
 2                   *allowance reserve fund;*

3 (3) The state accumulation fund shall consist of funds *paid by employers and*  
 4           appropriated by the state for the purpose of providing annuities and survivor  
 5           benefits, including any sums appropriated for meeting unfunded liabilities, together  
 6           with regular interest assigned by the board of trustees from the guarantee fund. At  
 7           the time of retirement or death of a member there shall be transferred from the state  
 8           accumulation fund to the allowance reserve fund an amount which together with the  
 9           sum transferred from the teachers' savings fund will be sufficient to provide the  
 10          member a retirement allowance and provide for benefits under KRS 161.520 and  
 11          161.525. *There shall also be transferred from the state accumulation fund to the*  
 12          *teachers' savings fund, the amount needed to fund the employer credits required*  
 13          *by Section 43 of this Act;*

14 (4) The allowance reserve fund shall be the fund from which shall be paid all retirement  
 15          allowances and benefits provided under KRS 161.520 and 161.525. In addition,  
 16          whenever a change in the status of a member results in an obligation on this fund,  
 17          there shall be transferred to this fund from the teachers' savings fund and the state  
 18          accumulation fund, the amounts as may be held in those funds for the account or  
 19          benefit of the member;

20 (5) (a) *Effective January 1, 2019,* the medical insurance fund, which is an account  
 21          established according to 26 U.S.C. sec. 401(h), shall consist of amounts  
 22          accumulated for the purpose of providing benefits as provided in KRS  
 23          161.675, including:

24          1. *The member contributions required by subsections (1)(a)2., (1)(b)2.,*  
 25          *and (1)(c) of Section 57 of this Act;*~~For individuals who become~~  
 26          ~~members before July 1, 2008, one and one-half percent (1.5%) of the~~  
 27          ~~gross annual payroll of all members shall be deposited to this fund. Of~~

- 1           ~~this amount, three quarters of a percent (0.75%) shall derive from~~  
 2           ~~member contributions as provided by KRS 161.540 and three quarters of~~  
 3           ~~a percent (0.75%) from a state appropriation];~~
- 4           2. **The employer contribution required by subsections (1)(a)1.b.,**  
 5           **(1)(a)2.b., and (3)(a) of Section 63 of this Act**~~[For individuals who~~  
 6           ~~become members on or after July 1, 2008, two and one half percent~~  
 7           ~~(2.5%) of the gross annual payroll of all members shall be deposited to~~  
 8           ~~this fund. Of this amount, one and three quarters percent (1.75%) shall~~  
 9           ~~derive from member contributions as provided by KRS 161.540 and~~  
 10           ~~three quarters of a percent (0.75%) from a state appropriation;~~
- 11           ~~3. Effective July 1, 2010, the member contributions required under KRS~~  
 12           ~~161.540(1)(c);~~
- 13           ~~4. Effective July 1, 2010, local board of education, agency, and~~  
 14           ~~organization contributions required under KRS 161.550(3), unless the~~  
 15           ~~board of trustees establishes a trust fund under 26 U.S.C. sec. 115 for~~  
 16           ~~health care purposes, in which case the board may direct those~~  
 17           ~~contributions to that trust fund];~~
- 18           **3. State appropriations**~~[5. Employer medical insurance fund~~  
 19           ~~stabilization contributions] as set forth in **subsection (2) of Section 63 of**~~  
 20           ~~**this Act**[KRS 161.550], unless the contributions are made to a trust fund~~  
 21           ~~under 26 U.S.C. sec. 115 established by the board for this purpose; and~~
- 22           ~~4.[6.] Interest income from the investments of the fund from contributions~~  
 23           ~~received by the fund under subparagraphs 1. to 3.[5.] of this paragraph,~~  
 24           ~~and from income earned on those investments.~~
- 25           (b) All claims for benefits under KRS 161.675 shall be paid from this fund or  
 26           from any trust fund under 26 U.S.C. sec. 115 as established by the board for  
 27           this purpose. Any amounts deposited to the fund that are not required to meet

1 current costs shall be maintained as a reserve in the fund for these benefits.  
2 The board shall take the necessary and appropriate steps, including  
3 promulgating administrative regulations and procedures to maintain the status  
4 of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);

5 (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest  
6 on the amounts of the other funds, except the expense fund, to finance operating  
7 expenses directly related to investment management services, and to provide a  
8 contingent fund out of which special requirements of any of the other funds may be  
9 covered. All income, interest, and dividends derived from the authorized deposits  
10 and investments shall be paid into the guarantee fund. Any funds received from  
11 gifts and bequests, which the board is hereby authorized to accept and expend  
12 without limitation in a manner either expressed by the donor or deemed to be in the  
13 best interest of the membership, shall be credited to the guarantee fund. Any funds  
14 transferred from the teachers' savings fund by reason of lack of claimant or because  
15 of a surplus in any fund and any other moneys whose disposition is not otherwise  
16 provided for, shall also be credited to the guarantee fund. The interest allowed by  
17 the board of trustees to each of the other funds shall be paid to these funds from the  
18 guarantee fund. Any deficit occurring in any fund that would not be automatically  
19 covered shall be met by the payments from the guarantee fund to that fund;

20 (7) The school employee annuity fund shall consist of those funds voluntarily  
21 contributed under the provisions of Section 403(b) of the Internal Revenue Code by  
22 a retired member of the Teachers' Retirement System with accounts that existed on  
23 or after July 1, 1996. The contributions shall not be picked up as provided in KRS  
24 161.540(2). Separate member accounts shall be maintained for each member. The  
25 board of trustees may promulgate administrative regulations pursuant to KRS  
26 Chapter 13A to manage this program;

27 (8) The supplemental retirement benefit fund shall consist of those funds contributed by

1 the employer for the purpose of constituting a qualified government excess benefit  
 2 plan as described in Section 415 of the Internal Revenue Code for accounts that  
 3 existed on or after July 1, 1996. The board of trustees shall promulgate  
 4 administrative regulations pursuant to KRS Chapter 13A to administer this  
 5 program; and

6 (9) The life insurance benefit fund shall consist of amounts accumulated for the  
 7 purpose of providing benefits provided under KRS 161.655. The board of trustees  
 8 may allocate to this fund a percentage of the employer and state contributions as  
 9 provided under KRS 161.550. The allocation to this fund will be in an amount that  
 10 the actuary determines necessary to fund the obligation of providing the benefits  
 11 provided under KRS 161.655.

12 ➔Section 48. KRS 161.460 is amended to read as follows:

13 (1) No trustee or employee of the board of trustees shall:

14 (a)~~[(1)]~~ Have any interest, direct or indirect, in the gain or profits of any  
 15 investment or any other legal, business, or financial transaction made by the  
 16 board, except that any such trustee or employee may be a member,  
 17 employee, or beneficiary of the plans administered by the board or  
 18 authority;

19 (b)~~[(2)]~~ Directly or indirectly for himself or as an agent for another, use any of  
 20 the assets of the retirement system in any manner except to make current and  
 21 necessary payments authorized by the board;

22 (c)~~[(3)]~~ Become an endorser, surety, or obligor for moneys loaned to or  
 23 borrowed from the board;

24 (d)~~[(4)]~~ Have a contract or agreement with the retirement system, individually or  
 25 through a business owned by the trustee or the employee;

26 (e)~~[(5)]~~ Use his or her official position with the retirement system to obtain a  
 27 financial gain or benefit or advantage for himself or herself or a family

1 member;

2 ~~(f)(6)~~ Use confidential information acquired during his or her tenure with the  
3 retirement system to further his or her own economic interests or that of  
4 another person; or

5 ~~(g)(7)~~ Hold outside employment with, or accept compensation from, any  
6 person or business with which he or she has involvement as part of his or her  
7 official position with the retirement system. The provisions of this subsection  
8 shall not prohibit a trustee from serving as an employee of an agency  
9 participating in the Kentucky Teachers' Retirement System.

10 (2) No trustee or employee of the board of trustees, who has served as a trustee or  
11 employee of the board on or after July 1, 2017, shall have any interest, direct or  
12 indirect, in the gains or profits of any investment or any other legal, business, or  
13 financial transaction made by the board of trustees for a period of five (5) years  
14 following termination of his or her position, except that any such trustee or  
15 employee may be a member, employee, or beneficiary of the Teachers' Retirement  
16 System.

17 (3) (a) No person who is serving as a member of the General Assembly or is a  
18 public servant as defined by subsection (9) of Section 83 of this Act shall  
19 have any interest, direct or indirect, in the gains or profits of any investment  
20 or any other legal, business, or financial transaction made by the board of  
21 trustees, except that any such trustee or public servant may be a member,  
22 employee, or beneficiary of the Teachers' Retirement System.

23 (b) No person who was serving as a member of the General Assembly on or  
24 after July 1, 2017, or was serving as a public servant as defined by  
25 subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have  
26 any interest, direct or indirect, in the gains or profits of any investment or  
27 any other legal, business, or financial transaction made by the board of

1           trustees for a period of five (5) years following termination of his or her  
2           position, except that any such member or public servant may be a member,  
3           employee, or beneficiary of the Teachers' Retirement System.

4           ➔Section 49. KRS 161.470 is amended to read as follows:

- 5           (1) The membership of the retirement system shall consist of all new members, all  
6           present teachers, and all persons participating under the retirement system as of  
7           June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.  
8           The board of trustees of the Teachers' Retirement System shall be responsible for  
9           final determination of membership eligibility and may direct employers to take  
10          whatever action that may be necessary to correct any error relating to membership.
- 11          (2) Service credit shall be forfeited upon withdrawal. If a member again enters service  
12          it shall be as a new member, except that any teacher who withdraws by claiming his  
13          deposits may repay the system the amount withdrawn plus interest and reestablish  
14          his service credit as provided in subsection (3) of this section.
- 15          (3) Effective July 1, 1988, and thereafter, an active contributing member of the  
16          retirement system with contributing service equal to one (1) year may regain service  
17          credit by depositing in the teachers' savings fund the amount withdrawn with  
18          interest at the rate to be set by the board of trustees, and computed from the first of  
19          the month of withdrawal and including the month of redeposit. Service credit  
20          regained pursuant to this subsection on or after January 1, 2019, shall not be  
21          used to determine the date the individual purchasing the service became a  
22          member of the Teachers' Retirement System.
- 23          (4) Effective July 1, 1974, any active contributing member with at least two (2) years of  
24          contributing service credit who declined membership as provided in Acts 1938 (1st  
25          Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for  
26          any subsequent service prior to date of membership, by depositing in the teachers'  
27          savings fund contributions for each year of subsequent service prior to date of

1 membership, with interest at the rate of eight percent (8%) compounded annually to  
2 the date of deposit.

3 (5) Membership in the retirement system shall be terminated:

4 (a) By retirement for service;

5 (b) By death;

6 (c) By withdrawal of the member's accumulated account balance~~[contributions]~~;

7 (d) When a member, having less than five (5) years of Kentucky service is absent  
8 from service for more than three (3) consecutive years; or

9 (e) For persons hired on or after August 1, 2000, when a member is convicted, in  
10 any state or federal court of competent jurisdiction, of a felony related to his  
11 employment as provided in subparagraphs 1. and 2. of this paragraph.

12 1. Notwithstanding any provision of law to the contrary, a member hired  
13 on or after August 1, 2000, who is convicted, in any state or federal  
14 court of competent jurisdiction, of a felony related to his employment  
15 shall forfeit rights and benefits earned under the retirement system,  
16 except for the return of his accumulated contributions and interest  
17 credited on those contributions.

18 2. The payment of retirement benefits ordered forfeited shall be stayed  
19 pending any appeal of the conviction. If the conviction is reversed on  
20 final judgment, no retirement benefits shall be forfeited.

21 Except for paragraph (e) of this subsection, upon termination of member accounts  
22 under this subsection, funds in the account shall be transferred to the guarantee  
23 fund. Inactive members may apply for refunds of these funds at any time. The  
24 terminated service shall be reinstated, if not withdrawn by the member, in the event  
25 that the member returns to active contributing service.

26 (6) In case of withdrawal from service prior to eligibility for retirement, the board of  
27 trustees shall on request of the member return all of his accumulated account



1        **balance**~~[contributions with regular interest]~~, including any payments made by the  
2        member to the state accumulation fund, but the member shall have no claim on any  
3        contributions made by the state **or employer** with a view to his retirement, **except as**  
4        **provided by Sections 43 of this Act,** or to contributions made to the medical  
5        insurance fund. If the member is eligible for an immediate service retirement  
6        allowance as provided in KRS 161.600, no withdrawal and refund shall be  
7        permitted, unless the allowance would prohibit the member from qualifying for  
8        Social Security benefits or the member elects to withdraw part or all of his service  
9        for the purpose of obtaining credit in another retirement plan. Requests for refund of  
10       contributions by the member must be filed on forms prescribed by the Teachers'  
11       Retirement System and the employer shall be financially responsible for all  
12       information that is certified on the prescribed form. A member may not withdraw  
13       any part of his or her **accumulated account balance in**~~[contributions to]~~ the  
14       retirement system except as provided by this subsection.

15       (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to  
16       retirement, the board of trustees shall pay to the estate of the deceased member,  
17       unless a beneficiary was otherwise applicably designated by the deceased member,  
18       then to the beneficiary, all of his accumulated **account balance**~~[contributions, with~~  
19       ~~regular interest]~~, including any payments made by the member to the state  
20       accumulation fund, but the estate or beneficiary shall have no claim on any  
21       contributions made by the state **or employer** with a view to the retirement of the  
22       member, **except as provided by Sections 43 of this Act,** or to contributions made to  
23       the medical insurance fund.

24       (8) Any active contributing member of the Kentucky Employees Retirement System,  
25       the County Employees Retirement System, the State Police Retirement System, or  
26       the Judicial Retirement System may use service, under that retirement system for  
27       the purpose of meeting the service requirement of subsections (3) and (4) of this

1 section.

2 ➔Section 50. KRS 161.480 is amended to read as follows:

3 Each person, upon becoming a member of the retirement system, shall file a detailed  
4 statement as required by the board of trustees and shall designate a primary beneficiary or  
5 two (2) or more cobeneficiaries to receive any benefits accruing from the death of the  
6 member. A contingent beneficiary may be designated in addition to the primary  
7 beneficiary or cobeneficiaries. The member may name more than one (1) contingent  
8 beneficiary. Any beneficiary designation made by the member, including the estate should  
9 the estate become the beneficiary by default, shall remain in effect until changed by the  
10 member on forms prescribed by the Kentucky Teachers' Retirement System, except in the  
11 event of subsequent marriage or divorce. Subsequent marriage by the member shall void  
12 the primary beneficiary and any cobeneficiary designation, even that of a trust, and the  
13 spouse of the member at death shall be considered as the primary beneficiary, unless the  
14 member subsequent to marriage designates another beneficiary. A final divorce decree  
15 shall terminate an ex-spouse's status as either primary beneficiary, cobeneficiary, or  
16 contingent beneficiary, unless subsequent to divorce the member redesignates the former  
17 spouse as primary beneficiary, cobeneficiary, or contingent beneficiary. To the extent  
18 permitted by the Internal Revenue Code, a trust may be designated as beneficiary for  
19 receipt of a member's ***accumulated account balance in***~~[contributions to]~~ the retirement  
20 system as provided under KRS 161.470(7). A final divorce decree shall not terminate the  
21 designation of a trust as beneficiary regardless of who is designated as beneficiary of the  
22 trust. In the event that a member fails to designate a beneficiary, or all designated  
23 beneficiaries predecease the member, the member's estate shall be deemed to be the  
24 beneficiary. Members may designate as beneficiaries only presently identifiable and  
25 existing individuals, or trusts where otherwise permitted, without contingency  
26 instructions, on forms prescribed by the retirement system. The provisions of this section  
27 shall be retroactive as they relate to election of beneficiaries by members still in active

1 status on the effective date of this section. The provisions of this section shall not apply to  
2 any account from which a member is drawing a retirement allowance or to the life  
3 insurance benefit available under KRS 161.655.

4 ➔Section 51. KRS 161.500 is amended to read as follows:

- 5 (1) At the close of each fiscal year, the retirement system shall add service credit to the  
6 account of each member who made contributions to his or her account during the  
7 year. Members shall be entitled to a full year of service credit if their total paid days  
8 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)  
9 day contract for a regular school or fiscal year. In the event *an individual who*  
10 *became* a member *prior to January 1, 2019,* is paid for less than one hundred  
11 eighty (180) days, the member may purchase credit according to administrative  
12 regulations established by the board of trustees. In no case shall more than one (1)  
13 year of service be credited for all service performed in one (1) fiscal year. Members  
14 who complete their employment contract prior to the close of a fiscal year and elect  
15 to retire prior to the close of a fiscal year shall have their service credit reduced by  
16 eight percent (8%) for each calendar month that the retirement becomes effective  
17 prior to July 1.
- 18 (2) Members who are employed and paid for less than the number of days required in  
19 their normal employment year shall be entitled to pro rata service credit for the  
20 fractional service. Such credit shall be based upon the number of days employed  
21 and the number of days in the member's annual employment agreement or normal  
22 employment year.
- 23 (3) Service credit may not exceed the ratio between the school or fiscal year and the  
24 number of months or fraction of a month the member is employed during that year.
- 25 (4) No service credit shall be granted in the Teachers' Retirement System for service  
26 that has been or will be used in qualifying for annuity benefit payments from  
27 another retirement system financed wholly or in part by public funds.

1       ➔Section 52. KRS 161.507 is amended to read as follows:

- 2       (1) An active contributing member of the Teachers' Retirement System may receive  
3       service credit for active service rendered in the uniformed services of the Armed  
4       Forces of the United States, including the commissioned corps of the Public Health  
5       Service, subject to the provisions of the Uniformed Services Employment and  
6       Reemployment Rights Act of 1994, the provisions of this section as applicable,  
7       and ~~the~~ administrative regulations promulgated by the board of trustees. Military  
8       service includes service in the uniformed services that occurs before the  
9       employment of a member in a position covered by the retirement system or where a  
10      member leaves covered employment without giving advance written or verbal  
11      notice of performing duty in the uniformed services. Service in the uniformed  
12      services also includes uniformed service that occurs after employment in a position  
13      covered by the retirement system where the member has given advance written or  
14      verbal notice of performing duty in the uniformed services and the member returns  
15      directly from uniformed services to covered employment. Military service may be  
16      credited only if discharge was honorable or was not terminated upon the occurrence  
17      of any of the events listed in 38 U.S.C. sec. 4304. Service shall be considered as  
18      Kentucky teaching service, except that service may not be used for meeting the  
19      service requirements set forth in KRS 161.600(1)(a) or 161.661(1) unless the  
20      service occurred after the member gave written or verbal notice of performing duty  
21      in the uniformed services and the member returned directly from uniformed services  
22      to covered employment. A maximum of six (6) years of military service may be  
23      credited, but in no case a greater number of years than the actual years of  
24      contributing service in Kentucky.
- 25      (2) No credit shall be granted for military service which has been or will be used in  
26      qualifying for annuity benefit payments from another retirement system financed  
27      wholly or in part by public funds.

- 1 (3) A member having twenty (20) years or more of active duty in the military service,  
2 and who is qualified for regular federal retirement benefits based on this military  
3 service, may not receive credit for any military service in the Teachers' Retirement  
4 System. This subsection shall apply to service presented for credit on July 1, 1975,  
5 and after this date.
- 6 (4) (a) **An individual who became** a member **prior to January 1, 2019, who desires**  
7 **to receive**~~receiving~~ retirement credit for active duty in the armed services of  
8 the United States prior to employment in a position covered by the retirement  
9 system or where the member leaves covered employment without giving  
10 advance written or verbal notice of performing duty in the uniformed services  
11 shall pay to the retirement system the full actuarial cost of the service credit  
12 purchased as provided under KRS 161.220(22). These contributions shall not  
13 be picked up, as described in KRS 161.540(2). In purchasing retirement credit  
14 for active duty in the armed services, the latest years of service shall be  
15 considered first in allowing credit toward retirement. The board of trustees  
16 shall adopt a table of actuarial factors to be used in calculating the amount of  
17 contribution required for crediting this service.
- 18 (b) If military service occurred after the member gave written or verbal notice of  
19 performing duty in the uniformed services and the member returns directly  
20 from uniformed services to covered employment, the member shall contribute  
21 the regular member contribution required by KRS 161.540. The member may  
22 make the payment of delayed contributions in a lump sum payment or in  
23 installments not to exceed five (5) years beginning with the member's date of  
24 reemployment. Interest at the rate of eight percent (8%) per annum shall be  
25 charged for delayed contributions beginning with the member's date of  
26 reemployment until paid. **Members participating in the hybrid cash balance**  
27 **plan as provided by Section 43 of this Act who make the regular member**

1                   *contribution required by this paragraph, shall receive employer credits for*  
2                   *the period of service purchased.*

3 (5) An active contributing member of the Teachers' Retirement System *who became a*  
4 *member of the system prior to January 1, 2019,* may receive service credit for  
5 service in the military reserves of the United States or the National Guard. The  
6 member may purchase one (1) month of service for each six (6) months of service  
7 in the reserves or the National Guard. Notwithstanding any other statute, regulation,  
8 or policy to the contrary, the system shall provide a member, upon request, the  
9 estimated actuarial cost of the National Guard or military reserves service purchase  
10 based upon the information available at the time of the request. The member shall  
11 be entitled to enter into a contract with the system at the time of the request to  
12 purchase the National Guard or military reserve service by paying to the system the  
13 estimated actuarial cost, either by installments or in lump sum. The member shall  
14 pay the full actuarial cost of this service in the military reserves or the National  
15 Guard as provided in KRS 161.220(22). Service in the military reserves or the  
16 National Guard shall be treated as service earned prior to participation in the system  
17 and shall not be used for meeting the service requirements set forth in KRS  
18 161.600(1)(a) or 161.661(1). The payment shall not be picked up by the employer,  
19 as described in KRS 161.540(2).

20 ➔Section 53. KRS 161.515 is amended to read as follows:

21 (1) For the purposes of this section, "out-of-state service" shall mean service in any  
22 state in a comparable position on a full-time basis, which would be covered if in  
23 Kentucky.

24 (2) (a) An active contributing member who has been a contributing member of the  
25 retirement system for at least one (1) full scholastic year subsequent to the  
26 latest out-of-state service, may present for credit service rendered out of state,  
27 not to exceed ten (10) years actually taught as a certified or licensed teacher.

1 All members who elect to purchase this service shall pay to the retirement  
2 system the full actuarial cost as provided under KRS 161.220(22). For each  
3 year of which the retirement system shall accept payment, one (1) year of  
4 service credit shall be given. For members who purchased this service under  
5 the cost formula as it existed under this subsection on June 30, 2005, this  
6 credit may not be used to meet the service requirements of KRS 161.525,  
7 161.600, or 161.661, except as provided in subsection (2)(c) of this section.  
8 No credit shall be granted for service which has been or will be used in  
9 qualifying for annuity benefit payments from another retirement system  
10 financed wholly or in part by public funds.

11 (b) A member of the retirement system having teaching service in the elementary  
12 or secondary schools operated by the United States overseas or in this country,  
13 or in a public college or university in Kentucky, not included in the Teachers'  
14 Retirement System of the State of Kentucky, may present this service for  
15 credit in the retirement system on the same basis as provided above for out-of-  
16 state service credit; however, no service may be presented which shall be used  
17 as a basis for retirement benefits in any program supported wholly or in part  
18 by a public institution or governmental agency. This service when added to  
19 service credited under subsection (2)(a) of this section shall not exceed a total  
20 of ten (10) years' service credit.

21 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this  
22 section who purchased this service under the cost formula as it existed under  
23 those subsections on June 30, 2005, may elect to use this service for meeting  
24 the requirements of KRS 161.600(1)(c) by making an additional contribution  
25 to the state accumulation fund equal to a member contribution rate of eight  
26 percent (8%) for each year so used. These payments shall not be picked up as  
27 described in KRS 161.540(2). The salary base to be used in determining this

1 additional contribution shall be the final average salary which is used in  
2 calculating the member's regular retirement annuity.

3 (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,  
4 and after this date, shall not receive credit for service defined in subsections (2)(a)  
5 or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of  
6 Kentucky service in a covered position or ten (10) years, whichever is the lesser  
7 number.

8 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps  
9 created by KRS 154.1-720, may purchase service credit for the time served in the  
10 corps on the same basis as provided in this section for the purchase of out-of-state  
11 service credit. A member, having completed service as a federal Peace Corps  
12 volunteer, may purchase up to two (2) years of service credit for time served in the  
13 Peace Corps on the same basis as provided in this section for the purchase of out-of-  
14 state service credit.

15 (5) Service purchased under this section by members who at the time of purchase are  
16 employed by employers other than those described in KRS 161.220(4)(b) or (n)  
17 shall be credited, as described in KRS 161.620(1)(a) and (b), with a retirement  
18 factor of two and one-half percent (2.5%) for each year of service that was  
19 originally performed on or after July 1, 1983, and two percent (2.0%) for each year  
20 of service performed before July 1, 1983. Service purchased under this section by  
21 members who at the time of purchase are employed by employers described in KRS  
22 161.220(4)(b) or (n) shall be credited, as described in KRS 161.620(1)(a), with a  
23 retirement factor of two percent (2.0%) for each year of service, regardless of when  
24 the service was performed.

25 **(6) Effective January 1, 2019, this section does not apply to individuals who become**  
26 **members on or after January 1, 2019.**

27 ➔Section 54. KRS 161.520 is amended to read as follows:



1 Upon the death of an active contributing member or upon the death of a member retired  
2 for disability, except as provided in KRS 161.661(6), the survivors of the deceased  
3 member in the following named order, may elect to receive a survivor's benefit payable as  
4 follows:

5 (1) Where there is a surviving widow or widower who is named as the primary  
6 beneficiary of the member's retirement account, the benefit shall be:

7 (a) One hundred eighty dollars (\$180) per month with no restriction on other  
8 income;

9 (b) Two hundred forty dollars (\$240) per month when the surviving widow or  
10 widower's total income from all sources does not exceed six thousand six  
11 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per  
12 month; or

13 (c) If the deceased member has a minimum of ten (10) years of service credit with  
14 the Teachers' Retirement System, the surviving widow or widower may apply  
15 for an annuity actuarially equivalent to the annuity that would have been paid  
16 to the deceased member when eligibility conditions were met. Eligibility for  
17 payments would begin at the time the age of the deceased member would have  
18 met the requirements of KRS 161.600(1) or subsection (6) of Section 43 of  
19 this Act, as applicable. In exercising this right, the surviving widow or  
20 widower shall be entitled to receive an annuity for life, except as provided in  
21 subsection (6) of this section. This subsection applies to surviving spouses of  
22 members who die on or after July 1, 1978. A surviving widow or widower of  
23 a member who dies after July 1, 1978, shall be eligible for benefit payments  
24 provided under paragraphs (a) and (b) of this subsection until they begin  
25 receiving payments under this provision;

26 (2) (a) Where there are surviving unmarried children under age eighteen (18) or  
27 under age nineteen (19) if a full-time student in high school, the benefit shall

1 be two hundred dollars (\$200) per month in the case of one (1) child, three  
2 hundred forty dollars (\$340) per month in the case of two (2) children, four  
3 hundred dollars (\$400) per month in the case of three (3) children, and four  
4 hundred forty dollars (\$440) per month in the case of four (4) or more  
5 children. Benefits under this subsection shall apply in addition to benefits  
6 which may be payable under subsections (1) and (3) of this section.

7 (b) Notwithstanding any provision of law to the contrary, the surviving spouse  
8 may elect to receive a lump-sum refund of the member's accumulated account  
9 balance in lieu of the survivorship benefits payable under this subsection and  
10 subsection (1) of this section only if the surviving spouse is designated as the  
11 primary beneficiary and:

- 12 1. Is a biological or adoptive parent of all children eligible for a benefit  
13 under this subsection and has not had his or her parental rights  
14 terminated; or
- 15 2. Has been appointed as legal guardian of all of the children eligible under  
16 paragraph (a) of this subsection.

17 (c) To elect a lump-sum refund of the member's accumulated account balance  
18 under paragraph (b) of this subsection, the surviving spouse who is designated  
19 as the primary beneficiary must sign a waiver on forms prescribed by the  
20 retirement system of his or her rights and the member's children's rights to the  
21 survivorship benefits payable under this subsection and subsection (1) of this  
22 section. The surviving spouse shall not waive the survivorship benefits  
23 available under this subsection or subsections (1) and (6) of this section if any  
24 of the member's children have attained age eighteen (18) or older unless all of  
25 those children consent in writing on forms prescribed by the retirement system  
26 to waive their survivorship benefits available under this subsection;

27 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or

1 physical condition is sufficient to cause his dependency on the deceased  
2 member at the time of the member's death, the benefit shall be two hundred  
3 dollars (\$200) per month, payable for the life of the child or until the time as  
4 the mental or physical condition creating the dependency no longer exists or  
5 the child marries. The mental or physical condition of the adult child shall be  
6 revealed by a competent examination by a licensed physician and shall be  
7 approved by a majority of a medical review committee as defined in KRS  
8 161.661(14). Benefits under this subsection shall apply in addition to benefits  
9 which may be payable under subsections (1) and (2) of this section.

10 (b) Notwithstanding any provision of law to the contrary, the surviving spouse  
11 shall not elect to receive a lump-sum refund of the member's accumulated  
12 account balance in lieu of the survivorship benefits payable under this  
13 subsection and subsection (1) of this section unless:

- 14 1. The surviving spouse is designated as the primary beneficiary;
- 15 2. The surviving spouse has been appointed by the court as guardian,  
16 conservator, or other fiduciary with sufficient general or specific  
17 authority to waive the survivorship benefits available under this  
18 subsection for any child or children age eighteen (18) or older who have  
19 been adjudicated incompetent to make decisions on their own behalf by  
20 a court of law; and
- 21 3. Any child or children age eighteen (18) or older who are mentally  
22 competent to make decisions on their own behalf as attested to by two  
23 (2) physicians' statements consent in writing on forms prescribed by the  
24 retirement system to waive their survivorship benefits available under  
25 this subsection.

26 (c) If eligible to elect a lump-sum refund of the member's accumulated account  
27 balance, the surviving spouse shall sign a waiver on forms prescribed by the

1 retirement system of his or her rights and the member's children's rights to the  
2 survivorship benefits payable under this subsection and subsections (1) and  
3 (2) of this section;

4 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,  
5 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two  
6 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a  
7 parent shall be established as of the date of the death of the member;

8 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be  
9 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or  
10 sister must have been a resident of the deceased member's household for at least one  
11 (1) full year prior to the member's death or must have been receiving care in a  
12 hospital, nursing home, or other institution at the member's expense for same  
13 period;

14 (6) The benefit to a child as defined in subsection (2) of this section shall terminate  
15 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a  
16 full-time student in high school, or upon marriage, except that benefits shall  
17 continue until the attainment of age twenty-three (23) for an unmarried child who is  
18 a full-time student in a recognized educational program beyond the high school  
19 level. The benefit to a widow, widower, dependent parent, or dependent brother or  
20 sister or dependent child age eighteen (18) or older shall terminate upon marriage,  
21 or upon termination of the condition creating the dependency;

22 (7) The board of trustees shall be the sole judge of eligibility or dependency of any  
23 beneficiary, and may require formal application or information relating to eligibility  
24 or dependency, including proof of annual income satisfactory to the board. The  
25 board of trustees may subpoena records and individuals whenever it deems this  
26 action necessary;

27 (8) No payment of benefits shall be made unless the board of trustees authorizes the

1 payment. The board shall promulgate administrative regulations for the  
2 administration of the provisions in this section and in every case the decision of the  
3 board of trustees shall be final as to eligibility, dependency, or disability, and the  
4 amount of benefits payable;

5 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)  
6 of this section, or in the event that the surviving spouse elects not to receive  
7 survivorship benefits on his or her own behalf or on behalf of any of the member's  
8 children as permitted under subsections (2) and (3) of this section, the board of  
9 trustees shall pay to the estate or the designated beneficiaries of the deceased  
10 member a refund of his accumulated account balance~~[contributions]~~ as provided in  
11 KRS 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this  
12 section and KRS 161.661 shall amount to a sum less than the member's  
13 accumulated account balance~~[contributions]~~ at the time of death, the board of  
14 trustees shall pay to the estate or designated beneficiaries of the deceased member  
15 the balance of the accumulated account balance~~[contributions]~~;

16 (10) Any person who is receiving benefits and becomes disqualified from receiving  
17 those benefits under this section shall immediately notify the Teachers' Retirement  
18 System of this disqualification in writing and shall return all benefits paid after the  
19 date of disqualification. Failure to comply with these provisions shall create an  
20 indebtedness of that person to the Teachers' Retirement System. Interest at the rate  
21 of eight percent (8%) per annum shall be charged if the debt is not repaid within  
22 sixty (60) days after the date of disqualification. Failure to repay this debt creates a  
23 lien in favor of the Teachers' Retirement System upon all property of the person  
24 who improperly receives benefits and does not repay those benefits; and

25 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a  
26 legally adopted survivor at the time of the death of the member. This provision shall  
27 be retroactive to include a child who was born after January 1, 1990, and is a legally

1 adopted survivor of a member whose death occurred prior to July 15, 2008.

2 ➔Section 55. KRS 161.522 is amended to read as follows:

3 Upon the death of a member retired for disability who had a minimum of twenty-seven  
4 (27) years of service at the time of death, except as provided in KRS 161.661(6), the  
5 spouse, if named as the primary beneficiary of the member's account, shall be entitled to  
6 elect, in lieu of a refund of the member's account, an annuity actuarially equivalent to the  
7 annuity that would have been paid to the deceased member had retirement for service  
8 been effective on the day immediately preceding the member's death. This option shall be  
9 available only during the entitlement period described under KRS 161.661(3) and (4)  
10 prior to the recalculation of the member's disability allowance under KRS 161.661(5). In  
11 selecting this right, the spouse shall be limited to selecting an option providing a straight  
12 life annuity with refundable balance or a term certain option. There shall be a monthly  
13 minimum allowance of three hundred dollars (\$300) as the basic straight life annuity.  
14 This section applies to surviving spouses of members who were receiving benefit  
15 payments under KRS 161.520 as of June 30, 1988, and to surviving spouses of members  
16 who die on or after July 1, 1984, except that the member shall have been retired for  
17 disability with a minimum of thirty (30) years of service if either of these two (2)  
18 conditions were met prior to July 1, 1990. **This section does not apply to individuals who**  
19 **become members on or after January 1, 2019.**

20 ➔Section 56. KRS 161.525 is amended to read as follows:

21 (1) Upon death of a member in active contributing status at the time of death, who was  
22 eligible to retire by reason of service, the spouse, if named as the primary  
23 beneficiary of the member's retirement account, or in the absence of an eligible  
24 spouse a legal dependent of the member, if named as the primary beneficiary, shall  
25 be entitled to elect, in lieu of a refund of the member's **accumulated** account  
26 **balance** or benefits provided in KRS 161.520, an annuity actuarially equivalent at  
27 the attained age of the beneficiary to the annuity that would have been paid to the

1 deceased member had retirement been effective on the day immediately preceding  
 2 the member's death. Under the provisions of KRS 61.680, benefits shall be  
 3 processed as if the member retired for service. In exercising this right the spouse or  
 4 legal dependent shall be limited to selecting an option providing either a straight life  
 5 annuity with refundable balance or a term certain option. A spouse may receive the  
 6 annuity provided by this section at the same time as children are qualifying for  
 7 survivors' benefits under the provisions of KRS 161.520; however, a legal  
 8 dependent, other than a spouse, may not receive these payments if children have  
 9 qualified for benefits under that section.

10 (2) A spouse qualifying for an annuity under subsection (1) of this section may defer  
 11 the payments in order to reduce the actuarial discounts to be applied due to age.

12 (3) Upon death of a member in active contributing status at the time of his death, who  
 13 had a minimum of twenty-seven (27) years of service, the spouse, if named as the  
 14 primary beneficiary of the member's account shall be entitled to a monthly  
 15 minimum allowance of three hundred dollars (\$300) as the basic straight life  
 16 annuity. This provision applies to surviving spouses of members who were  
 17 receiving benefit payments under KRS 161.520 as of June 30, 1986, and to  
 18 surviving spouses of members who die on or after July 1, 1986. **This subsection**  
 19 **does not apply to individuals who become members on or after January 1, 2019.**

20 ➔Section 57. KRS 161.540 is amended to read as follows:

21 (1) (a) Effective **January 1, 2019**~~[July 1, 1988]~~, each individual who **is a**  
 22 **contributing nonuniversity**~~[first becomes a]~~ member~~[ before July 1, 2008]~~,  
 23 shall contribute to the retirement system **twelve and eight hundred fifty-five**  
 24 **thousandths percent (12.855%)**~~[nine and eight hundred fifty-five thousandths~~  
 25 ~~percent (9.855%)]~~ of annual compensation, **of which:**

26 **1. Nine and one hundred five thousandths percent (9.105%) of annual**  
 27 **compensation shall be used to fund pension benefits; and**

1           **2. Three and three-quarters percent (3.75%) of annual compensation**  
 2           **shall be used to fund retiree health benefits**~~[, except that university~~  
 3           ~~employees who participate in the Kentucky Teachers' Retirement System~~  
 4           ~~shall contribute eight and three hundred seventy five thousandths~~  
 5           ~~percent (8.375%) of annual compensation].~~

6           (b) **Effective January 1, 2019, each individual who is a contributing university**  
 7           **member, shall contribute to the retirement system ten and four-tenths**  
 8           **percent (10.4%) of annual compensation, of which:**

9           **1. Seven and six hundred twenty-five thousandths percent (7.625%) of**  
 10           **annual compensation shall be used to fund pension benefits; and**

11           **2. Two and seven hundred seventy-five thousandths percent (2.775%) of**  
 12           **annual compensation shall be used to fund retiree health benefits.**~~]~~

13           ~~Each individual who first becomes a member on or after July 1, 2008,~~  
 14           ~~shall contribute to the retirement system ten and eight hundred fifty five~~  
 15           ~~thousandths percent (10.855%) of annual compensation, except that~~  
 16           ~~university employees who participate in the Kentucky Teachers'~~  
 17           ~~Retirement System shall contribute nine and three hundred seventy five~~  
 18           ~~thousandths percent (9.375%) of annual compensation.]~~

19           (c) **Notwithstanding the provisions of paragraph (a) or (b) of this subsection,**  
 20           **the board shall increase the employee contribution specified by paragraph**  
 21           **(a)2. or (b)2. of this subsection if the reported funding level for the retiree**  
 22           **health fund administered by the Teachers' Retirement System:**

23           **1. Falls below twenty-five percent (25%) funded in any future actuarial**  
 24           **valuation occurring after July 1, 2018;**

25           **2. Falls for three (3) consecutive actuarial valuations; or**

26           **3. The percentage change in the funding level over two (2) consecutive**  
 27           **actuarial valuations falls more than ten percent (10%).**



1           *The board shall increase the employee contribution by no more than one*  
 2           *percent (1%) of compensation annually. For purposes of this paragraph,*  
 3           *"funding level" means the actuarial value of assets divided by the*  
 4           *actuarially accrued liability expressed as a percentage that is determined*  
 5           *and reported by the system's actuary in the system's actuarial valuation.*~~[1-~~

6           ~~—~~ Effective July 1, 2010, members shall, in addition to those contributions  
 7           required under paragraphs (a) and (b) of this subsection, make a contribution  
 8           to the medical insurance fund established under KRS 161.420(5) according to  
 9           the following schedule:

10           a. ~~For each individual who first became a member of the retirement~~  
 11           ~~system before July 1, 2008, a total amount of annual compensation~~  
 12           ~~equal to and effective on:~~

13           ~~— July 1, 2010.....Twenty five hundredths percent (.25%)~~

14           ~~— July 1, 2011.....One half percent (0.50%)~~

15           ~~— July 1, 2012.....One percent (1.0%)~~

16           ~~— July 1, 2013.....One and one half percent (1.5%)~~

17           ~~— July 1, 2014.....Two and twenty five hundredths percent (2.25%)~~

18           ~~— July 1, 2015,~~

19           ~~— and thereafter.....Three percent (3.0%) for a total of three and~~

20           ~~— seventy five hundredths percent (3.75%)~~

21           ~~— when added to the contributions required~~

22           ~~— under KRS 161.420(5)(a); or~~

23           b. ~~For each individual who first becomes a member of the retirement~~  
 24           ~~system on or after July 1, 2008, a total amount of annual~~  
 25           ~~compensation equal to and effective on:~~

26           ~~— July 1, 2013.....One half percent (0.50%)~~

27           ~~— July 1, 2014.....One and twenty five hundredths percent (1.25%)~~

1                   ~~July 1, 2015,~~  
2                   ~~and thereafter.....Two percent (2.0%) for a total of three and~~  
3                   ~~seventy five hundredths percent (3.75%)~~  
4                   ~~when added to the contributions required~~  
5                   ~~under KRS 161.420(5)(a)~~  
6                   2. ~~Notwithstanding subparagraph 1. of this paragraph, members employed~~  
7                   ~~by any employer identified in KRS 161.220(4)(b) or (n) shall contribute,~~  
8                   ~~as a percentage of their total annual compensation, the actuarial~~  
9                   ~~equivalent of the percentage contributed by members under~~  
10                   ~~subparagraph 1. of this paragraph, not to exceed the percentages~~  
11                   ~~established under the schedules set forth in subparagraph 1. of this~~  
12                   ~~paragraph. The actuarial equivalent to be contributed under this~~  
13                   ~~subsection shall be determined by the retirement system's actuary. These~~  
14                   ~~contributions shall be in lieu of those contributions required under~~  
15                   ~~subparagraph 1. of this paragraph.~~

16                   3. ~~]~~

17                   (d) When the medical insurance fund established under KRS 161.420(5) achieves  
18                   a sufficient prefunded status as determined by the retirement system's actuary,  
19                   the board of trustees shall recommend to the General Assembly that the  
20                   contributions required under *paragraph* ~~[subparagraphs]~~ **(a)2., (b)2., or (c) of**  
21                   **this subsection**~~[1. and 2. of this paragraph]~~ shall, in an actuarially accountable  
22                   manner, be either decreased, suspended, or eliminated.

23                   (e)~~(d)~~ Payments authorized by statute that are made to retiring members, who  
24                   became members of the system before July 1, 2008, for not more than sixty  
25                   (60) days of unused accrued annual leave shall be considered as part of the  
26                   member's annual compensation, and shall be used only for the member's final  
27                   year of active service. The contribution of members shall not exceed these

1 applicable percentages on annual compensation. When a member retires, if it  
2 is determined that he has made contributions on a salary in excess of the  
3 amount to be included for the purpose of calculating his final average salary,  
4 any excess contribution shall be refunded to him in a lump sum at the time of  
5 the payment of his first retirement allowance. In the event a member is  
6 awarded a court-ordered back salary payment the employer shall deduct and  
7 remit the member contribution on the salary payment, plus interest to be paid  
8 by the employer, to the retirement system unless otherwise specified by the  
9 court order.

10 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for  
11 the purpose of compliance with Section 414(h) of the United States Internal  
12 Revenue Code, pick up the member contributions required by this section for all  
13 compensation earned after August 1, 1982, and the contributions so picked up shall  
14 be treated as employer contributions in determining tax treatment under the United  
15 States Internal Revenue Code and KRS 141.010(10). The picked-up member  
16 contribution shall satisfy all obligations to the retirement system satisfied prior to  
17 August 1, 1982, by the member contribution, and the picked-up member  
18 contribution shall be in lieu of a member contribution. Each employer shall pay  
19 these picked-up member contributions from the same source of funds which is used  
20 to pay earnings to the member. The member shall have no option to receive the  
21 contributed amounts directly instead of having them paid by the employer to the  
22 system. Member contributions picked-up after August 1, 1982, shall be treated for  
23 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent  
24 as member contributions made prior to August 1, 1982.

25 ➔Section 58. KRS 161.545 is amended to read as follows:

26 (1) (a) Members may make contributions and receive service credit for substitute,  
27 part-time, or any service other than regular full-time teaching as provided in

1 the administrative regulations of the board of trustees if contributions were not  
2 otherwise made as a result of the service. **This paragraph does not apply to**  
3 **members who retired on or after January 1, 2019, and are reemployed on or**  
4 **after January 1, 2019.**

5 **(b)** Members placed on leave of absence during a period of full-time employment  
6 as defined in KRS 161.220(21) may make contributions and receive service  
7 credit for this leave only if contributions are made by the end of the fiscal year  
8 next succeeding the year in which the leave was effective as provided in  
9 administrative regulations promulgated by the board of trustees. Contributions  
10 permitted after August 1, 1982, shall not be picked-up pursuant to KRS  
11 161.540(2).

12 (2) Active contributing members of the Teachers' Retirement System, or former  
13 members who are currently participating in a state-administered retirement system,  
14 who were granted leaves of absence during a period of full-time employment as  
15 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined  
16 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,  
17 child rearing, or to improve their educational qualifications, and did not purchase  
18 the leave of absence as provided in subsection (1) of this section may obtain credit  
19 for the leave of absence as provided under the administrative regulations of the  
20 board of trustees and under the following conditions:

21 (a) The leave of absence shall be verified by a copy of the board of education  
22 minutes which granted the leave of absence or by other documentation that  
23 was generated contemporaneously with the leave that is determined by the  
24 retirement system to reasonably establish that a leave of absence was granted;  
25 and

26 (b) The member shall contribute the required percentage based on the salary  
27 received for the year immediately preceding the leave of absence plus interest

1 at the rate of eight percent (8%) compounded annually from the beginning of  
2 the school year following the year of the leave of absence, and by depositing  
3 in the state accumulation fund an amount equal to this total.

4 (c) The member shall receive credit for no more than two (2) years under the  
5 provisions of this subsection.

6 (3) Contributions permitted under this section after August 1, 1982, shall not be picked-  
7 up pursuant to KRS 161.540(2).

8 (4) Notwithstanding any other provisions of this section to the contrary, purchase of  
9 service credit under subsection (2) of this section:

10 (a) For individuals who become members on or after July 1, 2008, **but prior to**  
11 **January 1, 2019**, shall be purchasable only at the full actuarial cost; **and**

12 **(b) Shall not apply to individuals who become members on or after January 1,**  
13 **2019.**

14 ➔Section 59. KRS 161.5465 is amended to read as follows:

15 On or after August 1, 1998, a member of the Teachers' Retirement System in active  
16 contributing status who has a minimum of twenty (20) years of service credit may  
17 purchase up to a maximum of five (5) years of service credit that is not otherwise  
18 purchasable under any of the provisions of KRS 161.220 to 161.716 and that meets the  
19 definition of nonqualified service as provided in Section 1526 of the Federal Taxpayer  
20 Relief Act of 1997. The member shall pay the full actuarial cost of the service credit as  
21 provided in KRS 161.220(22). The payment shall not be picked up by the employer as  
22 described in KRS 161.540(2), and the member's payment shall be credited to the  
23 member's contribution account and shall be considered accumulated contributions of the  
24 member. Payment by the member may be by lump sum or by installment payments as  
25 provided in KRS 161.597. Notwithstanding any other statute to the contrary, the  
26 Kentucky Teachers' Retirement System shall recognize nonqualified service credit  
27 purchased with another retirement system only to the extent that the member had an

1 equivalent number of full months of active employment in the position covered by the  
2 other retirement system during the period that the nonqualified service was purchased.

3 This section shall not apply to:

4 **(1)** Individuals who become members on or after July 1, 2008, **but prior to January 1,**  
5 **2019,** except that a teacher of a local school board may purchase up to ten (10)  
6 months of service under this section if the teacher is retiring and has completed the  
7 prior school year with at least twenty-six (26) years and two (2) months of service  
8 but less than twenty-seven (27) years of service; **and**

9 **(2)** **Individuals who become members on or after January 1, 2019.**

10 →Section 60. KRS 161.547 is amended to read as follows:

11 **An individual who became** a member of the retirement system **prior to January 1, 2019,**  
12 **who has**~~having~~ service as a Kentucky legislator which is not credited by any retirement  
13 system administered by the Commonwealth of Kentucky may present such service, not to  
14 exceed four (4) years, for credit in the retirement system by paying the full actuarial cost  
15 of the service as determined by the system actuary. The member may purchase all or part  
16 of his service as a legislator, but no less than one (1) year of service. The entire payment  
17 shall be placed in the teachers' saving fund.

18 →Section 61. KRS 161.548 is amended to read as follows:

19 **An individual who became** a member of the Teachers' Retirement System **prior to**  
20 **January 1, 2019,** who is in an active contributing status with the system, and who was  
21 formerly employed in a regional community service program for mental health and  
22 individuals with an intellectual disability, organized and operated under the provisions of  
23 KRS 210.370 to 210.480, which does not participate in a state-administered retirement  
24 system, may obtain credit for the period of his service in the regional community program  
25 for mental health and individuals with an intellectual disability by paying to the Teachers'  
26 Retirement System the full actuarial cost of the service credit purchased, as provided in  
27 KRS 161.220(22). The service credit purchased may not be used for meeting the service

1 requirements set forth in KRS 161.600(1)(a) or 161.661(1). The payment shall not be  
 2 picked up, as described in KRS 161.540(2), and the entire payment shall be placed in the  
 3 teachers' savings fund.

4 →Section 62. KRS 161.549 is amended to read as follows:

5 **An individual who became** a member of the Teachers' Retirement System **prior to**  
 6 **January 1, 2019,** who is in an active contributing status with the system, and who was  
 7 formerly employed by a Federal Head Start agency, operated under 42 U.S.C. secs. 9831  
 8 et seq., which does not participate in a state-administered retirement system, may obtain  
 9 credit for the period of the member's service in the Head Start program by purchasing this  
 10 service credit under the same conditions that out-of-state service credit may be purchased  
 11 under KRS 161.515. The service credit purchased may not be used for meeting the  
 12 service requirements set forth in KRS 161.600(1)(a) or 161.661(1). Payment for the  
 13 service credit purchased may be made in installments in lieu of a lump-sum payment. The  
 14 payment shall not be picked up, as described in KRS 161.540(2), and the entire payment  
 15 shall be placed in the teachers' savings fund.

16 →Section 63. KRS 161.550 is amended to read as follows:

17 (1) (a) ~~[Beginning with July 1, ]~~**Effective July 1, 2020, and for each fiscal year**  
 18 **occurring thereafter,** each employer, except as provided under KRS 161.555,  
 19 shall contribute annually to the ~~[Kentucky ]~~Teachers' Retirement System a  
 20 **base permanent employer contribution**~~[amount]~~ equal to:  
 21 **1. Thirteen and one hundred five thousandths percent (13.105%) of the**  
 22 **total annual compensation of nonuniversity members it employs, of**  
 23 **which:**  
 24 **a. Twelve and three hundred fifty-five thousandths percent**  
 25 **(12.355%) of the total annual compensation shall be used to**  
 26 **fund pension and life insurance benefits;**~~[that contributed by~~  
 27 ~~members of the retirement system it employs less the amount~~

1           ~~contributed by employees under KRS 161.540(1)(c), plus an~~  
 2           ~~additional three and one fourths percent (3.25%) of the total of~~  
 3           ~~salaries of members of the retirement system it employs to~~  
 4           ~~discharge the system's unfunded obligations with interest assumed~~  
 5           ~~by the state] and~~

6           **b. Three-quarters of a percent (0.75%) of annual compensation**  
 7           **shall be used** to provide funding to the medical insurance fund as  
 8           provided under KRS 161.420(5). If the board of trustees  
 9           establishes a trust fund under 26 U.S.C. sec. 115, the board may  
 10          deposit the employer contribution **provided in this**  
 11          **subparagraph**~~[dedicated to retiree health]~~ in that trust fund~~[-]; and~~

12          **2. Thirteen and sixty-five hundredths percent (13.65%) of the total**  
 13          **annual compensation of university members of the retirement system**  
 14          **it employs, of which:**

15          **a. Ten and eight hundred seventy-five thousandths percent**  
 16          **(10.875%) of the total annual compensation shall be used to**  
 17          **fund pension and life insurance benefits; and**

18          **b. Two and seven hundred seventy-five thousandths percent**  
 19          **(2.775%) of annual compensation shall be used to provide**  
 20          **funding to the medical insurance fund as provided under**  
 21          **subsection (5) of Section 47 of this Act. If the board of trustees**  
 22          **establishes a trust fund under 26 U.S.C. sec. 115, the board may**  
 23          **deposit the employer contribution provided in this subparagraph**  
 24          **in that trust fund.**

25          **(b) Effective July 1, 2020, and for each year thereafter, each employer shall pay**  
 26          **the additional contributions needed to fund the Teachers' Retirement**  
 27          **System pension fund and life insurance fund on an actuarially sound basis**



1 as determined by the system's actuarial valuation completed in accordance  
2 with Section 46 of this Act and as specified by this section. The amount  
3 payable under the provisions of this paragraph shall:

4 1. Be in addition to the amounts provided under paragraph (a)1.a. and  
5 (a)2.a. of this subsection;

6 2. Not include the cost or funding of benefits established by KRS  
7 161.553; and

8 3. Shall be prorated to each employer based upon the individual  
9 employer's average percentage of the total compensation reported by  
10 all employers in the system in fiscal years 2014-2015, 2015-2016, and  
11 2016-2017, except that the amount shall be paid by state appropriation  
12 only for those employers who cover memberships specified by  
13 subsection (4)(a) of Section 45 of this Act.

14 (c) The contributions payable under paragraphs (a)1.a., (a)2.a., and (b) of this  
15 subsection by employers and the state shall be equal to the sum of the  
16 "normal cost" contribution and the "actuarially accrued liability  
17 contribution," except that the minimum contribution to fund pension and  
18 life insurance benefits shall not be less than the combined employer  
19 contribution to fund pension and life insurance benefits specified by  
20 paragraph (a) of this subsection and subsection (3) of this section.

21 (d) For purposes of this subsection, the normal cost contribution shall be  
22 computed as a percentage of payroll and shall be an annual amount that is  
23 sufficient when combined with employee contributions to fund pension and  
24 life insurance benefits earned during the year, including costs for members  
25 participating in the hybrid cash balance plan.

26 (e) For purposes of this subsection, the actuarially accrued liability  
27 contribution shall be an annual amount that is sufficient to amortize the

1 total unfunded actuarially accrued liability over a closed period of thirty  
2 (30) years using the level-dollar amortization method. This method shall be  
3 used beginning with the 2018 actuarial valuation. The initial thirty (30)  
4 year amortization period shall begin with the 2014 actuarial valuation.

5 (f) Effective with the 2018 actuarial valuation which determines the employer  
6 rates payable on or after July 1, 2020, the employer contributions computed  
7 under this section shall be determined using:

8 1. The entry age normal cost funding method;

9 2. An asset smoothing method that smooths gains and losses over a five  
10 (5) year period; and

11 4. Other funding methods and assumptions established by the board in  
12 accordance with Section 46 of this Act.

13 (2) In addition to the required contributions in subsection (1) of this section, the state  
14 shall contribute annually to the Kentucky Teachers' Retirement System a percentage  
15 of the total salaries of the state-funded and federally funded members it employs to  
16 pay the cost of health insurance coverage for retirees who are not eligible for  
17 Medicare and who retire on or after July 1, 2010, less the amounts that are  
18 otherwise required to be paid by the retirees under KRS 161.675. The Kentucky  
19 Teachers' Retirement System may also request an additional amount necessary to  
20 ensure payment of medical insurance costs through fiscal year 2015-2016 which  
21 shall not be subject to the limitations of paragraph (c) of this subsection. The board  
22 shall deposit funds in the medical insurance fund unless the board of trustees has  
23 established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the  
24 board may deposit the employer contribution in that trust fund. This contribution  
25 shall be known as the state medical insurance fund stabilization contribution. The  
26 percentage to be contributed by the state under this subsection:

27 (a) Shall be determined by the retirement system's actuary for each biennial

1 budget period;

2 (b) May be suspended or adjusted by the General Assembly if in its judgment the  
3 welfare of the Commonwealth so demands; and

4 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for  
5 Medicare who retire on or after July 1, 2010, or the amount contributed by  
6 employers under subsection (3) of this section.

7 (3) ~~Effective July 1, 2010,~~ **Effective January 1, 2019,** all **employers who employ**  
8 **nonuniversity members** ~~local boards of education, agencies, and organizations~~  
9 ~~identified in KRS 161.220(4), with the exception of those institutions identified~~  
10 ~~under paragraphs (b) and (n) of KRS 161.220(4),~~ shall make a contribution for  
11 each payroll on behalf of their active employees who participate in the ~~[Kentucky]~~  
12 Teachers' Retirement System in an amount equal to:

13 **(a) Three percent (3%)** ~~[the percentage]~~ of payroll of those active employees. **The**  
14 **contribution specified by this paragraph that is paid on or after January 1,**  
15 **2019, shall be used to fund retiree health benefits; and**

16 **(b) Two percent (2%) of payroll for those members who participate in the**  
17 **hybrid cash balance plan as provided by Section 43 of this Act. The amount**  
18 **of funding provided by this paragraph shall be used to offset any additional**  
19 **costs paid under subsection (1)(b) of this section.** ~~[, according to the schedule~~  
20 ~~as follows:~~

21	July 1, 2010.....	Twenty five hundredths percent (.25%)
22	July 1, 2011.....	One half percent (.50%)
23	July 1, 2012.....	One percent (1.0%)
24	July 1, 2013.....	One and one half percent (1.5%)
25	July 1, 2014.....	Two and twenty five hundredths percent (2.25%)
26	July 1, 2015, and thereafter.....	Three percent (3.0%)

27 (4) ~~Institutions identified under KRS 161.220(4)(b) and (n) shall make a contribution~~

1 for each payroll on behalf of their active employees who participate in the Kentucky  
2 Teachers' Retirement System of an amount equal to a percentage of these  
3 employees' payroll that is actuarially equivalent to the percentage contributed by  
4 local boards of education, agencies, and organizations identified under subsection  
5 (3) of this section, not to exceed the percentages established under the schedule set  
6 forth in subsection (3) of this section. The actuarial equivalent to be contributed  
7 under this subsection shall be determined by the Kentucky Teachers' Retirement  
8 System's actuary.

9 ~~(5) When the medical insurance fund established under KRS 161.420(5) achieves a~~  
10 ~~sufficient prefunded status as determined by the Kentucky Teachers' Retirement~~  
11 ~~System's actuary, the board of trustees shall recommend to the General Assembly~~  
12 ~~that the contributions required under subsections (3) and (4) of this section shall, in~~  
13 ~~an actuarially accountable manner, be either decreased, suspended, or eliminated.~~

14 ~~(6) Each employer shall remit the required employer contributions to the retirement~~  
15 ~~system under the terms and conditions specified for member contributions under~~  
16 ~~KRS 161.560. The state shall provide annual appropriations based upon estimated~~  
17 ~~funds needed to meet the requirements of KRS 161.155; 161.168; 161.507(4);~~  
18 ~~161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3), (5), (6), and (7).~~

19 In the event an annual appropriation ***for the amounts specified by subsection***  
20 ***(1)(a)1. of this section*** is less than the amount of these requirements, the state shall  
21 make up the deficit in the next biennium budget appropriation to the retirement  
22 system. Employer contributions to the retirement system are for the exclusive  
23 purpose of providing benefits to members and annuitants and these contributions  
24 shall be considered deferred compensation to the members.

25 ➔Section 64. KRS 161.568 is amended to read as follows:

26 (1) Eligibility to participate in the optional retirement plan shall be determined by the  
27 board of regents of each of the state public postsecondary education institutions

1 identified in KRS 161.220(4)(b). The employees of these institutions of higher  
2 education who are initially employed on or after the implementation date of the  
3 optional retirement plan may make an election to participate in the optional  
4 retirement plan within thirty (30) days after their employment date. This election  
5 shall be irrevocable except as otherwise provided in this subsection. No member of  
6 the Kentucky Teachers' Retirement System who terminates employment and is  
7 subsequently reemployed by the same or another public postsecondary education  
8 institution which participates in the Kentucky Teachers' Retirement System may be  
9 eligible to elect to participate in the optional retirement plan unless the date of  
10 reemployment is at least six (6) months after the date of termination. All elections  
11 made under this subsection shall be in writing and shall be filed with the  
12 appropriate officer of the employer institution. Persons who originally elected to  
13 participate in the optional retirement plan may later change their elections only as  
14 follows:

15 (a) Any person otherwise eligible for membership in the Kentucky Teachers'  
16 Retirement System may irrevocably elect one (1) time during his or her  
17 lifetime to change his or her election and to prospectively participate in the  
18 Kentucky Teachers' Retirement System. This election to change from the  
19 optional retirement plan to Kentucky Teachers' Retirement System shall be  
20 effective beginning on the first day of the first month immediately following  
21 the date that written application for the election is received in the retirement  
22 system's office on forms prescribed by the system. Any person exercising this  
23 election shall not be entitled to purchase as service credit in the Kentucky  
24 Teachers' Retirement System any prior service with his or her postsecondary  
25 education institution employer;

26 (b) Any person otherwise eligible for membership in the Kentucky Teachers'  
27 Retirement System who previously elected to participate in the optional

1 retirement plan may irrevocably elect one (1) time within his or her first six  
2 (6) years and six (6) months of continuous service in any one (1) or more of  
3 the institutions identified in KRS 161.220(4)(b), to change his or her election  
4 and to prospectively participate in the Kentucky Teachers' Retirement System  
5 and also become eligible to purchase as service credit his or her prior service  
6 with his or her postsecondary education employer. This election to change  
7 from the optional retirement plan to the Kentucky Teachers' Retirement  
8 System shall be effective beginning on the first day of the first month  
9 immediately following the date that written application for the election is  
10 received in the retirement system's office on forms prescribed by the  
11 retirement system. Persons electing to change from the optional retirement  
12 plan to the Kentucky Teachers' Retirement System may purchase service  
13 credit only for their prior years of service for a postsecondary education  
14 institution identified in KRS 161.220(4)(b) during which they participated in  
15 the optional retirement plan. The election to purchase prior service as service  
16 credit shall be received in the retirement system's office on forms prescribed  
17 by the retirement system within the six (6) year and six (6) month period  
18 provided to make the election to begin participation in the Kentucky Teachers'  
19 Retirement System. The cost of purchasing this service shall be calculated by  
20 adding both the employer and member contributions that would have been  
21 paid to the Kentucky Teachers' Retirement System had the individual  
22 purchasing this service participated in the Kentucky Teachers' Retirement  
23 System instead of the optional retirement plan, less the amount contributed to  
24 the Kentucky Teachers' Retirement System by the postsecondary education  
25 institution as provided by KRS 161.569(5), or KRS 161.569(5)(a)2. as it  
26 existed on June 30, 2007. Interest at Kentucky Teachers' Retirement System's  
27 actuarially assumed rate shall be paid on these net contributions by the person

1 electing to change to the Kentucky Teachers' Retirement System from the  
2 optional retirement plan. These payments shall not be picked up as described  
3 in KRS 161.540(2). Persons who elect to change from the optional retirement  
4 plan to the Kentucky Teachers' Retirement System may elect to purchase as  
5 service credit, beginning with the most recent years, any portion of their prior  
6 years of service during which time they participated in the optional retirement  
7 plan, or none of those years. Members may purchase service credit for prior  
8 years of service by rolling over funds from their optional retirement plan  
9 account as provided under KRS 161.5461, or by rolling over or transferring  
10 other plan funds as permitted by the rules set forth in the Internal Revenue  
11 Code, or by making an after-tax lump-sum cash payment. **This paragraph**  
12 **does not apply to individuals who become members on or after January 1,**  
13 **2019;**

14 (c) Effective July 1, 2008, persons otherwise eligible for membership in the  
15 Kentucky Teachers' Retirement System may irrevocably elect one (1) time to  
16 change their election and to prospectively participate in the Kentucky  
17 Teachers' Retirement System and purchase service credit for their prior years  
18 of service during which they participated in the optional retirement plan. This  
19 election shall be filed in writing with the Kentucky Teachers' Retirement  
20 System no later than December 31, 2008. Persons who change their election  
21 prior to July 1, 2008, to prospectively participate in the Kentucky Teachers'  
22 Retirement System may purchase service credit for their prior years of service  
23 during which they participated in the optional retirement plan. The purchase  
24 of prior years of service under this paragraph shall be subject to the same  
25 conditions and purchase costs as described in paragraph (b) of this subsection,  
26 except that the election to purchase service credit shall be on file with the  
27 Kentucky Teachers' Retirement System no later than December 31, 2008. **This**

1           *paragraph does not apply to individuals who become members on or after*  
2           *January 1, 2019*; and

3           (d) Persons electing to change to the Kentucky Teachers' Retirement System  
4           under paragraphs (a), (b), and (c) of this subsection shall be eligible to  
5           participate, based upon their age and allowable service credit, in the disability,  
6           survivorship, and medical insurance programs under the conditions and in the  
7           degree as they exist on the date that they file their election with the retirement  
8           system, but shall be subject to any changes to those programs from that date  
9           forward, including any changes that may affect their eligibility for or degree of  
10          participation in those programs. Prior service purchased as service credit as  
11          permitted under paragraphs (b) and (c) of this subsection shall not be  
12          considered for meeting eligibility requirements or determining the extent of  
13          participation in these programs. Persons electing to change to the Kentucky  
14          Teachers' Retirement System shall not be eligible for the survivorship or  
15          disability programs based upon medical conditions that existed prior to the  
16          filing of their elections.

17       (2) Elections of eligible employees hired on or after the implementation date of the  
18       optional retirement plan at their employer institution shall be effective on the date  
19       of their employment. If an eligible employee hired subsequent to the  
20       implementation date at the employer institution fails to make the election provided  
21       for in this section, the employee shall become a member of the regular retirement  
22       plan of the Kentucky Teachers' Retirement System.

23       ➔Section 65. KRS 161.580 is amended to read as follows:

24       (1) The board of trustees shall provide for the maintenance of an individual account for  
25       each member showing the amount of the member's *accumulated account*  
26       *balance*~~[contribution and interest accumulations]~~. Such individual accounts shall be  
27       identified in the records of the system by name, date of birth, and Social Security



1 number. It shall collect and keep in convenient form such data as is necessary for  
2 the preparation of the required mortality and service tables and for the compilation  
3 of such other information as is required for the actuarial valuation of the assets and  
4 liabilities of the various funds of the retirement system.

5 (2) The board shall prepare and furnish to all active contributing members a summary  
6 plan description, written in a manner calculated to be understood by the average  
7 member or annuitant, and sufficiently accurate and comprehensive to reasonably  
8 apprise them of their rights and obligations under the Teachers' Retirement System.  
9 The board may furnish the summary plan description by posting it on the retirement  
10 system's Web site.

11 (3) The summary plan description shall include:

12 (a) The name of the retirement system, the name and address of the executive  
13 secretary, and the name, address, and title of each member of the board of  
14 trustees;

15 (b) The name and address of the person designated for the service of legal  
16 process;

17 (c) The system's requirements for participation and benefits;

18 (d) A description of retirement formulas for normal, early, and disability  
19 retirement, and survivor benefits;

20 (e) A description of the requirements for vesting of pension benefits;

21 (f) A list of circumstances which would result in disqualification, ineligibility, or  
22 denial or loss of benefits;

23 (g) The sources of financing retirement benefits, and statutory requirements for  
24 funding;

25 (h) A statement after each actuarial valuation as to whether funding requirements  
26 are being met; and

27 (i) The procedures to be followed in presenting claims for benefits under the

1 plan, and the remedies available under the plan for the redress of claims which  
2 are denied in whole or in part.

3 (4) The board may publish the summary plan description in the form of a  
4 comprehensive pamphlet or booklet, or in the form of periodic newsletters which  
5 shall incorporate all the information required in the summary plan description  
6 within a period of two (2) years. Any changes in statutory requirements or  
7 administrative practices which alter the provisions of the plan as described in the  
8 summary plan description shall be summarized as required in subsection (2) of this  
9 section and furnished to active contributing members in the form of a supplement to  
10 a comprehensive booklet, or reported in the periodic newsletter.

11 (5) The board shall provide to annuitants so much of the summary plan description as  
12 they need to understand changes in benefits which apply to them.

13 ➔Section 66. KRS 161.585 is amended to read as follows:

14 (1) Each member's or annuitant's account shall be administered in a confidential  
15 manner, and specific data regarding a member or annuitant shall not be released for  
16 publication, except that:

17 (a) The member or annuitant may authorize the release of his or her account  
18 information;

19 (b) The board of trustees may release member or annuitant account information to  
20 the employer or to other state and federal agencies as it deems necessary or in  
21 response to a lawful subpoena or order issued by a court of law; or

22 (c) 1. Upon request by any person, the system shall release the following  
23 information from the accounts of any member or annuitant of the  
24 Kentucky Teachers' Retirement System, if the member or annuitant is a  
25 current or former officeholder in the Kentucky General Assembly:

26 a. The first and last name of the member or annuitant;

27 b. The status of the member or annuitant, including but not limited to

- 1                   whether he or she is a contributing member, a member who is not  
2                   contributing but has not retired, a retiree receiving a monthly  
3                   retirement allowance, or a retiree who has returned to work  
4                   following retirement with an agency participating in the system;
- 5                   c.    If the individual is an annuitant, the monthly retirement allowance  
6                   that he or she was receiving at the end of the most recently  
7                   completed fiscal year;
- 8                   d.    If the individual is a member who has not yet retired, the estimated  
9                   monthly retirement allowance that he or she is eligible to receive  
10                  on the first date he or she would be eligible for an unreduced  
11                  retirement allowance, using his or her service credit, accumulated  
12                  account balance, and final average salary at the end of the most  
13                  recently completed fiscal year; and
- 14                  e.    The current or last participating employer of the member or  
15                  annuitant, if applicable.
- 16                  2.    No information shall be disclosed under this paragraph from an account  
17                  that is paying benefits to a beneficiary due to the death of a member or  
18                  annuitant.
- 19                  (2)   The release of information under subsection (1)(c) of this section shall not  
20                  constitute a violation of the Open Records Act, KRS 61.870 to 61.884.
- 21                  (3)   Medical records which are included in a member's or annuitant's file maintained by  
22                  the Teachers' Retirement System are confidential and shall not be released unless  
23                  authorized by the member or annuitant in writing or as otherwise provided by law or  
24                  in response to a lawful subpoena or order issued by a court of law.
- 25                  (4)   (a)   When a subpoena is served upon any employee of the Kentucky Teachers'  
26                  Retirement System requiring the production of any data, information, or  
27                  records, it is sufficient if the employee of the Kentucky Teachers' Retirement

1 System charged with the responsibility of being custodian of the original, or  
2 his or her designated staff, delivers within five (5) working days by certified  
3 mail or by personal delivery to the person specified in the subpoena either of  
4 the following:

- 5 1. Legible and durable copies of records certified by the employee or  
6 designated staff; or
- 7 2. An affidavit stating the information required by the subpoena.

8 (b) The production of records or an affidavit shall be in lieu of any personal  
9 testimony of any employee of the Kentucky Teachers' Retirement System  
10 unless, after the production of records or an affidavit, a separate subpoena is  
11 served upon the retirement system specifically directing the testimony of an  
12 employee of the retirement system. When a subpoena is served on any  
13 employee of the retirement system requiring the employee to give testimony  
14 or produce records for any purpose, in the absence of a court order requiring  
15 the testimony of or production of records by a specific employee, the system  
16 may designate an employee to give testimony or produce records upon the  
17 matter referred to in the subpoena. The board of trustees may promulgate an  
18 administrative regulation for the recovery of reasonable travel and  
19 administrative expenses for those occasions when an employee of the  
20 retirement system is required to travel from his or her home or office to  
21 provide testimony or records. Recoverable expenses may include the wages,  
22 salary, and overtime paid to the employee by the retirement system for the  
23 period of time that the employee is away from the office. The cost of these  
24 expenses shall be borne by the party issuing the subpoena compelling the  
25 employee's travel. The board of trustees may also promulgate an  
26 administrative regulation establishing a reasonable fee for the copying,  
27 compiling, and mailing of requested records.

- 1 (c) The certification required by this subsection shall be signed before a notary  
2 public by the employee and shall include the full name of the member or  
3 annuitant, the member or annuitant identification number assigned to the  
4 member or annuitant by the retirement system, and a legend substantially to  
5 the following effect: "The records are true and complete reproductions of the  
6 original, microfiched, or electronically stored records which are housed in the  
7 retirement system's office. This certification is given in lieu of the  
8 undersigned's personal appearance."
- 9 (d) When an affidavit or copies of records are personally delivered, a receipt shall  
10 be presented to the person receiving the records for his or her signature and  
11 shall be immediately signed and returned to the person delivering the records.  
12 When an affidavit or copies of records are sent via certified mail, the receipt  
13 used by the postal authorities shall be sufficient to prove receipt of the  
14 affidavit or copies of records.
- 15 (e) When the affidavit or copies of records are delivered to a party for use in  
16 deposition they shall, after termination of the deposition, be delivered  
17 personally or by certified mail to the clerk of the court or other body before  
18 which the action or proceeding is pending.
- 19 (f) Upon completion of delivery by the retirement system of copies of records by  
20 their deposit in the mail or by their personal delivery to the requesting party,  
21 the retirement system shall cease to have any responsibility or liability for the  
22 records and their continued maintenance in a confidential manner.
- 23 (g) Records of the Kentucky Teachers' Retirement System that are susceptible to  
24 reproduction may be proved as to foundation, identity, and authenticity  
25 without preliminary testimony, by use of legible and durable copies, certified  
26 in accordance with the provisions of this subsection.(h) The provisions of  
27 this subsection shall not be construed to prohibit the Kentucky Teachers'

1 Retirement System from asserting any exemption, exception, or relief  
2 provided under the Kentucky Rules of Civil Procedure or other applicable  
3 law.

4 (5) For purposes of this section, "records" includes retirement estimates, affidavits, and  
5 other documents prepared by the Kentucky Teachers' Retirement System in  
6 response to information requested in a lawful subpoena or order issued by a court of  
7 law.

8 ➔Section 67. KRS 161.590 is amended to read as follows:

9 (1) At retirement the total service credited to a teacher shall consist of prior and  
10 subsequent service rendered by him for which service credit has been allowed.

11 (2) Kentucky service, presented at the time of retirement, may not be used in  
12 calculating benefits under Section 43 of this Act, KRS 161.525, 161.620, or  
13 161.661, if such service has been used to increase benefits in another retirement  
14 system, not including Old Age and Survivors Insurance Benefits under the Social  
15 Security Administration.

16 (3) No service credit shall be added to a member's account after the effective date of  
17 retirement for service.

18 ➔Section 68. KRS 161.595 is amended to read as follows:

19 (1) Upon service retirement, an individual who becomes a member of the Teachers'  
20 Retirement System prior to January 1, 2019, may obtain credit for all or any part of  
21 the service otherwise creditable under the Kentucky Employees Retirement System,  
22 the County Employees Retirement System, or in the service of the United States  
23 government for which service credit is not otherwise given, upon the payment by  
24 the member of the full actuarial cost of the service credit purchased as defined in  
25 KRS 161.220(22). Such payments shall not be picked up, as described in KRS  
26 161.540(2).

27 (2) The amount paid under this section shall be considered as accumulated

1 contributions of the individual member.

2 (3) No person shall be allowed credit for the same period of service in more than one  
3 (1) of these three (3) retirement systems.

4 ➔Section 69. KRS 161.600 is amended to read as follows:

5 (1) Effective July 1, 1988, a member of the retirement system may qualify for service  
6 retirement by meeting one (1) of the following requirements:

7 (a) Attainment of age sixty (60) years and completion of five (5) years of  
8 Kentucky service;

9 (b) 1. For an individual who becomes a member before July 1, 2008,  
10 attainment of age fifty-five (55) years and completion of a minimum of  
11 five (5) years of Kentucky service with an actuarial reduction of the  
12 basic allowance of five percent (5%) for each year the member's age is  
13 less than sixty (60) years or for each year the member's years of  
14 Kentucky service credit is less than twenty-seven (27), whichever is the  
15 lesser number; and

16 2. For an individual who becomes a member on or after July 1, 2008,  
17 attainment of age fifty-five (55) years and completion of a minimum of  
18 ten (10) years of Kentucky service with an actuarial reduction of the  
19 basic retirement allowance of six percent (6%) for each year the  
20 member's age is less than sixty (60) years or for each year the member's  
21 years of Kentucky service credit is less than twenty-seven (27),  
22 whichever is the lesser number;

23 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state  
24 service earned in accordance with the provisions of KRS 161.515(2) may be  
25 used to meet this requirement; or

26 (d) Completion of the necessary years of service under provisions of KRS  
27 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS

1           61.680. A member retiring under this paragraph who has not attained age  
2           fifty-five (55) shall incur an actuarial reduction of the basic allowance  
3           determined by the system's actuary for each year the member's service credit is  
4           less than twenty-seven (27).

5       (2) Any person who has been a member in Kentucky for twenty-seven (27) years or  
6       more and who withdraws from covered employment may continue to pay into the  
7       fund each year until the end of the fiscal year in which he reaches the age of sixty-  
8       five (65) years, the current contribution rate based on the annual compensation  
9       received during the member's last full year in covered employment, less any  
10      payment received for accrued sick leave or accrued leave from an employer. The  
11      member shall be entitled to receive a retirement allowance as provided in KRS  
12      161.620 at any time after withdrawing from covered employment and payment of  
13      contributions under this subsection. No member shall make contributions as  
14      provided for in this subsection if the member is at the same time making  
15      contributions to another retirement system in Kentucky supported wholly or in part  
16      by public funds.

17     (3) Service credit in the Kentucky Employees Retirement System, the State Police  
18     Retirement System, the Legislators' Retirement Plan, the County Employees  
19     Retirement System, or the Judicial Retirement System may be used in meeting the  
20     service requirements of subsection (1)(a), (b), and (c) of this section, provided the  
21     service is subsequent to July 1, 1956.

22     (4) Upon death, disability, or service retirement, a member's accounts under all state  
23     supported retirement systems shall be consolidated, as provided by this section and  
24     by KRS 61.680, for the purpose of determining eligibility and amount of benefits,  
25     which shall include medical benefits. Upon determination of benefits, each system  
26     shall pay the applicable percentage of total benefits. The effective date of retirement  
27     under this subsection shall be determined by each retirement system for the portion



1 of the payments that will be made.

2 ~~(5)~~~~(4)~~ No retirement annuity shall be effective until written application and option  
3 election forms are filed with the retirement office in accordance with administrative  
4 regulations of the board of trustees. A member may withdraw his or her retirement  
5 application, postpone his or her effective retirement date, or change his or her  
6 retirement option if these elections are made no later than the fifteenth day of the  
7 month in which the member has made application for retirement.

8 ~~(6)~~~~(5)~~ The surviving spouse of an active contributing member, if named as  
9 beneficiary of the member's account, may purchase retirement credit that the  
10 member was eligible to purchase prior to the member's death.

11 **(7) Effective January 1, 2019, subsections (1) to (3) of this section do not apply to**  
12 **individuals who become members of the Teachers' Retirement System on or after**  
13 **January 1, 2019. Individuals who become members of the Teachers' Retirement**  
14 **System on or after January 1, 2019, shall receive the retirement benefits**  
15 **prescribed by Section 43 of this Act.**

16 ➔Section 70. KRS 161.605 is amended to read as follows:

17 **Except as provided by subsection (15) of this section,** any member retired by reason of  
18 service **prior to January 1, 2019,** may return to work in a position covered by the  
19 Kentucky Teachers' Retirement System and continue to receive his or her retirement  
20 allowance under the following conditions:

21 (1) Any member who is retired with thirty (30) or more years of service may return to  
22 work in a full-time or a part-time position covered by the Kentucky Teachers'  
23 Retirement System and earn up to a maximum of seventy-five percent (75%) of the  
24 member's last annual compensation measured on a daily rate to be determined by  
25 the board of trustees. For purposes of determining whether the salary of a member  
26 returning to work is seventy-five percent (75%) or less of the member's last annual  
27 compensation, all remuneration paid and benefits provided to the member, on an

1 actual dollar or fair market value basis as determined by the retirement system, shall  
2 be considered. Members who were retired on or before June 30, 2002, shall be  
3 entitled to return to work under the provisions of this section as if they had retired  
4 with thirty (30) years of service. Nonqualified service credit purchased under the  
5 provisions of KRS 161.5465 or elsewhere with any state-administered retirement  
6 system shall not be used to meet the thirty (30) year requirement set forth in this  
7 subsection. Out-of state teaching service provided in public schools for kindergarten  
8 through grade twelve (12) may count toward the thirty (30) year requirement set  
9 forth in this subsection even if it is not purchased as service credit, if the member  
10 obtains from his or her out-of-state employer certification of this service on forms  
11 prescribed by the retirement system;

12 (2) Any member who is retired with less than thirty (30) years of service after June 30,  
13 2002, may return to work in a full-time or part-time position covered by the  
14 Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five  
15 percent (65%) of the member's last annual compensation measured on a daily rate to  
16 be determined by the board of trustees. For purposes of determining whether the  
17 salary of a member returning to work is sixty-five percent (65%) or less of the  
18 member's last annual compensation, all remuneration paid and benefits provided to  
19 the member, on an actual dollar or fair market value basis as determined by the  
20 retirement system, shall be considered;

21 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a  
22 full-time teaching or nonteaching position in a local school district shall be  
23 permitted only if the employer certifies to the Kentucky Teachers' Retirement  
24 System that there are no other qualified applicants available to fill the teaching or  
25 nonteaching position. The employer may use any source considered reliable  
26 including but not limited to data provided by the Education Professional Standards  
27 Board and the Department of Education to determine whether other qualified

1 applicants are available to fill the teaching or nonteaching position. The Kentucky  
2 Board of Education shall promulgate administrative regulations to establish  
3 procedures to determine whether other qualified applicants are available to fill a  
4 teaching or nonteaching position and, if not, for filling the position with a retired  
5 member who will then be permitted to return to work in that position under  
6 subsection (1) or (2) of this section. The administrative regulations shall assure that  
7 a retired member shall not be hired in a teaching or nonteaching position by a local  
8 school district until the superintendent of the school district assures the Kentucky  
9 Teachers' Retirement System that every reasonable effort has been made to recruit  
10 other qualified applicants for the position on an annual basis;

11 (4) Under this section, an employer may employ full-time a number of retired members  
12 not to exceed three percent (3%) of the membership actively employed full-time by  
13 that employer. The board of trustees may reduce this three percent (3%) cap upon  
14 recommendation of the retirement system's actuary if a reduction is necessary to  
15 maintain the actuarial soundness of the retirement system. The board of trustees  
16 may increase the three percent (3%) cap upon a determination that an increase is  
17 warranted to help address a shortage in the number of available teachers and upon  
18 the determination of the retirement system's actuary that the proposed cap increase  
19 allows the actuarial soundness of the retirement system to be maintained. For  
20 purposes of this subsection, "full-time" means the same as defined by KRS  
21 161.220(21). A local school district may exceed the quota established by this  
22 subsection by making an annual written request to the Kentucky Department of  
23 Education which the department may approve on a year-by-year basis if the  
24 statewide quota has not been met. A district's written request to exceed its quota  
25 shall be submitted no sooner than two (2) weeks after the start of the school year;

26 (5) A member returning to work in a full-time or part-time position under subsection  
27 (1) or (2) of this section will contribute to an account with the retirement system

1 that will be administered independently from and with no reciprocal impact with the  
2 member's original retirement account, or any other account from which the member  
3 is eligible to draw a retirement allowance. A member returning to work under  
4 subsection (1) or (2) of this section shall make contributions to the retirement  
5 system at the rate provided under KRS 161.540. The new account shall  
6 independently meet the five (5) year vesting requirement as well as all other  
7 conditions set forth in KRS 161.600(1) before any retirement allowance is payable  
8 from this account. The retirement allowance accruing under this new account shall  
9 be calculated pursuant to KRS 161.620(1)(b). This new account shall not entitle the  
10 member to a duplication of the benefits offered under KRS 161.620(7) or 161.675,  
11 nor shall this new account provide the benefits offered by KRS 161.520, 161.525,  
12 161.620(3), 161.655, 161.661, or 161.663. A member returning to work under  
13 subsection (1) or (2) of this section shall waive his or her medical insurance with  
14 the Kentucky Teachers' Retirement System during the period of reemployment and  
15 shall receive the medical insurance coverage that is generally provided by the  
16 member's active employer to the other members of the retirement system that the  
17 active employer employs. If medical insurance coverage is not available from the  
18 employer, the Kentucky Teachers' Retirement System may provide coverage for the  
19 member. A member returning to work under subsection (1) or (2) of this section  
20 shall not be eligible to purchase service credit for any service provided after the  
21 member's effective date of retirement but prior to the date that the member returns  
22 to work. A member returning to work under subsection (1) or (2) of this section  
23 shall not be eligible to purchase service credit that the member would have  
24 otherwise been eligible to purchase prior to the member's initial retirement. A  
25 member who returns to work under subsection (1) or (2) of this section, or in the  
26 event of the death of the member, the member's estate or applicably designated  
27 beneficiary, shall be entitled, within ninety (90) days of the posting of the annual

1 report submitted by the employer, to a refund of contributions as permitted and  
2 limited by KRS 161.470;

3 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a  
4 member's last annual compensation, for each full twelve (12) month period that has  
5 elapsed subsequent to the member earning his or her last annual compensation, by  
6 the percentage increase in the annual average of the consumer price index for all  
7 urban consumers for the calendar year preceding the adjustment as published by the  
8 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each  
9 annual adjustment shall become part of the member's daily rate base. Failure to  
10 comply with the salary limitations set forth in subsections (1) and (2) of this section  
11 as may be adjusted by this subsection shall result in a reduction of the member's  
12 retirement allowance or any other benefit to which the member would otherwise be  
13 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these  
14 salary limitations. Notwithstanding any other provision of law to the contrary, a  
15 member retiring from a local school district who returns to work for a local school  
16 district under subsection (1) or (2) of this section shall be entitled, without any  
17 reduction to his or her retirement allowance or any other retirement benefit, to earn  
18 a minimum amount equal to one hundred seventy dollars (\$170) per day;

19 (7) (a) A retired member returning to work under subsection (1) or (2) of this section  
20 shall have separated from service for a period of at least one (1) year if  
21 returning to work for the same employer on a full-time basis, and at least three  
22 (3) months if returning to work for a different employer on a full-time basis. A  
23 retired member returning to work under subsection (1) or (2) of this section on  
24 a part-time basis shall have separated from service for a period of at least three  
25 (3) months before returning to work for any employer.

26 (b) As an alternative to the separation-from-service requirements in paragraph (a)  
27 of this subsection, a retired member who is returning to work for the same

1 employer in a full-time position under subsections (1) and (2) of this section  
2 may elect a separation-from-service of not less than two (2) months followed  
3 by a forfeiture of the retired member's retirement allowance on a month-to-  
4 month basis for each month that the member has separated from service for  
5 less than twelve (12) full months. A retired member returning to work for the  
6 same employer in a part-time position, or for a different employer in a full-  
7 time position, may elect an alternative separation-from-service requirement of  
8 at least two (2) months followed by a forfeiture of the member's retirement  
9 allowance for one (1) month. During the period that the member forfeits his or  
10 her retirement allowance and thereafter, member and employer contributions  
11 shall be made to the retirement system as a result of employment in any  
12 position subject to membership in the retirement system. The member shall  
13 contribute to an account with the retirement system subject to the conditions  
14 set forth in subsection (5) of this section. For purposes of measuring the  
15 separation-from-service requirements set forth throughout this section, a  
16 member's separation-from-service begins on the first day following the last  
17 day of paid employment for the member prior to retirement.

18 (c) Failure to comply with the separation-from-service requirements in this  
19 subsection voids a member's retirement and the member shall be required to  
20 return all the retirement benefits he or she received, with interest, for the  
21 period of time that the member returned to work without a sufficient  
22 separation from service;

23 (8) (a) Effective July 1, 2004, local school districts may employ retired members in  
24 full-time or part-time teaching or administrative positions without limitation  
25 on the compensation of the retired members that is otherwise required by  
26 subsections (1) and (2) of this section. Under provisions of this subsection, a  
27 local school district may only employ retired members to fill critical shortage

1 positions for which there are no other qualified applicants as determined by  
2 the local superintendent. The number of retired members that a local school  
3 district may employ under this subsection shall be no more than two (2)  
4 members per local school district or one percent (1%) of the total active  
5 members employed by the local school district on a full-time basis as defined  
6 under KRS 161.220(21), whichever number is greater. Retired members  
7 returning to work under this subsection shall be subject to the separation-  
8 from-service requirements set forth in subsection (7) of this section. Retired  
9 members returning to work under this subsection shall waive their medical  
10 insurance coverage with the retirement system during their period of  
11 reemployment and receive medical insurance coverage that is offered to other  
12 full-time members employed by the local school district. Retired members  
13 returning to work under this subsection shall contribute to an account subject  
14 to the conditions set forth in subsection (5) of this section. Retired members  
15 returning to work under this subsection shall make contributions to the  
16 retirement system at the rate provided under KRS 161.540. The employer  
17 shall make contributions at the rate provided under KRS 161.550. Local  
18 school districts shall make annual payments to the retirement system on the  
19 compensation paid to the reemployed retirees at the rates determined by the  
20 retirement system's actuary that reflect any accrued liability resulting from the  
21 reemployment of these members.

- 22 (b) The Department of Education may employ retired members in full-time or  
23 part-time teaching or nonteaching positions without the limitations on  
24 compensation otherwise required by subsections (1) and (2) of this section to  
25 fill critical shortage areas in the schools it operates, including the Kentucky  
26 School for the Blind, the Kentucky School for the Deaf, and the Kentucky  
27 Virtual High School, and to serve on audit teams. The department shall be

1 subject to the same requirements as local school districts as provided in  
2 paragraph (a) of this subsection, except the Kentucky Teachers' Retirement  
3 System shall determine the maximum number of employees that may be  
4 employed under this paragraph;

5 (9) The return to work limitations set forth in this section shall apply to retired  
6 members who are returning to work in the same position from which they retired, or  
7 a position substantially similar to the one from which they retired, or a position  
8 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires  
9 membership in the retirement system. Positions which generally require certification  
10 or graduation from a four (4) year college or university as a condition of  
11 employment which are created, or changed to remove the position from coverage  
12 under KRS 161.220(4) are also subject to the return to work limitations set forth in  
13 this section. The board of trustees shall determine whether employment in a  
14 nonteaching position is subject to this subsection;

15 (10) The provisions of subsections (1) to (8) of this section are not subject to KRS  
16 161.714;

17 (11) Any member retired by reason of service may waive his or her annuity and return to  
18 full-time employment in a position covered by the Kentucky Teachers' Retirement  
19 System under the following conditions:

20 (a) The member shall receive no annuity payments while employed in a covered  
21 position, shall waive his or her medical insurance coverage with the Kentucky  
22 Teachers' Retirement System during the period of reemployment, and shall  
23 receive the medical insurance coverage that is generally offered by the  
24 member's active employer to the other members of the retirement system  
25 employed by the active employer. The member's estate or, if there is a  
26 beneficiary applicably designated by the member, then the beneficiary, shall  
27 continue to be eligible for life insurance benefits as provided in KRS 161.655.



1 Service subsequent to retirement shall not be used to improve an annuity,  
2 except as provided in paragraphs (b) and (c) of this subsection;

3 (b) Any member who waives regular annuity benefits and returns to teaching or  
4 covered employment shall be entitled to make contributions on the salaries  
5 received for this service and have his retirement annuity recalculated as  
6 provided in the regular retirement formula in KRS 161.620(1), less any  
7 applicable actuarial discount applied to the original retirement allowance due  
8 to the election of a joint and last survivor option. Retirement option and  
9 beneficiary designation on original retirement shall not be altered by  
10 postretirement employment, and dependents and spouses of the members shall  
11 not become eligible for benefits under KRS 161.520, 161.525, or 161.661  
12 because of postretirement employment;

13 (c) When a member returns to full-time teaching or covered employment as  
14 provided in subsection (b) of this section, the employer is required to withhold  
15 and remit regular retirement contributions. The member must be employed  
16 full-time for at least one (1) consecutive contract year to be eligible to  
17 improve an annuity. The member shall be returned to the annuity rolls on July  
18 1 following completion of the contract year or on the first day of the month  
19 following the month of termination of service if full-time employment  
20 exceeds one (1) consecutive contract year. Any discounts applied at the time  
21 of the original retirement due to service or age may be reduced or eliminated  
22 due to additional employment if full-time employment is for one (1)  
23 consecutive contract year or longer; and

24 (d) A member retired by reason of service who has been employed the equivalent  
25 of twenty-five (25) days or more during a school year under KRS 161.605  
26 may waive the member's retirement annuity and return to regular employment  
27 covered by the Kentucky Teachers' Retirement System during that school year

1 a maximum of one (1) time during any five (5) year period, beginning with  
2 that school year;

3 (12) Retired members may be employed in a part-time teaching capacity by an agency  
4 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)  
5 teaching hours in any one (1) fiscal year. Retired members may be employed for a  
6 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal  
7 year in a part-time administrative or nonteaching capacity by an agency described in  
8 KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the  
9 retirement system. The return to work provisions set forth in subsections (1) to (8)  
10 of this section shall not apply to retired members who return to work solely for an  
11 agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days  
12 and teaching hours for part-time teaching, substitute teaching, or part-time  
13 employment in a nonteaching capacity under this section shall not exceed the ratio  
14 between a school year and the actual months of retirement for the member during  
15 that school year. The board of trustees by administrative regulation may establish  
16 fractional equivalents of a day of teaching service. Any member who exceeds the  
17 twelve (12) hour or one hundred (100) day limitations of this subsection shall be  
18 subject to having his or her retirement voided and be required to return all  
19 retirement allowances and other benefits paid to the member or on the member's  
20 behalf since the effective date of retirement. In lieu of voiding a member's  
21 retirement, the system may reduce the member's retirement allowance or any other  
22 benefit to which the member would otherwise be entitled on a dollar-for-dollar basis  
23 for each dollar of compensation that the member earns in employment exceeding  
24 twelve (12) hours, one hundred (100) days, or any apportionment of the two (2)  
25 combined;

26 (13) When a retired member returns to employment in a part-time teaching capacity or in  
27 a nonteaching capacity as provided in subsection (12) of this section, the employer

1 shall contribute annually to the retirement system on the compensation paid to the  
2 retired member at rates determined by the retirement system actuary that reflect  
3 accrued liability for retired members who return to work under subsection (12) of  
4 this section; and

5 (14) For retired members who return to work during any one (1) fiscal year in both a  
6 position described in KRS 161.220(4)(b) or (n) and in a position described under  
7 another provision under KRS 161.220(4), and for retired members who return to  
8 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and  
9 an administrative or nonteaching capacity, the board of trustees shall adopt a  
10 methodology for a pro rata apportionment of days and hours that the retired member  
11 may work in each position.

12 **(15) Members retiring on or after January 1, 2019, shall be subject to the provisions**  
13 **of subsection (18) of Section 28 of this Act for any reemployment occurring on or**  
14 **after January 1, 2019, in any system or plan administered by the Kentucky**  
15 **Retirement Systems, the Judicial Form Retirement System, or the Teachers'**  
16 **Retirement System. A member returning to work under subsection (18) of Section**  
17 **28 of this Act for any reemployment occurring on or after January 1, 2019, shall**  
18 **waive his or her medical insurance with the Kentucky Teachers' Retirement**  
19 **System during the period of reemployment and shall receive the medical**  
20 **insurance coverage that is generally provided by the member's active employer to**  
21 **the other members of the retirement system that the active employer employs. If**  
22 **medical insurance coverage is not available from the employer, the Kentucky**  
23 **Teachers' Retirement System may provide coverage for the member.**

24 ➔Section 71. KRS 161.612 is amended to read as follows:

25 Effective July 1, 2002, any individual occupying a position on a part-time basis that  
26 requires certification or graduation from a four (4) year college or university as a  
27 condition of employment and any individual providing part-time or substitute teaching

1 services that are the same or similar to those teaching services provided by certified, full-  
2 time teachers shall be a member of the Kentucky Teachers' Retirement System, according  
3 to the conditions and only to the extent set forth in this section, if the individual is  
4 employed by one (1) of the public boards, institutions, or agencies set forth in KRS  
5 161.220, excluding those public boards, institutions, and agencies described in KRS  
6 161.220(4)(b) and (n). Members providing part-time and substitute services shall  
7 participate in the retirement system as follows:

8 (1) Members providing part-time and substitute services shall accrue service credit as  
9 provided under KRS 161.500 and be entitled to a retirement allowance upon  
10 meeting the service retirement conditions of KRS 161.600 or Section 43 of this  
11 Act, as applicable. The board of trustees shall adopt a methodology for accrediting  
12 service credit to these members on a pro rata basis. The methodology adopted by  
13 the board of trustees may be amended as necessary to ensure its actuarial soundness.  
14 The retirement allowance for members providing part-time and substitute services  
15 shall be calculated pursuant to KRS 161.620 or Section 43 of this Act, as  
16 applicable, except that the provisions of KRS 161.620(3) shall not apply. Members  
17 providing part-time and substitute services who meet the service retirement  
18 conditions of KRS 161.600 or Section 43 of this Act, as applicable, may also be  
19 eligible to participate as approved by the board of trustees in the medical insurance  
20 program provided by the retirement system under KRS 161.675. Members  
21 providing part-time and substitute services shall make contributions to the Kentucky  
22 Teachers' Retirement System at the rate provided under KRS 161.540. A member  
23 who provides part-time or substitute services, or in the event of the death of the  
24 member, the member's estate or applicably designated beneficiary, will be entitled,  
25 within ninety (90) days of the posting of the annual report submitted by the  
26 member's employer, to a refund of contributions as permitted and limited by KRS  
27 161.470;

- 1 (2) The board of trustees shall adopt eligibility conditions under which members  
2 providing part-time and substitute services may participate in the benefits provided  
3 under KRS 161.520, 161.655, 161.661, and 161.663. The board of trustees may  
4 permit members providing part-time or substitute services to participate in other  
5 benefits offered by the retirement system by promulgating administrative  
6 regulations that establish eligibility conditions for participation in these benefits. All  
7 eligibility conditions adopted by the board of trustees pursuant to this subsection  
8 may be amended as necessary to ensure their actuarial soundness;
- 9 (3) In addition to the pro rata methodology adopted by the board of trustees under  
10 subsection (1) of this section, members providing part-time and substitute services  
11 shall be subject to all limitations and conditions regarding the accrual, retention,  
12 accreditation, and use of service credit that apply to members providing full-time  
13 services. In addition to the eligibility conditions set forth by the board of trustees  
14 under subsection (2) of this section, members providing part-time and substitute  
15 services shall be subject to all limitations and conditions regarding both the  
16 eligibility to participate and the extent of participation in any benefit offered under  
17 KRS 161.220 to 161.716 that apply to members providing full-time services;
- 18 (4) Notwithstanding any other provisions of this section to the contrary, instructional  
19 assistants who provide teaching services in the local school districts on a full-time  
20 basis in positions covered by the County Employees Retirement System who are  
21 used as substitute teachers on an emergency basis for five (5) days or less during  
22 any one (1) fiscal year shall not be considered members of the Teachers' Retirement  
23 System during that period in which they are serving as substitute teachers for five  
24 (5) days or less;
- 25 (5) The board of trustees may adopt a pro rata methodology to determine the annual  
26 compensation of members providing part-time and substitute services in order to  
27 determine benefits provided under KRS 161.661 and 161.663. Members providing

1 part-time and substitute services who had retirement contributions posted to their  
2 accounts during the previous fiscal year and who have not had those contributions  
3 refunded to them are eligible to vote for the board of trustees;

4 (6) The board of trustees of the Teachers' Retirement System shall be responsible for  
5 final determination of membership eligibility and may direct employers to take  
6 whatever action that may be necessary to correct any error relating to membership;{

7 ~~and~~}

8 (7) Effective January 1, 2019, this section does not apply to any individual who  
9 retires on or after January 1, 2019, and is reemployed on or after January 1,  
10 2019.

11 (8) The provisions of this section are not subject to KRS 161.714.

12 ➔Section 72. KRS 161.615 is amended to read as follows:

13 (1) The board of trustees is authorized to implement a limited defined contribution plan  
14 for the sole purpose of providing retirement allowance payments for retired  
15 members who have been approved by the retirement system for full-time  
16 reemployment as provided in KRS 161.605.

17 (2) The defined contribution plan shall be administered separately from the regular  
18 benefits provided for members of the retirement system, except that the  
19 contributions to the plan shall be invested in the same manner as other contributions  
20 to the retirement system.

21 (3) The provisions of this section apply only to those retired members who were  
22 permitted to return to work under the critical shortage provisions of KRS  
23 161.605(7) as they existed on June 30, 2002. The provisions of this section shall not  
24 apply to any retired member returning to work on or after July 1, 2002.

25 (4) Separate member accounts shall be maintained for participants in this plan which  
26 shall reflect the annual contributions made to the participant's account based on the  
27 rates and interest levels specified in KRS 161.605.

1 (5) When the retiree's reemployment terminates, the total contributions and accrued  
 2 interest in the participant's account will be paid in a lump-sum payment or on an  
 3 actuarial straight life monthly basis to the retiree. If the member dies prior to  
 4 making application for a retirement allowance under this plan, the beneficiary  
 5 designated by the participant for this plan shall receive a refund of the funds in the  
 6 account. If there is a remaining balance in the account at the death of the participant  
 7 after retirement from this plan, it shall be paid to the beneficiary designated by the  
 8 participant for this benefit.

9 (6) Retired members shall be eligible to receive their retirement annuity when approved  
 10 for reemployment and participation in this plan. Service as a reemployed retiree  
 11 may not be used in any manner for credit under the regular retirement benefit plans  
 12 provided by the retirement system.

13 **(7) Notwithstanding the provisions of subsections (1) to (6) of this section, any plan**  
 14 **established pursuant to this section shall, effective January 1, 2019, be closed to**  
 15 **any future employee or employer contributions.**

16 ➔Section 73. KRS 161.620 is amended to read as follows:

17 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a  
 18 member retiring for service shall be calculated as follows:

19 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise  
 20 provided by this section, the annual allowance for each year of service shall be  
 21 two percent (2%) of the final average salary for service performed prior to  
 22 July 1, 1983, and two and one-half percent (2.5%) of the final average salary  
 23 for service performed after July 1, 1983, for all **nonuniversity** members ~~not~~  
 24 ~~employed by a state college or university~~. The annual retirement allowance  
 25 for each year of service performed by members of the Teachers' Retirement  
 26 System who are **university** members ~~under the provisions of KRS~~  
 27 ~~161.220(4)(b) or (n)~~ shall be two percent (2%) of the final average salary.

1 Actuarial discounts due to age or service credit at retirement may be applied  
2 as provided in this section;

3 (b) For individuals who become ***nonuniversity*** members of the ~~[Kentucky~~  
4 ~~]Teachers' Retirement System on or after July 1, 2002, and before July 1,~~  
5 ~~2008, [except those persons who become members under KRS 161.220(4)(b)~~  
6 ~~or (n), and ]~~who upon retirement have earned less than ten (10) full years of  
7 service credit, the retirement allowance shall be two percent (2%) of the  
8 member's final average salary for each year of service. For individuals who  
9 become ***nonuniversity*** members of the ~~[Kentucky ]~~Teachers' Retirement  
10 System on or after July 1, 2002, and before July 1, 2008~~[, except those~~  
11 ~~persons who become members under KRS 161.220(4)(b) or (n)]~~, and who  
12 upon retirement have earned at least ten (10) full years of service credit, the  
13 annual allowance for each year of service shall be two and one-half percent  
14 (2.5%) of the member's final average salary;

15 (c) The board of trustees may approve for members who initially retire on or after  
16 July 1, 2004, and who become ***nonuniversity*** members before July 1, 2008~~[,~~  
17 ~~except those persons who are members under KRS 161.220(4)(b) or (n)]~~, a  
18 retirement allowance of three percent (3%) of the member's final average  
19 salary for each year of service credit earned;

20 **1. In excess of thirty (30) years, *if the member has twenty (20) or more***  
21 ***years of service as of July 31, 2018; or***  
22 **2. *In excess of thirty-five (35) years, if the member does not have twenty***  
23 ***(20) or more years of service as of July 31, 2018, and if the member is***  
24 ***at least sixty (60) years of age.***

25 This three percent (3%) factor shall be in lieu of the two and one-half percent  
26 (2.5%) factor provided for in paragraph (b) of this subsection for every year or  
27 fraction of a year of service in excess of thirty (30) years. Upon approval of



1 this three percent (3%) retirement factor, the board of trustees may establish  
 2 conditions of eligibility regarding the type of service credit that will qualify  
 3 for meeting the requirements of this subsection. This subsection is optional  
 4 with the board of trustees and shall not be subject to KRS 161.714;

5 (d) For individuals who become nonuniversity members of the ~~{Kentucky~~  
 6 ~~}Teachers' Retirement System on or after July 1, 2008[, except those persons~~  
 7 ~~who become members under KRS 161.220(4)(b) or (n)]~~, the retirement  
 8 allowance shall be:

- 9 1. a. One and seven-tenths percent (1.7%) of the member's final average  
 10 salary for each year of service if the member has earned ten (10) or  
 11 less years of service at retirement;
- 12 b. Two percent (2%) of the member's final average salary for each  
 13 year of service if the member has earned greater than ten (10) but  
 14 no more than twenty (20) years of service at retirement;
- 15 c. Two and three-tenths percent (2.3%) of the member's final average  
 16 salary for each year of service if the member has earned greater  
 17 than twenty (20) but no more than twenty-six (26) years of service  
 18 at retirement; or
- 19 d. Two and one-half percent (2.5%) of the member's final average  
 20 salary for each year of service if the member has earned greater  
 21 than twenty-six (26) but no more than thirty-five (35)~~{thirty (30)}~~  
 22 years of service at retirement; and
- 23 2. Three percent (3%) of the member's final average salary for each year of  
 24 service earned in excess of thirty-five (35)~~{thirty (30)}~~ years of service at  
 25 retirement subject to the same terms and conditions as set forth in  
 26 paragraph (c)2. of this subsection;

27 (e) For individuals who become university members of the ~~{Kentucky~~Teachers'

1 Retirement System on or after July 1, 2008~~[, who are members under KRS~~  
2 ~~161.220(4)(b) or (n)]~~, the retirement allowance shall be:

- 3 1. One and one-half percent (1.5%) of the member's final average salary for  
4 each year of service if the member has earned ten (10) or less years of  
5 service at retirement;
- 6 2. One and seven-tenths percent (1.7%) of the member's final average  
7 salary for each year of service if the member has earned greater than ten  
8 (10) but no more than twenty (20) years of service at retirement;
- 9 3. One and eighty-five hundredths percent (1.85%) of the member's final  
10 average salary for each year of service if the member has earned greater  
11 than twenty (20) but less than twenty-seven (27) years of service at  
12 retirement; or
- 13 4. Two percent (2%) of the member's final average salary for each year of  
14 service if the member has earned twenty-seven (27) or more years of  
15 service at retirement; and

16 (f) The retirement allowance of a member at retirement, as measured on a life  
17 annuity, shall not exceed the member's last yearly salary or the member's final  
18 average salary, whichever is the greater amount. For purposes of this section,  
19 "yearly salary" means the compensation earned by a member during the most  
20 recent period of contributing service, either consecutive or nonconsecutive,  
21 preceding the member's effective retirement date and shall be subject to the  
22 provisions of KRS 161.220(9) and (10).

23 (2) (a) Effective July 1, 2019~~[July 1, 2002]~~, and annually on July 1 thereafter, and  
24 except as provided by paragraphs (b) and (c) of this subsection, the  
25 retirement allowance of each retired member and of each beneficiary of a  
26 retirement option shall be increased in the amount of one and one-half percent  
27 (1.5%), provided the retired member had been retired for at least the full

1 twelve (12) months immediately preceding the date that the increase is  
2 effective. *If the retired member had not been retired for at least twelve (12)*  
3 *months immediately preceding the date that the increase is effective, then*  
4 *no increase shall be provided*~~[In the event that the retired member had been~~  
5 ~~retired for less than the full twelve (12) months immediately preceding the~~  
6 ~~date that the increase is effective, then the increase shall be reduced on a pro~~  
7 ~~rata basis by each month that the retired member had not been retired for the~~  
8 ~~full twelve (12) months immediately preceding the effective date of the~~  
9 ~~increase].~~

10 *(b) Effective July 1, 2019, to July 1, 2030, if the Teachers' Retirement System*  
11 *pension fund as of the date of the increase has a funding level of less than*  
12 *ninety percent (90%) as determined by the most recently completed*  
13 *actuarial valuation, retired members and beneficiaries receiving benefits*  
14 *based upon a retirement date prior to July 1, 2019, shall receive an increase*  
15 *in his or her retirement allowance of three-quarters of one percent (0.75%)*  
16 *in lieu of the one and one-half percent (1.5%) increase provided by*  
17 *paragraph (a) of this subsection.*

18 *(c) Effective July 1, 2019, if the Teachers' Retirement System pension fund as*  
19 *of the date of the increase has a funding level of less than ninety percent*  
20 *(90%) as determined by the most recently completed actuarial valuation, a*  
21 *member who retires on or after July 1, 2019, shall receive an increase in his*  
22 *or her retirement allowance of three-quarters of one percent (0.75%) in lieu*  
23 *of the one and one-half percent (1.5%) increase provided by paragraph (a)*  
24 *of this subsection. The period in which the individual retired member or*  
25 *beneficiary receives the increase provided by this paragraph in lieu of the*  
26 *increase provided by paragraph (a) of this subsection shall not exceed*  
27 *twelve (12) years.*

1        (d) For purposes of this subsection, "funding level" means the actuarial value  
2        of assets divided by the actuarially accrued liability expressed as a  
3        percentage that is determined and reported by the system's actuary in the  
4        system's actuarial valuation.

5        (3) Any member qualifying for retirement under a life annuity with refundable balance  
6        shall be entitled to receive an annual allowance amounting to not less than four  
7        hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty  
8        dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the  
9        member. These minimums shall apply to the retired members receiving annuity  
10       payments and to those members retiring on or subsequent to the effective dates  
11       listed in this subsection, except the following:

12       (a) Individuals who become members of the Kentucky Teachers' Retirement  
13       System on or after July 1, 2008; or

14       (b) Members whose retirement allowance payment is reduced below the  
15       minimum allowance as a result of its division in a qualified domestic relations  
16       order or any other provision permitted under KRS 161.700.

17       (4) The minimum retirement allowance provided in this section shall apply in the case  
18       of members retired or retiring under an option other than a life annuity with  
19       refundable balance in the same proportion to the benefits of the member and his  
20       beneficiary or beneficiaries as provided in the duly-adopted option tables at the time  
21       of the member's retirement.

22       (5) Effective July 1, 2008, the monthly allowance of each retired member and each  
23       recipient of a retirement option of the retired member may be increased in an  
24       amount not to exceed three and one-half percent (3.5%) of the monthly allowance in  
25       effect the previous month, provided the retired member had been retired for at least  
26       the full twelve (12) months immediately preceding the date that the increase is  
27       effective. In the event that the retired member had been retired for less than the full

1 twelve (12) months immediately preceding the date that the increase is effective,  
2 then the increase shall be reduced on a pro rata basis by each month that the retired  
3 member had not been retired for the full twelve (12) months immediately preceding  
4 the effective date of the increase. The level of increase provided for in this  
5 subsection shall be determined by the funding provided in the 2008-2010 biennium  
6 budget appropriation.

7 (6) Effective July 1, 2009, the monthly allowance of each retired member and each  
8 recipient of a retirement option of the retired member may be increased in an  
9 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance  
10 in effect the previous month, provided the retired member had been retired for at  
11 least the full twelve (12) months immediately preceding the date that the increase is  
12 effective. In the event that the retired member had been retired for less than the full  
13 twelve (12) months immediately preceding the date that the increase is effective,  
14 then the increase shall be reduced on a pro rata basis by each month that the retired  
15 member had not been retired for the full twelve (12) months immediately preceding  
16 the effective date of the increase. The level of increase provided for in this  
17 subsection shall be determined by the funding provided in the 2008-2010 biennium  
18 budget appropriation.

19 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be  
20 payable for the benefit of an adult child of a member retired for service when the  
21 child's mental or physical condition is sufficient to cause dependency on the  
22 member at the time of retirement. Eligibility for this payment shall continue for the  
23 life of the child or until the time the mental or physical condition creating the  
24 dependency no longer exists or the child marries. Benefits under this subsection  
25 shall apply to legally adopted survivors provided the proceedings for the adoption  
26 were initiated at least one (1) year prior to the death of the member. The board of  
27 trustees shall be the sole judge of eligibility or dependency and may require formal

1 application or information relating thereto.

2 (8) Members of the Teachers' Retirement System shall be subject to the annuity income  
3 limitations imposed by Section 415 of the Internal Revenue Service Code.

4 (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the  
5 Internal Revenue Code shall not be used in determining a member's retirement  
6 annuity. The limitation on compensation for eligible members shall not be less than  
7 the amount which was allowed to be taken into account by the retirement system in  
8 effect on July 1, 1993. For this purpose, an eligible member is an individual who  
9 was a member of the retirement system before the first plan year beginning after  
10 December 31, 1995.

11 **(10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to**  
12 **individuals who become members of the Teachers' Retirement System on or after**  
13 **January 1, 2019.**

14 ➔Section 74. KRS 161.623 is amended to read as follows:

15 (1) Effective July 1, 1982, and thereafter, a district board of education or other  
16 employer of members of the Teachers' Retirement System may compensate, at the  
17 time of retirement for service, an active contributing member for unused sick-leave  
18 days in accordance with this section.

19 (2) Upon the member's application for service retirement, the employer shall certify the  
20 retiring member's unused accumulated sick-leave balance to the board of trustees of  
21 the Kentucky Teachers' Retirement System. The member's sick-leave balance,  
22 expressed in days, shall be divided by one hundred eighty-five (185) days to  
23 determine the amount of service credit that may be considered for addition to the  
24 member's retirement account for the purpose of determining the retirement  
25 allowance under KRS 161.620, **subject to the limitation of subsection (9)(a) of this**  
26 **section.** Notwithstanding any statute to the contrary, sick-leave credit that is  
27 accredited under this section or by one (1) of the other state-administered retirement

1 systems shall not be used for the purpose of determining whether the member is  
2 eligible to receive a retirement allowance from the Kentucky Teachers' Retirement  
3 System.

4 (3) The board shall compute the cost to the retirement system of the sick-leave credit  
5 for each retiring member and shall bill the last employer of the retiring member for  
6 such cost. The employer shall pay the cost of such service credit to the retirement  
7 system within fifteen (15) days after receiving notification of the cost from the  
8 board.

9 (4) Retiring members who receive service credit under this section shall not be eligible  
10 to receive compensation for accrued sick leave under KRS 161.155(10) or any other  
11 statutory provision.

12 (5) Employer participation is optional and the employer may opt to purchase less  
13 service credit than the member is eligible to receive provided the same percentage  
14 of reduction is made applicable to all retiring members of the employer during a  
15 school fiscal year.

16 (6) The board of trustees shall formulate and adopt necessary rules and regulations for  
17 the administration of the foregoing provisions.

18 (7) Payments to the retirement system for service credit obtained under this section or  
19 for compensation credit obtained under KRS 161.155(10) shall be based on the full  
20 actuarial cost as defined in KRS 161.220(22).

21 (8) For an individual who becomes a member on or after July 1, 2008, the maximum  
22 amount of unused accumulated sick leave that may be considered for addition to the  
23 member's retirement account for purposes of determining the retirement allowance  
24 under KRS 161.620 shall not exceed three hundred (300) days **or the amount**  
25 **specified by subsection (9)(a) of this section.**

26 **(9) Notwithstanding any other provision of KRS 161.220 to 161.716 to the contrary:**

27 **(a) The maximum amount of sick leave converted to additional service credit**

1           under the provisions of this section shall not exceed the service credit based  
 2           upon the level of sick leave accumulated on July 31, 2018, by a member  
 3           whose employer participates in the sick leave program authorized by this  
 4           section.

5           **(b) On or after August 1, 2018, no employers may opt to participate in the sick**  
 6           **leave program authorized by this section.**

7           ➔Section 75. KRS 161.630 is amended to read as follows:

8           (1) **(a) An individual who became** a member **prior to January 1, 2019,** upon  
 9           retirement, shall receive a retirement allowance in the form of a life annuity,  
 10           with refundable balance, as provided in KRS 161.620, unless an election is  
 11           made before the effective date of retirement to receive actuarially equivalent  
 12           benefits under options which the board of trustees approves.

13           **(b) An individual who is participating in the hybrid cash balance plan as**  
 14           **provided by Section 43 of this Act may, before the effective date of**  
 15           **retirement, elect to receive his or her accumulated account balance**  
 16           **annuitized into a monthly payment under one (1) of the actuarial equivalent**  
 17           **payment options approved by the board of trustees.**

18           **(c)** No option shall provide for a benefit with an actuarial value at the age of  
 19           retirement greater than that provided in KRS 161.620 **or subsection (7)(a) of**  
 20           **Section 43 of this Act, as applicable.** This section does not apply to disability  
 21           allowances as provided in KRS 161.661(1).

22           (2) The retirement option chosen by a retiree at the time of service retirement shall  
 23           remain in force unless the retiree **became a member prior to January 1, 2019, and**  
 24           elects to make a change under the following conditions:

25           (a) A divorce, annulment, or marriage dissolution following retirement shall, at  
 26           the election of the retiree, cancel any optional plan selected at retirement that  
 27           provides continuing benefits to a spousal beneficiary and return the retiree to a



- 1 single lifetime benefit equivalent as determined by the board; or
- 2 (b) Following marriage or remarriage, or the death of the designated beneficiary, a
- 3 retiree may elect a new optional plan of payment based on the actuarial
- 4 equivalent of a single lifetime benefit at the time of the election, as determined
- 5 by the board. The plan shall become effective the first of the month following
- 6 receipt of an application on a form approved by the board.
- 7 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
- 8 changed after the effective date of retirement except for retirees who elect the life
- 9 annuity with refundable balance or the predetermined years certain and life
- 10 thereafter option. A member may remove a beneficiary at any time, but shall not
- 11 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
- 12 member's retirement allowance shall not change regardless of the retirement option
- 13 selected by the member, even if the removed beneficiary predeceases the member.
- 14 (4) A member who experiences a qualifying event under subsection (2) of this section
- 15 and who elects a new optional plan of payment shall make that election within sixty
- 16 (60) days of the qualifying event.

17 ➔Section 76. KRS 161.655 is amended to read as follows:

- 18 (1) Effective July 1, 2000, the Teachers' Retirement System shall *for those individuals*
- 19 *who became members prior to January 1, 2019:*
- 20 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
- 21 (\$5,000) for its members who are retired for service or disability. This life
- 22 insurance benefit shall be payable upon the death of a member retired for
- 23 service or disability to the member's estate or to a party designated by the
- 24 member on a form prescribed by the retirement system; and
- 25 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
- 26 (\$2,000) for its active contributing members. This life insurance benefit shall
- 27 be payable upon the death of an active contributing member to the member's

1 estate or to a party designated by the member on a form prescribed by the  
2 retirement system.

3 (2) The member may name one (1) primary and one (1) contingent beneficiary for  
4 receipt of the life insurance benefit. To the extent permitted by the Internal Revenue  
5 Code, a trust may be designated as beneficiary for receipt of the life insurance  
6 benefit. Members may designate as beneficiaries only presently identifiable and  
7 existing individuals, or trusts where otherwise permitted, without contingency  
8 instructions, on forms prescribed by the retirement system. In the event that a  
9 member fails to designate a beneficiary, or all designated beneficiaries predecease  
10 the member, the member's estate shall be deemed to be the beneficiary. Any  
11 beneficiary designation made by the member, including the estate should the estate  
12 become the beneficiary by default, shall remain in effect until changed by the  
13 member on forms prescribed by the retirement system, except in the event of  
14 subsequent marriage or divorce. A valid marriage license shall terminate any  
15 previously designated beneficiary, even that of a trust, and establish the spouse as  
16 beneficiary unless, subsequent proof of the marriage, the member or retired member  
17 redesignates someone other than the new spouse as the beneficiary. A final divorce  
18 decree shall terminate the beneficiary status of an ex-spouse unless, subsequent to  
19 divorce, the member redesignates the former spouse as a beneficiary. A final  
20 divorce decree shall not terminate the designation of a trust as beneficiary regardless  
21 of who is designated as beneficiary of the trust.

22 (3) Application for payment of life insurance proceeds shall be made to the Teachers'  
23 Retirement System together with acceptable evidence of death and eligibility. The  
24 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and  
25 payment of proceeds by the life insurance benefit under this section.

26 (4) Suit or civil action shall not be required for the collection of the proceeds of the life  
27 insurance benefit provided for by this section, but nothing in this section shall

1 prevent the maintenance of suit or civil action against the beneficiary or legal  
2 representative receiving the proceeds of the life insurance benefit.

3 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance  
4 provided pursuant to subsection (1) of this section may be assigned by the  
5 designated beneficiary to a bank or licensed funeral home.

6 ➔Section 77. KRS 161.661 is amended to read as follows:

7 (1) Any member who has completed five (5) or more years of accredited service in the  
8 public schools of Kentucky after July 1, 1941, may retire for disability and be  
9 granted a disability allowance if found to be eligible as provided in this section.  
10 Application for disability benefits shall be made within one (1) year of the last  
11 contributing service in Kentucky, and the disability must have occurred during the  
12 most recent period of employment in a position covered by the Teachers' Retirement  
13 System and subsequent to the completion of five (5) years of teaching service in  
14 Kentucky. A disability occurring during the regular vacation immediately following  
15 the last period of active service in Kentucky or during an official leave for which  
16 the member is entitled to make regular contributions to the retirement system, shall  
17 be considered as having occurred during a period of active service. The annual  
18 disability allowance shall be equal to sixty percent (60%) of the member's final  
19 average salary. ***Individuals who became*** members ***prior to January 1, 2019, who***  
20 ***have***~~with~~ twenty-seven (27) or more years of service credit are eligible for service  
21 retirement only. ***Individuals who become members on or after January 1, 2019,***  
22 ***who have met the requirements of subsection (6)(b) of Section 43 of this Act shall***  
23 ***be eligible for service retirement only.***

24 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this  
25 section shall not apply to disability retirees whose benefits were calculated on the  
26 service retirement formula nor to survivors of these members.

27 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty

1 percent (60%) of the member's final average salary, for each four (4) years of  
2 service in a covered position, but any member meeting the service requirement for  
3 disability retirement shall be credited with no less than five (5) years of eligibility.

4 (4) A member retired by reason of disability shall continue to earn service credit at the  
5 rate of one (1) year for each year retired for disability. This service shall be credited  
6 to the member's account at the expiration of entitlement as defined in subsection (3)  
7 of this section, or when the member's eligibility for disability benefits is terminated  
8 upon recommendation of a medical review committee, and this service shall be used  
9 in calculating benefits as provided in subsection (5) of this section, but under no  
10 circumstances shall this service be used to provide the member with more than  
11 twenty-seven (27) years of total service credit **or the level of service credit needed**  
12 **to meet the requirements of subsection (6)(b) of Section 43 of this Act, as**  
13 **applicable**. The service credit shall be valued at the same level as service earned by  
14 active members as provided under KRS 161.600, ~~and~~ 161.620, **or Section 43 of**  
15 **this Act, as applicable. Members participating in the hybrid cash balance plan as**  
16 **provided by Section 43 of this Act shall also be credited with employer credits for**  
17 **each year of service earned under the provisions of this subsection.**

18 (5) Any member retired by reason of disability and remaining disabled at the expiration  
19 of the entitlement period shall have his disability benefits recalculated using the  
20 service retirement formula with service credit **and any additional accumulated**  
21 **account balance earned** as set out in subsection (4) of this section. **For persons**  
22 **who became members prior to January 1, 2019,** the retirement allowance shall be  
23 calculated as set forth in KRS 161.620, except that those persons less than sixty  
24 (60) years of age shall be considered as sixty (60) years of age. **For persons who**  
25 **became members on or after January 1, 2019, the retirement allowance or benefit**  
26 **shall be calculated as set forth in Section 43 of this Act, except that those persons**  
27 **less than age sixty-five (65) shall be considered as sixty-five (65) years of age.**

1 Members having their disability benefits recalculated under this subsection shall not  
2 be entitled to a benefit based upon an average of their three (3) highest salaries as  
3 set forth in KRS 161.220(9), unless approved otherwise by the board of trustees.

4 (6) Members who have their disability retirement allowance recalculated at the  
5 expiration of the entitlement period shall continue to have coverage under the post-  
6 retirement medical insurance program. Restrictions on employment shall remain in  
7 effect until the member attains age seventy (70) or until the member's eligibility is  
8 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability  
9 retirees whose retirement allowances have been recalculated at the expiration of the  
10 entitlement period. Members who have their disability retirement allowance  
11 recalculated at the expiration of their entitlement period shall be entitled to a  
12 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life  
13 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to  
14 those members who have had their allowance recalculated prior to that date and to  
15 disability retirees who will have their benefit allowance recalculated on or after that  
16 date.

17 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be  
18 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their  
19 basic straight life annuity and their surviving spouse shall be eligible for survivor  
20 benefits as provided in KRS 161.520(1)(a) and (b).

21 (8) Any member retired by reason of disability may voluntarily waive disability benefits  
22 and return to teaching or any individual who became a member prior to January 1,  
23 2019, who is age sixty (60) years or older, may elect to waive disability benefits and  
24 retire for service on the basis of service credited to the member on the effective date  
25 of the disability retirement, or any individual who becomes a member on or after  
26 January 1, 2019, who is sixty-five (65) years of age or older, may elect to waive  
27 disability benefits and retire for service on the basis of his or her accumulated

1       account balance and service credited to the member on the effective date of  
2       disability retirement.

- 3       (9) In order to qualify for retirement by reason of disability a member must suffer from  
4       a physical or mental condition presumed to be permanent in duration and of a nature  
5       as to render the member incapable of being gainfully employed in a covered  
6       position. The incapability must be revealed by a competent examination by a  
7       licensed physician or physicians and must be approved by a majority of a medical  
8       review committee.
- 9       (10) A member retired by reason of disability shall be required to undergo periodic  
10       examinations at the discretion of the board of trustees to determine whether the  
11       disability allowance shall be continued. When examination and recommendation of  
12       a medical review committee indicate the disability no longer exists, the allowance  
13       shall be discontinued.
- 14       (11) Eligibility for payment shall begin on the first day of the month following receipt of  
15       the application in the Teachers' Retirement System office, or the first of the month  
16       next following the last payment of salary or sick leave benefits by the employer,  
17       whichever is the later date.
- 18       (12) No person who receives a disability allowance may be employed in a position that  
19       entails duties or qualification requirements similar to positions subject to  
20       participation in the retirement system either within or without the State of  
21       Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the  
22       allowance from the first date of this service. A member who applies for and is  
23       approved for disability retirement on or after July 1, 2002, and whose annual  
24       disability benefit is less than forty thousand dollars (\$40,000) may earn income in  
25       any occupation other than covered employment only to the extent that the annual  
26       income from the other employment when added to the annual disability benefit does  
27       not exceed forty thousand dollars (\$40,000). For any member who exceeds this

1 limit as a result of income from other employment, the Kentucky Teachers'  
2 Retirement System shall reduce the member's disability benefit on a dollar-for-  
3 dollar basis for each dollar that the member's combined annual disability benefit and  
4 annual income from other employment exceeds forty thousand dollars (\$40,000).  
5 The board of trustees may annually increase the forty thousand dollar (\$40,000)  
6 limit by the percentage increase in the annual average of the consumer price index  
7 for all urban consumers for the most recent calendar year as published by the  
8 Federal Bureau of Labor Statistics, not to exceed five percent (5%).

9 (13) All members who applied for disability retirement before July 1, 2002, and were  
10 approved as a result of that application shall be subject to the income limitations as  
11 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-  
12 seven thousand dollar (\$27,000) limitation shall be increased to forty thousand  
13 dollars (\$40,000) and may be adjusted by the board of trustees by the consumer  
14 price index in the manner described in subsection (12) of this section. The recipient  
15 of a disability allowance who engages in any gainful occupation other than covered  
16 employment must make a report of the duties involved, compensation received, and  
17 any other pertinent information required by the board of trustees.

18 (14) The board of trustees shall designate medical review committees, each consisting of  
19 three (3) licensed physicians. A medical review committee shall pass upon all  
20 applications for disability retirement and upon all applicant statements, medical  
21 certifications, and examinations submitted in connection with disability  
22 applications. The disposition of each case shall be recommended by a medical  
23 review committee in writing to the retirement system. Members of a medical review  
24 committee shall follow administrative regulations regarding procedures as the board  
25 of trustees may enact and shall be paid reasonable fees and expenses as authorized  
26 by the board of trustees in compliance with the provisions of KRS 161.330 and  
27 161.340. The retirement system may secure additional medical examinations and

1 information as it deems necessary. A member may appeal any final agency decision  
2 denying his or her disability retirement application pursuant to the provisions of  
3 KRS 161.250(2).

4 (15) A disability may be presumed to be permanent if the condition creating the  
5 disability may be reasonably expected to continue for one (1) year or more from the  
6 date of application for disability benefits.

7 (16) Any member who has voluntarily waived disability benefits or whose disability  
8 benefits have been discontinued on recommendation of a medical review  
9 committee, may apply for reinstatement of disability benefits. The application for  
10 reinstatement must be made to the retirement system within twelve (12) months of  
11 the date disability benefits terminated. If the termination of benefits were voluntary,  
12 the reinstatement may be made without medical examination if application is made  
13 within three (3) months of the termination date. Other applications for reinstatement  
14 will be processed in the same manner as new applications for benefits.

15 (17) No person who is receiving disability benefits under this section may be employed  
16 in a position which qualifies the person for membership in a retirement system  
17 financed wholly or in part with public funds. Employment in a position prohibited  
18 by this subsection shall result in disqualification for those disability benefits from  
19 the date of employment in the prohibited position.

20 (18) Any person who is receiving benefits and becomes disqualified from receiving  
21 those benefits under this section, or becomes disqualified from receiving a portion  
22 of those benefits due to income from other than covered employment, shall  
23 immediately notify the Teachers' Retirement System of this disqualification in  
24 writing and shall return all benefits paid after the date of disqualification. Failure to  
25 comply with these provisions shall create an indebtedness of that person to the  
26 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum  
27 shall be charged if the debt is not repaid within sixty (60) days after the date of



1       disqualification. Failure to repay this debt creates a lien in favor of the Teachers'  
2       Retirement System upon all property of the person who improperly receives benefits  
3       and does not repay those benefits. The Kentucky Teachers' Retirement System may,  
4       in order to collect an outstanding debt, reduce or terminate any benefit that a  
5       member is otherwise entitled to receive.

6       ➔Section 78. KRS 161.650 is amended to read as follows:

- 7       (1) In the case of death of a member who has retired by reason of service or disability,  
8       any portion of the member's accumulated contributions, including member  
9       contributions to the state accumulation fund and regular interest to the date of  
10       retirement, that has not, and will not be paid as an allowance or benefit shall be paid  
11       to the member's beneficiary in such manner as the board of trustees elects.
- 12       (2) The member may designate a primary beneficiary or two (2) or more cobeneficiaries  
13       to receive any remaining accumulated member contributions payable under this  
14       section. A contingent beneficiary may be designated in addition to the primary  
15       beneficiary or the cobeneficiaries. The member may designate two (2) or more  
16       contingent beneficiaries. To the extent permitted by the Internal Revenue Code, a  
17       trust may be designated as beneficiary for receipt of any remaining funds of the  
18       member's accumulated ~~member~~ contributions. Members may designate as  
19       beneficiaries only presently identifiable and existing individuals, or trusts where  
20       otherwise permitted, without contingency instructions, on forms prescribed by the  
21       retirement system. Cobeneficiaries shall be composed of a single class of  
22       individuals, or trusts where permitted, who will share in equal proportions in any  
23       payment that may become available under this section. Any beneficiary designation  
24       made by the member shall remain in effect until changed by the member on forms  
25       prescribed by the retirement system, except in the event of subsequent divorce. A  
26       final divorce decree shall terminate the beneficiary status of an ex-spouse unless,  
27       subsequent to divorce, the member redesignates the former spouse as a beneficiary.

1 A final divorce decree shall not terminate the designation of a trust as beneficiary  
2 regardless of who is designated as beneficiary of the trust. In the event that the  
3 member fails to designate a beneficiary or all designated beneficiaries predecease  
4 the member, any remaining accumulated member contributions shall be payable to  
5 the member's estate.

6 ➔Section 79. KRS 161.700 is amended to read as follows:

7 (1) Except as otherwise provided by this section and KRS 161.655(5), the right of a  
8 member to a retirement allowance and to the return of contributions, any benefit or  
9 right accrued or accruing to any person under KRS 161.220 to 161.716, and the  
10 money in the various funds established pursuant to KRS 161.220 to 161.716 are  
11 hereby exempt from any state or municipal tax, and shall not be subject to  
12 execution, garnishment, attachment, or other process, and shall not be assigned.

13 (2) Notwithstanding subsection (1) of this section, retirement benefits accrued or  
14 accruing to any person under this retirement system on or after January 1, 1998,  
15 shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS  
16 141.010 and 141.0215.

17 (3) Retirement allowance, disability allowance, accumulated account  
18 balance~~[contributions]~~, or any other benefit under the retirement system shall not be  
19 classified as marital property pursuant to KRS 403.190(1), except to the extent  
20 permitted under KRS 403.190(4). Retirement allowance, disability allowance,  
21 accumulated contributions, or any other benefit under the retirement system shall  
22 not be considered as an economic circumstance during the division of marital  
23 property in an action for dissolution of marriage pursuant to KRS 403.190(1)(d),  
24 except to the extent permitted under KRS 403.190(4).

25 (4) Qualified domestic relations orders issued by a court or administrative agency shall  
26 be honored by the retirement system if:

27 (a) The benefits payable pursuant to the order meet the requirements of a

- 1 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The  
2 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)  
3 in administering qualified domestic relations orders;
- 4 (b) The order meets the requirements established by the retirement system and by  
5 subsections (4) to (12) of this section. The board of trustees of the retirement  
6 system shall establish the requirements, procedures, and forms necessary for  
7 the administration of qualified domestic relations order by promulgation of  
8 administrative regulations in accordance with KRS Chapter 13A; and
- 9 (c) The order is on the form established by the retirement system pursuant to the  
10 retirement system's authority provided under paragraph (b) of this subsection.
- 11 (5) A qualified domestic relations order shall not:
- 12 (a) Require the retirement system to take any action not authorized under state or  
13 federal law;
- 14 (b) Require the retirement system to provide any benefit, allowance, or other  
15 payment not authorized under state or federal law;
- 16 (c) Grant or be construed to grant the alternate payee any separate right, title, or  
17 interest in or to any retirement benefit other than to receive payments from the  
18 participant's account in accordance with the administrative regulations  
19 promulgated by the system and as provided by subsections (4) to (12) of this  
20 section; or
- 21 (d) Grant any separate interest to any person other than the participant.
- 22 (6) Any qualified domestic relations order submitted to the retirement system shall  
23 specify the dollar amount or percentage amount of the participant's benefit to be  
24 paid to the alternate payee. In calculating the amount to be paid to the alternate  
25 payee, the court or administrative agency that is responsible for issuing the order  
26 shall follow the requirements set forth in the administrative regulations promulgated  
27 by the board of trustees. Notwithstanding any other statute to the contrary, the board

1 shall not be required to honor a qualified domestic relations order that does not  
2 follow the requirements set forth in the administrative regulations promulgated by  
3 the board of trustees.

4 (7) If the qualified domestic relations order meets the requirements established by the  
5 system and by subsections (4) to (12) of this section, payments to the alternate  
6 payee shall be distributed under the following conditions:

7 (a) If the participant is retired and is receiving a monthly retirement  
8 allowance~~[benefit]~~, the month following the date the retirement system  
9 receives a qualified domestic relations order that complies with the  
10 administrative regulations promulgated by the retirement system and  
11 subsections (4) to (12) of this section; or

12 (b) If the participant is not retired, the month of the participant's effective  
13 retirement date in which the first retirement allowance is payable to the  
14 participant or the month in which the participant receives a refund of his or  
15 her accumulated account balance~~[contributions]~~ as provided by KRS  
16 161.470(6).

17 (8) An alternate payee's benefits and rights under a qualified domestic relations order  
18 shall terminate upon the earlier of:

19 (a) The death of the participant;

20 (b) The death of the alternate payee; or

21 (c) The termination of benefits to the participant under any provision of KRS  
22 161.220 to 161.716.

23 (9) An alternate payee shall not receive a monthly payment under a qualified domestic  
24 relations order if the participant is not receiving a monthly retirement allowance.

25 (10) The cost of living adjustment provided to the participant pursuant to KRS 161.620  
26 shall be divided between the participant and alternate payee in a qualified domestic  
27 relations order as follows:

1 (a) If the order specifies the alternate payee is to receive a percentage of the  
2 participant's benefit, then the cost of living adjustment shall be divided  
3 between the participant and the alternate payee based upon the percentage of  
4 the total benefit each is receiving upon the participant's retirement or upon the  
5 date the order is approved by the retirement system, whichever is later; or

6 (b) If the order specifies that the alternate payee is to receive a set dollar amount  
7 of the participant's benefit, then the order shall specify that:

8 1. The cost of living adjustment shall be divided between the participant  
9 and the alternate payee based upon the percentage of the total benefit  
10 each is receiving upon the participant's retirement or upon the date the  
11 order is approved by the retirement system, whichever is later; or

12 2. The alternate payee shall receive no cost of living adjustment.

13 If the order does not specify the division of the cost of living adjustment as  
14 required by this paragraph, then no cost of living adjustment shall be payable  
15 to the alternate payee. If no cost of living adjustment is provided to the  
16 alternate payee, then the participant shall receive the full cost of living  
17 adjustment he or she would have received if the order had not been applied to  
18 the participant's account.

19 (11) Except in cases involving child support payments, the retirement system may charge  
20 reasonable and necessary fees and expenses to the recipient and the alternate payee  
21 of a qualified domestic relations order for the administration of the qualified  
22 domestic relations order by retirement system. All fees and expenses shall be  
23 established by the administrative regulations promulgated by the board of trustees  
24 of the retirement system. The qualified domestic relations order shall specify  
25 whether the fees and expenses provided by this subsection shall be paid:

26 (a) Solely by the participant;

27 (b) Solely by the alternate payee; or

1 (c) Equally shared by the participant and alternate payee.

2 (12) The retirement system shall honor a qualified domestic relations order issued prior  
3 to July 15, 2010, for prospective benefit payments if the order or an amended  
4 version of the order meets the requirements established by this section and the  
5 administrative regulations promulgated by the retirement system. The order shall  
6 not apply to benefit payments issued by the retirement system prior to the date the  
7 order was approved by the retirement system.

8 ➔Section 80. KRS 161.714 is amended to read as follows:

9 **(1) For persons who became members in the Teachers' Retirement System prior to**  
10 **January 1, 2019,** it is hereby declared that in consideration of the contributions by  
11 members and in further consideration of benefits received by the state from the  
12 member's employment, KRS 161.220 to 161.710 shall constitute~~[, except as~~  
13 ~~provided in KRS 6.696,]~~ an inviolable contract of the Commonwealth, and the  
14 benefits provided herein shall~~[, except as provided in KRS 6.696,]~~ not be subject to  
15 reduction or impairment by alteration, amendment, or repeal, **except:**

16 **(a) As provided in KRS 6.696; and**

17 **(b) The General Assembly reserves the right to amend, reduce, or suspend any**  
18 **legislative changes to the provisions of KRS 161.220 to 161.716 that become**  
19 **effective on or after July 1, 2018.**

20 **(2) (a) For persons who become members in the Teachers' Retirement System on**  
21 **or after January 1, 2019, the General Assembly reserves the right to amend,**  
22 **suspend, or reduce the benefits and rights provided under KRS 161.220 to**  
23 **161.716 if, in its judgment, the welfare of the Commonwealth so demands,**  
24 **except that the amount of benefits the member has accrued at the time of**  
25 **amendment, suspension, or reduction shall not be affected.**

26 **(b) For purposes of this subsection, the amount of benefits the member has**  
27 **accrued at the time of any amendment, suspension, or reduction shall be**

1           limited to the accumulated account balance the member has accrued at the  
 2           time of amendment, suspension, or reduction.

3           (c) The provisions of this subsection shall not be construed to limit the General  
 4           Assembly's authority to change any other benefit or right specified by KRS  
 5           161.220 to 161.716, except the benefits specified by paragraph (b) of this  
 6           subsection for members who begin participating in the Teachers'  
 7           Retirement System on or after January 1, 2019.

8           (3) The provisions of this section shall not be construed to limit the General  
 9           Assembly's authority to amend, reduce, or suspend the benefits and rights of  
 10           members of the Teachers' Retirement System as provided by KRS 161.220 to  
 11           161.716 that the General Assembly had the authority to amend, reduce, or  
 12           suspend, prior to July 1, 2018.

13           ➔Section 81. KRS 7A.250 is amended to read as follows:

14           The Public Pension Oversight Board:

15           (1) Shall, from time to time, conduct an impartial review of all the laws governing the  
 16           state-administered retirement systems and recommend any changes it may find  
 17           desirable with respect to benefits and administration, funding of benefits,  
 18           investments of funds, and the improvement of language, structure, and organization  
 19           of the statutes;

20           (2) ~~May~~Shall, once every five (5) years, review the benefits provided to employees  
 21           who begin participating in the systems administered by Kentucky Retirement  
 22           Systems on or after January 1, 2014, and the Teachers' Retirement System on or  
 23           after January 1, 2019, and recommend any changes to the provisions affecting  
 24           these employees that are necessary to maintain the actuarial soundness of the  
 25           systems;

26           (3) Shall review semiannually the investment programs of the state-administered  
 27           retirement systems, including a review of asset allocation targets and ranges, risk

- 1 factors, asset class benchmarks, total return objectives, relative volatility,  
2 performance evaluation guidelines, investment policies, and securities litigation  
3 policies and recoveries from fraud or other corporate malfeasance. The board may  
4 establish an advisory committee, as provided by KRS 7A.260, which may include  
5 investment professionals to assist in complying with the provisions of this  
6 subsection;
- 7 (4) May review any benefits, bylaws, policies, or charters established by the state-  
8 administered retirement systems;
- 9 (5) Shall, at the request of the Speaker of the House of Representatives or the President  
10 of the Senate, evaluate proposed changes to laws affecting the state-administered  
11 retirement systems and report to the Speaker or the President on the probable costs,  
12 actuarial implications, and desirability as a matter of public policy;
- 13 (6) May review all new or amended administrative regulations of the state-administered  
14 retirement systems and provide comments to the Administrative Regulation Review  
15 Subcommittee established by KRS 13A.020;
- 16 (7) Shall research issues related to the state-administered retirement systems as directed  
17 by the Legislative Research Commission;
- 18 (8) Shall at least once every five (5) years have an actuarial audit performed for the  
19 state-administered retirement systems to evaluate the reliability of each system's  
20 actuarial assumptions and methods. The actuarial audit shall be performed by an  
21 actuary retained by the Public Pension Oversight Board;
- 22 (9) ~~May~~~~Shall~~ prior to each budget biennium **occurring on or after July 1, 2020**, have  
23 an actuarial review of the funding requests and needs submitted by the state-  
24 administered retirement systems. The review shall be performed by an actuary  
25 retained by the Public Pension Oversight Board; and
- 26 (10) Shall publish an annual report covering the board's evaluation and recommendations  
27 with respect to the operations of the state-administered retirement systems. The



1 report shall be submitted to the Legislative Research Commission no later than  
2 December 31 of each year and shall include at a minimum any legislative  
3 recommendations made by the board, a summary of the financial and actuarial  
4 condition of the state-administered retirement systems, and an analysis of the  
5 adequacy of the current levels of funding.

6 ➔SECTION 82. A NEW SECTION OF KRS 18A.230 TO 18A.275 IS  
7 CREATED TO READ AS FOLLOWS:

8 **(1) No trustee or employee of the board or authority shall:**

9 **(a) Have any interest, direct or indirect, in the gains or profits of any**  
10 **investment or any other legal, business, or financial transaction made by**  
11 **the board or authority, except that any such trustee or employee may be a**  
12 **member, employee, or beneficiary of the plans administered by the board or**  
13 **authority;**

14 **(b) Directly or indirectly, for himself or herself or as an agent, use the assets of**  
15 **the plans administered by the board or authority, except to make current**  
16 **and necessary payments authorized by the board or authority;**

17 **(c) Become an endorser or surety or in any manner an obligor for moneys**  
18 **loaned by or borrowed from the board or authority;**

19 **(d) Have a contract or agreement with the board or authority, individually or**  
20 **through a business owned by the trustee or the employee;**

21 **(e) Use his or her official position with the board or authority to obtain a**  
22 **financial gain or benefit or advantage for himself or herself or a family**  
23 **member;**

24 **(f) Use confidential information acquired during his or her tenure with the**  
25 **board or authority to further his or her own economic interests or that of**  
26 **another person; or**

27 **(g) Hold outside employment with, or accept compensation from, any person or**

1           business with which he or she has involvement as part of his or her official  
2           position with the board or authority. The provisions of this paragraph shall  
3           not prohibit a trustee from serving as an employee of an agency  
4           participating in the plans.

5           (2) No trustee or employee of the board or authority, who has served as a trustee or  
6           employee of the board or authority on or after July 1, 2017, shall have any  
7           interest, direct or indirect, in the gains or profits of any investment or any other  
8           legal, business, or financial transaction made by the board or authority for a  
9           period of five (5) years following termination of his or her position, except that  
10           any such trustee or employee may be a member, employee, or beneficiary of the  
11           plans administered by the board or authority.

12           (3) (a) No person who is serving as a member of the General Assembly or is a  
13           public servant as defined by subsection (9) of Section 83 of this Act shall  
14           have any interest, direct or indirect, in the gains or profits of any investment  
15           or any other legal, business, or financial transaction made by the board or  
16           authority, except that any such trustee or public servant may be a member,  
17           employee, or beneficiary of the plans administered by the board or  
18           authority.

19           (b) No person who was serving as a member of the General Assembly on or  
20           after July 1, 2017, or was serving as a public servant as defined by  
21           subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have  
22           any interest, direct or indirect, in the gains or profits of any investment or  
23           any other legal, business, or financial transaction made by the board or  
24           authority for a period of five (5) years following termination of his or her  
25           position, except that any such member or public servant may be a member,  
26           employee, or beneficiary of the plans administered by the board or  
27           authority.

1           ➔Section 83. KRS 11A.010 is amended to read as follows:

2   As used in this chapter, unless the context otherwise requires:

- 3   (1) "Business" means any corporation, limited liability company, partnership, limited  
4       partnership, sole proprietorship, firm, enterprise, franchise, association,  
5       organization, self-employed individual, holding company, joint stock company,  
6       receivership, trust, or any legal entity through which business is conducted, whether  
7       or not for profit;
- 8   (2) "Commission" means the Executive Branch Ethics Commission;
- 9   (3) "Compensation" means any money, thing of value, or economic benefit conferred  
10       on, or received by, any person in return for services rendered, or to be rendered, by  
11       himself or another;
- 12   (4) "Family" means spouse and children, as well as a person who is related to a public  
13       servant as any of the following, whether by blood or adoption: parent, brother,  
14       sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-  
15       in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter,  
16       stepbrother, stepsister, half brother, half sister;
- 17   (5) "Gift" means a payment, loan, subscription, advance, deposit of money, services, or  
18       anything of value, unless consideration of equal or greater value is received; "gift"  
19       does not include gifts from family members, campaign contributions, the waiver of  
20       a registration fee for a presenter at a conference or training described in KRS  
21       45A.097(5), or door prizes available to the public;
- 22   (6) "Income" means any money or thing of value received or to be received as a claim  
23       on future services, whether in the form of a fee, salary, expense allowance,  
24       forbearance, forgiveness, interest, dividend, royalty, rent, capital gain, or any other  
25       form of compensation or any combination thereof;
- 26   (7) "Officer" means all major management personnel in the executive branch of state  
27       government, including the secretary of the cabinet, the Governor's chief executive

1 officers, cabinet secretaries, deputy cabinet secretaries, general counsels,  
2 commissioners, deputy commissioners, executive directors, principal assistants,  
3 division directors, members and full-time chief administrative officers of the Parole  
4 Board, Kentucky Claims Commission, Kentucky Retirement Systems board of  
5 trustees, Kentucky Teachers' Retirement System board of trustees, *the Kentucky*  
6 *Public Employees Deferred Compensation Authority board of trustees*, Public  
7 Service Commission, Worker's Compensation Board and its administrative law  
8 judges, the Kentucky Occupational Safety and Health Review Commission, the  
9 Kentucky Board of Education, the Council on Postsecondary Education, and any  
10 person who holds a personal service contract to perform on a full-time basis for a  
11 period of time not less than six (6) months a function of any position listed in this  
12 subsection;

13 (8) "Official duty" means any responsibility imposed on a public servant by virtue of  
14 his or her position in the state service;

15 (9) "Public servant" means:

16 (a) The Governor;

17 (b) The Lieutenant Governor;

18 (c) The Secretary of State;

19 (d) The Attorney General;

20 (e) The Treasurer;

21 (f) The Commissioner of Agriculture;

22 (g) The Auditor of Public Accounts; and

23 (h) All employees in the executive branch including officers as defined in  
24 subsection (7) of this section and merit employees;

25 (10) "Agency" means every state office, cabinet, department, board, commission, public  
26 corporation, or authority in the executive branch of state government. A public  
27 servant is employed by the agency by which his or her appointing authority is

- 1 employed, unless his or her agency is attached to the appointing authority's agency  
2 for administrative purposes only, or unless the agency's characteristics are of a  
3 separate independent nature distinct from the appointing authority and it is  
4 considered an agency on its own, such as an independent department;
- 5 (11) "Lobbyist" means any person employed as a legislative agent as defined in KRS  
6 6.611(23) or any person employed as an executive agency lobbyist as defined in  
7 KRS 11A.201(8);
- 8 (12) "Lobbyist's principal" means the entity in whose behalf the lobbyist promotes,  
9 opposes, or acts;
- 10 (13) "Candidate" means those persons who have officially filed candidacy papers or who  
11 have been nominated by their political party pursuant to KRS 118.105, 118.115,  
12 118.325, or 118.760 for any of the offices enumerated in subsections (9)(a) to (g) of  
13 this section;
- 14 (14) "Does business with" or "doing business with" means contracting, entering into an  
15 agreement, leasing, or otherwise exchanging services or goods with a state agency  
16 in return for payment by the state, including accepting a grant, but not including  
17 accepting a state entitlement fund disbursement;
- 18 (15) "Public agency" means any governmental entity;
- 19 (16) "Appointing authority" means the agency head or any person whom he or she has  
20 authorized by law to act on behalf of the agency with respect to employee  
21 appointments;
- 22 (17) "Represent" means to attend an agency proceeding, write a letter, or communicate  
23 with an employee of an agency on behalf of someone else;
- 24 (18) "Directly involved" means to work on personally or to supervise someone who  
25 works on personally;
- 26 (19) "Sporting event" means any professional or amateur sport, athletic game, contest,  
27 event, or race involving machines, persons, or animals, for which admission tickets

1 are offered for sale and that is viewed by the public; and

2 (20) "Person" means an individual, proprietorship, firm, partnership, limited partnership,  
3 joint venture, joint stock company, syndicate, business or statutory trust, donative  
4 trust, estate, company, corporation, limited liability company, association, club,  
5 committee, organization, or group of persons acting in concert.

6 ➔Section 84. KRS 18A.245 is amended to read as follows:

- 7 (1) The authority shall be administered by a board of trustees composed of seven (7)  
8 members, who shall be as follows:
- 9 (a) Secretary, Finance and Administration Cabinet, ex officio;
  - 10 (b) Secretary of personnel, ex officio;
  - 11 (c) The state controller, ex officio; and
  - 12 (d) Four (4) at-large members appointed by the Governor, *who do not have a*  
13 *conflict of interest as provided by Section 82 of this Act,* one (1) of whom  
14 shall have at least five (5) years of investment or banking experience and one  
15 (1) of whom shall be a representative of a nonstate government employer.
- 16 (2) The members of the board appointed by the Governor shall serve for a period of  
17 four (4) years and the ex officio members of the board shall serve only for the  
18 period of their term of office. Each ex officio member may designate a proxy by  
19 written notice to the authority prior to call of order of each meeting, and the proxy  
20 shall be entitled to participate as a full voting member.
- 21 (3) Any vacancy which may occur shall be filled in the same manner provided for the  
22 selection of the particular member for a full term. Vacancies shall be filled for the  
23 unexpired term only.
- 24 (4) Membership on the board of trustees shall not be incompatible with any other office  
25 unless a constitutional incompatibility exists, and no member shall be subject to  
26 removal from office, except upon conviction of a felony, or of a misdemeanor  
27 involving moral turpitude.

- 1 (5) Board members who do not otherwise receive a salary or compensation from the  
2 State Treasury shall receive a per diem of one hundred dollars (\$100) for each day  
3 they are in session or on official duty, and they shall be reimbursed for their actual  
4 and necessary expenses in accordance with state administrative regulations and  
5 standards applicable to state employees.
- 6 (6) The board shall meet at least once in each quarter of the year, and may meet in  
7 special session upon the call of the chairman. It shall elect a chairman and a vice  
8 chairman. A majority of the members shall constitute a quorum, and all actions  
9 taken by the board shall be by affirmative vote of a majority of the members  
10 present.
- 11 (7) The authority shall be attached to the Personnel Cabinet for administrative purposes  
12 only. The board may take but is not limited to the following actions:
- 13 (a) Appoint such employees as it deems necessary and fix the compensation for  
14 all employees of the board, subject to the approval of the secretary. The  
15 authority shall be headed by an executive director who shall be appointed by  
16 the board of directors of the authority without the limitations imposed by KRS  
17 12.040 and KRS Chapter 18A. The executive director of the authority and  
18 employees appointed by the board shall serve at its will and pleasure. All  
19 other staff of the authority shall be employed under KRS 18A.005 to 18A.200;
- 20 (b) Require such employees as it thinks proper to execute bonds for the faithful  
21 performance of their duties;
- 22 (c) Establish a system of accounting;
- 23 (d) Contract for such services as may be necessary for the operation or  
24 administration of deferred compensation plans authorized in KRS 18A.230 to  
25 18A.275, including annual audits;
- 26 (e) Do all things, take all actions, and adopt plans for participation consistent with  
27 federal law and with the provisions of KRS 18A.230 to 18A.275, including

1 but not limited to:

2 1. Amending the board's plan for the Kentucky Public Employees 401(k)  
3 Deferred Compensation Plan or the Kentucky Employees 457 Deferred  
4 Compensation Plan, or both such plans, to adopt, maintain, and  
5 terminate a deemed IRA program under Internal Revenue Code Section  
6 408;

7 2. Amending the board's plan for the Kentucky Public Employees 401(k)  
8 Deferred Compensation Plan to adopt, maintain, and terminate a  
9 qualified Roth contribution program under Internal Revenue Code  
10 Section 402A; ~~and~~

11 3. Adopting, maintaining, and terminating an Internal Revenue Code  
12 Section 403(b) plan for qualified employees; and

13 **4. Upon the request of the Kentucky Retirement Systems board of**  
14 **trustees, establishing an investment program for the 401(a) defined**  
15 **contribution plan as provided by Section 12 of this Act; and**

16 (f) Contract with persons or companies duly licensed by the state of Kentucky  
17 and applicable federal regulatory agencies, at the cost of the trust fund, to  
18 provide investment advice to participants in the plans, with respect to their  
19 selection of permitted investments in the plans.

20 (8) The Attorney General, or an assistant designated by him, may act as legal adviser  
21 and attorney for the board. The board may also appoint legal counsel in accordance  
22 with KRS Chapter 12.

23 (9) The board shall prepare an annual financial report showing all receipts,  
24 disbursements, assets, and liabilities and shall submit a copy to the Governor and  
25 the Legislative Research Commission. All board meetings and records shall be open  
26 for inspection by the public.

27 ➔Section 85. Pursuant to the Public Pension Oversight Board's authority under



1 KRS 7A.260, the board shall establish an advisory committee to study the benefits and  
2 drawbacks of separating the County Employees Retirement System from the Kentucky  
3 Retirement Systems or restructuring the administration of the systems administered by the  
4 Kentucky Retirement Systems. The advisory committee shall submit recommendations to  
5 the Public Pension Oversight Board no later than December 1, 2019. Notwithstanding the  
6 provisions of this section, the Legislative Research Commission shall have the authority  
7 to alternatively assign the issues identified herein to an interim joint committee or  
8 subcommittee thereof and to designate a study completion date.

9       ➔Section 86. The Kentucky Retirement Systems and Teachers' Retirement  
10 System shall provide an update on the development of the system, including any issues as  
11 it relates to state or federal law, to the Public Pension Oversight Board no later than  
12 August 1, 2018.

13       ➔Section 87. Notwithstanding KRS 16.500 to 16.652, 61.510 to 61.705, 78.510  
14 to 78.852, 161.220 to 161.716, or any provision of Sections 1 to 84 of this Act to the  
15 contrary, in the month following the effective date of this section, a surviving spouse who  
16 was married to the deceased member at the time of death but who was ineligible for  
17 monthly benefits payable to the surviving spouse under KRS 16.601 as codified prior to  
18 the effective date of this section, shall receive the monthly benefit payable to the  
19 surviving spouse in Section 24 of this Act, if the member's death occurred on or after  
20 January 1, 2017.

21       ➔Section 88. If any section, any subsection, or any provision of this Act is found  
22 by a court of competent jurisdiction in a final, unappealable order to be invalid or  
23 unconstitutional, the decision of the courts shall not affect or impair any of the remaining  
24 sections, subsections, or provisions of this Act.