

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^[,] 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~~ in line of duty **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

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of reemployment;

3. The retired member, annuitant, or retiree may continue to draw his or her retirement allowance during the period of reemployment if:

a. The period of reemployment is not considered regular full-time as defined by paragraph (g) of this subsection; or

b. The period of reemployment is considered regular full-time but the member has not returned to reemployment for at least a twelve (12) month period following his or her initial retirement.

If the member returns to reemployment in a regular full-time position after a three (3) month but prior to a twelve (12) month period following his or her initial retirement, then the member's retirement allowance shall be suspended until twelve (12) months following his or her initial retirement; and

4. The employer shall pay the employer normal cost contributions as specified by subsection (1)(b) of Section 18 of this Act and Section 30 of this Act, KRS 21.525, or as specified by Section 63 of this Act, on all creditable compensation or annual compensation earned by the employee during the period of regular full-time reemployment, based upon the system or plan in which the member is reemployed. The employer normal cost contributions shall be payable on the employee's behalf for the period of regular full-time reemployment and shall be used to pay down the unfunded liability of the systems or plans;

(c) If a member is receiving a retirement allowance from the State Police Retirement System or from hazardous duty retirement coverage with the Kentucky Employees Retirement System or the County Employees Retirement System or is a certified peace officer as provided in KRS 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 become 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.